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Cover Page Footnote

We would like to thank our advisor, Professor Elai Rettig at Washington University in St. Louis. This article evolved from term papers written in Professor Rettig's International Energy Policy course and his advice and guidance were invaluable throughout this process.

Pipeline or Pipe Dream: The Potential of Peace Pipelines as a Solution to Fragmentation and Energy Insecurity in the European Union

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ABSTRACT

In recent years, the European Union (EU) has developed its energy policy to adapt to an evolving global market calling for cleaner energy while maintaining and enhancing its energy security as consumption has remained constant. While the EU works towards this goal, it also seeks to reduce Russian dominance in its energy markets. The EU's internal politics have become more fragmented with the Eurozone and refugee crises, which has made the coordination of Union policies difficult as leaders are unable to form strong domestic policy alone to counter Russian presence in the energy market. Lacking a united energy policy against Russia, the EU seeks alternative suppliers for its energy needs. One increasingly popular solution is importing newly discovered gas in Israel and the countries of the East Mediterranean region into the EU via pipeline. The peace pipeline theory has the potential to address both energy security and conflict mitigation through the claim that states with economic relations are far less likely to engage in conflict with one another than those without economic ties. This article analyzes the economic interdependence peace pipeline theory and investigates its potential to aid Europe's quest for energy security. It explores current efforts to use pipelines as a foreign policy tool, examining case studies of Turkey, Israel, and Cyprus. While interstate pipelines can assist Europe's goal of achieving energy security, available evidence suggests proponents have overstated their impact on energy security and international relations.

KEYWORDS

energy, security, pipelines, oil, natural gas

1. INTRODUCTION

Oil and natural gas pipelines that connect the East Mediterranean to Europe are an attractive option to policy makers in the European Union. Pipelines could help wean Europe off Russian oil and natural gas, a common goal of EU member states, by diversifying energy supply. Simultaneously, pipelines could produce unity within the bloc around policy making. Energy supply to western European countries would increase while eastern European states would avoid further Russian dominance of their markets.

This article argues that peace pipelines will not provide a sufficient solution to current European unity and energy supply issues. We assert that pipelines reflect pre-existing relations between states instead of creating or transforming them. The first section will discuss EU policy making and analyze current energy challenges within the block. We will then examine European fragmentation as a barrier to cohesive energy policy. We present the peace pipeline theory, following up with challenges of the theory. Afterwards, we will explore this theory through the lens of two case studies, one that examines a potential pipeline between two rivals in the region, Turkey and Israel, and one that examines a pipeline between friendly countries, Israel, Greece, and Cyprus. We conclude that because natural gas and oil pipelines are only implemented between states with positive relations, pipelines do not offer a likely solution to EU-Russia tension and are not viable as a uniting energy policy for the European Union.

2. THE EUROPEAN UNION'S ENERGY POLICY

2.1. STRUGGLE FOR HARMONY

The primary function of the European Union is to coordinate an integrated market for more efficient trade between member states. Post WWII states pursued this integration as a deterrent to future wars and continued to expand its scope through the twentieth century. While EU institutions such as the European Central Bank still maintain exclusive control over its internal trade, the Euro, and more, the European Union body also shares policy control with member states in certain areas. Under Title I of Part I of the 2007 Treaty on the Functioning of the European Union, both the Union and its member states share responsibility to create a unified energy policy. As a result of mandated coordination, the EU is constantly searching for ways to solidify diverse energy sources, reduce prices of their imported energy, and maintain political relationships with energy exporters outside of the EU which can satisfy their energy needs while not encroaching on their political interests.

However, the EU is currently struggling to find and maintain this cohesive policy. Declining domestic energy production within EU member states, specifically coal and natural gas, contributes to the EU's declining energy security. As Europe attempts to phase out coal in the United Kingdom, France, and Italy, natural gas occupies a growing share of energy supply. Moreover, countries like Germany are phasing out nuclear energy production, increasing demand for natural gas imports despite stable gas consumption. A large portion of European natural gas production currently comes from the Groningen gas field in the Netherlands, which is slowly phasing out production due to increasing environmental concerns in nearby population centers. The Groningen gas field will entirely stop production by 2030, further reducing domestic European natural gas production. Despite decreasing member state production, natural gas remains a more attractive option than coal and oil for European countries looking to reduce or outsource emissions to meet Paris Accord

benchmarks (Karakullukcu, 2016). In order to satisfy increasing demand for natural gas, the EU must look to non-member states to fill the void this decline in domestic production has created.

