Normative Power Europe in Energy Trade Relations

Exploring Normative Considerations in the Formulation of Energy Trade Relations with Russia, Algeria and Azerbaijan

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Table of Contents

Introduction

Undoubtedly, the existence and increasing presence of the European Union as an actor on the world stage has changed the way we think about International Relations (IR). No longer are the most important global protagonists sovereign nation-states, but instead, scholars have been increasingly confronted with several different kinds of actors. The EU, as the most far reaching form of international cooperation, has been and still is the result of an integration process between sovereign nation states, whose scale and impact has been unmatched until today.[1]

However, the EU form of 'agency' can be hard to measure, because its competences are not all-encompassing and exclusive, but confined to the willingness of its member states to integrate and attribute these competences to the EU level. Over the years, the EU has developed as an economic power, but its competences remain very limited in the field of security and defence, for example. Furthermore, the internal functioning of the EU and how it acts on the world stage are two different things. The EU's members still have their own role to play in the global arena, and this role can differ greatly per member state.[2]

Even though the agency of the EU is hard to qualify, the international role of the EU has been evaluated by many scholars from around the world. In order to evaluate the EU's power, its collective identity and its ability to formulate foreign policy must be evaluated.[3] Since European integration in the security and defence field is relatively underdeveloped, and for the largest part remains a national affair, we can conclude that in the words of Joseph Nye, the EU is not a traditional, military 'hard' power. The EU is very successful economically, which leads scholars to believe that the EU possesses the power of persuasion, and is therefore a 'soft' power.[4]

While the distinction between hard and soft power is relatively clear cut, it is hard to define the exact nature of European power in global affairs. In 2002 Ian Manners launched his theory on the conceptualization of European power. He argued for the concept of the EU as a normative power: a norm driven actor with the power to influence the world by the promotion of its norms, goals and standards.[5] The concept and validity of Normative Power Europe (NPE) has been debated frequently, and numerous scholars have written about its role and

[1] H. Waele and J. Kuipers (2013)
[2] Ibid.
[3] Ibid.
[4] J. Nye (2004)
[5] I. Manners (2002)

considerations in the formulation of several EU policies, such as human rights or climate and sustainability.[6] Energy policy however, and energy trading in oil and gas specifically, has not been evaluated often in this light. In IR, only a handful of scholars have attempted to define the EU's 'agency' and 'governance' in energy.[7] Traditionally seen as a 'hard power' arena, in which nation states compete for natural resources, NPE does not seem to directly apply to this. However, as thinking about power and agency has changed since the inception of the EU, so have other views and perspectives been introduced to the literature on energy policy. [8]

Perspectives on power and IR in energy policy can vary, but it remains undeniable that the EU is heavily dependent on energy imports from countries with authoritarian regimes, in which the state plays a considerable role in the economy.[9] Diversification of energy supplies is one of the central goals of the EUs Energy Security Strategy, but the EU will remain dependent on others for over half of its total energy supply, at least for the coming decades.[10] There are some scholars that have attempted to view energy from a normative perspective. Voloshin, who looked at NPE in Central Asia, stated that even a traditional hard power playing field such as energy, NPE can have an influence, as long as norms and values are involved.[11] Locatelli examined the gas trading relationship with Russia, and used legal and economic analysis to determine what the 'EU model' of norms and values is, and whether the internal market built on this model could be compatible with the Russian institutional environment.[12] Other than these two scholars, who examine the application and validity of NPE on a specific region or market, this study aims to provide a comparative analysis of normative policy formation across different regions.

Essentially, as a normative power, the EU is caught between the desire to spread its norms and values, and the need to secure its energy supply. This could have consequences for how the EU formulates energy trade relations.[13] This brings me to my central research question: To what extent does the EU export its normative values relating to the 'EU model'

[6] I. Manners 2011
[7] E. Stoddard 2013
[8] A. Golthau & N. Sitter 2015
[9] R. Leal-Arcas, C. Grasso & J. Alemany Ríos 2016
[10] European Commission, 'Energy Security Strategy', consulted on 29/03/16.
[11] G. Voloshin 2014
[12] C. Locatelli 2015
[13] See for example art. 3 of the Treaty on the European Union (TEU), under .5: In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute to the protection of its citizens. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter.

of energy governance, such as transparency, openness and free market competition, when formulating energy trade agreements with countries whose natural resources it imports?

The answer to this question will shed some light on how the EU conducts energy trading, what role the EU's normative power has in shaping energy trade relations, and whether this differs per trading partner. In this respect, Manners' theory on NPE and the way it is used in foreign policy serves as a theoretical framework. Manners identified the principles that make up the normative 'base' of EU foreign policy, such as the promotion of human rights, sustainability and social solidarity. EU values are reflected in the *acquis communautaire* and for energy specifically in the EU's Energy Security Strategy and in the International Energy Charter (ECT)[14], an international framework for energy cooperation established by the EU, and on which the EU bases its Energy Security Strategy.[15]

By examining EU law, trade agreements, frameworks, organisations and other formal exchanges with three different energy exporters, this thesis provides a unique comparative analysis of NPE in the formulation of energy trade relations. I have chosen for Russia, Algeria and Azerbaijan because they are some of the most important energy trading partners of the EU. Since they are major suppliers of oil and gas, the EU depends on these countries as much as they depend on EU energy demand, which means that the EU does not have the superior bargaining power, and can therefore not automatically use its strengths to force these partners to adopt its terms. Moreover, the incentives the EU can provide are limited, since EU membership is not on offer. Furthermore, these partners do not tend to subscribe to EU values and have a reputation for preferring state involvement in managing their energy resources.[16] By evaluating and comparing these countries I am able to provide a unique comparative perspective on how the EU employs normative considerations in energy trading.

In the first chapter I start by placing energy policy in an IR context, in order to provide insight on power and agency in energy trade relations, and to demonstrate the uniqueness and importance of energy trading to EU foreign policy. Secondly, the theory of NPE will be evaluated, in order to determine its validity and applicability to the formulation of EU policy. Thirdly the relationship between the theory of NPE and the characteristics of EU energy trading will be discussed, followed by an explanation on how to assess NPE in energy trade relations.

[14] International Energy Charter, 'Overview', consulted on 09/07/17.
[15] H. Bruyninckx, S. de Jong & J. Wouters 2013
[16] B. Weber 2014a

In the following chapters, I will apply this method to Russia, Algeria and Azerbaijan, after which I will be able to shed light on the three approaches to the inclusion of normative considerations in the formulation of energy trade relations. By examining the energy trade relations with these three countries, an insight will be provided into whether the size, regime, international standing and quantity of energy supplies has an influence on the EUs ability to spread its normative message and incorporate it in its energy trade policy, and if the EU changes its strategy depending on the partner it is dealing with. It could be possible that normative considerations play a more active role in relatively smaller countries, or in countries willing to transform their markets to match the requirements of its buyers.

This thesis will focus on the manifestations of normative power in policy formulations with three trading partners. However, measuring the practical impact of NPE on these countries over the last decades goes beyond the capacity of this thesis. Further research is needed to evaluate this impact by investigating changes that have been implemented since the EU introduced norms and values in its energy policies, and identifying possible causal relationships. Nevertheless, this thesis will provide a clear starting point in indicating the relationship between NPE and EU energy trading.

1. Energy Trade Relations and Normative Power Europe

Securing access to energy resources for reasonable consumer prices is one of the greatest challenges of this century. In order to secure energy supply, the EU must depend on exports from non-EU countries rich in oil and gas. This dependency goes far: The EU imports around 53 per cent of its total energy supply, and for six EU countries, the total gas supply comes exclusively from Russia. This means that a severe energy crisis will follow when exports come to a halt, making the EU very vulnerable to supply shocks. Moreover, many of the EU's energy suppliers are economically and politically unstable.[17]

In order to be able to provide a steady flow of energy, a European Energy Security Strategy was established, employing long and short-term measures.[18] For the longer term, there are five areas which the EU aims to improve on: increasing energy efficiency, reaching the proposed 2030 energy and climate goals, increasing EU energy production and diversification of supplier countries and routes, completing the internal energy market and improving the infrastructure, fostering the coordination of Member states' standpoints on external energy policy, and the strengthening of emergency and solidarity mechanisms, including the protection of critical infrastructure.[19]

According to its 'Communication on the Energy Union'[20] the European Commission will be looking to diversify its supply routes by constructing new gas pipelines from Central Asia to Europe (the 'Southern Gas Corridor') and by establishing Liquefied Natural Gas (LNG) terminals in East-Central Europe and the Mediterranean. New gas storage sites would be added to this infrastructure with the aim to make use of 'reverse flows', which will enable the distribution of gas within and beyond the EU market. In 2014 and 2015 some facilities were established to supply the Ukrainian market following a cut-off from Russian supplies. When the new infrastructure is implemented, this would substantially diminish the EU's energy dependence on Russia.[21]

However, if dependency on Russia is diminished, it could be replaced by a dependency on other authoritarian regimes that frequently do not share or conform to EU values and norms, such as Azerbaijan and Turkmenistan. Moreover, a greater reliance on LNG would be costly and have a significant environmental impact, since it has to be

[17] R. Leal-Arcas, C. Grasso & J. Alemany Ríos 2016
[18] Ibid.
[19] European Commission, 'Energy Security Strategy', consulted on 29/03/16.
[20] COM(2015)80 Final, 25/02/15.
[21] M. Siddi 2016

transported from distant countries such as the United States and Qatar, and subsequently reverted to gas. Additionally, the US would be more likely to export LNG to Asia, where a high and growing demand drives prices up.[22]

In this chapter, EU energy policy will be evaluated in an IR context, in order to provide a perspective on the EU's normative power in energy trade relations. Secondly, the theory of NPE will be evaluated, in order to determine its validity and applicability to the formulation of EU foreign policy. Thirdly the relationship between the theory of NPE and the manner in which the EU trades energy will be discussed, and I explain the method I will use to assess normative power considerations in EU energy trade agreements.

