

Energy Impact of Coming Eurasian Union and Relations between Russia and Turkey

Tuğçe Varol Sevim

Not so long ago Vladimir Putin declared to the world the formation of the Eurasian Union of Kazakhstan, Russia and Belarus and called all the former Soviet states to the Union. Hence, Russia officially announced a regional organization that resembles to European Union. Although Russia has Eurasian ideology and perspective, Turkey also has projections and ideological infrastructure for the initiative of Eurasia. It seems that Turkey will be in between of two regional organizations – the European Union to the west and the Eurasian Union to the east. It is well-known that Turkey is a long time candidate of the EU, yet the level of relations with the EU is in a trend of decline and relations with Russia are improving every year (including energy and trade areas of cooperation). In the near future, could Turkish foreign policy orientation shift to the Eurasian Union? Then, what will happen to Turkish and Russian cooperation on the energy issues?

Keywords: *Eurasian Union, Russian Federation, Turkey, energy, pipelines.*

Introduction

One of the Russian fundamental objectives behind the formation of the Eurasian Union is to secure and improve Russian energy strategy in terms of both oil and natural gas. Besides, Russia with Kazakhstan and Belarus announced the establishment of the Eurasian Union and called all near abroad states to join the new organization. Following that, during the negotiations between Russia and Ukraine on the issue of natural gas prices, Russia officially declared that if Ukraine joined the Eurasian Union, then they could get supplies at the domestic prices as Belarus do (this issue, however, has become irrelevant after the 2014 Ukrainian Revolution). On the one hand, Russia heads a new giant energy resource organization; Turkey is in a position of both consuming and transporting energy resources. For instance, Turkey supports the projects of Nabucco (a natural gas pipeline supported by the West), TANAP (originally an Azerbaijanian natural gas pipeline) and South Stream (the Russian project of natural gas pipeline). It seems that Turkey stands between Western, Caspian, and Russian pipeline projects including its own oil pipeline project of the Samsun-Ceyhan which is planned to carry Russian and Kazakh oil from the North to the South of the Turkey coast. In this sense, 'energy' factor will be the biggest impulse behind the Eurasian Union and during Putin's third term, the organization will be on top of the Kremlin's agenda. Therefore, as the number of players grows every year, the number of organizations grows too. At this point, the aim of this study is to analyze the energy relations between Russia and Turkey by taking into consideration the Eurasian Union and its energy impacts.

Globalistics and Globalization Studies 2014 209–222

Russian Foreign Energy Policy

Throughout history every nation tried to use its political leverage, economic relations, military capability and other available means in the most effective way to strengthen the nation's position in the international arena, and Russia is no exception. Therefore energy is the biggest tool for the Russian foreign policy. After the collapse of the USSR, although for Russia the first decade was catastrophic in terms of economics and social development, the second decade was a success for the Kremlin as a result of high incomes from energy exports. Furthermore, Russia managed to almost double its real GDP during Putin's first and second terms before the 2008 global crisis. During the global crisis of 2008–2009, Russian economy tested well, albeit economy numbers dropped in that period, and then began to improve by 3–6 per cent annually. On the other hand, compared to the economic crisis of the 1990s, Russia managed to control social stability in the country (Liuhto 2010).

Two thirds of Russia's exports consist of oil and gas and a quarter of the country's GDP is generated by the energy sector, 10 per cent by *Gazprom* alone. Approximately 40 per cent of the budget revenues originate from hydrocarbons (*Ibid.*). In 2008, Russia's oil and gas revenues were approximately 310 billion dollars – 66 per cent of Russia's total export revenues (Koyama 2009). Therefore, Russia's GDP has become increasingly dependent on oil and gas revenues (Beck *et al.* 2007). Putin's own words also underline the situation well, 'energy is, at least today, the most important motive force of world economic progress. The present and future prosperity of Russia depends directly on the place we occupy in the global energy context' (cited in Legvold 2008). Smith (2008) thinks that Putin has made it clear that Russia intends to use its energy export power to regain Russia's Cold War influence around the world, and particularly in Central Europe, the Caucasus and Central Asia.

The energy demands of the world (and competition over energy resources) grow every year. China, India, Europe, and the United States are the biggest consumers of hydrocarbon resources. It is estimated that up to 2030, these countries will require almost doubling of energy imports. Hence, Russia, Central Asia, and the Caspian region are increasingly important sources of energy for other countries, particularly in the West (Fredholm 2005). For instance, by 2030, gas imports into the EU could rise by another 200 bcm a year, from around 300 bcm today. At the same time, the most recent forecasts from the Russian experts are for an increase in gas exports of some 100 bcm per year by 2030 to all destinations, including the Asian markets (Cleutinx and Piper 2008; Helen 2010).

The Russian energy strategy aims at strengthening Russia's position in the global energy market and at maximizing the efficiency of the export possibilities of the Russian energy sector with the best prices. In order to implement this strategy, Russia uses its unique geopolitical location. In other words, the energy factor is a fundamental constituent of the Russian diplomacy (Fredholm 2005). An important aim of the Russian foreign energy policy is to establish common energy area among the CIS states. Initially, the goal is to strengthen, promote, and improve the integration of the common fuel and energy system for the benefits of its participants (*Ibid.*).

