

The European Union as an Actor in Energy Relations with the Islamic Republic of Iran

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The final phase of the nuclear negotiations with Iran has coincided with a profound crisis in the EU-Russia relations. Due to the crisis in Ukraine, the uncertainty about European energy security has increased significantly. Against this background, Iran, with its vast natural gas resources, might become a new supplier to the European gas market. Consequently, the relations between the EU and Iran are becoming increasingly important. The main aim of this article is to analyse the relations between the EU and Iran in the energy sector through the concept of actorness.

Keywords: European Union; actorness; Iran; energy; oil; natural gas; Russian Federation

Introduction

The current crisis between the West and Russia and the military conflict in Ukraine have rendered the West's future relations with Russia uncertain. Also, since Ukraine is a main transit country for Russian oil and gas, the conflict in Ukraine might threaten European energy security. Questions about the security of energy supplies loom large against the background of the two previous gas crises between Russia and Ukraine, which, in 2006 and 2009, led to cutbacks of gas supplies to the members of the European Union (EU). On the other hand, the current crisis, which provided an additional impetus to the EU in its diversification efforts, creates new opportunities for potential new suppliers. In this context, officials from the Islamic Republic of Iran (IRI), a

country which sits on the largest natural gas reserves, have repeatedly declared that Iran is able and willing to supply large quantities of its gas to Europe.

Since the early 1990s the EU-IRI relations have gone through various stages that have been characterised by phases of cooperation as well as phases of confrontation. While the period between the 1990s and the early 2000s was characterised by the EU's attempts to engage Iran in a constructive dialogue on a number of issues, including energy, in the second half of the first decade of the 21st century we can clearly see a decline of the EU-IRI relations. However, today, the EU is again trying to improve its relations with Iran.

The objective of this article is to identify and specify the main criteria for the EU's actorness in its energy policy (primary in the area of natural gas) and to analyse the external dimension of this policy towards the IRI. These objectives are attained through answering two questions: (1) how do the criteria of the EU actorness relate to the external dimension of the energy policy towards Iran? (2) Can the EU be considered as an actor of the energy relations with Iran and if yes, what is the extent of this actorness?

In order to achieve the stated objective and answer the research questions, it is necessary to analyse the internal dimension of the EU energy policy and its external dimension *vis-à-vis* Iran. As will be explained the degree of actorness depends on the delegation of competences to the European Union institutions, primary to the European Commission (EC) and on the format of the negotiations with third parties. In different policy areas the degree of actorness can vary.

Thus the extent of the independence of the EU institutions in the area of the internal energy market will influence the degree of actorness in the relations with Iran. Also, external environment can influence the degree of actorness. If policy issues related to the area of Common Foreign and Security Policy (CFSP) supersede the energy agenda we can expect a low level of actorness since the extent of delegation in the CFSP is rather limited.

The basic assumption of this article is that the actorness of the EU in the area of the energy relations with Iran is not only drawn from the aspects of the internal and external energy policy, but is also based on the Common Foreign and Security Policy. At the same time, this article assumes that the actorness of the European Union depends on

the ability of the European Commission to formulate a debate about the interactions with external actors, yet in the case of the external dimension of the EU energy policy towards Iran this actorness is rather limited.

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In its theoretical dimension the present article is based on a combination of the agency theory, social constructivism¹ and their relation to the European Union actorness. According to constructivist theoreticians, the EU actorness must be understood as a social construct between stakeholders² based on the principle of the shared understanding of the European Union as the actor that has its own role to play.³

The structure of the present article is as follows. The first part presents concept actorness and its relation to agency theory. The second part analyses the internal dimension of the EU energy policy. Next section determines the extent of actorness in that field. The final part of the article analyses dimensions of actorness in the external energy relations with the Islamic Republic of Iran.

Actorness of the EU and Concept of Agency

In contemporary literature on the topic, there are several concepts revolving around the actorness of the European Union in the international context. Some scholars prefer to combine the issue of actorness with agency theory.⁴ Actorness relates to the ability of the EU 'to behave actively and deliberately in relation to other actors in the international system.'⁵ On the other hand, agency theory refers to the situation 'when one party, the principal, enters into a contractual agreement with a second party, the agent, and delegates to the latter responsibility for carrying out function or set of tasks on the principal's behalf.'⁶ Though these concepts are distinct, they are also interrelated since member states, as principals, delegate competences usually to the Commission to pursue certain common policy goal.⁷

In a classic principal-agency research based in economic theory, scholars tend to focus on a problem of asymmetric information and agency costs that result from the situation when agents and principals pursue divergent objectives.⁸ In contrast, in the literature on international organisations, such as the EU, researchers focus their attention on the positive outcomes of delegation, mostly related to the reduction of decision-making costs, the enhancement of 'the credibility of policy commitments',⁹ as well as to the stimulation of 'strategic behaviour in

international negotiations' and enjoy 'the advantages of speaking with a single voice'.¹⁰ The latter rationale for delegation directly relates to the concept of actorness.

