

A satellite map of the Black Sea and Baltic Sea regions. The Black Sea is the large, dark blue body of water in the center. To its north is the Baltic Sea, a smaller body of water. The surrounding landmasses are shown in shades of green and brown, with white clouds visible over the seas. The text is overlaid on the Black Sea.

Geopolitical aspects of energy transportation in the Black Sea and the Baltic Sea regions

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I. The Black Sea region: geopolitical significance, energy cooperation potential and environmental characteristics:

- For strategic, political and economic reasons it is often referred to as *the Black Sea-Caspian Sea region*. The term “*wider Black Sea region*” is also used to indicate an even bigger, not precisely defined, geopolitical notion;
- The region has vital implications for the **overall European security** environment;
- It harbours **Europe’s last “frozen conflicts”** which can easily deteriorate into open conflict as was the case in Georgia in August 2008. Consequences:

Major regional factors

- **The EU**, particularly after Bulgaria and Romania joined the Union, is now a **Black Sea actor** in the full sense and its role is bound to grow substantially;
- **NATO** regards the wider Black Sea region as important for Euro-Atlantic security and seeks to complement and develop on regional initiatives;
- **Russia** is and in the foreseeable future will remain Europe's main energy supplier; the EU has expressed concern over some of its regional policies;
- **Turkey** takes an active and constructive stance on regional issues; observers spot a measure of uncertainty in Ankara's relations with EU and U.S.

The wider Black Sea region's importance for European energy security

- In terms of energy deposits and reserves as well as transportation opportunities the Black Sea and its hinterlands lies in the **centre of a huge geopolitical area**, covering Russia, Central Asia, the Caspian Sea region and the Caucasus, adjacent parts of the Middle East and the East Mediterranean, the Straights, South East- and Central Europe;
- Energy Summit “**Natural Gas for Europe: Security and Partnership**” (Sofia, April 2009) – highlighted the geopolitical importance of the Black Sea and Caspian Sea region for European energy security.

Environmental issues in the Black Sea region and the Caspian Sea region

- **Environmental impacts** from energy are very much in evidence in the Black Sea-Caspian Sea region;
- Countries in the region have a **legacy of polluting** and outdated industry and inefficient use of energy in all sectors;
- Although agriculture and other diffuse sources are suspected of delivering the most pollution into the sea and into the Danube, **shipping and the shipping of petroleum** are also important contributors;
- The Black Sea is **one of the most polluted, anoxic and eutrophicated seas** and is often called “a disaster area” (WWF 2007 Report). According to a Turkish study it has shown **improvement since 1995**;
- **Climate change impacts:** water stress and long droughts.

Proposed Bosphorus Bypass Pipelines (1)



Proposed Bosphorus Bypass Pipelines (2)



Current energy trends in the region, an IEA assessment:

- Severely affected by economic and financial crisis, in particular Ukraine and Russia; uncertainty over the timing of recovery;
- Large scope for improvements in *energy efficiency*;
- A strong rationale for regional energy trade but regional markets are in early stages of development;
- Concerns over reliability of supply, including from Russia, as well as over new transportation/infrastructure across multiple national borders;
- China has become the main diversification option for East Caspian gas, tapping on Central Asian gas as well.

II. Extra-regional presence and influences in the wider Black Sea region: security and economic aspects

- **Policies in the Black Sea region** depend also on **strategic approaches** emanating from Brussels, Washington, Moscow, Ankara, and quite likely Beijing, Delhi and Tehran;
- Today ballistic missiles are capable of reaching Turkey, Russia and much of Europe;
- A possible emergence of a new nuclear or even a near-nuclear state in adjacent areas could have potentially strategic consequences for the Black Sea region.

A regional maritime approach

- It is **favoured** by both regional (Bulgaria, Romania, etc.) and extra-regional actors like the US and NATO;
- Tackling terrorism, proliferation and energy security concerns necessitates the **control of air and sea space in and around the Black Sea**;
- **There are divergent views on a regional maritime approach, as was the case with opposition to the extension of NATO's operation Active Endeavor from the Mediterranean into the Black Sea.**

Economic presence of extra-regional powers:

- China, India, Korea and Malaysia are at the top in energy co-operation with regional countries;
- China is expected to emerge as a significant actor in the Black Sea scene over the next decade.