According to Kremlin, energy is a natural monopoly to be kept under state control. In order to fulfill this ambition, the Russian state works through some major companies such as *Gazprom*, *Transneft*, *UES* (Unified Energy Systems of Russia) (Fredholm 2005), and *Lukoil*. In order to increase control over oil production, the government controls Russia's oil and refined product pipelines, through the state-controlled company *Transneft*. This

monopoly gives the Russian government a leverage against Russian private companies, foreign investors and foreign countries, if needed (Woehrel 2009). Russian energy diplomacy is becoming increasingly active as the Russian government and Russian companies are seeking to alter the basis of existing relationships and develop new relationships on the basis of protecting relatively vaguely defined Russian national interests (Monaghan 2007).

In prevailing conditions, with the Caspian states becoming increasingly dependent on foreign capital, particularly American capital, and Russia's own financial means remaining limited, Russian goals have been threefold: first, to insist on the priority use by these states of the export infrastructure that Russia already has in place; second, to promote Russian oil and gas companies and help them to obtain the maximum shares possible in available projects; and third, to try to use a variety of instruments to block projects that do not promote Russia's perceived interests (Allison 2004). The strategic goals of Russia's foreign energy policy described below are based on two assumptions: 1) Russia's inherited desire to regain leverage in the post-Soviet space in order to become a great power; and 2) a possible rise of Russia's neighbor, China, into the world's leading economic power in the forthcoming decades (Liuhto 2010).

Dmitri Trenin (2008) asks the question, 'Should one worry about Russia as an energy superpower?' and gives the negative answer because according to Trenin, Russia's energy policy is much more about seeking profits than about establishing political domination. Furthermore, Saunders (2008) claims that Russia's energy wealth and power will encourage broader assertiveness in Moscow's foreign policy to the detriment of U.S. and European interests. Another argument is that the contemporary Russian energy policy is no longer a choice between staying West or going East; a combination of (geo)-political-economic considerations has resulted in a multidimensional policy (Shadrina 2010). Regionally, Russia seeks to move from 'good-neighborly' to 'friendly' relations with the former Soviet republics, and then to 'strategic partnerships and alliances' with those who wish it (Petro 2011). A decade ago Hill (2002) advocated the idea of Russia as an emerging energy power and even an energy superpower in the next 20 years. With the third Presidential term of Putin, Russia entered the second decade of Hill's perception.

Custom Union and Expansion of Eurasian Union

The Economic Union Treaty was signed in 1993 to encourage economic integration among the members (Obydenkova 2011) and the Customs Union initiative started in 1994 that would entail free trade between Russia, Kazakhstan, Belarus, and Kyrgyzstan, with Tajikistan joining in 1999 (Sakwa 2008). According to the first agreement signed between the parties, an economic union would be established following the formation of a multilateral free trade association, a customs union, a common market and a currency union (Shadikhodjaev 2009). Moreover, in 1999 five countries agreed on the Treaty of the Customs Union and Single Economic Space. When Vladimir Putin came to power, he initiated the idea of a new economic structure, which is called EurAsEC created by the five CIS Customs Union members in October 2000, and went into effect in April 2001 (Nygren 2008). The Customs Union of the Republic of Belarus, the Russian Federation and the Republic of Kazakhstan is an integrated customs area that forms a part of the Eurasian Economic Community and came into effect on January 1, 2010. It has a population of more than 165 million, a total GDP of \$2 trillion and a goods turnover of \$900 billion (Krotov 2012). Custom barriers were lifted for cross-border trade among the three states in

July 2011. Since January 2012, the Customs Union turned into a Common Economic Space in which questions over the rules on competition, transportation, agricultural subsidies and visa and migration policy started to be jointly regulated by the member states (Halbach 2012).

In terms of the energy relations between Russia and Belarus, Russia is the main hydrocarbon supplier of Minsk, while Belarus is one of the transit states of Russian hydrocarbon supplies. Many years, Russia actually supplied natural gas to Belarus at lower prices which helped the Belarus leader to keep his popularity and a reasonable standard of living. In other words, gas from Russia is not only vital for country's economic growth but also for political stability (Bruce 2005). While a share of Russian gas in energy consumption of Belarus economy is about 75–80 per cent, Belarus has a capacity of 13–15 per cent to fulfill its energy need by its own reserves (Manenok 2010). And Belarus transits of Russian oil and gas supply to Europe amount about 20 per cent and constitute 30 per cent of all the transits respectively. Due to Gazprom's ambition to buy the Belarus gas distribution company Beltransgaz, Russia attempted to buy assets of Beltransgaz in September 1993. The Russian side offered to double its gas deliveries to Belarus by 2000 and in return transfer Beltransgaz to Gazprom control for 99 years (Bruce 2005). Although the agreement was signed between Beltransgaz and Gazprom, the agreement was not ratified by the Belarusian parliament. Afterwards, as a result of the swelling debt of Minsk, Gazprom increased pressure on Belarus to pay its overdue payments that Belarus refused to pay. Therefore, Russia reduced gas supplies to Belarus twice (1997 and 1998) and demanded cash payment instead of barter (Götz 2007). Lukashenko refused to privatize Beltransgaz, because he was heavily dependent on profits from the gas sector for his political livelihood (Zaitseva 2005).