In their definitions of actorness, most authors focus on its external attributes.¹¹ According to Jupille and Caporaso the EU's ability to act as an actor in global governance is based on four dimensions: authority, autonomy, recognition and coherence.¹² In order to determine the extent of the actorness we have to conceptualise and operationalise these categories:¹³

1. Authority: the EU's 'authority to act on behalf of the collective'. The degree of authority depends on the 'extent of the delegated competences from the member states to the EU'.¹⁴ The full delegation is in the area of the exclusive competences of the EU, while the area of shared competences suggests partial delegation, and competences to coordinate and support presume only limited delegation.
2. Autonomy: the institutional uniqueness and independence of the EU institutions in relation to other actors, in particular its member states. This reflects agency theory's relationship between principals and agents. Member states as principals delegate certain competences on the agent(s) to act on their behalf. The level of the EU's autonomy will depend on who actually represents the Union in the international negotiations: Commission, some member states, the presidency, or some combination of the three (the 'hybrid model' of negotiations).
3. Recognition: formal or informal recognition of the EU by other actors.
4. Coherence: ability to generate an internally consistent system of political preferences. The level of coherence is 'the degree to which the group comes up with a single message and manages to present that message with a single voice, without members of the group breaking away and undermining the collective message'.¹⁵

One of the most often quoted and applied theories in regard to this subject is Bretherton's and Vogler's theory of actorness, which is based on the constructivist approach and three interrelated concepts: opportunity (i.e. the factors given by the external environment that weaken or strengthen the actorness), presence (i.e. the EU's ability to influence its external environment by its mere existence) and capability (i.e. the internal organisation and functioning of EU external policies). As re-

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gards the last concept, the authors distinguish four basic criteria of actorness, which are 1) shared values, 2) the legitimacy of the external policy (in particular the decision-making process and priorities), 3) the ability to prioritise and formulate coherent policies, and 4) the availability of tools for external policy and the ability to use them effectively.¹⁶

The extent actorness can range from none to minimal, moderate and high. Hence, in different policy areas EU can demonstrate different degrees of actorness.¹⁷ This will depend on the extent of delegation of the competences to the Commission as a main agent and on the form of the Union representation in international negotiations. In this respect, Thomas seeks to take into account the increasing role of the Common Foreign and Security Policy (CFSP) in his approach.¹⁸ Thomas defines actorness as the ability of the EU to unify the preferences of the member states and EU institutions, create a sufficiently clear common policy and ensure its implementation in the EU's relations with other states, non-state actors and international institutions.¹⁹ This is the responsibility of the High Representative of the Union for Foreign Affairs and Security Policy, who has at her disposal the External Action Service as a bureaucratic body and the diplomatic personnel.²⁰ The Treaty of Lisbon merged this position with the European Commissioner for External Relations, which shall make the EU foreign policy more coherent and create a single authority that will represent the EU at the international level.

Similarly Dryburgh, who examines the EU's actorness in its relations with the IRI, highlights the importance and role of the EU as a global actor. In his view, alongside its external policy/relations, the EU's actorness is also rooted in the CFSP, whose development after the adoption of the Lisbon Treaty has added a new dimension to the EU. At the same time, while factoring in those criteria that focus on the external attributes of EU actorness – i.e. acting vis-à-vis third-country actors – Dryburgh also takes account of additional criteria of actorness. These include, for instance, the recognition of the EU as an actor in a certain area, both by member states and by external actors. If the external and internal actors share the same perception of the EU's role as an actor, this perception is crucial for the social construct of the actorness of the EU and thus for its evaluation.²¹

Nevertheless, since decision making in the Foreign Affairs Council is based on unanimity, we do not expect the High Representative to act

independently of the member states' interests. The High Representative realises the policy, which was agreed in the Council. Thus the level of delegation is by definition low. Hence, based on Dryburgh analysis of the EU's actorness in its relations with Iran in the area of CFSP the authors will use the following criteria of actorness in the area of the external energy relations with IR: 1) the articulation of the actorness, 2) the consistency and specificity of the given policy, 3) the diplomatic apparatus and political tools, and 4) the perception of the EU actorness by third parties.²²

In sum, the authors of the present article build on Jupille and Caporaso's criteria when examining the degree of actorness in the energy field, and on Dryburgh's criteria when examining EU's energy relations with Iran. As will be explained, EU's energy policy and external policy are interrelated. Thus Dryburgh's and Jupille and Caporaso's criteria are not mutually exclusive but they are rather complementary.