III. EU energy security and climate change policies in the region. Bulgaria's role.

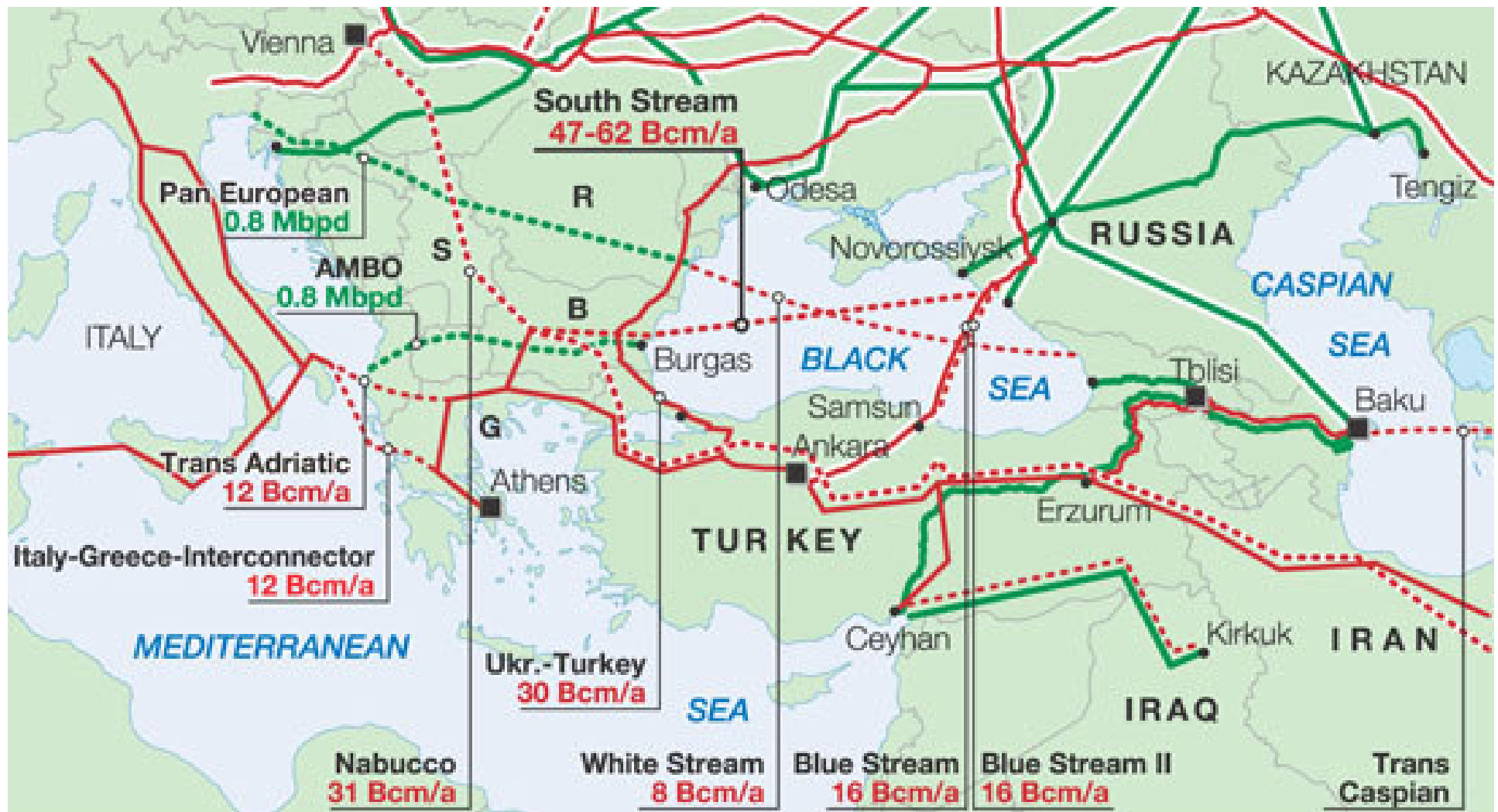
With the adoption in 2007 of the integrated policy on climate and energy, and its external dimension, the European Council emphasized the following (6) essential elements which form **a policy framework**:

- Negotiating **a post-PCA agreement with Russia**, in particular energy;
- **Intensifying relationship with Central Asia, the Caspian and the Black Sea** regions with a view **to diversify supplies**;
- Strengthening cooperation in **GHG, energy efficiency, RES and low-emission energy technologies**, notably CCS;
- Implementation of **Energy Community Treaty** and possible extension to **Norway, Turkey, Ukraine and Moldova**;
- Making full use of the instruments of **the European Neighbourhood Policy**;
- The ENP was further developed with **the *Black Sea Synergy*** and ***the Eastern Partnership***. The first **EU Strategy for Central Asia** came into being.
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Diversification (1)

- From the EU perspective, diversification is a broad concept, whose practical implementation takes years and involves rather diverse measures:
- After the January 2009 crisis the European Council developed the diversification concept to its fullest range – **sources, routes and suppliers;**
- **Interconnectedness** of national and regional electricity and gas systems has been added as an important component of diversification;
- The construction of (gas) interconnectors can tentatively be described as short-term and partial measures, while large capacity, trans-border transmission projects as well as LNG terminals – long term and strategic measures.

Diversification of energy sources, routes and suppliers (2)



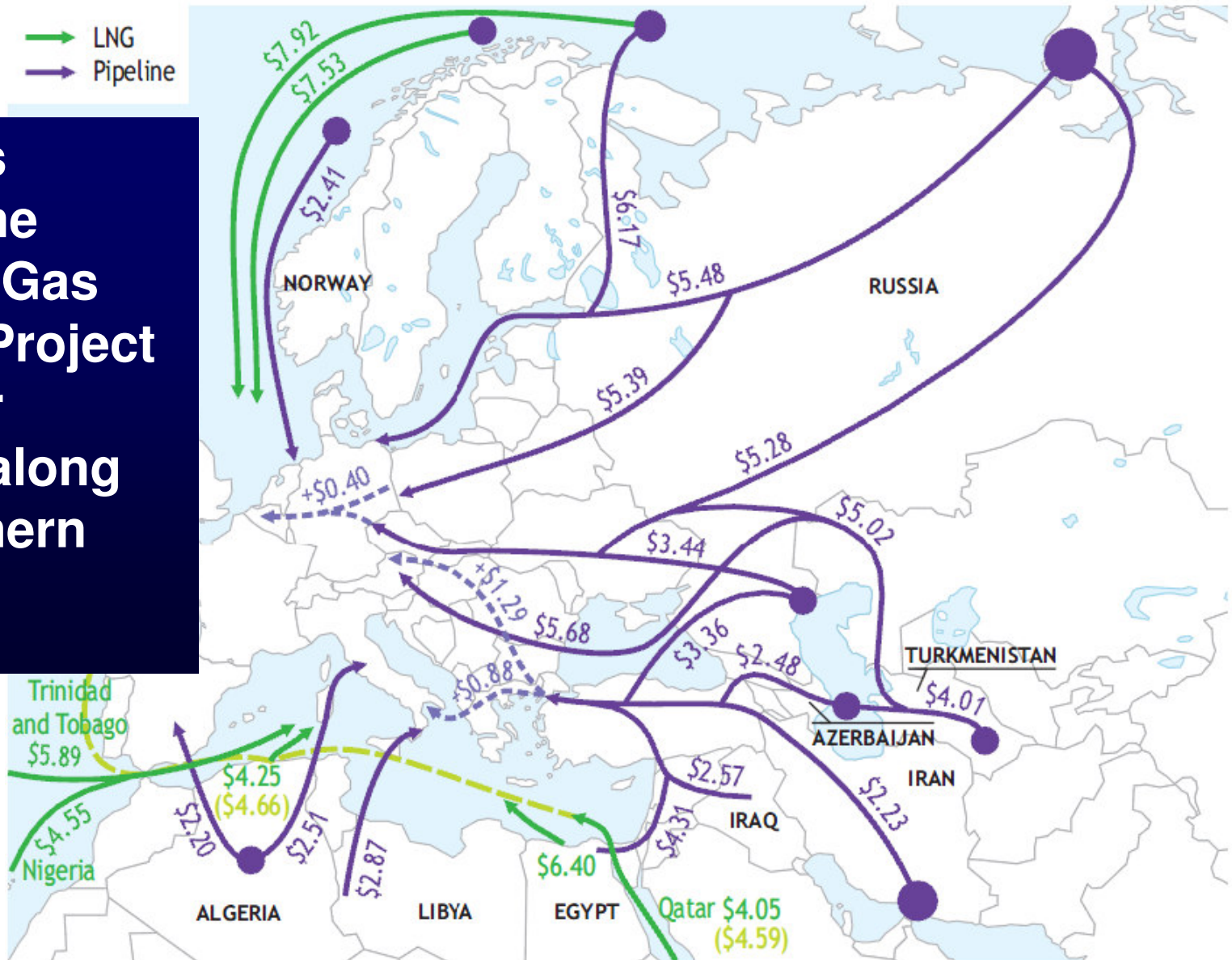
Diversification (3)