2.2. FRAGMENTATION

The EU has already codified consistent imports of the majority of their natural gas and oil imports in their energy policy. However, troubled and inconsistent diplomatic relationships with prominent trading partners like Russia weaken European energy security and put pressure on member states. Russian dominance in the EU's energy sector is one of the greatest concerns for the bloc as Russia seeks to exert hegemonic influence, especially in eastern European countries. Natural gas occupies an increasing share of the bloc's energy imports. For this reason, Russia has become increasingly influential in European markets with its robust natural gas fields. The EU is currently reliant on Russian gas as one of its primary energy sources, prompting recent efforts to diversify natural gas imports. Russia, which currently supplies 30 percent of all energy to the EU including natural gas, coal, and oil, has leverage in its relationship with the European Union. Ensuring energy security in the EU requires European countries to develop the energy capacity to replace Russian supply if necessary.

Due to these conflicting interests and others alike, the Union has struggled for years to form a cohesive energy policy. Each member state has different challenges to energy security dependent on geography, internal politics, and foreign policy. For example, many eastern European countries are completely dependent on Russian coal, gas, and oil. In contrast, western European countries have more options for diversification from Russia and are not as vulnerable to Russian influence as the east (Casier, 2011). Conflicting energy interests are also reflected in other states. For example, the Nord Stream pipeline connecting Russia to Germany through the Baltic Sea is set to expand into the Nord Stream 2. Traditional transit states such as Slovakia, Belarus, and Poland would be completely bypassed after the Nord Stream pipeline is expanded and worry that Russia will use this to threaten gas supply to eastern Europe while guaranteeing supply to western Europe, weakening the unity of the bloc.

The EU's strength and internal politics have become more fragmented as a whole due to financial crises and an influx of refugees. Financial insecurity has burdened many member states, prompting the Eurozone crises in Cyprus and Greece. Bailouts were given in 2015 jointly between the European Union and International Monetary Fund, utilizing EU funds provided by member states, which was quite contentious among members. Countries such as the United Kingdom experienced resistance from citizens as well as lawmakers who valued more nationalistic agendas, distrusting larger coalitions and multilateral organizations. Moreover, the ongoing refugee crisis has strained relations between eastern and western European states that continue to experience uneven migration. In 2016, the United Kingdom voted to withdraw from the European Union, reflecting the trend of rising nationalism in states across Europe and the declining desire for European unity. Germany followed this trend with the rise of right-wing political parties following high levels of refugee acceptance into the country. Both the financial crash in Greece and Cyprus and the refugee crisis contributed strongly to the existing fragmentation in the EU (Lane, 2012).

Current challenges facing the bloc have proven that an attempt at unity can easily disintegrate when EU member states have differing priorities. Pressure from constituents has

pushed leaders to pursue solutions independently from the Union, devoting fewer resources to pursuing a cohesive energy strategy within the bloc. EU leadership and multilaterals are searching for a solution to both energy insecurity and fragmentation within the Union and have proposed the creation of “peace pipelines” as a potential solution to both fracturing and energy insecurity.

3. THE PEACE PIPELINE ECONOMIC INTERDEPENDENCY THEORY

The peace pipeline theory is a subset of the capitalist peace theory, which claims that states with economic relations are far less likely to engage in war and conflict with one another than those without economic ties. The peace pipeline theory narrows this claim and states that the development of a natural gas pipeline between two or more countries will serve as a strong deterrent against conflict and motivate states to pursue strong relations with their pipeline partners. According to the interdependency theory, “gas and other ingredients of ‘economic peace’ can act as catalysts for political discussions, offering stability and possibly confidence building measures” between states (European Council on Foreign Relations, 2018).

Through this lens, the creation of stable markets and consistent energy sources are beneficial for both the exporting and importing state. Even if the countries have never interacted with one another prior to the installment of a pipeline, this mutual economic benefit should incentivize such interaction. The mutual desire to increase revenue and foreign investment, create regional stability, and gain international legitimacy, should theoretically push countries towards cooperation around natural gas trade. Pipelines require significant initial financial investment and take many years to construct (Deep Drilling Insights, 2016). Under the peace pipeline theory, countries typically form agreements with the intention of maintaining good relations with partnering states for the duration of the pipeline’s usage (Shaffer, 2009). This may be true, but the cooperation and investment required to initiate a natural gas pipeline is only likely in states that already enjoy healthy diplomatic relations. Case studies examining pipeline consideration between Israel and Turkey and implementation between Israel, Cyprus, and Greece question the notion that pipelines are a viable tool to improve interstate relations, as proponents in the EU context claim.