Internal Dimensions of the EU's Energy Policy

After China and the US the EU is the third largest energy consumer.²³ Although its overall energy consumption is decreasing, its depletion of inland domestic resources makes the EU Member States dependent on imports of natural resources. According to the European Commission, 53% of the EU consumption depends on imports.²⁴ Crude oil and petroleum products still dominate the primary energy consumption of the EU with a share of 33.8%, followed by natural gas (23.4%), solid fuels (17.5%), nuclear energy (13.5%), and renewable energy resources (11%). At the same time, the EU's import dependency on oil and petroleum is about 90%, its import dependency on natural gas is up to 66%, that on solid fuels is 42% and that on nuclear fuel is 40%.²⁵ Under present initiatives in the energy field, the EU tries to decrease the energy sensitivity of its economy and shift towards clean energy, which shall also help to decrease its import dependency.²⁶

A positive sign is that between 2010 and 2012 the EU's primary energy consumption declined by 4% and the share of oil and petroleum products in it declined from 35.1% to 33.8% (but we should also remember that it was partly an outcome of the sluggish economic growth).²⁷ Nevertheless, during the same period of time the production of crude oil and petroleum fell by 21%, and since 1995 the overall oil and petroleum production fell by 56%.²⁸

Although natural gas is considered to be a relatively clean source of energy, between 2010 and 2012 its consumption in the EU decreased by 11%, and its share in the total amount of energy in the EU declined from 25.1% to 23.4%. These declines were primarily due to weak economic growth and low electricity demand, but also partially due to the growing share of solid fuels and renewables in the power generation sector.²⁹ At the same time the overall gas production continued in its decline, and since 1995 it fell by 56%. In 2012, the EU imported about 287.5 bcm of gas.³⁰ According to the Commission during the next decade the EU's gas imports shall not exceed 340-350 bcm.³¹

Russia is the EU's main energy supplier. In 2012 the Russian share in the overall import of both oil and natural gas was over 30%. Meanwhile, Norway's share in the overall import of natural gas alone was about 30%. Between 2008 and 2011 liquefied natural gas (LNG) primarily from Qatar was seen as a major competitor to the pipeline gas. However, its market share in overall natural gas imports, after reaching its peak in 2010 at about 20%, went down to 15% in 2012, and during the next two years it continued in its rapid fall. This is primarily due to the much larger prices in the growing Asian market, to which LNG producers diverted their exports.³²

Hence, Russia remains the most important exporter to the European market. However, the 2014 European Energy Security Strategy states that '[t]he most pressing energy security of supply issue is the strong dependence [on] a single supplier.' What is meant here by the term 'single supplier' is obviously the Russian Federation.³³ Thus, '[t]he European Union must reduce its external dependency on particular suppliers [...].'³⁴ This dependency issue is strongly articulated in the gas sector, and according to the Commission energy security can be achieved by the creation of an internal gas market through a shifting of the regulatory authority to the European Union (i.e. the Commission) level and by developing the common voice in the external energy policy. Recently the process of the creation of the EU's actorness through the regulatory state activism became visible in the EU's energy sector, as the Commission is trying to create an internal energy market.³⁵

The gas markets in the EU have always been isolated, monopolised and segmented by leading energy companies.³⁶ This situation has led to 'divergences over internal energy policy [which] have undermined [the] external energy strategy.'³⁷ Moreover, since 30% of the EU's gas

supplies come from the Russian Federation, the Russian company Gazprom has been able to regulate the gas trade with its consumers and ensured its dominant position on the market. Hence, the 'European market' is disintegrated, and the 'European voice' is mute. This, by definition, has precluded any form of the EU actorness in the European gas industry, since there was virtually no delegation of authority to the European Union level and to the Commission as an agent.

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In order to change the situation, the Commission is trying to build an internal gas market by de-monopolisation, liberalisation and promotion of the spot market principle, which should, in theory, empower the consumers' position and their energy security.³⁸ For this reason the Commission came up with the third energy package, which, after a vigorous political debate, was finally adopted in September 2009—a few months before the Treaty of Lisbon entered into force. One of the key provisions is the principle of mandatory ownership unbundling, which should ensure third party access to the pipeline infrastructure and, by this, encourage gas-to-gas competition. Exemption to this provision can be provided by the Commission.³⁹

But it was only after the adoption of the Treaty of Lisbon that the provision on energy security was introduced into the primary law, which gave the Commission a legal basis for its regulatory powers. According to Article 4(2) of the Treaty on Functioning of the European Union (TFEU) energy is part of the shared competences, which means that the member states exercise their competences in a scope in which the EU does not exercise or stopped exercising its own competences.⁴⁰ Here, according to Article 5(3, 4) of the Treaty on the European Union (TEU), the principles of proportionality and subsidiarity are applied, which means that 'the Union shall act only if and in so far as the objectives of the proposed actions cannot be sufficiently achieved by the Member States [...]', and its actions 'shall not exceed what is necessary to achieve the objectives of the Treaties.'⁴¹