Short term measures: Constructing interconnectors

- Two case scenarios:
 - **Baltic Energy Market Interconnection Plan (BEMIP)** involving both electricity and gas interconnections, with the participation of Sweden, Finland, Estonia, Lithuania, Latvia, Poland, Germany, Denmark and Norway (observer), as well as the European Commission
 - **Gas interconnections in South East Europe** supported by the European Recovery Plan, other EU financial facilities, as well as private business interests, with the participation of Bulgaria, Greece, Italy, Romania, Turkey, Serbia, Hungary and other SEE and CE countries. LNG and CNG projects across the Black Sea or at other littoral locations in SEE have potentially the same diversification effect.

Long term measures to diversify

- Measures involve the Nabucco Gas Pipeline Project and other projects along the Southern Corridor



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The Nabucco Gas Pipeline Project:

- A typically diversification project, it has been developing with uneven pace for various reasons, one of them being the complicated geopolitical setting in the wider BS region;
- The multilateral IGA, signed in Ankara last July, and the business model of the Project have produced a unique example of public-private partnership (PPP) for attaining economic and financial viability, transparency and predictability in trans-border gas transmission at long distances;
- The Nabucco Committee: composition and functions;
- Next steps: PSA agreements finalization; open season; realization of the Caspian Development Corporation; ESIA; final investment decision.

The Southern Corridor:

- A **systemic and multi-layered approach** which allows for pragmatic, project-based co-operation with countries in the Black Sea-Caspian region, Central Asia, the Middle East, etc.;
- Diversification increases the prospects for Caspian and Central Asian countries to develop as independent players on international energy markets;
- The Southern Corridor concept aims at developing **diverse and long-term energy partnerships among producer, transit and consumer countries**. It also offers **general cooperation** and cooperation in **transport and communications**;
- The Southern Corridor **concept needs refinement and development**, with the participation of existing and potential partners along the Corridor. Engagement of U.S., Russia, China, Turkey.



Diversification (2):

- The above considerations are relevant in particular to the diversification sources, routes and suppliers of gas to European markets;
- This is so because gas markets are still predominantly regional and trans-regional, while oil markets are global;
- For the EU diversification - in particular in regard to natural gas – has acquired the features of a strategic necessity;
- The EU is the world's biggest importer of natural gas. The wider Black Sea region is the natural link to gas deposits and routes which can ensure the realization of the diversification concept as the EU sees it. Role of Nabucco and the Southern Corridor;

Diversification (3)

- Diversification is also linked to demand estimates. The latest EIA Outlook has established that if the EU could limit its energy use to the requirements of the so called 450 Scenario (which corresponds to the 2 degrees C global warming target), then the EU would need by 2030 just about 100 bcm. of additional gas;
- Gas an “interim” or “bridge” hydrocarbon fuel – the opposite trend;
- The emergence of shale gas (Poland, Ukraine)
- Meeting and managing the demand for gas in the EU economies up to 2030 from Russian and non-Russian gas is a top priority in the Energy policy for Europe (EPE);
- The wider BS region is key to solving this task.