During Putin's second term, at the end of March 2006, right after the presidential elections that confirmed Lukashenko in office for another 5 years, Gazprom announced that it would raise the gas prices starting from 2007 according to the market prices (PONTIS 2007). At the first stage of the negotiations, Gazprom claimed that Belarus should pay \$200, but then lowered the price down to around \$100. Still, Belarus insisted that this would be a violation of the Customs Union Agreement, according to which Belarus should receive gas at Russian domestic prices (Yafimava and Stern 2007). Finally Belarus agreed to pay US\$ 100 in 2007 that doubles the previous price.

Table 1. Gas prices paid by Ukraine, Moldova and Belarus in 2006–2007 (in \$/tcm) (Gromadzki and Kononczuk 2007)

	2005	2006	2007
Ukraine	50	95	130
Moldova	80	110–160	170
Belarus	47	47	100

Additionally, Belarus received stabilization loans amounting to US\$ 1.5 billion from Russia to offset increased energy costs (Dura 2008). Another crisis between Russia and Belarus in June 2010 once again revealed the subject of the debt payments (Yafimava 2010). Finally, in July 2010, Beltransgaz and Gazprom agreed on the prices and payment schedules. While stepping towards the integration with Russia and Kazakhstan, Minsk began to get rewards from Moscow. For instance, in the middle of 2011, it was announced that Bel-

arus would get \$3–3.5 billion from the EurAsEC anti-crisis fund.¹ Moreover at the end of 2011, Belarus and Russia agreed on 2012–2014 gas contracts. According to the new contract, Belarus will pay \$164 per 1000 cubic meter for Russian gas in the first quarter of 2012 compared with an average price of \$400 paid by European countries. The deal also included the increase of Gazprom's stake in Beltransgaz from 50 to 100 per cent. As a result, Belarus won the cheap price for its budget and gave up its income from Belarus gas market.²

Kazakhstan is a landlocked country and has common borders with Russia, China, Uzbekistan, Kyrgyzstan, and Turkmenistan. At the beginning of its independence, Kazakhstan declared 'multivectoral' foreign policy, which means a willingness to develop and improve strategic, diplomatic and economic relations with major geopolitical powers, namely China, Russia, the United States, and Europe. However, multivectoral foreign policy of Kazakhstan turned into 'bilateralism' as seen in the process of proximity between Russia and Kazakhstan in recent years (Wood 2008). Since independence Russia has remained Kazakhstan's most important economic partner, especially for Kazakh energy export, which is still heavily dependent on Russian controlled pipelines constructed during the Soviet period (Weitz 2008). In 2005, the President of Kazakhstan Nursultan Nazarbayev outlined his foreign policy priority in the following way: '...we have a choice between remaining the supplier of raw materials to the global markets and waiting patiently for the emergence of the next imperial master or to pursue genuine economic integration of the Central Asia region. I choose the latter' (Blank 2005). Few years later, during the Second Astana Forum in March 2009, Nazarbayev said that the integration process should continue under the aegis of the Customs Union (Vinokurov 2010).

Kazakhstan has the Caspian Sea region's largest recoverable crude oil reserves and its production reached to 81.6 m/t in 2010 (BP 2011). Kazakhstan's growing petroleum industry accounts for roughly 30 per cent of the country's GDP and over half of its export revenues (Barry 2009). Although Kazakhstan consumes slightly more than it produces, domestic consumption has been increasing at 9.5 per cent per year in the last decade compared with production growth of 22 per cent per year. Natural gas production of Kazakhstan was 33.5 bcm in 2010 and almost 12 bcm was exported to Russia (BP 2011). According to EIA, Kazakhstan is shifting from being a net natural gas importer to becoming a net exporter within the next few years (EIA 2009). KazRosGaz will actually determine the energy relations between Russia and Kazakhstan. Gazprom and KazMunaiGaz formed KazRosGaz joint venture in June 2002 aiming to buy and sell gas and process it at Russia's gas treatment facilities. As a result of the process of the Customs Union, Kazakhstan expects large Russian investments into Kazakh gas fields and an increase in gas production. For that reason, Russia and Kazakhstan signed an intergovernmental agreement on the joint geological survey and exploration of the Imoslevsky gas condensate field.³

In terms of political expansion, the Eurasian Union will increase Russia's weight in the world political arena in order to become a superpower again or at least manage to voice multipolar system. In this respect, according to Putin's first proposal, target countries are

¹ Ria Novosti. Belarus to Get \$3 bln loan from EurAsEC – Premier. May 19, 2011. URL: <http://en.rian.ru/business/20110519/164117956.html>.

² Ria Novosti. Lukashenko Says Beltransgaz Sale to Gazprom 'Very Profitable'. December 23, 2011. URL: <http://en.rian.ru/world/20111223/170444388.html>.

³ Gazeta.Kz. Gazprom Increases Gas Exports to Kazakhstan by 10% in 2011. January 19, 2012. URL: <http://engarticles.gazeta.kz/art.asp?aid=356030>.

Kyrgyzstan and Tajikistan which are small and economically weak countries of the CIS. Esengul (2012) thinks that they will support the scheme not only because their societies are loyal toward Russia and Russians, but also because their economy and security depend on Russia. It is no secret, that the EurAsEC will be the economic pillar of the Eurasian Union. For that reason, it was announced that the preparations to sign the agreement on the Eurasian Economic Union, composed of Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, must be completed by January 1, 2013.⁴ In other words, economic cooperation between the post-Soviet states has started to gain momentum, although in different forms and in varying combinations of its participants. Within this context, the intention of Russia, Kazakhstan and Belarus to move to the next stage of economic integration and to establish a full-scale economic union by 2015 constitutes an important part of this process (Chufrin 2012).