In this respect the scope of the EU actions might be considerably broad, since according to Article 194(1) of TFEU the goals of the energy policy include the creation of the internal energy market, securing the energy supply, interconnection of energy networks, and promotion of energy efficiency and renewable energy sources. The member states might often not be able to achieve these goals alone. The legal basis gives the Commission a considerable space for its activity. Yet, as far

as the European market is still dominated by Gazprom, it must compete with the Russian monopoly over the nature of the European gas market. Consequently, it is in the Commission's interest to find an alternative supplier.

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Although the recent definition of the Commission's role in the energy sector came with the Treaty of Lisbon, the process of regulation of the energy sector and framing of the issue dates to the beginning of the 1990s.⁴² The Treaty of Lisbon only reflects the processes which have been going on for a longer period of time and are a result of the successful framing of the issue by the Commission. At the same time, the Commission perceives that the creation of the internal gas market will have a spill-over effect on the EU's external policy.

With respect to the Common Foreign and Security Policy, the Treaty of Lisbon merged the posts of the High Representative for the CFSP and the European Commissioner for External Relations and created the post of the High Representative of the Union for Foreign Affairs and Security Policy. The High Representative of the Union has at his or her disposal the External Action Service as a bureaucratic body and the diplomatic personnel.⁴³ These innovations represent an attempt to make the EU foreign policy more coherent and create a single authority that will represent the EU at international level. The merger of the energy policy and the EU external policy is considered to be very important. One underpins the other. At the same time the Commission perceives that the creation of the internal gas market will have a spill-over effect on the EU's external policy. This is understandable; since conclusion of contracts between energy companies is usually preceded by the intergovernmental agreements. Thus in one of its Communications the EC states that '[t]he EU external energy policy is crucial to complete the internal energy market.'⁴⁴ Another related document states that 'the successful and efficient functioning of the internal market with the gas and electricity will promote and underpin the development of an effective external dimension of the Union's energy policy.'⁴⁵

The creation of the new position of the Vice President of the European Commission in charge of the Energy Union in November 2014 shows the clear ambitions of the European Commission to engage in the process of negotiations with suppliers. In this regard Framework Strategy for a Resilient Energy Union suggests that the Commission should be not only 'informed about the negotiation of intergovern-

mental agreements' with suppliers but also should 'participat[e] in such negotiations.' This will 'ensure that the EU speaks with one voice in negotiations'.⁴⁶ Nevertheless, it is still only a bid for future competences.⁴⁷

EU-Iran

Degree of the EU Actorness in the Energy Area

In terms of actorness, Article 194 of the TFEU and the third energy package provide partial delegation to the European Commission. Consequently, we can see a progress from the no explicit authority to a moderate authority, which presumes that the member states as principals keep certain control over their agent (Commission) but have to comply with the new rules of the third energy package. The autonomy of the Commission is on the other hand very limited, since the member states and their energy companies are still main actors who negotiate contracts with suppliers. As shown in the case of Iran, which has the largest gas reserves in the world (33.8 trillion cubic meters, which is 18.2% of all world gas reserves) and the fourth largest oil reserves in the world (150 billion barrels, which is 9.3% of all global oil reserves)⁴⁸, the Commission can participate in the intergovernmental negotiations related to the energy issues, but decision making is in hands of the member states. Thus 'a hybrid negotiating format has been put in place' where the High Representative for CFSP, Commissioner for Energy/Energy Union, president of the Council of the EU and various member states engage in talks with the third countries.⁴⁹

In terms of recognition, the EU established cooperation with main suppliers and other countries including China, Russia and the United States, which suggest their recognition of the EU as a partner for negotiations.⁵⁰ In terms of coherence, the European Commission actively promoted a common approach to energy security issues since the early 1990s primary through a non-binding soft law. It was able to introduce three energy packages that gradually liberalised gas market. In 2015 it introduced the concept of energy union and appointed a respective Vice President of the Commission. The energy union is, however, still a distant perspective. Nevertheless, the Commission successfully framed the issue of negative consequences of dependency on Russian gas. In this regard, it clearly sent a signal that its aim is to find an alternative supplier. Particularly, the recent overtures towards

Iran,⁵¹ which has the largest gas reserves in the world,⁵² clearly suggest that the Commission seeks to establish close cooperation in energy field with this country.