1.1. EU Energy Policy in International Relations

Despite of the increased prominence of geopolitics in energy trade relations, international energy relations have rarely been theorised explicitly. Even though there are many theoretical insights in IR that can be used to conceptualise it, the literature on energy trade relations remains limited. Instead, energy policy has implicitly been theorised as part of the wider discussion on realism, neoliberalism or neoclassical economics.[23]

When energy relations are theorised, this is often done along the lines of geopolitics or market liberalism. Geopolitical approaches to energy put emphasis on the potential conflict and competition over natural resources. When this approach is taken, the view is that the increasing global demand for resources combined with that same resources' concentration in a limited amount of countries will intensify competition between major powers.[24]

In this case, energy, as a key strategic good, can form a source of power for some, while others remain dependent on energy trading. This makes energy relations a vital element in the power struggle between global powers. This narrative fits loosely within the Neo-Realist theory, in which states are seen as the main players in an anarchist world stage. By trying to gain control over energy production and transmission, states aim to amplify their importance in the international system. Since the location of natural resources is mostly set, the struggle for power mainly occurs in energy transmission and trade: states can exert

[22] Ibid.
[23] E. Stoddard 2013
[24] Ibid.

controls on pipelines and transport routes. As a consequence, states could be bypassed in order to avoid the leverage that the state would get as a transit country.[25]

Energy relations and dependence have often been described in these terms of power, security and interests. However, as Tom Casier points out, such a geopolitical approach tends to portray energy relations in an overly simplistic way. Firstly, a geopolitical approach only takes into account the production and transmission of energy sources, while the realities of other determining factors such as regulation, competition and price setting often are overlooked. In fact, market access and regulation can have a deciding influence on energy relations. Secondly, as the EU institutions clearly demonstrate, the main players in international energy policy are not only state actors, but can also be international organisations, companies, regulators and consumers. Thirdly, since there is a myriad of players exerting influence in energy relations, interests also tend to be manifold. Companies are interested in profit, for example, and international institutions might have other interests than individual member states.[26]

Market liberalism is another take on energy relations that opposes an emphasis on rivalry and conflict. This approach sees energy security and insecurity as different market outcomes. In this case, energy security can only be defined in market terms. In its most conservative form, liberal analysts see energy as a commodity like any other, which means it should receive no special treatment. This perspective can be seen as part of wider liberal international theory, which means a deep faith in the proper functioning of markets and the potential for cooperation between different types of institutions to achieve satisfactory solutions for both economic actors and states. While the geopolitical approach tends to dismiss the importance of markets, market liberalism is founded on neoclassical economics: the understanding that free trade increases efficiency, maximises growth and improves the welfare of all players involved. [27]

However, market liberalism tends to underestimate the role of political factors, which can lead the focus away from power in energy trade relations.[28] It would be wrong to dismiss the uniqueness of energy by stating it is a good like any other. Energy is a private good with public good characteristics, and the strategic nature of energy should not be underestimated. Energy has been a catalyst for power struggles, international conflict and *realpolitik,* because

[25] T. Casier 2011
[26] T. Casier 2016
[27] E. Stoddard 2013
[28] Ibid.

energy security is vital for economic prosperity, military security and human welfare. Therefore, it is not an option not to strive for the security of energy supply.[29]

Both geopolitical and liberalist concepts and thoughts are relevant to how power is constructed in international energy affairs. Energy politics are characterised by trends that contradict each other, but still coexist:[30] while capital, companies and investments move in the energy sector on a global scale, and while most energy commodities are traded on international markets, many energy producers have adopted increasingly closed and nationalistic policies in oil and gas over the last decade, reversing previous trends of opening markets. These trends indicate that both a transnational capitalist economic system and an interstate political system take form in the market for energy resources. [31]

This coexistence of these paradigms is what makes energy policy highly interesting to the discussion on EU power. However, within this traditional hard power arena, scholars have increasingly found room to focus on the power of ideas, reputations, norms and social constructs. As opposed to Realists and Liberalists, Constructivists believe that social constructs are the fundamentals of power-politics in the post-modern world.[32] Alexander Wendt, one of the most famous constructivists, wrote that 'structural change occurs when actors redefine who they are and what they want'.[33] One could argue that, as a proponent of norms and values, the EU has defined itself as a normative power. In the next paragraph, this idea will be explored further.

1.2.Normative Power Europe in EU Policy Formation

The continued interdependent relationship between the EU and its energy suppliers undeniably influences the way in which the EU conducts foreign policy. One can assume that a dependency limits leverage, and therefore, limits the EU's power to impose its standards and norms on its energy suppliers. However, normative power is not based on coercion,[34] but on persuasion: the ability to spread norms and standards to others by providing an example based on values thought to be universal. This is precisely what makes the assessment of normative considerations in EU energy trade agreements interesting: is the EU able to create

[29] A. Golthau & N. Sitter 2015
[30] D. Claes 2009
[31] A. Golthau 2012
[32] G. Voloshin 2014
[33] A. Wendt 1999
[34] M. Siddi 2016

room for its norms and values in energy trading, even when the EU depends on energy supplies from countries that traditionally do not share or conform to EU values and norms? In order to measure normative considerations in energy trade agreements, it is important to first determine what NPE is and what 'normative' means. In this paragraph, the main arguments supporting and contesting NPE will be discussed, after which I will conclude with the definition of NPE I intend to use.

In 2002, Ian Manners wrote an article in which he tried to steer the discourse on European power away from the military-backed 'hard' power versus civilian 'soft' power debate. He states that the notion of NPE can be found in the discussion of the 'power over opinion', *idées force*, or 'ideological power', and in the desire to look further than the EU's state-like features, which will lead to an understanding of the EU's identity as an international actor. [35]

According to Manners, the EU's normative power is unique, and derives from its historical context, since the EU was created to foster peace and stability after two destructive world wars. Moreover, its hybridity as a union with both supranational and intergovernmental institutions and its political legal constitutionalism contribute to the EU as an elite-driven, treaty based project. These three unique characteristics fostered the establishment of common principles under one framework, and facilitated the commitment to these principles. By placing its principles in a common framework, the EU puts the norms of peace, idea of liberty, democracy, rule of law and adherence to human rights, among others, at the centre of how it interacts with the rest of the world. In this way, the EU's power and legitimacy are built upon these norms. Based on this analysis, Manners sees normative power as the ability to shape what is seen as 'normal' by the world, and rejects the assumption that all power needs to derive from the ability to use military force, as Realists have argued.[36]

The concept of NPE has been debated and contested often. One of the central questions surrounding NPE is the universality of EU norms and values. In this respect, there are two main views on NPE consisting of those who believe that EU values are universal, and those who believe they are not. Larsen divides NPE in two categories of understanding: NPE according to principles by Jürgen Habermas and those by Jacques Derrida. When following the 'Habermasian' view, NPE consists of the EU's structural context as promoting universal values and rights, which gives the views of the EU a special role in the debate. Its status as a champion of universal values gives the EU legitimacy. When the reasoning of Derrida is

[35] I. Manners 2002
[36] R.G. Whitman 2011

followed however, the EU's values are not universal, but designed as a result of narrow communitarian and cosmopolitan values. When those values and the notion of the EU as a normative power are accepted in international politics, this will give this special kind of 'agency' legitimacy. This means that the EU is only a normative power when others accept it as such. This acceptance can, at least partly, be measured by examining the agreements the EU makes with others.[37]

Apart from EU values, the role of the EU itself is also contested. Since the EU as a global actor is a relatively new concept, opinions on its relevance in IR can differ. Moreover, a valid critique is that the concept of NPE has largely been studied by European scholars who already see the development of the EU as positive, and who take its international role seriously. According to Gerrits, Non-Europeans usually think differently of the EU's 'agency' on the global stage, which means that the debate on NPE has 'Eurocentric' traits.[38] It is a point that needs to be taken into account, and that can be studied further by evaluating the discourse between the EU and its counterparts, as well as the impact the EU's norms and values have on the actor in question from this actor's perspective.