4. PIPELINE PROSPECTS

4.1. TURKEY, ISRAEL, AND ESCALATING TURKISH-CYPRIOT-ISRAELI CONFLICT

A natural gas relationship between Israel and Turkey could be seen as a potential solution to the tensions between the states. However, recent history between Turkey and Israel suggests that *potential* economic incentives alone are not enough to generate cooperation. Turkish-Israeli relations had been relatively stable since the Cold War, but began to deteriorate following conflict over Hamas, the Second Lebanon War, and the assassination of Hamas leader Sheikh Ahmed Assin. New natural gas prospects in the East Mediterranean region exacerbated already strained relations between Turkey and Israel, resulting in Turkey’s expulsion of the Israeli ambassador in May 2015 and subsequent Israeli expulsion of the Turkish ambassador.

Despite pre-existing tensions, Israel and Turkey attempted to restore diplomatic relations in hopes of capitalizing on shared natural gas resources. This brief restoration of positive relations over economic interests was not sufficient to maintain a positive relation-

ship between the two states. To justify the economic cost of a pipeline between the two countries, Israel would export the largest proportion of its Leviathan gas to Turkey. However, even with the flow of Israeli gas into the Turkish market, this gas would only provide about 10 percent of Turkey's natural gas imports. Turkey has not prioritized divestment from Russian or Iranian gas and could easily switch to importing these cheaper products (Efron, 2018). This would be devastating to the Israeli economy while Turkey would have the ability to easily replace Israeli gas in its energy mix. Domestic political conflict in Turkey also discouraged foreign investment in a large-scale natural gas development project. President Erdoğan, Turkey's current leader, has openly positive relations with both Russia and Iran, and has strong nationalistic views and little interest in external cooperation, fostering an unfriendly environment for international business (Clemente, 2016).

The peace pipeline theory asserts that pipelines encourage states to pursue good relations with their pipeline partners and that this incentive can reduce conflict. Turkish-Israeli relations demonstrate the difficulty in using new pipelines to create diplomacy where it does not exist. States embroiled in conflict lack the diplomatic infrastructure and political environment necessary to pursue such significant infrastructure investment.

4.2. EASTMED PIPELINE DEAL: A REFLECTION OF PREEXISTING GOOD RELATIONS IN THE EAST MEDITERRANEAN

In 2013, Israeli natural gas export policy reflected the positive relations between Greece and Cyprus allowing for energy trade through the construction of the EastMed pipeline (Hoffman, 2017). The prospects of a pipeline between multiple countries was enabled by the preexisting strong ties between Israel, Greece, and Cyprus. The Israeli-Greek-Cypriot energy triangle apexed in November 2018, when the three countries and Italy signed an agreement to build the longest underwater natural gas pipeline to date, the \$7 billion EastMed pipeline. Proponents of the peace pipeline interdependency theory have argued that this agreement fostered positive relations between the involved states by solidifying their mutual interests in the EastMed deal. However, these positive relations existed far before the agreement and were the driving factor of the pipeline deal.

Greece, Cyprus, and Israel had demonstrated mutual support, engaged in bilateral trade, and conducted joint military agreements before the EastMed deal was approved. Israel and Cyprus have always had fairly good relations as Cyprus served as a temporary home for 53,000 Jews fleeing the Holocaust before they made their way to Israel. Cyprus, Israel, and Greece have a vested interest in working together to further their collective influence in the region.

Cyprus and Israel solidified their positive relations in 1993 through bilateral trade agreements and commercial ties. As of January 2017, Israel remains the fifth largest exporter to Cyprus. Like Cyprus, relations between Israel and Greece have only strengthened in light of Israeli-Turkish and Cypriot-Turkish deterioration. Greece began working with Israel in 1981 after joining the European Economic Community. Greek support of Israel was met with much needed investment in Greece during an economic depression. Through tourism, agriculture, and more, Israel provided much needed relief to Greece.

The strong relations between Greece, Cyprus, and Israel during the past decade provide ideal and unparalleled conditions for secure Israeli pipeline development. Political and military links between Israel, Cyprus, and Greece, including joint military exercises and multiple memoranda of understanding, have never been stronger between the countries.