We can conclude that the degree of actorness in the energy area is moderate. Energy relations with Iran were forestalled by the Iranian nuclear programme that got priority over energy cooperation. Recent nuclear deal, however, gives a new impetus for establishing energy relationship particularly in the gas sector. Yet, so long as the Commission does not have enough power to present a single voice in the energy field and conclude binding agreements with the third parties, rapprochement with Iran and building the new energy relations will be a responsibility for the CFSP. On the other hand, as it was explained, the EU's energy policy and external policy are mutually constitutive. Alternative gas supplies from Iran can break Russia's dominant position in the energy sector and enable the EU to finish its market integration that will further empower the Commission.

The Actorness of the EU in Its External Energy Relations with Iran

The limited autonomy of the Commissioner for Energy/ Vice President for the Energy Union in negotiations with the third parties and the predominance of the nuclear issue in relations with Iran necessitate using different criteria to assess the level of the EU actorness *vis-à-vis* Iran than were used in the analysis of the Union policy in the energy sector. In this section, the work deploys Dryburgh's criteria of actorness: the articulation of the actorness, the consistency and specificity of the given policy, the diplomatic apparatus and political tools, and the perception of the EU actorness by third parties.⁵³

Articulation of Actorness

The first criterion focuses on examining the existence and development of various areas of cooperation in the context of the process of shaping and forming the basic framework of the mutual relations. Analysis of the first criterion is also important for determining the existential framework of EU actorness *vis-à-vis* the IRI, from which the specific features of actorness will subsequently be derived. In other words, in analysing the first criterion, the authors will focus on the

main issues of the cooperation and the development of the relations of the EU *vis-à-vis* Iran. Iran has acquired a significant importance for the European Communities and subsequently for the EU in the last few decades. The European Communities began to formulate its positions and interests towards the IRI already during the 1980s.

Since 1992, the EU has followed the so-called Policy of Constructive Engagement towards Iran, which was embedded in its CFSP. The overall aim of this policy was for the EU to maintain contact with Iran and have some measure of influence on its regime while pursuing its interests in various areas. At the summit of the European Council in Edinburgh on 11 and 12 December 1992, the sustained emphasis on political dialogue led to the launch of the so-called Critical Dialogue of the EU with the IRI. The EU was convinced that the only way to approach Iran while complying with international norms was through direct contact and dialogue. However, very soon it became clear that the economic and energy dimension of the critical dialogue was more effective than debates about nuclear proliferation, the peace process in the Middle East and human rights. At the end of President Akbar Rafsanjani's term in office, the share of European companies in Iran's economy as well as the prospects for deepening trade relations represented an important factor influencing the involvement of the EU and its member states in Iran. However, when on 10 April, 1997, a German court found that the highest political authorities of the IRI were responsible for the killing of several members of the Kurdish opposition in Berlin, the critical dialogue was interrupted.⁵⁴

It was not until the election of Mohammed Khatami to president of Iran in August 1997 and the promise of a new moderate rhetoric in Iranian foreign policy calling for a dialogue between civilizations that Europe could be convinced to resurrect its relations with Iran in the form of the so-called Comprehensive Dialogue, which reaffirmed previous demands as well as fears, but sought public cooperation much more than before. The Comprehensive Dialogue and the preceding Critical Dialogue represented tools of a constructive engagement policy that was implemented through the CFSP in order to bring about change in Iran's behaviour and ensure its reintegration into the international community. For both parties, it was meant to usher in a responsible and constructive cooperation. Compared with the Critical Dialogue, the Comprehensive Dialogue represented a more structured framework covering a wider range of issues at a global level (for exam-

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ple, the proliferation of weapons of mass destruction and combating terrorism), a regional level (for example, the peace process in the Middle East) and a bilateral level (for example, the topics of energy, drugs, human rights and refugees).⁵⁵

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Despite this success, relations between the EU and the IRI began to restrict by the end of the second term of President Khatami, in particular with respect to developments around Iran's nuclear programme. By the end of 2003, the Comprehensive Dialogue elapsed and the same year also saw the suspension of the negotiations on the EU-Iran Trade and Cooperation Agreement (TCA) which had begun in 2001. A significant worsening of relations occurred after the presidential election victory of Mahmoud Ahmadinejad in 2005. The reasons for the deteriorating relations between the EU and the IRI included Iran's human rights abuses and repression of freedom of expression, but the most important reason was the danger of nuclear weapons production as a result of Iran's developing nuclear programme. The negotiations on the nuclear programme continued during the two presidential terms of Ahmadinejad, but no substantial progress was achieved.⁵⁶

In contrast, after Hassan Rouhani was elected president in June 2013, a new round of negotiations between Iran and the E3/EU+3, i.e. the EU and six other powers (Great Britain, France, Germany, Russia, the USA and China), proved successful. After a year (+) of negotiations, on 14 July 2015 in Vienna, the E3/EU+3 and Iran finally reached a deal that resolved the lasting standoff over the Iranian nuclear programme. Under the Joint Comprehensive Plan of Action Iran will, among other things, allow for extensive inspections of its nuclear facilities and also reduce its enrichment capacity. In return, the economic sanctions, including the EU sanctions on imports of Iranian oil and gas to EU countries, will be lifted.⁵⁷ This will open up its energy sector and stimulate EU-IRI cooperation on oil and gas projects.