In this context, Ukraine, Moldova, Azerbaijan, Armenia, Turkmenistan, Uzbekistan, and Georgia will be the target countries for the second wave of expansion of the Russian influence. Although it is known that most of the CIS countries have certain limits of interest to become a member of the Eurasian (Economic) Union (Hoffmann 2012), Ukraine is a significant target country for Russia. In the Ukrainian case, Russia employs the gas prices in order to convince Kiev to become a member of the Customs Union. While Ukraine complains about high gas prices, Russia responds that, 'if you become a member of the Customs Union like Belarus, you can get natural gas at the domestic prices' (Olearchyk 2011). Gas prices are significant for Ukrainian problematic economy and before the 2014 Revolution Ukraine even considered joining the Eurasian Economic Union rather than the Eurasian Union (in a short term this resembles the Turkish case in the European Union at some points).

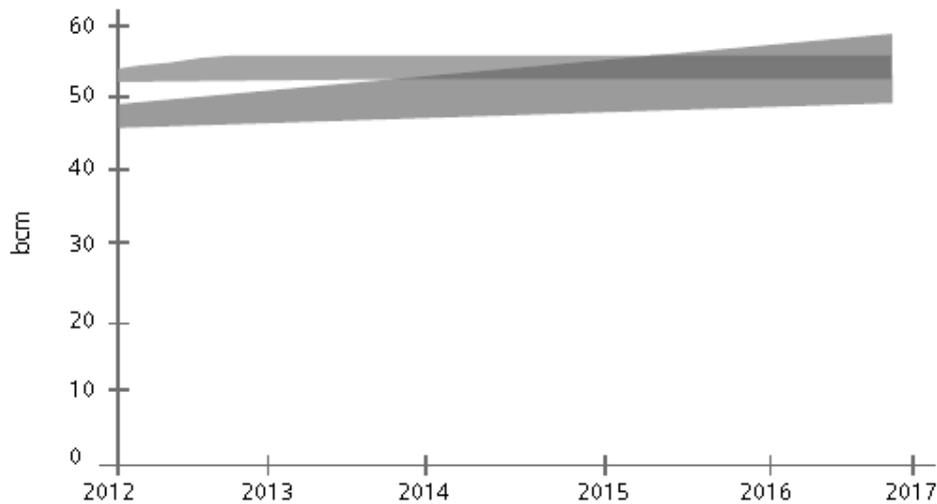
On the other hand, Uzbekistan and Turkmenistan do not display an interest in the idea of the Eurasian Union. The President of Uzbekistan Karimov has stated that Moscow's strategies of integration represent no more than a return to a disguised Russian imperialism and that his country had no need for integration with 'a political flavor' (Laurelle 2012). Turkmenistan also aims to be the Switzerland of Central Asia and attempts to stay away from a regional organization that required strict loyalty. And Azerbaijan is the only country that has access to western markets and that has broken the monopoly of Russian pipeline system. Therefore, it is likely that Azerbaijan will resist the political expansion of the Eurasian Union. Nevertheless, Armenia, Moldova, South Ossetia and Abkhazia are the weakest links of the CIS region. South Ossetia and Abkhazia might consider joining such an organization in order to gain international recognition that would divide Georgia and redraw the Caucasian map. Moreover, Armenia is highly dependent on Russian energy resources and geographically isolated. Instead, Russia might be unwilling to disrupt Azerbaijan-Russian relations with the early membership of Armenia. And finally Moldova (that is an important country for the transmission of Russian energy supplies) has domestic problems with its Transnistria region. If Moldova resists Russian foreign policy or energy policy interests, the Kremlin might provoke Transnistria to join the Customs Union or the Eurasian Union afterwards. Still, the range of expansion is not clear, because so far there are no criteria or obligations for membership modified by the founders of the Customs Union. Most probably, President Putin will determine expansion according to the Russian national interests.

⁴ Ria Novosti. Putin Says Deal on Eurasian Economic Union Must be Ready by 2013. May 19, 2011. URL: <http://en.rian.ru/russia/20110519/164123753.html>.

Russia-Turkey Energy Relations

After the end of the Cold War, Turkey has improved its geopolitical importance in terms of energy politics as a result of new pipelines either constructed for Turkish demand or passing through Turkish lands to reach world markets (Tekin and Walterova 2007). Therefore, particularly after the construction of the Blue Stream natural gas pipeline, Turkish demand for natural gas increased, and as a result Turkish economy revealed as a consumer, transporter and producer in terms of hydrocarbon supplies. According to the EIA results, Turkey is one of the fastest growing energy economies of the world and it is expected by the Turkish Ministry of Energy and Natural Resources that energy demand of Turkey will double in 15 years (Turkish Ministry of Foreign Affairs 2009: 1). The latest Deloitte report about the Turkish natural gas market (published in March 2012) also marks the urgent need of gas for Turkey's economy in short term due to the Turkish economic growth.