Due to this multifaceted relationship, Israel can rely on Cyprus and Greece to protect Israeli interests within their territory. In return, Cyprus and Greece can expect a partner in their efforts to reduce growing Turkish influence in the region. The prospect of a pipeline did not create these security conditions. Rather, the conditions allowed for a favorable environment in which to construct the pipeline.

Similarly, the three countries share a common interest in reducing Turkey's regional hegemonic rise. Greece, Israel, and Cyprus must pool their resources to be competitive with Turkey's economic power. Due to Turkey's size and strength, this is likely the only effective possibility to reduce Turkey's hegemonic potential. Because of this, the EastMed pipeline also reflects the current desire to curb Turkish influence. Israel and Cyprus can produce 25 billion cubic meters per year for twenty years given current reserves, enough natural gas to cover half of the current Turkish demand and "one-sixth of current Russian supplies to Europe" (Ellinas, 2016). As Europe attempts to diversify away from Russian gas, current reserves in Israel and Cyprus provide an option for competition with Russia. For this reason, the European Union has heavily invested in EastMed pipeline research and development. The European Union agreed to prioritize purchasing gas flowing from the EastMed pipeline over other sources, increasing the economic potential of Israeli-Cypriot-Greek gas discoveries. Israel stands to improve its preexisting positive relations with the EU by choosing to work with Greece, Cyprus, and Italy on the EastMed pipeline.

The pipeline reflects a vested interest between Israel, Greece, and Cyprus in securing the Eastern Mediterranean region, sidelining Turkey and related Russian encroachment. Through its financial support of the pipeline, the EU stands to gain subsidized and consistent energy, along with other traded goods and services from Israel with this unofficial relationship. This solidifies the mutual interests between all countries involved in the EastMed deal. While the EastMed pipeline did not create peace and partnership between the three countries, it solidified the relations which existed prior to its development.

5. ANALYSIS: CASE STUDIES

The pipeline deals explored above did not *create* peace. For Israel, Cyprus, and Greece, three countries with positive diplomatic relations, the EastMed pipeline was a mere reflection of good relations. The security between the three countries is what enabled the EastMed deal, rather than the inverse. The pipeline deal made both economic and political sense for the three states. Conversely, natural gas prospects were not enough to overcome the negative relations between Israel and Turkey and no pipeline deals have been pursued. This introduces contradictions to the peace pipeline interdependency theory. Natural gas resources alone cannot circumvent political realities of states. According to the European Council on Foreign Relation, "the absence of conflict and greater economic growth produced by gas agreements do not equate to genuine stability unless political issues are also addressed."

Pipeline deals do not create long-lasting peace, but could still potentially provide large gains for involved states. Deals can increase national revenue, contribute to the international market for oil, and fulfill the energy demands of importers. Given the "clean" nature of natural gas, it is far less polluting than oil, reducing the environmental consequences and externalities associated with its usage. It does not have the intermittency issues associated with renewables, but is far more environmentally friendly than oil and coal. This combination makes natural gas one of the most desirable energy sources in the world.

Diplomatically, pipeline deals can increase the international legitimacy and influence of countries engaged in agreements. Israel, Cyprus, and Greece could work together to produce and transport enough energy securely to be competitive in the European market which is looking to diversify away from Russian imports.

6. CONCLUSION

As the European Union looks for cleaner energy sources and works to diversify away from Russian energy, natural gas and “peace pipelines” appear to be a promising solution for Europe’s current energy problems. Heavy dependence on Russian natural gas is a growing concern from EU member states who are unable to form domestic energy policy to counter Russian influence. Strong fragmentation in the EU due to the Eurozone and refugee crises has discouraged cooperation through policy integration. Some have argued that constructing new oil and natural gas pipelines across Europe could generate new incentives for positive relations, but these infrastructure projects are only carried out where healthy diplomatic relations exist already.

Turkey and Israel’s failure to capitalize on clear economic incentives and the establishment of the EastMed pipeline under pre-existing cooperation call into question arguments that the EU can improve its internal relations by constructing a new pipeline. Energy trade infrastructure comes to fruition only when countries have the diplomatic capacity to carry out the project and is not a viable tool to improve presently strained relations. Due to existing tensions and multifaceted fragmentation in the EU, it does not seem likely that the bloc will be able to form cohesive energy policy in the near future. Peace pipelines will not provide a solution to EU energy supply or European dependence on Russia and will not unite EU member states in policy making where they are not integrated already.

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