In light of the debate on Eurocentrism, universality and interests, it would be sensible to assume that EU values are not always accepted as a universal goal, at least not completely. Opinions about the nature of EU power, and its significance in the world, differ. It is inevitable that EU and non-EU scholars will have different perspectives on NPE, but if they are willing to accept NPE, the concept gains legitimacy. NPE is a valid concept, in the sense that the EU is normative in itself, and that it tries to spread these norms across the world. NPE will only take form successfully if other actors are both receptive, and willing to adapt. The EU's values as laid down in the treaty lead the EU to want to explore this 'room for norms' as much as possible, but remains a risk averse power, due to its history, culture and governance. The EU is not a state, and because of its members' diversity, endless compromises have to be made before it can act as one.[39]

When studying NPE, it would not be sufficient to only focus on the normative as an ideal, or the power of the EU to redefine what is normal. According to Whitman, this would leave NPE to remain an ideational concept and ignores the influence of NPE in practice. Such an approach would not allow for extensive analysis on the validity of the concept, which is

[37] H. Larsen 2014
[38] A. Gerrits 2009
[39] Z. Laïdi 2010

why Manners tried to analyse NPE. Attention must be paid to what principles are promoted, how the EU conducts itself and what impact the EU has on the international system.[40]

On the applicability of NPE in policy formation, Vicky Birchfield applied the theory of NPE as an analytical tool to explain how transnational policy processes develop. This is a different approach to the 'essentialist' debate surrounding NPE, which tries to answer the question what kind of actor the EU is. By analysing NPE as a tool to evaluate policy processes, Birchfield aims to provide an understanding of the relationship between the EU as a normative actor, and the policy it produces. She argues that even though the theory of NPE started with a focus on the identity of the EU as a global actor, NPE can be used to explore the processes that underlie the EU's formulation of external policies, and can also be employed to evaluate the content and impact of these policies. [41] Several case studies on NPE have been carried out, for instance concerning the EU Neighbourhood Policy[42], the EU's labour standards and its commercial policies[43] and EU climate policy.[44]

It has been frequently debated whether the external policy of the EU is driven by values or by self-interest on a strategic or economic level. In the field of energy trade, this debate is especially important, due to the geopolitical and economic interests that influence the search for a secure energy supply, as mentioned in the previous paragraph.[45] It needs to be said however, that the normative and the strategic self-interest do not necessarily exclude each other. In fact, many analysts of NPE have argued that the separation of norms and interests, both in policy-making and policy analysis is not possible. Rosamond argues that interest-driven behaviour can also be associated with values or ethics. NPE bases itself on liberal principles and claims the legitimacy to act upon these values.[46] It is hard to distinguish the normative from the non-normative, but a solution can be to define the norms that are actually prevalent and relevant for the policy area that is to be studied.[47]

In this case, what is written in EU law can have a defining influence, because as Golthau and Sitter argue, the EU as an institution tends to infer its main source of influence by the ability to create rules. Golthau and Sitter use the concept of the EU as a 'regulatory state' to describe the 'power tools' the EU has at its disposal. They apply it to European

[40] R.G. Whitman 2011
[41] V. Birchfield 2013
[42] H. Haukkala 2011
[43] J. Orbie 2011
[44] L. van Schaik & S. Schunz 2012
[45] B. Rosamond 2014
[46] Ibid.
[47] T. Forsberg 2011

integration in an economic sense: the EU has governed and integrated its economies by regulation, rather than by intervening directly in the industry or economy. However, the EU as a 'regulatory state' could apply to more than just economic integration. The EU is not a state, and therefore lacks the authority and resources to incentivise or subsidise the production of goods and services, or organise resources in the form of armies, bureaucracies and state owned enterprises. Rules, agreements and treaties can therefore be a defining source of power, which is why it is important to evaluate normative considerations in EU energy policy formation by examining the rules that are made with its trading partners.[48]

Following Manner's concept of NPE, arguing that the EU is built on normative values, it can be said that the EU will seek to spread its ideals in every relationship with the outside world. Acceptance of EU values will then be part of the policy's objectives, and will complement the goal of ensuring a steady supply of oil and gas by establishing successful energy trade relations. The applicability of NPE in external energy governance will be evaluated in the next section.

1.3 Identifying the Normative Aspect in Energy Trading

After having argued for the EU's normative power, Manners states that there are six ways in which the EU uses this power to spread its norms across the world. Firstly, it can happen unintentionally via contagion: the diffusion of EU norms can set in motion an exchange of ideas between the EU and other actors. Secondly, informational diffusion can be facilitated by the EU's strategic communications, such as new policy initiatives and declarations from EU institutions. [49]

When the EU institutionalizes a relationship with another actor, such as EU enlargement or an association agreement, norms can be diffused procedurally. A good example is EU membership in the World Trade Organisation (WTO), or the association agreement with Ukraine. Furthermore, the EU can exercise its normative power via transference: the exchange of assistance, aid or trade with other actors, causing the exportation of EU norms and standards. The fifth way in which the EU can use its normative power is via overt diffusion: the physical presence of the EU in international organizations

[48] Ibid.
[49] I. Manners 2002

and third states. The European Commission now has its very own External Action Service (EEAS), and represents the EU around the world.[50]

Finally, the cultural filter can affect the impact of international norms in third states and international organisations. The spreading of values, ideas, concepts and symbols will likely affect the process of political learning in all societies. This diffusion will be judged against the third entity's cultural filter, after which they can be studied, adapted or rejected. [51]

Martin-Maze[52] divided Manner's six criteria into intentional normative diffusion, in which EU norms and standards are pursued by overt promotion, or unintentional diffusion, through informational contagion. Since unintentional norm diffusion is something that can predominantly be measured by measuring the impact of NPE ex-post, I will not touch upon this. For the purpose of this thesis I will devote my research only to intentional norm diffusion. In this case, the international organisations and procedures the country in question takes part in need evaluating. Secondly, the EU's communications with its partners in the form of trade agreements, policy initiatives and declarations will be examined. Thirdly, the exchange of assistance or aid the EU provides to others can also be influenced by normative considerations and therefore need evaluating. [53]

It is important to define when we can speak of norm diffusion. The export of EU norms is not clear cut, because aside from different forms of diffusion, different degrees and variations of the export of EU values are possible. EU policy and characteristics of the 'EU model' can be diffused, without recreating the entire set of values. The adoption of EU norms and values is reflected in the policies of the other when the EU successfully employs normative considerations in EU policy formation. Therefore, it needs to be examined whether policy convergence has taken place.[54] According to Knill, *'policy convergence can be defined as any increase in the similarity between one or more characteristics of a certain policy (e.g. policy objectives, policy instruments, policy settings) across a given set of political jurisdictions (supranational institutions, states, regions, local authorities) over a given period of time.'*[55]

From Knill's definition follows that in case studies, it needs to be examined whether certain policy characteristics are (being) adopted. A conclusion can then be drawn on to what

[50] Ibid.
[51] C. Kinnvall 1995
[52] M. Martin-Maze 2015
[53] Ibid.
[54] B. Weber 2014a
[55] C. Knill 2005

extent policies in the EU's energy partners have specific contents, principles and institutional characteristics of EU energy norms. The outcomes of EU norm promotion in energy trade relations can thus take place in the form of multilateral institutions, international and bilateral negotiations, but also by the adoption of certain standards, rules and regulations.[56]

The determination of whether policy is normative depends on the definition of norms in a specific policy area. In the field of energy trading, where self-interest in pursuing energy security by competing for natural resources plays a significant role, this is especially important. When considering energy trade relations, there are several factors to consider when determining the EU norms applicable to it.[57]

Within the promoted norms in the *acquis*, there are norms that relate specifically to the EU's energy policy and its relations with its energy suppliers. In the 2011 Communication from the European Commission titled 'On Security of Energy Supply and International Cooperation – "The EU Energy Policy: Engaging with Partners beyond Our Borders"', the Commission has clearly set out its normative goals regarding energy. The EU aims to secure its energy supply by integrating supplier countries in the 'near abroad' into an integrated energy market, based on convergence with EU norms and values. In practice, this means that the EU has increased both its bilateral, as well as multilateral instruments to try and export EU norms, in order to ensure the liberalisation and modernisation of the energy markets of its partners.

One of the key priorities in this respect is to promote the separation of network operation from production and supply, in order to stimulate competition and investment. The end goal of this strategy is to generate a stable supply of energy for affordable prices, as free as possible from politicised energy policies. The strategy is reflected in EU energy market legislation. The 'Third Package' covers the unbundling of energy suppliers from network operators, the independence of regulators, transparency, market-based pricing and cross-border cooperation and integration.

Furthermore, there are several international agreements that relate to energy, for which the EU has made a significant contribution, and can therefore be seen as a more concrete form of normative power in energy policy. In this case, the Energy Charter Treaty (ECT) provides a normative framework for energy cooperation. The role of the EU in setting up this framework can be clearly distinguished. [58]

[56] B. Weber 2014a
[57] I. Manners 2009
[58] The International Energy Charter, 'The Energy Charter Process', consulted on 2/6/17.

As a response to overcoming economic divisions in Europe by the end of the Cold War, a European Energy Community was created on 26 June 1990. On 17 December 1991, the European Energy Charter political declaration was signed in The Hague. The Charter and the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects were signed in December 1994 and entered into force in April 1998. In May 2015 the Treaty was modernised. To date, the ECT has been signed or acceded to by 52 states, the European Community and Euratom, which makes 54 members in total. [59]

The aim of the ECT is to strengthen the rule of law on energy-related issues, by creating a set of rules to be observed by all participating states, in order to mitigate risks associated with energy trade and investments. The ECT was created to promote energy security through the operation of more open and competitive energy markets, while incorporating the principles of sustainable development and sovereignty over energy resources.[60] The ECT is a political commitment to energy cooperation, based on a number of principles: the establishment of market conditions suitable for private investments, the application of non-discrimination among participants, the respect for sovereignty over natural resources and the recognition of the importance of sustainability.[61]

According to the EU, energy security governance should be based on the Union's *acquis communautaire* and the ECT. Even though the ECT now counts 54 members, the organisation and principles of the Charter clearly have a 'European' character, in which the emphasis is mostly on consumer rights. The ECT mostly features issues particularly relevant to consumers, such as the assurance that transit is free from interruptions and the emphasis on non-discriminatory practices concerning investments by other Contracting Parties of the ECT, as well as the protection against expropriation through the nationalisation of industries, for example.[62]

In the next chapter, the EU's use of normative considerations will be explored for three of the EU's energy partners: Russia, Algeria and Azerbaijan. By examining agreements, frameworks and other formal exchanges between the EU and its partners, the EU's ability to export its norms and principles will be discussed.