Consistent and Concrete Policies

The second criterion of actorness is the consistency and specificity of the EU policy towards a third-party actor. In this case, it rests on an analysis of the external dimension of the EU energy policy towards the IRI. In this context, the consistency of the EU's energy policy in relation

to Iran is determined by the interest of the EU in energy cooperation, which, of course, changes due to the development of the IRI's nuclear programme.

The issue of energy has, for a long time, dominated the bilateral relations between Iran and individual European states.⁵⁸ The EU became more involved in this field with the EU-Iran Working Group for Energy and Transport, which was established in May 1999 in Tehran. This body became the basis of the EU-Iran energy-policy dialogue. The working group met once a year, either in Tehran or in Brussels. Iran also became an observer in the Commission's funding programme INOGATEI (Inter-State Oil and Gas Transport to Europe) with the possibility of becoming a full member.⁵⁹

Despite the sanctions that had been introduced against the Islamic Republic of Iran by the US, Europe was one of the few places providing Iran with FDI, high-tech and know-how, which were much needed for developing its vast oil and gas reserves. The early 2000s also saw the signing of several major contracts between Iran and European energy companies, including, for example, the 2001 deal with the Italian company AJIB to develop the Darkhovin oil field with a total investment of 540 million USD. Also, in January 2004, the Austrian company OMV and the Iranian state company National Iranian Gas Export Co. (NIGEC) concluded an agreement on the possible construction of the Nabucco pipeline to Austria.⁶⁰

The Nabucco pipeline was a project of the EU that aimed to reduce the EU's dependence on Russian gas in the future. The project was launched in 2002, when five energy companies (OMV of Austria, MOL of Hungary, Bulgargaz of Bulgaria, Transgaz SA of Romania and Botas of Turkey) signed a protocol of intent to build a pipeline called Nabucco. Besides Azerbaijan and Turkmenistan, Iran was also considered to be one possible source of gas supply for the Southern Energy Corridor project in the early days, as one branch of the pipeline was supposed to begin at the Iranian-Turkish border. However, after the US and the EU introduced economic sanctions against Iran because of its nuclear programme, the import of Iranian gas to Europe ceased to be viable. Henceforth, the Nabucco pipeline was supposed to be sourced from the Caspian and Middle Eastern gas deposits and run via Turkey, Bulgaria, Romania and Hungary to Baumgarten in Austria, supplying

Central Europe with approx. 31 bcm of gas annually without having to cross Russian territory.⁶¹ As of the time of this writing, however, the Nabucco project is effectively dead after going through a series of setbacks, and not even the shortened version of it, the “Nabucco West,” may be realistically expected, as it failed to win a tender for the supply of 10 bcm of gas from Azerbaijan’s Shah Deniz field in June 2013.

An alternative to Nabucco is the 3000 km long so-called Persian Gas Pipeline, which was introduced in 2008. It should consist of two main parts: the first part in Iran, called the Iran Gas Trunkline 9 (Igate-9), should originate in Assaluyeh, where it will be fed with gas from the giant South Pars gas field, which it will then ship to the town of Bazargan, situated on the border with Turkey; the second, European part of the pipeline, which will pass through Turkey, Greece and Italy, will follow two routes: the northern branch of the pipeline should lead to Switzerland, Austria and Germany, while the southern trunk will supply gas to France and Spain.⁶² The Persian gas pipeline, which is supposed to circumvent Russian territory, would have a capacity of around 37-40 bcm of gas per year, of which approx. 25 to 30 bcm is to be imported to the EU.⁶³

Negotiations on further energy cooperation between European and Iranian companies continued despite the crisis in EU-Iranian relations. For example, in April 2007, the Austrian OMV concluded an agreement with the IRI providing for 23 billion EUR in investments into the South Pars gas field in exchange for supplies of LNG.⁶⁴ Additionally, in early 2008, the Italian energy company Edison signed an agreement with the National Iranian Oil Company (NIOC) worth 107 million USD to bring on line the Dayyer oil and gas field in the Persian Gulf.⁶⁵ Finally, in March 2008, the Swiss company EGL signed a contract in the amount of 42 billion USD with the Iranian NIGEC, under which Iranian gas exports to Europe would reach a volume of 5,5 bcm annually for a period of twenty-five years. The gas supplies were supposed to begin by 2010/2011, and according to the deal, the gas was supposed to flow through Turkey, Greece, Albania and Italy via the planned new gas pipeline along the bottom of the Adriatic Sea.⁶⁶