Bulgaria's contribution (1)

- As an EU and NATO Member State and a Black Sea littoral country Bulgaria enjoys important comparative advantages in the strategic, political, economic and geopolitical sphere;
- In coordination with her Allies and Partners Bulgaria is ready to develop these advantages in the implementation of the EU external energy policy and in supporting the common interests of the Euro-Atlantic community in the wider Black Sea region;
- **Bulgaria supports the emerging approach to regional energy security, which excludes “zero-sum” game options and seeks to establish a common maritime and economic understanding of regional cooperation in the wider BS region, including in energy;**

Bulgaria's contribution (2):

- Bulgaria regards the Lisbon Treaty as providing the legal basis, albeit a restricted one, for developing a common European energy policy. At this juncture, even **coordination of national energy policies, as suggested by Energy Commissioner G. Oettinger, would be a major step forward;**
- **Bulgaria welcomes the establishment of the EU-U.S. Energy Council.** It is the appropriate forum for looking into some of the strategic challenges to energy security. Given her involvement in a number of international energy projects on her soil, Bulgaria would be *prepared to take part in the Working Groups of the Energy Council;*
- In the past few months Bulgaria **has prioritized the Nabucco Project** and has agreed with Turkey for the two countries to join forces for the timely realization of this European project;
- In line with a leadership role on Nabucco Bulgaria expresses great interest in **developing – in conjunction with interested partners – the Southern Corridor concept** as a long-term strategic undertaking.

Bulgaria's contribution (3)

- The regional energy profile of Bulgaria has **two new important features**:
 - first, Bulgaria does not intend to play the larger role her relative advantages offer at the expense of or in competition with other energy players in the region. We regard our role rather in terms of cooperation, in the first place with our immediate neighbours Greece, Romania and Turkey (with the first two Bulgaria has already established a tripartite energy cooperation format). The four-partite format should be open to other interested countries. The rationale for the initial “four” is that they will be geographically the first to take on their territories practically all new trans-border energy transportation projects from East and South East.
 - second, *We see a potential for the country to take a leading role in setting regional trends in energy efficiency measures, introduction of more RES and other “green” technologies.*

Concluding remarks - food- for thought (1):

- The *diverse and rather complicated strategic picture* in the wider Black Sea region **differs substantially** from the situation in the Baltic Sea region. This strategic picture places **a heavy responsibility on the Euro-Atlantic community** for two interconnected reasons:
 - European and Euro-Atlantic integration values, principles and institutions **evoke continued political and economic interest** among the elites and citizens of countries in the wider region;
 - EU and NATO regional initiatives could not therefore be other than of **a constructive nature** and be geared towards security, stability and co-operation in the Black Sea proper and the wider region;

Concluding remarks (2):

The Euro-Atlantic Community needs to balance a political and security engagement around the Black Sea with establishing acceptable working relations with Russia;

In the field of energy this would be difficult, if not impossible, unless Russia changes its intransigent stance on the Energy Charter Treaty (or a Global Energy Code?). The benefits of legislative changes in the Russian energy sector and investment;

A dialogue of the three interrelated Russian proposals to reform the European Security Treaty, the Energy Charter Treaty and the global financial system. This presentation does not prejudge the outcome, it rather suggests that dialogue is the order of the day;

Security and energy cooperation strategies for the region should be developed but their negotiation and implementation should be tackled in separate fora.

Concluding remarks (3):

- **NATO's role** in regard to energy security – and energy transportation in the wider Black Sea region - is yet to be developed, in cooperation with all littoral states and EAPC Partners;
- **The U.S. – Russia accord on reduction of strategic nuclear armaments**, signed in Prague on 8 April 2010, is a positive development. It will have important implications and a knock-on effect for initiatives intended to stabilise the strategic environment in the wider Black Sea region;
- Cooperation among the countries in the wider BS region on energy efficiency, renewable energy resources and “green” technologies offers **investment and employment opportunities and new areas of common interest**;

Concluding remarks (4):

- With the advancement of technology and because of global warming huge spaces in the Arctic, on Greenland and other islands, as well as on the sea bed, will be *opened to exploration, production and transportation of hydrocarbon resources*. The geopolitical, energy and industrial potential of the wider Baltic Sea region will grow;
- It is encouraging that the EU High Representative for Foreign Affairs and Security Policy Catherine Ashton finds that the Arctic is a matter of growing political importance, and one which must be dealt with as such. Regardless of divergent views on the development of the Arctic, it is *the European Commission's intention to help protect the environment and resources of the Arctic region*;
- This proactive approach is of relevance to the geopolitics of the wider Black Sea region as well: certain parallels and lessons learnt could be shared in appropriate formats.
- Thank you!