Graph 1. Demand and Supply Projection of Turkey (Deloitte 2012)



Although Turkey is highly dependent on energy exports, it is also considered as a 'natural bridge' between Central Asia, the Caucasus and Europe. For instance, concerning the oil transportation, according to the Turkish Ministry of Foreign Affairs, 3.7 per cent of the world's daily oil consumption is shipped through the Turkish straits (Baykal 2009). According to the Turkish Energy Strategy Paper 2012–2013 published by Turkish Ministry of Energy, the Turkey aims at accomplishing several objectives which are boasting supply security and Turkey's influence in regional and global energy markets, protecting the environment, making greater use of domestic resources and restructuring the legal-institutional infrastructure of the national energy market (Kardas 2010). In terms of energy politics, the Russian Federation is Turkey's main partner for many years, because Turkey is dependent not only on Russian natural gas for about 50 per cent, but also on Russian oil for about 35 per cent. Other than that Turkey is part of the gas pipeline projects aimed at bypassing the Russian monopoly pipeline system in order to reach the Caspian or Middle East reserves. Besides, Turkey has its own oil pipeline project aimed at transporting Russian and Kazakh oil from the Black Sea Coast to the Mediterranean Coast of Turkey.

Table 2. Oil and Natural Gas Pipeline Projects Related to Turkey (Sevim Varol 2011)

Project	Type	Measure/annually	Countries	Route	Estimated Date	Cost
South Stream	Natural Gas	63 bcm	Gazprom-Russia, ENI-Italy	Total route is 2.000 km including 900 km subsea route of Black Sea. Bulgaria, Serbia, Hungary and Austria, Slovenia, Italy	2015	€12.8 billion
Nabucco	Natural Gas	31 bcm	BEH-Bulgaria, BOTAS-Turkey, MOL-Hungary, OMV-Austria, RWE-Germany, Transgaz-Romania	Total is 3.300. After passing through Turkey enters orderly Bulgaria, Romania, Hungary and Austria.	2018	€7.9 billion
TANAP	Natural Gas	16–24 bcm	Azerbaijan, Turkey	Total route 2.000 km	2017	€5–8 billion
Burgas-Alexandroupolis	Oil	35–50 m/t	Russia, Bulgaria, Greece	280 km	2014–2015	€1 billion
Samsun-Ceyhan	Oil	50–70 m/t 25–30 m/t	Russia, Turkey	Pipeline will reach Ceyhan port in Mediterranean coast of Turkey after passing through the Black Sea and enters from Samsun port.	2015	US\$ 5.6 billion

At the end of 2011, there were two developments regarding Russia-Turkey energy relations. First, Turkey and Azerbaijan signed a new agreement on the natural gas pipeline TANAP whose capacity will be 16–24 bcm. By signing that deal both Turkish and Azeri sides suspended the Nabucco pipeline project and structured a new rival project against Russia's South Stream gas pipeline. Western countries support Turkey as an alternative route from the Caspian Sea to create competition to Gazprom and Russia. Furthermore, some Caspian producers also perceive Turkey as a better transit country for their exports. This fuels the rivalry between Russia and Turkey in the energy field and forces Russia to take into consideration the importance of Turkey in the geopolitics of the region (Tekin and Walterova 2007). Secondly, few days after the signature of TANAP, Turkey confirmed the official permission for the construction of South Stream pipeline project. Not long ago Nabucco and South Stream seemed to rival to each other. According to some Western and Russian analysts, now TANAP and South Stream seem to be new competitors for the European energy market and Turkey is in the middle of this competition. With the advent of TANAP project there had been raised questions, especially in the West,

about the possibility of implementation of the Nabucco project. The answer was found when Nabucco Company announced that it had changed its name to Nabucco West that would bring Caspian gas from the Bulgarian-Turkish border to Baumgarten and beyond.⁵ Although its name is still 'Nabucco', one thing is certain, and it is that Turkey is out of Nabucco. Furthermore, in the middle of 2013, the Nabucco Company was abolished and withdrew from the energy game.

Another important aspect of Russian-Turkish energy relations is the Samsun-Ceyhan oil pipeline planned to carry crude oil between the Black Sea oil terminal in Samsun and Mediterranean oil terminal in Ceyhan/Turkey. The 550-km pipeline has a normal capacity of 1.5 mil/bbl/d (Popovici 2009). The aim of this project is to provide an alternative route for Russian and Kazakh oil and also ease the traffic burden of the Bosphorus and the Dardanelles. It is expected that the Russian oil production will reach 11.5 m/bbl per day by 2030, regarding that the Russian consumption anticipated to grow more slowly than production, export capacity would eventually increase (Roberts 2007). At this point, how will these oil output reach markets, regarding that the Turkish straits are limited? It is well known that the Kremlin supported the idea of the Burgas-Alexandroupolis Pipeline (BAP) to bypass the Turkish straits, then how Russian energy strategy changed towards to dependence on Turkish lands for the Russian oil export instead of the BAP option? In this context, Russia chose to support the Samsun-Ceyhan pipeline project in exchange for the Turkish support of South Stream. It is a geopolitical opportunity to accomplish a historical project for the Turkish foreign policy and economy. During St. Petersburg Economic Forum in June 2011, the Russian deputy Energy Minister told that Russia remained committed to the BAP; and then Energy Minister Sergei Shmatko stated that 'today within the sidelines of the talks we are holding, there is no chance for development on the project. Being aware about the position of the current Bulgarian government we do not expect any progress' (Kennedy 2011). However, it is clear that the BAP is still on the agenda of the Russian administration, because Russia has reiterated its determination to construct the Burgas-Alexandroupolis oil pipeline and reduce the price tag of the project, following Bulgaria's withdrawal (Balkans 2012).