However, with the further development of Iran’s nuclear programme and the unsuccessful attempts of the EU and the United States to stop it, European energy companies were gradually winding down their business operations in Iran after 2010. At the same time, the EU

decided to join the US sanctions, and on 1 July 2012, it agreed to the harshest action in this respect so far, as the action focused primarily on the Iranian energy sector as an important source of revenue for the Iranian government, since the revenue was used to fund its nuclear programme. The EU, among other things, imposed an embargo on the supply of Iranian oil, banned European investments in the Iranian petrochemical industry and placed a ban on the supply of technologies for the Iranian oil and gas industry and the provision of insurance for oil tankers. In addition, Iran was cut off from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), which is primarily used for international payments.⁶⁷

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An important step towards improving the EU-Iranian energy relations was the adoption of a declaration by the EU Council on 20 January 2014. This declaration said that if Iran commits to meeting its obligations in the nuclear programme, the restrictive measures that had been imposed by the EU may be lifted for a period of up to six months. The measures in question concerned the ban on the import, purchase or transport of Iranian petrochemical products and the ban on providing related services. The declaration also provided for the possibility of making available funds that are necessary for the execution of contracts for the import or purchase of Iranian petrochemical products. In the end of November 2014, the suspension of these restrictions was extended until 30 June 2015.⁶⁸

Despite the imposed and subsequently lifted sanctions against Iran, it remains obvious that once the major issues related to Iran's nuclear programme will be resolved, the EU will have a strong interest in cooperating with the IRI in the field of energy. This was confirmed, for example, by a study of the European Parliament of November 2014 which emphasises that 'Iran seems to be a credible alternative to Russian gas', and the European Union 'in the longer term envisages importing Iranian gas [...]'.⁶⁹

A Diplomatic Apparatus and Policy Instruments

The third criterion of actorness focuses on the diplomatic apparatus and the political tools with the aim of analysing the key leaders and policies representing the European Union in external relations and identifying the main tools of implementation of this policy. In this

context, the authors focus on the role and importance of the member states and the European Commission as the main actors responsible for the external dimension of EU energy policy before and after the adoption of the Treaty of Lisbon. At the same time, the authors identify the specific instruments of the EU's energy policy and the related political and diplomatic measures.

Before the Treaty of Lisbon entered into force, the issue of energy and security policy largely rested in the hands of the member states, which were occupied primarily with their own energy interests in the context of their bilateral relations with major suppliers. In other words, the external dimension of the EU energy policy towards Iran was articulated indirectly through regular meetings of the representatives of the member states with representatives of the IRI. In addition, the energy cooperation between the EU and Iran took place within the framework of the Critical and, later, the Comprehensive Dialogue, which provided the diplomatic and administrative apparatus by means of the CFSP. In this framework, meetings on energy-related topics between the representatives of the EU and Iran were held at least once during each presidency of a member state. This regular diplomatic dialogue allowed the EU to develop working groups on issues of common interest, such as, for example, the Working Group on Energy. Finally, the EU was engaged in policy towards Iran by using the position of its High Representative for the CFSP, who had become the key representative of the EU in the negotiations on Iran's nuclear programme.⁷⁰

After the entry into force of the Lisbon Treaty, energy policy became an area of shared competence of the European Union and the member states. In addition, the Treaty of Lisbon has expanded the external dimension of EU energy policy, as it introduced provisions on the conclusion of international agreements relating, for instance, to energy projects of European interest.⁷¹ The development of a legislative framework for the internal and external dimension of EU energy policy has, in turn, influenced the attitudes of the relevant EU and member state institutions.

The member states' positions on EU energy policy are affected by the mechanism of negotiations, but also by their specific domestic conditions. The activity of the member states within the EU is also determined by their energy priorities, which they seek to promote in line with their national interests. Finally, some member states still prefer bilateral relations with third-party countries over the negotiations

within the EU. For example, in April 2015, the energy issue became one of the main topics on the agenda of a meeting of the Bulgarian ambassador with the Iranian President in Tehran. On this occasion, the ambassador portrayed Bulgaria as an important bridge between the EU and the IRI in the supply of natural gas. The topic of energy would reappear in the beginning of May 2015, when future energy cooperation and the supply of crude oil and gas became an important topic on the agenda of the Polish delegation to Tehran, but also a topic of the talks held between the Iranian Oil Minister Bijan Namdar Zanganeh and his German counterpart, Energy Minister Sigmar Gabriel, during a visit in Berlin.⁷² In addition, during the World Economic Forum in Davos on 23 January 2014, the leaders of several major European energy companies—for example, BP, Eni, Royal Dutch Shell and Total, expressed their interest in participating in the Iranian energy sector. Although these examples illustrate that member states remain important players in the energy field, their room for manoeuvre has been steadily declining in recent years. In contrast, the importance of the EU – which recently acquired legal personality – has been on the rise.