[59] Ibid.
[60] Ibid.
[61] R. Leal-Arcas, C. Grasso, & J. Alemany Ríos 2016
[62] H. Bruyninckx, S. de Jong & J. Wouters 2013

2. The Russian Federation

When examining the European Union's quest for energy security, no trade relationship has been evaluated as often as the relationship with Russia. And for good reason: as its largest trading partner, Russia supplies over half of the EU's energy demand.[63]

In this chapter, the economic interdependence between the EU and Russia will be examined. Firstly, the difference in the role and structure of energy markets in both actors will be evaluated, in order to demonstrate the differences in norms and values between Russia and the EU. Secondly, formal exchanges and cooperation in energy trading between the EU and Russia will be examined, to provide insight into the EU's use of normative considerations when forming an energy trade relationship with Russia. Thirdly, an evaluation of the EUs ability to use its unique normative tools in this relationship will be provided.

2.1. Russia and Energy

In the previous chapter it was mentioned that the EU is highly dependent on Russian energy exports. Indeed, the debate on the EU's gas security is mostly focussed on Russia because of its market size. At the same time, the EU is Russia's largest energy export market. The EU is a rather profitable market for Russia, especially when compared to domestic market, in which energy tariffs are regulated. The Russian economy for a large part depends on foreign currency earnings from its hydrocarbon exports (oil and gas) to balance its budget and stimulate economic growth. Therefore, it is in Russia's interest to secure EU demand, and to minimize uncertainty.[64]

While both Russia and the EU are aware of their dependence on one another, and the importance of their energy trade relationship, both powers have very different ideas on how this relationship should work. As has been briefly touched upon in the previous chapter, the EU has placed and still places a great emphasis on the role of liberalised markets. From the late 1980s onwards, the EU has been increasingly focused on creating competitive and integrated markets, even though in the case of energy, security was still an objective. According to a Commission working document on the internal energy market in 1986, the primary objective of the EU became liberalised markets and 'greater integration, free from

[63] R. Leal-Arcas, C. Grasso, & J. Alemany Ríos 2016
[64] C. Locatelli 2015

barriers to trade, of the internal energy market with a view to improving security of supply, reducing costs and improving economic competitiveness'.[65] Since then EU energy policy has been largely based on the provision of the internal market and competition policy. The EU has recently acknowledged that energy is subject to market failures, but market instruments are the preferred instrument to tackle these failures.

In contrast with the EU model, Russian energy market governance is essentially based on state-owned enterprises, within a system of bilateral relations. The Russian system is one of state capitalism, in which the state manages the economy by owning substantial shares in large, key companies.[66] Gazprom, the gas producing state financial holding, accounts for 78% of total gas production. It has monopoly control over transmission and exports.[67] Rosneft, Russia's oil giant, is the world's largest public petroleum company.[68] When the authorities can directly control public companies, the state can direct these companies to explore and deplete resources in accordance with its preferences. This type of direct control also means that information sharing between the company and the state can be improved, which could entail a reduction in information asymmetry and ex-post monitoring costs. These circumstances can therefore render contractual relations more clear-cut and effective.[69]

Aside from these more practical benefits, Russia holds different ideas and values on the role energy plays and should play in society. Instead of viewing energy as a commodity as any other, oil and gas are viewed as national, strategic assets, which can make a great contribution to Russia's economic and political recovery. Therefore, the Russian state has been ensuring that they remain a high degree of control over the energy market, restricting non-Russian investments and ownership of Russian assets. [70] Years before Putin came to power, he defended the concept of state controlled energy markets in his doctoral thesis[71]: 'Regardless of whose property the natural resources and in particular the mineral resources might be, the state has the right to regulate the process of their development and use, acting in the interest of society as a whole and of individual property owners, whose interests come into conflict with each other and who need the help of state organs of power to reach compromises when their interests conflict.' [72]

[65] *COM (88) 238 final*, 02/05/88.
[66] T. Romanova 2014
[67] C. Locatelli 2015
[68] Rosneft, 'About', consulted on 07/08/17.
[69] C. Locatelli 2015
[70] C. Kuzemko 2014
[71] G. Coop 2011
[72] V. V. Putin 1993

Still, the EU has been trying to influence Russia, by setting the stage for trade negotiations.[73] Next, the interaction between the two energy trading partners will be examined, with a special focus on how the EU has been trying to influence Russian policymaking by using normative considerations.

2.2. EU-Russia Energy Trade Relations

With the collapse of the Soviet Union, energy cooperation between the two parties changed. Before that, exchanges were intergovernmental deals, consisting of long-term contracts between companies located in Member states and the Soviet Ministry of Gas, which later became Gazprom. Although the respective governments were closely involved in making deals, these were made by national authorities, and the EUs powers as a transnational institution were therefore limited. The EU energy market liberalisation process meant that many competences related to energy were transferred to the EU level and energy relations were restructured. Therefore, it became possible to start an energy trade specific dialogue with Russia at the EU level.[74]

EU-Russian trade relations have been based on a Partnership and Cooperation Agreement (PCA). However, this agreement, ratified in 1997 for ten years initially and reviewed annually since 2007, did not expand extensively on energy. In 2000, Russia and the EU created the Energy Dialogue (ED), an instrument devoted to energy policy coordination.[75] The ED focused on supply and demand security, an efficient use of infrastructure and opportunities for EU investment.[76] In its initial stage, the ED existed more as a form to settle the most acute and pressing issues, which effectively made the ED a tool to fix short-term objectives, rather than an overhaul of existing relations with a long-term perspective in mind.[77]

However, this does not mean that the ED did not know any successes early on. The EU and Russia cooperated on fostering long-term supply contracts, the modalities for technological cooperation and collaboration on energy efficiency. Additionally, priority infrastructure projects were outlined, such as the Nord Stream and the interconnection of

[73] C. Kuzemko 2014
[74] T. Romanova 2014
[75] Ibid.
[76] European Commission, 'Energy: Russia', consulted on 12/08/17.
[77] T. Romanova 2013

Russian and EU power systems.[78] Furthermore, the EU managed to persuade Russia to ratify the Kyoto Protocol. However, by doing so, the EU was forced to make concessions, such as loosening the Protocol's accounting rules. In order to keep Russia in the loop, the EU linked Russian ratification to the promise of a privileged partnership, and support for Russian WTO candidacy.[79]

The differences between Russian and EU values are not easy to overcome. The case of the ECT illustrates this. Even though Russia initially signed all of its provisions, the move towards state capitalism, which came gradually after short period of market oriented liberalism, changed things, particularly after 2000. The Russian government was concerned that the ECT's binding provisions on access to energy transit routes would force Russia to open its pipelines for transit from Central Asia, or that the country would lose control over the construction of new transit pipelines within its territory, which would have consequences for the position of Gazprom.[80]

Following a series of commercial disputes between Russia and Ukraine which led to gas supply disruptions in 2006 and 2009, also known as the Ukrainian gas transit crisis, Russia became even more critical of the ECT. The country disapproved of the ECT because it was unable to prevent a full member, Ukraine, from violating its provisions.[81] Furthermore, because of regional integration, the EU attempted to define 'transit' only to relating to the territory of the EU as a whole, and not its individual Member states.[82] Russia was also concerned that foreign investors would be given ample room to sue Russia for rights violations. In July 2009, Russia therefore decided to withdraw from the ECT's provisional application.[83] One of the main objectives of the ECT is to limit regulatory risks in the Russian energy sector. The investment climate in Russia has often been subject to criticism, particularly regarding the protection of foreign investors. With Russia's decision to not ratify the ECT, this objective of investor protection is put at risk.[84]

Another, more general reason for Russia's decision not to ratify the ECT is the fact that Russia perceives the ECT as a treaty mainly geared towards protecting the security of supply within Europe, and that these guarantees are not sufficiently balanced against the interests of supplier countries. In this view, the ECT is an instrument of the EU, aiming to

[78] Ibid.
[79] L. van Schaik & S. Schunz 2012
[80] T. Romanova 2014
[81] Ibid.
[82] A. Konoplyanik 2009
[83] T. Romanova 2014
[84] A. Boute 2014

stimulate EU investments in upstream energy infrastructure, without considering the interests of countries who supply energy, especially those who supply to foreign downstream energy markets. Proponents of the ECT defended the treaty by stating that the principles and rights laid down in the ECT do not only refer to upstream markets, and that the investment and dispute resolution regime of the ECT applies to the entire energy value chain. However, Russia still remains unconvinced, together with other major energy supplying countries, such as the Gulf States, who remain observers.[85]

The second stage of the ED, starting from 2007, focussed on converging both parties' positions. In this respect, cooperation in the field of renewable energy was most efficient, since this was an area in which the aims of the EU's and Russia were slightly more similar. Progress was made either by the merger of national goals or by cooperating within international organisations. The third stage in the ED, from 2011, has as its main goal the integration of Russian and EU energy systems. [86] A roadmap was drafted, outlining the common strategy until 2050. The roadmap provides details on the current situation, as well as joint plans regarding energy, industry, energy efficiency and the development of efforts to develop renewable energy sources. Furthermore, a common synchronised infrastructure with uniformly applying standards and the harmonisation of legal frameworks for free trade and investments are outlined.[87]

Legally, even though progress has been made, relations between the EU and Russia have been based on the PCA, as a framework for bilateral trade. As mentioned previously, the PCA has been annually reviewed since 2007, and both the EU and Russia have agreed to keep it in force until a new agreement is ratified. Nevertheless, this framework needs to be revised, as it presents several legal obstacles, such as the binding nature of its provisions. Since Russia's withdrawal from the ECT, relations have essentially been based on non-legally binding dialogues and commitments, of which the most important is the ED.[88]