No doubt that the Russian main target is to accomplish the South Stream gas pipeline project and avoid or at least suspend other rival projects. Thus, Russia will increase its dominant status over the European gas market and guarantee its energy export income, which is vital for its energy export-oriented economy. In order to achieve this goal, Russia must guarantee to purchase Central Asian gas import to Gazprom due to reason that Russian own natural gas production capacity is not sufficient to fulfill its export requirements. At first stage, Russia will expand the Customs Union by the membership of Kyrgyzstan and Tajikistan and will pressure Uzbekistan to join the Union. Under these circumstances, Russia will increase its great power status in the region and will keep foreign energy policies of Uzbekistan and Turkmenistan harmonious to Russian national interests. At the second stage, Russia shall effort to guarantee gas market of Europe by increasing its market representation in the energy sector of Europe. For instance, Gazprom announced its intention to purchase Greece's DEPA (the state owned gas company) in 2012 (Bouras 2012). Moreover, Bulgaria is also highly dependent on Russian energy resources that withdrew from the BAP, but not from South Stream. Hence, Russia tried to avoid or suspend TANAP's efforts to reach South European markets before South Stream by increasing its

⁵ See <http://www.nabucco-pipeline.com/portal/page/portal/en>.

market representation and decision-making role in the region. And if TANAP would not find a market to sell its gas until 2017, Azerbaijan might consider selling its whole surplus gas to Russian Gazprom instead of Europe (UPI 2012). As a result, Russia forced Azerbaijan to choose the Trans-Adriatic Pipeline (TAP) in Southern Europe and leave Central Europe gas market to Gazprom. In 2013, Azerbaijan declared that consortium members had selected the TAP for TANAP and had suspended the TANAP-South Stream pipeline rivalry for a while. In order to guarantee South Stream gas supply, Russia will definitely need Central Asian gas resources in the near future. Therefore, it is expected that Russia will employ Central Asian gas (prospect Eurasian Union members) to surround Europe and Turkey and will try to control Azerbaijan gas routes.

The creation of the Eurasian Union will form a giant 'Energy Union' in the north and east of Turkey with the advantages of determining routes and prices as well. First of all, Turkey is highly dependent on export of oil and natural gas and pays high bills every year from its budget. The main aim of Turkey (and the European countries as well) is to provide reliable and cheap energy resources. However, the advent of such a union will provide a great advantage to the Kremlin in order to determine prices and impose foreign policy actions. The main question is whether Russia will offer Turkey to become a member of the Customs Union and receive cheap gas on terms of Turkish withdrawal from the European Customs Union. It is not so easy to answer it but it is worth considering. Europe is a significant export and import market for the Turkish economy; however the latter needs much more gas with its current economic growth rates that means high natural gas bills annually. In addition, Russia and vast Eurasia promises a new market for the Turkish economy. It is possible that as long as Turkish membership of the European Union is delayed, Turkey will be much more close to Russia and Eurasia. The fact that Turkey was accepted as a 'dialog partner' into the Shanghai Cooperation Organization well exemplifies this proximity approach.

Conclusion

Since the formation of the Russian Federation from the heritages of the Soviet Union, energy resources turned out to be the main pillars of the Russia foreign policy due to energy export income for the budget. Therefore, in order to sustain its dominance over energy pipelines, Russia focused on keeping its 'Near Abroad' close to Russian politics by means of new regional organizations. The Eurasian Union is the latest version of a regional organization in this part of the world that has the capacity to accelerate the energy groupings as well. One of the main questions is whether Russia aims at creating a respective energy grouping. In this sense, evidence of many centuries demonstrates that Russia cannot survive without creating an influence area. But this time, Russia looks for creating economic and diplomatic dependency of the 'Near Abroad' states on Moscow, instead of sending troops to these regions.

Inherently, Russia aims at strengthening, promoting and improving the integration of common energy system by signing long-term supply contracts, exploration and production contracts and buying assets of energy companies of these countries. Within such a scenario, Russia would probably reveal itself as an energy superpower of the world which is capable of influencing both Asia and Europe through the ways of pipelines. In this context, Turkey will definitely be affected by the developments of the Eurasian Union in the region. Integration of Belarus and Kazakhstan with Russia under the umbrella of the Customs Union and its growing influence area is significant for the Turkish foreign policy,

because Turkey is highly dependent on Russian hydrocarbon reserves and pays considerable prices every year. Moreover, according to some reports, Turkey's natural gas and oil consumption will grow, yet Ankara could not manage to sign a supply contract in order to satisfy short-term requirements. Due to the geographic location of Turkey, the list of oil and natural supplier countries is restricted to a few countries such as Azerbaijan, Iran and Iraq. As long as Russia has a significant role in Turkish energy requirements, Turkey should accurately observe the evaluation of the Eurasian Union.

The period of 2012–2013 was a time of competition between South Stream and TANAP natural gas pipelines and between Samsun-Ceyhan and Burgas-Alexandroupolis oil pipelines. However, the rivalry between these two pipelines was not terminated. As, on the one hand, Turkey is highly dependent on Russian energy supply and wants to construct a new oil pipeline that would tighten energy relations between Russia and Kazakhstan. And, on the other hand, Turkey wants to establish the TANAP gas pipeline with Azerbaijan that would diminish the importance of South Stream and prevent the expansion of the Eurasian Union to the Caspian region. It seems like a chess game that both Ankara and Moscow should play inevitably. It is expected that Russian and Turkish energy cooperation in the region will continue, because it is too risky for Turkey to stand as a challenger against the Russian energy projects.