In 2014, Russia made a 30-year gas deal worth approximately 400 billion dollars, after 10 years of negotiations. Russia previously was unwilling to agree on the pricing formula proposed by Russia, but energy experts say that Russia's flexibility increased under pressure from Western sanctions following the 2014 Ukraine crisis, which put a significant strain on relations between the EU and Russia.[89] Even though this deal does not directly have political

[85] Ibid.
[86] T. Romanova 2013
[87] European Commission, 'Roadmap: EU – Russia Energy Cooperation until 2050 ', consulted on 17/08/17.
[88] N.A. Georgiou & A. Rocco 2017
[89] H. H. Reineberg 2017

consequences, and will start having an effect from 2018, the deal will most likely affect the EU energy security strategy, because by finding an alternative buyer, Russia's dependence on EU demand decreases.[90] The EU will have to look for multiple alternative sources of energy, since there is no single source of energy supply that could replace Russian exports in its entirety.[91]

2.3. Normative Considerations

It is clear that the EU and Russia have different traditions, ideas and values regarding energy policy, and the role of energy in IR. Still, the EU has been trying to export its 'EU model' to Russia, most recently in its 2050 Roadmap: *'The strategic target by 2050 should be to achieve a Pan-European Energy Space, with a functioning integrated network infrastructure, with open, transparent, efficient and competitive markets, making the necessary contribution to ensuring energy security and reaching the sustainable development goals of the EU and Russia.'*[92]

The language used in the ED and later in the Roadmap shows that the EU does not intend to change its strategy to try to export its values and norms to Russia. The language used in the Roadmap also matches the language in the Commission's Communication on foreign energy policy.[93] Both documents mention the goal of achieving energy network integration[94], and mention the promotion of openness, transparency and competition, as well as a commitment to sustainable development.[95] The EU is still dedicated to promoting its values and frequently expresses its normative goals in its agreements with Russia. However, no legally binding trade agreement has been made, even though negotiations for a new PCA started in 2008.[96]

Negotiations for a new PCA were stopped in 2010, because no progress was made for the part regulating trade and investment.[97] In 2012, after eighteen years of negotiations, Russia acceded to the WTO, because WTO membership ensured that Russia could gain status as an accepted member of the global economic community. Even though several aspects of

[90] S. Lain 'Russia's gas deal with China underlines the risks to Europe's energy security', consulted on 31/08/17.
[91] R. Leal-Arcas, C. Grasso & J. Alemany Ríos 2016
[92] European Commission, 'Roadmap: EU – Russia Energy Cooperation until 2050 ', consulted on 17/08/17.
[93] COM(2011)539 final., 07/09/11.
[94] Ibid.
[95] European Commission, 'Roadmap: EU – Russia Energy Cooperation until 2050 ', consulted on 17/08/17.
[96] N.A. Georgiou & A. Rocco, 2017
[97] EEAS, 'The Russian Federation and the European Union', consulted on 31/08/17.

the Russian economy, such as resource nationalism, are compatible with WTO ideas of trade liberalisation, the country wanted to become a WTO member. Not belonging to the WTO carries a stigma, since it implies that the country in question cannot be expected to abide by accepted rules of international trade. By acceding, Russia ensures that its trade is regulated by transparent, international rules, and that its firms are protected when trading with other mermbers.[98] WTO accession therefore does not automatically mean that Russia aims to liberalise its economy, but more that it wants to be taken seriously by its trading partners. Essentially, WTO membership carries a 'quality label'.[99] Following 2012, the PCA negotiations intensified.[100] In 2014 however, following the crisis in Ukraine, the PCA negotiations were formally suspended.[101]

Russia's refusal to ratify the ECT in 2009 dealt a big blow to the normative strategy of the EU, and the EU's aspirations to spread the 'EU model'. It showed that Russia not only does not intend to change its market structure, but also that it actively opposes the values underpinning the EU system, since the EU played an active role in setting up the ECT, and since the EU builds its foreign energy policy on the *acquis* and the ECT.[102] Since 2000, Russia's state control of its oil and gas resources has only intensified, and is directly at odds with the principles advocated by the *acquis* and the ECT.[103]

Protest against EU values also takes place within the WTO framework. In 2014, Russia filed a formal complaint against the EU over the EU's unbundling rules, which state that companies cannot both own and operate a gas pipeline. Currently Gazprom does both and is the only company with the right to export gas. Maksim Medvedkov, a trade spokesman in Russia's Economic development ministry, stated that "These and other elements of the Third Energy Package, in the opinion of Russia, contradict the obligations of the EU in WTO on basic principles of non-discrimination and market access."[104]

The Russia-China deal also shows that Russia has at least partially shifted its attention to the East, where no such normative models exist.[105] Furthermore, the EU itself has also been actively seeking to diversify its energy supply, in order to reduce its dependence on Russia.[106]

[98] W.A. Kerr 2012
[99] P. Lamy 2011
[100] T. Romanova 2013
[101] EEAS, 'The Russian Federation and the European Union', consulted on 31/08/17.
[102] T. Romanova 2014
[103] C. Locatelli 2015
[104] B. Fox 2014
[105] R. Leal-Arcas, C. Grasso & J. Alemany Ríos 2016
[106] Ibid.

The EU is still able to make roadmaps detailing its aspirations and values, but recent developments indicate that both parties in this equation may be moving on.

3. Algeria

Unlike Russia, Algeria has not received much attention in recent years as an exporter of hydrocarbons, despite being one of the largest suppliers of oil and gas to the EU.[107] Hydrocarbons play a vital role in the Algerian economy and its production and export accounts for around 30% of GDP and 60% of budget revenues. Of all its export earnings, 95% is attributed to the oil and gas sector. Algeria has the tenth largest reserves of gas and the sixteenth largest oil reserves.[108] The country is the sixth largest gas exporter, and the EU is the largest importer of Algerian gas.[109]

In this chapter, the EU-Algerian energy trade relationship will be evaluated. Similarly to the previous chapter, the Algerian energy market will be compared to the EU system, the evolvement of the trade relationship with Algeria will be examined and a conclusion will follow on the applicability of normative considerations in this energy trade relationship.

3.1. Algeria and Energy

The majority of North African countries have a strongly centralised economy with state monopolies, and Algeria is no exception.[110] In the 1980s all central Maghreb countries, Morocco, Algeria and Tunisia, suffered from economic crises, as a result of failing economic policies. Still, Algeria was set apart by its own domestic political and economic circumstances, which means that the outcomes of reform attempts were quite different to those of its neighbours. In Morocco and Tunisia, reforms fostered a stronger, more stable and more diversified economy. In Algeria however, the 1980s were followed by over ten years of economic decline, political instability and isolation from the rest of the world.[111]

Ever since its independence from France in 1962, Algeria was ruled by a single party, the *Front de Libération Nationale* (FLN), which had control on all political and civil activities and brought forth a socialist doctrine. This specific type of socialism put the public sector under tight control, and has been an instrument for the elite to defend its economic policy interests.[112]

[107] A. Assaoui 2016
[108] Central Intelligence Agency, 'The World Factbook: Algeria', consulted on 14/08/17.
[109] European Commission, 'Energy: International Cooperation', consulted on 14/08/17.
[110] A. Katsaris 2016
[111] H. Darbouche 2009
[112] Ibid.

In 1992, the regime's violent response to a military coup caused a legitimacy crisis for the government. As a response to this crisis, Algeria sought to open its economy to the West and gain Western acceptance as an exchange. As a result, forced economic liberalisations dictated by the International Monetary Fund (IMF) and the World Bank had Algeria employ extreme measures, such as the break-up of state-owned companies, borrowing from the IMF and a surrender of national sovereignty, as well as far reaching austerity measures. After this reopening of its economy, Algeria became a destination for Western companies and government looking for oil, gas and influence. Important and lucrative contracts were signed, so that outsiders could gain a stake in the country's resources.

Attracting international capital became a national priority.[113] In 1995, British Petroleum (BP) gained a contract that gave the company the right to exploit gas deposits in the Sahara for 30 years and was worth $3 billion. The French oil and gas company Total, made a deal worth $1.5 billion one month later, and in 1996 the United States firm Arco got a contract for a joint venture to drill in the Rhourd El-Baguel oilfield. In November 1996 the new Maghreb–Europe Gas Pipeline was opened, which would supply gas to the EU through Spain and Portugal.[114]

Since the country has been ruled by President Abdelaziz Bouteflika, who remains in power today since 1999, Algeria's elite has been providing similar contracts to foreign entities, effectively selling major parts of the economy to multinationals.[115] Simultaneously, the government seeks to protect the position of the state-owned oil and gas company in Algeria: Sonatrach, which creates about 30 per cent of the country's GDP. Since 2008, a law referred to as the '49/51 rule' restricts foreign actors' shareholding of any company based in Algeria to a maximum of 49% of total share capital.[116] This means that Sonatrach gets a stake of 51 per cent or more of all contracts between international oil and gas companies and the government. Moreover, development from exploration to production can take up to seventeen years, compared to the world wide average of five to eight years. These factors combined make Algeria a very unattractive destination for foreign investments in energy.[117]

Aside from the unfavourable investment climate, the EU faces several other challenges in its energy trade relationship with Algeria. The impact of Algerian supplies on the EU as a

[113] H. Hamouchene & B. Rouabah 2016
[114] H. Hamouchene, 'Algeria, an Immense Bazaar: The Politics and Economic Consequences of Infitah', consulted on 22/08/17.
[115] H. Hamouchene & B. Rouabah 2016
[116] Norton Rose Fullbright, 'New investment law in Algeria – An overview of what it does (and does not) change for foreign investors', consulted on 22/08/17.
[117] S. Stefanini, 'EU's Hopes for Algeria tied to Leadership Change', consulted on 22/08/17.

whole remains limited, since proper gas interconnectors are lacking between Spain and France. A plan to solve this problem is the proposed construction of the MidCat gas connector, which aims to link France and the northeast of Spain along the Mediterranean coast. However, the pipeline will likely not be built before 2021-2022, because the French energy regulator has questioned the benefit of the project for French customers.[118]

Furthermore, domestic energy demand in Algeria is rising, which limits the amount of supplies for exports and therefore decreases the profitability of the Algerian energy sector, which is characterised by inefficient subsidies for fossil fuels. Thirdly, the output from large, mature fields is declining, due to an overall depletion of resources.[119]

Still, the stakes are high for the EU's energy security. Several Member states are highly dependent on Algerian energy: Portugal (50%), Spain (40%), Italy (23%) and France (11%). Additionally, Algerian supplies are seen as a measure to reduce the EU's dependency on Russia, and reduce the EU's use of coal in power generation.[120] In the next section, the EU's attempts to foster a successful energy partnership with Algeria will be evaluated.

3.2. EU-Algeria Energy Trade Relations

Since Algeria is geographically close to Europe, it is not surprising that the EU and Algeria have developed an interdependent relationship, especially in the field of energy. Moreover, as a result of this proximity, Algeria has been the focus of numerous regional EU policy initiatives. [121] Relations between the EU and Algeria have strengthened since the establishment of the EU-Algeria Association Agreement, which was signed in 2002, and entered into force in 2005. The agreement covers the EU-Algeria relationship in all areas, including trade and energy, and was established as part of the Euro-Mediterranean Partnership (EMP).[122]

The EMP's objective was the creation of a deep Euro-Mediterranean Free Trade Area, which aimed at creating free trade areas between both the EU and the Southern Mediterranean countries (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia and Turkey) and between those countries themselves.[123] Since its inception in 2004, Algeria

[118] J. Grigorjeva 2016
[119] Ibid.
[120] Ibid.
[121] H. Darbouche, 2010
[122] R. Leal-Arcas, C. Grasso & J. Alemany Ríos 2016
[123] European Commission, 'Trade: Euro-Mediterranean Partnership', consulted on 26/08/17.

has been part of the European Neighbourhood Policy (ENP), an EU effort to build effective political, socio-economic and security partnerships in order to create a stable ring around the borders of the EU. The ENP commits to the promotion of democracy, rule of law, human rights and social cohesion, among others.[124] The EU's latest regional policy initiative is the Union for the Mediterranean (UfM): an intergovernmental organisation whose members are the EU Member states together with fifteen countries from the Southern and Eastern Mediterranean, and whose goal is to enhance regional cooperation and dialogue in several areas, such as business development, education and research, and energy and climate action.[125]

The regional EU initiatives, which Algeria is a party to, suggest that the EU is working on promoting and exporting EU norms and values in Algeria. However, this promotion does not always occur in an 'NPE' way of persuading Algeria to adopt EU norms without using any forms of economic pressure. Within these EU frameworks, the promotion of political reform geared to democracy and respect for human rights and the rule of law is mostly based on conditions and incentives. In this approach, the EU uses aid and association agreements to incentivise or pressure Algeria to adopt democratic values.[126] For example, as part of the ENP, the EU uses the European Neighbourhood Instrument (ENI) to fund EU cooperation with Algeria in 2014-2020, with thematic programmes on human rights, the environment or the strengthening of civil society.[127]

However, the EU's dependence on Algerian oil and gas makes for a more balanced situation in the field of energy trading. Since the EU continues to require Algerian energy exports, it cannot use disruption in energy trading as leverage for Algeria to adopt its values. As a consequence, the export of EU norms relating to energy governance will have to be more subtle. For energy trade specifically, article 61 of the Association Agreement forms the key legal basis for EU-Algeria energy relations.[128] According to this article, which covers energy and mining, '*The aims of cooperation in the energy and mining sectors shall be: (a) institutional, legislative and regulatory upgrading to ensure that activities are regulated and investment promoted; (b) technical and technological upgrading to prepare energy and mining companies for the requirements of the market economy and competition; (c) the*

[124] EEAS, 'European Union External Action: European Neighbourhood Policy (ENP)', consulted on 25/08/17.
[125] Union for the Mediterranean, 'Mission', consulted on 26/08/17.
[126] A. A. Çelenk 2009
[127] European Commission, 'European Neighbourhood Policy and Enlargement Negotiation: Algeria', consulted on 31/08/17.
[128] R. Leal-Arcas, C. Grasso & J. Alemany Ríos 2016

development of partnerships between European and Algerian companies in the activities of exploration, production, processing, distribution and services in the energy and mining sectors.'[129]

Even though Algeria has been a part of numerous EU policy initiatives, it has proven to be challenging to formalise EU-Algeria energy relations. In 2006, a first attempt was made to form a 'Strategic Energy Partnership' (SEP). The attempt was prompted by the aftermath of the first gas transit dispute between Russia and Ukraine, which incentivised Algeria to distance itself from the politicisation of energy trade and to reassure the EU that its supplies were more reliable and stable. [130] During the negotiations, however, the European Commission was met with resistance when it tried to promote the export of the 'EU-model' of market regulatory norms. Algeria viewed the EU approach as too much oriented on rules and regulations, since the country was expecting a more cooperative model based on strategic notions. Secondly, Algeria remained unconvinced of the EU's own commitment from Member states and EU institutions to the detailed rules it prescribed.[131]

The gas transit crisis incentivised Algeria to demonstrate the reliability of its energy supplies, but was also a catalyst for the strong European imported gas price increase of up to 240 per cent. The resulting increase in revenues bolstered energy suppliers' financial resources significantly. Algeria's new found autonomy therefore enabled the country to return to a system of 'resource nationalism', in order to achieve higher production and export volumes. The new goal was to strengthen the position of Sonatrach as producer and exporter, so that the state could control energy revenues, resources and investment. Only after the Arab Spring destabilised the region and energy prices fell, Algeria was willing to continue energy talks with the EU again. [132] Production fell, while the domestic demand for gas increased, which prompted Algeria to seek additional foreign investment to boost its energy revenues.[133]

In 2013, a Memorandum of Understanding (MoU) was signed between the EU and Algeria, after five years of negotiations. The MoU opened up further talks for a strategic energy partnership, and built on the text of the 2005 Association Agreement.[134] However, the EU Commission did not succeed to get its MoU approved without scrapping the parts that

[129] 2005/690/EC, *OJ L 265/1 10/10/05*
[130] H. Darbouche 2010
[131] Ibid.
[132] B. Weber 2014a
[133] B. Weber 2014b
[134] European Commission, 'Mémorandum d'entente sur l'établissement d'un Partenariat Stratégique entre l'Union européenne et la République algérienne démocratique et populaire dans le domaine de l'énergie', consulted on 26/08/17.

describe EU values. Convergence with those values has disappeared from the text, and the MoU became a more pragmatic document, in which the improvement of investment conditions in order to increase production was described, for example.[135] Two years later, both parties launched a 'political dialogue on energy matters'. The dialogue focused on cooperation in the field of natural gas, renewable energy, energy efficiency, energy market integration and infrastructure development. As part of the dialogue, a business forum is formed, as well as two expert groups: one on gas and another on electricity.[136]

The business forum took place in May 2016 and no follow-up event was scheduled.[137] The outcome of the forum has mainly shown how difficult it is to advance the EU-Algeria energy relationship. The European companies and the Commission repeated their arguments previously made at a meeting with Sonatrach, and complained about a lack of good offers, restrictive regulation, inflexible contract terms and unfavourable fiscal terms. On the other side of the table, Algeria saw the forum as a renewed session of the EU pressuring Algeria to open up its energy market. A former Algerian Energy Minister, Abdelmadjid Attar, stated that the EU is 'not proposing anything particularly new and seems to be focusing exclusively on contractual and investment terms'[138]

Last April, the European Commissioner in charge of energy and climate action, Miguel Arias Cañete, and the Algerian energy minister, Noureddine Boutarfa, met in Brussels to discuss the progress on EU-Algerian energy relations so far, within the context of the 2013 MoU.[139] Algeria is seeking to renew long-term gas supply contracts with Member states, which are due to end between 2018 and 2019, and increase EU investments in Algeria's industry. However, the EU continues to urge Algeria to decrease bureaucracy and increase flexibility offered to investors.[140] Further talks will be needed to bridge the divide and boost EU-Algeria energy relations.

[135] B. Weber 2014b
[136] European Commission, 'Dialogue Energetique de Haut Niveau entre l'Algerie et l'Union Européene', consulted on 26/08/17.
[137] FTSE Global Markets, 'Is it time to rethink Algeria's approach to gas exports to the EU?', consulted on 31/08/17.
[138] G. Escribano 2016
[139] European Commission, 'Energy: Commissioner Arias Cañete meets Algeria's Energy Minister', consulted on 26/08/17.
[140] Reuters, 'Algeria to discuss energy investment, long-term gas deals in EU talks', consulted on 26/08/17.