References

- Allison, R. 2004.** Strategic Reassertion in Russia's Central Asia Policy. *International Affairs* 80(2): 277–293.
- Baykal, A. 2009.** Turkey's Energy Politics. House of Commons Library, SN/IA/5301, International Affairs and Defense Section.
- Balkans 2012.** Russia will Insist on Executing the Burgas-Alexandroupolis Project Given Minimization of Costs on It. *Balkans Business News Correspondent* 28 March. URL: <http://www.balkans.com/open-news.php?uniqueNumber=140386>.
- Barry, M. P. 2009.** Foreign Direct Investment in Central Asian Energy: A CGE Model. *Eurasian Journal of Business and Economics* 2(3): 35–54.
- Beck, R., Kamps, A., and Mileva, E. 2007.** *Long Term Growth Prospects for the Russian Economy*. European Central Bank. Occasional Paper. 5. March.
- Blank, S. 2005.** China, Kazakh Energy, and Russia: An Unlikely Menage a Trois. *The China and Eurasia Forum Quarterly* 3(3): 99–109.
- Bouras, S. 2012.** Greece Natural Gas Shale Gets Interest. *Dow Jones Newswires* 27 March. URL: http://www.rigzone.com/news/article.asp?a_id=116430.
- BP 2011.** Statistical Review of World Energy. URL: http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2011/STAGING/local_assets/pdf/statistical_review_of_world_energy_full_report_2011.pdf.
- Bruce, C. 2005.** *Friction or Fiction? The Gas Factor in Russian-Belorussian Relations*. Russian and Eurasian Programme. London: Chatham House.
- Chufrin, G. 2012.** A Difficult Road to Eurasian Economic Integration. *Russian Analytical Digest* 112.
- Cleutinx, C., and Piper, J. 2008.** The EU-Russia Energy Dialogue. In Barysch, K. (ed.), *Pipelines, Politics and Power, the Future of EU-Russia Energy Relations* (pp. 25–33). London: Centre for European Reform.

- Deloitte 2012.** *Türkiye doğal gaz piyasası – Beklentiler, gelişmeler 2012*. March. URL: http://www.deloitte.com/assets/Dcom-Turkey/Local%20Assets/Documents/turkey_tr_enerji_dogalgaz_200312.pdf
- Dura, G. 2008.** The Eurasian Union's Limited Response to Belarus. Pseudo New Foreign Policy. *CEPS Policy Briefs* 151.
- EIA – Energy Information Administration 2009.** Kazakhstan: Country Analysis Briefs. November. URL : <http://www.eia.doe.gov/cabs/Kazakhstan/pdf.pdf>.
- Esengul, C. 2012.** Does the Eurasian Union Have a Future? ADBI Institute. March 27. URL: <http://www.asiapathways-adbi.org/2012/03/does-the-urasian-union-have-a-future/>.
- Fredholm, M. 2005.** *The Russian Energy Strategy and Energy Policy: Pipeline Diplomacy or Mutual Dependence?* Conflict Studies Research Centre. Russian Series 05/41. Watchfield: Defence Academy of the United Kingdom.
- Götz, R. 2007.** Ukraine and Belarus: Their Energy Dependence on Russia and Their Roles as Transit Countries. In Hamilton, D., and Mangott, G. (eds.), *The New Eastern Europe: Ukraine, Belarus, Moldova*. Center for Transatlantic Relations (pp. 149–167). Washington, D.C.: Austrian Institute of International Affairs.
- Gromadzki, G., and Kononczuk, W. 2007.** *Energy Game: Ukraine, Moldova and Belarus between the EU and Russia*. Warsaw: Stefan Batory Foundation.
- Halbach, U. 2012.** Vladimir Putin's Eurasian Union. *SWP Comment* January. URL: http://www.swp-berlin.org/fileadmin/contents/products/comments/2012C01_hlb.pdf.
- Helen, H. 2010.** The Eurasian Union's Energy Security Dilemma with Russia. *POLIS Journal* 4. Winter.
- Hill, F. 2002.** Russia: the 21st Century's Energy Superpower? *The Brookings Institution*. Spring. URL: <http://www.brookings.edu/research/articles/2002/03/spring-russia-hill>.
- Hoffmann, K. 2012.** Eurasian Union – A New Name for an Old Integration Idea. *Russian Analytical Digest* 112: 2–4
- Kardaş, Ş. 2010.** Turkey Unleashes New Energy Strategy Plan. *Eurasia Daily Monitor* 7(83).
- Kennedy, Ch. 2011.** Russia Remains Committed to Burgas-Alexandroupolis Oil Pipeline. *OilPrice.com*. 18 June. URL: <http://oilprice.com/Latest-Energy-News/World-News/Russia-Remains-Committed-to-Burgas-Alexandroupolis-Oil-Pipeline.html>.
- Koyama, K. 2009.** Energy Geopolitics of Russia and the Global Energy Security. *IEEJ* July.
- Krotov, I. 2012.** Customs Union between the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation within the Framework of the Eurasian Economic Community. *World Customs Journal* 5(2): 129–138.
- Laurelle, M. 2012.** Near Abroad Looks at Russia: The Eurasian Union Project as Seen from the Southern Republics. *Russian Analytical Digest* 112.
- Legvold, R. 2008.** Russia's Strategic Vision and the Role of the Energy. NBR Analysis. *Russian Energy Policy and Strategy* 1(2): 9–21.
- Liuhto, K. 2010.** Energy in Russia's Foreign Policy. *Electronic Publications of Pan-European Institute* 10.
- Manenok, T. 2010.** *Belarus-Russia: Dependency or Addiction?* Warsaw: Heinrich Böll Stiftung. URL: <http://www.pl.boell.org/web/104-789.html>.
- Monaghan, A. 2007.** Russia's Energy Diplomacy: A Political Idea Lacking a Strategy? *South-east European and Black Sea Studies* 7(2): 275–288.