3.3. Normative Considerations

There has been a time in which Algeria was more open to the 'EU model' on external energy governance. In the early 2000s, Minister of Energy Khleil Chakib had introduced an extensive market liberalisation agenda, in order to increase production and improve distribution through foreign investment. In this case, several norms on unbundling, and ECT norms on non-discriminatory access in the upstream markets were emulated to modernise the Algerian energy market. The reforms soon fuelled protests by a number of domestic actors and Sonatrach. They saw Sonatrach as a symbol of independence and wished to protect its dominant position so that it would not be jeopardised by foreign companies. Resistance to liberalisation grew and as a result, the plans were revised.[141] Judging from the lack of progress from the latest energy negotiations between Algeria and the EU, hope for the EU to export its normative values is dwindling.

One of the EU partnership priorities within the NPE framework is the Algerian 'energy transition': unlocking Algeria's potential for producing and exporting renewable energy, which could reduce its dependence on oil and gas.[142] However, the EU rules on renewables encourage liberalisation and competition, which threaten the privileged positions of the Algerian elite, since they profit greatly from oil and gas revenues. Therefore, these rules result in an adoption of EU rules and procedures only when the Algerian market system directly profits from implementing these rules.[143]

Ever since the Algerian reversal of liberalisation efforts, exporting EU norms to Algeria has proven to be challenging. The EU has been trying to achieve convergence with EU norms and standards, but Algeria has mainly been interested in increasing its oil and gas revenues by exporting to Europe. Algeria has not shown enthusiasm for the EU model, and a steep rise in energy prices following the gas transit crisis has made Algeria even more autonomous in conducting its own energy policy.[144] Talks on energy did not resume until after the Arab Spring, when falling energy prices and production made Algeria seek out new investments.[145] These developments are telling for how Algeria maintains the EU energy relationship. By suspending talks when economic conditions are favourable enough, the country has shown that it is not interested in EU plans to change its energy market.

[141] Ibid.
[142] J. Grigorjeva 2016
[143] A. Katsaris 2015
[144] Barbé et al. 2009
[145] B. Weber 2014b

4. Azerbaijan

One of the fundamental pillars of the EU energy security strategy is the diversification of energy imports and supply routes by strategic projects of 'common European interest', in order to make the EU energy market more resilient and able to withstand supply shocks.[146] An energy trade partner that can contribute to this goal is Azerbaijan. As one of the countries surrounding the Caspian basin, the country currently supplies approximately 5% of the EU's demand for oil. Furthermore, the country plays a central role in the transit from Caspian gas to the EU market, and its role in securing the EU's energy supply will only expand.[147]

In this chapter, the development of the EU-Azerbaijan relationship is evaluated. The chapter provides insight into the Azerbaijan energy market, the evolvement of EU policy makers in this market and the normative considerations that play a part in fostering this relationship.

4.1. Azerbaijan and Energy

The collapse of the Soviet Union had vast consequences for the countries that surround the Caspian Sea. The three former Soviet countries surrounding the Caspian Sea, Azerbaijan, Kazakhstan and Turkmenistan, suddenly became the stage for a geopolitical contest for energy resources. Since these states do not have a direct access to the open sea, energy supplies have to flow through the territory of at least one or multiple transit countries. The 'pipeline game' started: while all energy routes were previously connected to the Soviet system, now the way was cleared for several new pipelines to be negotiated and constructed.[148]

Azerbaijan actively sought to reduce its economic and political dependence on Russia. Since the foreign investors that flocked to Azerbaijan had an interest in the development of oil and gas projects that would evade Russian territory and influence, new projects and proposals from the West were most welcome, and Azerbaijan developed into a relatively stable and reliable partner for energy. Of the former Soviet republics, Azerbaijan was the first country that was able to export its own energy supplies to EU markets, independently from Russia.[149]

[146] B. Weber 2014a
[147] EEAS, 'EU-Azerbaijani Relations', consulted on 26/08/17.
[148] G. Bahgat 2007
[149] S. Strimbovschi 2016

In the first years after independence, the collapse of the Soviet Union led to an economic recession. In the period from 1989 to 1994, Azerbaijan GDP declined by approximately 63%.[150] In 1994 however, the country finalised the 'Contract of the Century', an agreement between the government of Azerbaijan and several major international oil companies. [151] This contract led to a new era, in which oil production increased significantly. The oil field 'Azeri-Chirag-Guneshli' was exploited and the creation of a network of pipelines for the export of oil to the world markets provided Azerbaijan with regional influence, since it could determine the flow of energy.[152]

Even though many industries were privatised since independence, the energy sector in Azerbaijan remains state-owned. The market structure in the oil and gas sectors is shaped by vertically integrated state-owned monopolies. The State Oil Company of Azerbaijan Republic (SOCAR) leads all oil and gas-related activities. SOCAR takes part in the Azerbaijan International Oil Company (AIOC), which is a consortium of several major oil companies operating in the country. Aside from SOCAR, the consortium includes BP, Chevron, Devon Energy, Statoil, Turkish Petroleum Corporation, Amerada Hess, ExxonMobi, Inpex and Intochu.[153]

Currently, there are three pipelines that export crude oil. Around 80% is exported to the Baku-Tbilisi-Cyhan (BTC) pipeline. From the port of Ceyhan in Turkey, oil is shipped to world markets via tankers. The pipeline has a large capacity and sometimes also transports oil from Turkmenistan and Kazakhstan. The Northern Route Export Pipeline (NREP) takes oil to the Novorossiysk terminal on the Black Sea in Russia. The Western Route Export Pipeline (WREP) transports oil from offshore fields in the Caspian Sea to Supsa, Georgia, located on the Black Sea, from where again, tankers take the transport further to world markets.[154]

Azerbaijan also has significant gas reserves. In 1999, the Shah Deniz field was discovered. The field is located in the Caspian Sea, only 70 kilometres south-east of Baku, and is one of the largest natural gas fields in the world. British Petroleum (BP) signed a Production Sharing Agreement (PSA) and operates the field on behalf of its partners since 2007. [155]

[150] Ibid.
[151] G. Bahgat 2007
[152] R. Ibramov 2013
[153] OECD, 'Energy Policies Beyond IEA Countries: Caspian and Black Sea Regions' (2015), consulted on 27/08/17.
[154] Ibid.
[155] BP Azerbaijan, 'Shah Deniz Stage 1', consulted on 27/08/17.

At this time, two pipelines transport gas from Azerbaijan. The South Caucasus Pipeline (SCP) transports gas from the Shah Deniz field and follows the same route as the BTC oil pipeline. The Gazi-Magomed-Mozdok pipeline transported Russian gas to Azerbaijan until 2007. Since 2010 however, the flow has been reversed.[156]

The PSAs Azerbaijan has signed so far have proven to be highly profitable, and were the key reason for the country's new found economic success.[157] The government only received the first revenues from its new energy strategy in 1999, but in the period from 2001 to 2009, average GDP growth was 16% annually. Because of the production gains from oil and gas, the high international oil prices and an increase in public spending, GDP grew even further to 27% annually from 2003 to 2009.[158]

Oil and gas export and production in Azerbaijan are still expanding, and a number of initiatives are currently being developed in order to bring more gas and oil from Azerbaijan to Europe.[159] In the next section, these initiatives will be described in light of the evaluation of EU-Azerbaijan relations.

4.2. EU-Azerbaijan Energy Trade Relations

When signing the 'Contract of the Century' in 1994, Azerbaijan's former President Haydar Aliyev stated that 'Azerbaijan was open for the world and the world economy'.[160] Indeed, shortly after independence, Azerbaijan actively sought contact with the rest of the world in the form of a rapprochement with the West and its institutions.[161]

Cooperation between the EU and Azerbaijan started in 1991 via the TACIS (Technical Assistance to the Commonwealth of Independent States and Georgia) programme, a programme to assist countries belonging to the Commonwealth of Independent States (CIS) as they made the transition to market-oriented economies. As a key TACIS multilateral network project, INOGATE (Interstate Oil and Gas Transportation to Europe) was established in 1996, and has since been the foundation for the development of energy trade relations between Azerbaijan and the EU.[162]

[156] OECD, 'Energy Policies Beyond IEA Countries: Caspian and Black Sea Regions' (2015), consulted on 27/08/17.
[157] S. Strimbovschi 2016
[158] A. Ciarreta & S. Nasirov 2012
[159] OECD, 'Energy Policies Beyond IEA Countries: Caspian and Black Sea Regions' (2015), consulted on 27/08/17.
[160] I. Mammadov 2010
[161] R. Shirinov 2011
[162] S. Strimbovschi 2016

INOGATE aims to realise several objectives. Firstly, the programme intends to converge energy markets based on the principles and norms of the EU internal energy market. Secondly, INOGATE's objective is to increase energy security, by addressing imports and exports, supply diversification, transit and energy demand. Sustainable development and energy efficiency, together with the promotion of renewable energy, constitutes the third goal. Finally, investment towards energy projects of common and regional interest is promoted.[163] INOGATE helped Azerbaijan conform to certain EU norms and technical standards. An example is the creation of regional gas monitoring centres to examine gas flows. By monitoring gas flows, the EU does not only aim to ensure a secure supply of energy, but also wants to guard Azerbaijan against possible gas flow disputes between Azerbaijan and Russia.[164]

Since 1999, EU-Azerbaijan relations are based on a PCA, which covers cooperation, in the areas of political dialogue, trade, investment, economic affairs, legislation and culture. This year, negotiations for a revision of the PCA are underway. Aside from this legally binding agreement, Azerbaijan has subscribed to a significant amount of EU initiatives and programmes.[165]

Azerbaijan is a member of the ECT[166], has been a part of the ENP since its inception[167], and joined the Eastern Partnership when it was established in 2009. It is an initiative involving the EU Member states and six partners to the East: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The Partnership subscribes to international law and the promotion of fundamental values, such as democracy, the rule of law and human rights. Support for the development of the market economy, sustainable development and good governance are also promoted.[168]