- Nygren, B. 2008.** *The Rebuilding of Greater Russia: Putin's Foreign Policy towards the CIS Countries*. London – New York: Routledge.
- Obydenkova, A. 2011.** Comparative Regionalism: Eurasian Cooperation and European Integration. The Case for Neofunctionalism. *Journal of Eurasian Studies* 2: 87–102.
- Olearchyk, R. 2011.** Moscow Lures Ukraine with Cheap Gas. *Kyiv Post* 7 April. URL: <http://www.kyivpost.com/news/ukraine/detail/101820/>.
- Petro, N. N. 2011.** Russian Foreign Policy, 2000–2011: From Nation-State to Global Risk Sharing. PECOB's Paper Series 12. June. Bologna: Portal on Central Eastern and Balkan Europe.
- PONTIS Foundation 2007.** Belarus and Russia: Friends Forever...? Center for Political Education. URL: <http://pdc.ceu.hu/archive/00003083/>.
- Popovici, V. 2009.** Black Sea Region Stands at Energy Crossroads. *Oil and Gas Journal* 107(45): 56–60.
- Roberts, J. 2007.** Energy Cooperation among the BSEC Member States – Towards an Energy Strategy for the BSEC. *ICBSS*. Athens, October.
- Sakwa, R. 2008.** *Russian Politics and Society*. London – New York: Routledge.
- Saunders, P. J. 2008.** *Russian Energy and European Security: A Transatlantic Dialogue*. Washington, D.C.: The Nixon Centre.
- Shadikhodjaev, S. 2009.** Trade Integration in the CIS Region: A Thorny Path towards a Customs Union. *Journal of Economic Law* 12(3): 555–578.
- Shadrina, E. 2010.** Russia's Foreign Energy Policy: Norms, Ideas and Driving Dynamics. *Electronic Publications of Pan-European Institute* 18.
- Smith, K. C. 2008.** Russian Energy Policy and Its Challenge to Western Policy Makers. *CSIS Commentary*. March. URL: <http://csis.org/publication/russian-energy-policy-and-its-challenge-western-policymakers>.
- Tekin, A., and Walterova, I. 2007.** Turkey's Geopolitical Role: The Energy Angle. *Middle East Policy* XIV(1): 84–94.
- Trenin, D. 2008.** Energy Geopolitics in Russia-EU Relations. In Barysch, K. (Ed.), *Pipelines, Politics and Power, the Future of EU-Russia Energy Relations* (pp. 15–24). London: Centre for European Reform.
- Turkish Ministry of Foreign Affairs 2009.** Turkey's Energy Security Strategy. URL: [http://www.mfa.gov.tr/data/DISPOLITIKA/EnerjiPolitikasi/Turkey's%20Energy.%20Strategy%20\(Ocak%202009\).pdf](http://www.mfa.gov.tr/data/DISPOLITIKA/EnerjiPolitikasi/Turkey's%20Energy.%20Strategy%20(Ocak%202009).pdf).
- UPI 2012.** Russia to Double Azerbaijan Gas Imports. 25 January. URL: http://www.upi.com/Business_News/Energy-Resources/2012/01/25/Russia-to-double-Azerbaijan-gas-imports/UPI-40841327491000/.
- Varol Sevim, T. 2011.** Turkey's Energy Strategy and Latest Developments in the Context of the '4 Sisters' Pipeline Projects. *WISC* August.
- Vinokurov, E. 2010.** *The Evolution of Kazakhstan's Position on Relations with Russia in 1991–2010*. MPRA Paper No. 22187. March. URL: <http://mpra.ub.uni-muenchen.de/22187>.
- Weitz, R. 2008.** *Kazakhstan and the New International Politics of Eurasia*. Silk Road Paper. July. Washington, DC: Central Asia-Caucasus Institute & Silk Road Studies Program.
- Woehrel, S. 2009.** Russian Energy Policy toward Neighboring Countries. CRS. RL34261, September 2. Washington, D.C.: Congressional Research Service.

- Wood, T. 2008.** *Failed Multilateralism or Emerging Bilateralism in Central Asia?* Panel paper presented at the International Studies Association (ISA) Annual Conference, San Francisco, March 2008.
- Yafimava, K. 2010.** *The June 2010 Russian-Belarusian Gas Transit Dispute: A Surprise That Was to Be Expected.* NG43. Oxford: The Oxford Institute for Energy Studies.
- Yafimava, K., and Stern, J. 2007.** *The 2007 Russia-Belarus Gas Agreement.* Oxford: Oxford Energy Institute for Energy Studies.
- Zaitseva, M. N. 2005.** *The Perils of Dependency: An Examination of Russia's Use of Energy Leverage with Selected Former Soviet States.* International Studies Association Annual Meeting. Hawaii. March.