Even though Azerbaijan actively strived for membership of EU organisations and initiatives, the country's attitude changed when Aliyev's son, Ilham Aliyev, came to power in 2003. More confident of Azerbaijan's standing in the world, the government became increasingly annoyed with the EU's message of norms and values, and set a more authoritarian course.[169] On the other hand, the country has not shown interest in joining the Russia-dominated Eurasian Economic Union either. Azerbaijan's foreign policy is one of

[163] INOGATE, 'About INOGATE: In Brief', consulted on 28/08/17.
[164] A. Petersen 2017
[165] EEAS, 'EU-Azerbaijan Relations', consulted on 28/08/17.
[166] International Energy Charter, 'Members & Observers', consulted on 31/08/17.
[167] J. Kobzova & L. Alieva 2012
[168] EEAS, 'Eastern Partnership', consulted on 28/08/17.
[169] R. Shirinov 2011

pragmatism and by not joining either camp, it keeps all options for cooperation open. The country continues to engage with the EU, but Azerbaijan foreign policy is pragmatic in nature.[170]

Azerbaijan's vast oil and gas supplies has made it an attractive energy partner. Since 2005, both the EU and Russia have been competing to be the first to develop a new gas pipeline carrying gas to Central and Southern European markets from producers surrounding the Caspian Sea.[171] In 2006, the EU and Azerbaijan signed a bilateral non-binding MoU on energy cooperation with Azerbaijan, signed in 2006[172]. In the MoU, four areas of cooperation were identified: harmonising legislation, enhancing the security of supply and transit, the development of renewable energy and energy efficiency, and technical cooperation.[173] When signing, EU Commissioner for Energy Piebalgs stated that 'Close relations with Azerbaijan as a key energy supplier as well as an important transit country to the EU contribute to enhancing our energy security'.[174]

In 2011, The EU and Azerbaijan intensified their cooperation when they signed the 'Joint Declaration on the Southern Gas Corridor'. The Southern Gas Corridor is a strategic initiative to bring gas from the Caspian Sea, Central Asia and the Middle East into Europe, using new, alternative supply routes. It is the main tool the EU employs to diversify its energy supply sources. The main source of gas coming from the Caspian Sea is produced in the Shah Deniz field.[175] An expansion of the Shah Deniz field, Shah Deniz II, is currently under development and will substantially increase production. The project will add 26 gas production wells and two new offshore platforms. From 2019, gas from Shah Deniz II will reach European markets.[176]

The pipeline competition between the EU and Russia pitted the EU-backed Nabucco pipeline against Russian-backed plans for the South Stream pipeline, which would supply gas from Russia to Central and South-East Europe via the Black Sea. Gazprom participated in the South Stream pipeline project in response to Nabucco, which would circumvent Russia by bringing gas from the Caspian Sea to Austria via Turkey, Bulgaria, Romania and Hungary.[177]

[170] I. Gurbanov 2017
[171] D. Finon 2011
[172] O. Pardo Sierra 2010
[173] EEAS, 'EU-Azerbaijan Relations', consulted on 28/08/17.
[174] European Commission, *IP/06/1516*
[175] Ibid.
[176] E. Iladi, 'Azerbaijan can help Europe become more Energy Independent', *Foreign Policy Journal,* consulted on 28/08/17.
[177] R. Leal-Arcas, J. Alemany Ríos & C. Grasso 2015

However, both projects were abandoned. Since the Nabucco pipeline's completion was considerably delayed, Azerbaijan chose to support the creation of the Trans Anatolian Pipeline (TANAP), which will transport gas from the Shah Deniz field to Turkey. The consortium developing Nabucco was subsequently forced to propose a more humble alternative: Nabucco West, but in 2013, the Shah Deniz consortium chose the Trans-Adriatic Pipeline (TAP), which will connect Turkey with Italy through Albania and Greece. [178] Since South Stream was incompatible with the EU's Third Energy Package rules on unbundling, the EU Commission asked Bulgaria, one of the transit countries, not to approve the pipeline. After the 2014 Ukraine crisis froze talks between the EU and Russia on gas, Russia announced that it would abandon the South Stream project.[179] .

4.3. Normative Considerations

The EU has devoted itself to a partnership with Azerbaijan in order to diversify its energy supply and ensure that Caspian gas will reach EU markets without Russian interference. The framework of legislation, policy initiatives and projects the EU has set up is intensive and Azerbaijan has showed to be a willing participant. However, by doing so, this does not mean the Azerbaijan government actively subscribes to EU values, or even accepts them. Azerbaijan has proven to be a pragmatic partner in this respect, eager to increase its energy revenues and international standing, and found a good customer in Europe.[180] By making its choice for TANAP and TAP over Nabucco or South Stream, the Azerbaijan government has shown that it can make its own plans, and does not explicitly pick sides in the battle between Russia and the EU.[181]

On the other side of the table, the EU has been so fixed on the development of the Southern Gas Corridor that it sometimes lost sight of whether the export of the 'EU model' to Azerbaijan actually took place. The development of Azerbaijan's increasingly authoritarianism has had a limited effect on the EU's plans for Azerbaijan, whose main interest still is security of energy supply. Since Azerbaijan has supported transit projects to provide energy to the West instead of Russia, Azerbaijan is seen as a cooperative energy partner and an asset to the EU's plans to diversify its energy supply. This means that the EU has been less critical of the situation in Azerbaijan, especially compared to other EaP partners

[178] OECD 2015
[179] R. Leal-Arcas, G. Alemany Rios & C. Grasso 2016
[180] J. Kobzova & L. Alieva 2012
[181] I. Gurbanov2017

such a Belarus. For now, cooperation with Azerbaijan in energy matters will continue, and only intensify.[182]

[182] Ibid.

Conclusion

Energy trading has often been described as a 'hard power' arena within an IR context, in which states compete for resources. However, aside from this neorealist, geopolitical approach, other forms of power can be distinguished. For a large part, this depends on the role actors attribute to energy: whether it is a strategic instrument to exert influence and increase one's standing in the world, or a tradable good like any other.

The EUs construction as a supranational institution based on norms and values, which are codified in its *acquis,* has influenced its agency in energy trade relations. Different from most of its energy suppliers, the EU expressed its preference for a transparent, open and competitive energy market, free from government interference. In this respect, the EUs treatment of energy affairs seems to go beyond mere market liberalism: in its Energy Security Strategy the EU has set the goal of integrating supplier countries into its energy market, based on a convergence with EU norms and values.

Ian Manners has conceptualised this type of EU 'soft power' as Normative Power Europe: the power EU derives from spreading its principles and values across the world and becoming a leader by example. NPE is a contested concept, and for a good reason. Its conception, influence and impact is incredibly hard to define, and depends on the universality of EU norms, the acceptance and perception both within and outside of the EU, and the lack of influence of partners' perceptions on its impact and potency.

While human rights and civil liberties are more easily associated with norms and values, energy has often been dominated by hard power politics and rivalry in the quest for resources. Still, EU norms can play a role in energy trading, and influence the way in which the EU conducts external energy governance. Energy trade relations is an especially interesting and important field for the study of NPE, since the EU is at least as dependent on its energy suppliers as they are on EU demand. This symmetric interdependence rules out any room for the EU to pressure its suppliers, which entails that any norm diffusion would be based on persuasion and not coercion.

As energy partners, Russia, Algeria and Azerbaijan have several things in common. They all see energy as being different than other goods, and the state plays a great role in the production and export of energy. If we look back at the role energy can play in IR, all three nations clearly favour the geopolitical approach of using energy to reach political goals. The

EU, as an important buyer of energy supplies and an opponent of this politicisation of energy, has been trying to export its energy governance model to its partners.

Seemingly, it does so without compromise. The language used in trade agreements, energy dialogues, MoUs and other exchanges indicate that the export of EU norms and values is a core tenet of EU external energy policy. However, it is telling that legally binding agreements take long to negotiate and enact and that most of this language is used in exchanges that are not binding.

Russia actively opposed the EU way of securing energy supplies, and has made steps to reduce its dependence on EU demand. After a brief period of liberalisation, Algeria has returned to a more nationalist approach to energy. Azerbaijan has shown to be a real pragmatist, and although it has adopted some EU norms, it predominately profits from the EUs determination to diversify its energy supplies and reduce its dependence on Russia.

Considering the effectiveness of NPE in energy trade relations with countries that are approximately as dependent on the EU's energy demand as the EU is dependent on their energy supplies and have a different set of values and views on the role energy should play in society, prospects seem gloomy. The EU has not been successful in exporting its EU model of external energy governance to several of its most important trading partners. In cases when norm transference did occur, this was more out of a pragmatist strategy to increase energy revenues, and subsequently, influence. Overall, willingness to conform to the EU standard is lacking and as it turns out, NPE can only be successful if trading partners are willing to adapt. Moreover, in the case of Azerbaijan, the EU abandoned its determination to promote its norms and values, and chose energy supplies over its ideals in an effort to reduce its dependence on energy supplies coming from Russia. Clearly, there is a conflict between the EUs strive for increased independence and the export of its model of values.

However, the lack of success does not mean that NPE in this field does not exist, or that it is irrelevant. The EU does not have the tools to use hard power politics to secure its energy supplies, and has to resort to softer measures based on a clear set of rules. By choosing to promote the values that it stands for in addition to negotiating the sale of oil and gas, the EU takes in a unique position in the world. Even though it is not likely that the views of the EUs energy trading partners will change, past experiences show that attitudes are not set in stone and could still change. When this is the case, the EU is ready to fight for what it stands for.

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