Alongside the member states, the main actor in the energy relations between the EU and Iran, which are still rather limited despite the recent improvement, is primarily the European Commission. The Commission is involved in the external dimension of EU energy policy in two ways: Firstly, it is indirectly involved in the external dimension through the High Representative for Foreign and Security Policy. Given that the issue of energy goes beyond its purely economic dimension and significantly impacts the framework of the CFSP, energy policy occupies a high shelf on the agenda of the EU High Representative, who – as the Vice-President of the European Commission – represents the EU in CFSP matters and in political (energy) dialogue with third parties. Currently, the High Representative is the main EU negotiator with the representatives of Iran on its nuclear programme. In addition, the High Representative negotiates on behalf of the EU with the political leaders of the IRI on a series of political, economic, and energy issues. This was, for instance, the case on 8 March, 2014 during a meeting of the former High Representative for Foreign and Security Policy, Catherine Ashton, with Iranian President Rouhani in Tehran.⁷³

Secondly, the Commission is involved in the external dimension by its utilisation of the Vice-President of the European Commission, who is in charge of the energy union, and the Commissioner for Cli-

mate Action and Energy (formerly the Commissioner for Energy). The Vice-President of the European Commission for the Energy Union is a key actor responsible for the execution of the internal and external dimension of EU energy policy. Together with the Directorate General for Energy, he promotes the integration process of the common policy, giving major impetuses in implementing various energy policy objectives and proposing additional legislative measures. At the same time, the Vice-President for the Energy Union represents the EU in external energy relations with third-party countries, including Iran.⁷⁴ Similarly, the European Commissioner for Climate Action and Energy negotiates with the representatives of third-party countries, including the IRI, as well.

In addition, as regards its external energy relations, the European Union has at its disposal two kinds of key instruments, which are of a bilateral and a multilateral character, respectively.

The bilateral instruments include a variety of energy dialogues with selected countries or regions. In the case of the energy relations with Iran, the relevant dialogue was mainly the Iran-EU energy policy dialogue, and the working group on energy and transportation between Iran and the EU, which would meet once a year, became its foundation. The third meeting of this working group, which was held on 19 October 2002 in Tehran, was particularly important for the strengthening of the energy cooperation between the EU and Iran. At this meeting, the representatives of the EU and Iran signed two memoranda of understanding on energy issues and on the possibility of expanding the scope of the EU-Iran bilateral relations. However, further meetings of the working group were suspended after 2005 due to the continuing development of Iran's nuclear programme.⁷⁵

Besides bilateral instruments, the EU also employs multilateral contractual and diplomatic platforms for solving problems connected to energy security. The motivation for many of these initiatives is to set – if possible – uniform legislative rules governing the trading of raw materials and energy, or even to extend the current legislative framework in the field of energy trade beyond the EU. The Energy Community Treaty, to which Iran is not a signatory, is based on such a scenario. So is the European Energy Charter (EEC), which – according to the EU – Iran should join.⁷⁶

Finally, the political-diplomatic instruments include, in particular, economic sanctions that the EU decided to impose on Iran. It is obvi-

ous that EU trade with the IRI is subject to certain restrictions stemming from the sanctions imposed by the UN SC on Iran. At the same time, the EU through the European Council obliged its member states not to conclude any new contracts with Iran.

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Third-Party Perceptions of EU 'Actorness'

The last criterion is the perception of the EU as an international actor. It is based on the recognition of the EU as an international actor from both outside of the EU (in various regional organisations, third-party countries or international organisations) and within the EU itself (in the member states themselves). Thus the authors will examine if the EU is perceived as an actor in its external relations in the area of energy by Iran, third-party actors and the member states.

With the establishment of the Critical and, later, the Comprehensive Dialogue, where energy security was one of the main themes of the cooperation between the political representatives of the EU and Iran, the member states agreed with the representation of their interests by EU bodies, in particular the European Commission and the High Representative for the CFSP. In this way, they accepted the actorness of the EU in the external energy relations with the IRI. Likewise, the member states recognised the EU as an actor in the sense that it promoted its interests in the external energy relations towards Iran when they agreed with the establishment of the Iran-EU energy-political dialogue and the Working Group on Energy and Transport.⁷⁷

With the adoption of the Treaty of Lisbon, the member states furthermore agreed to delegate some of their powers in the field of energy to the EU institutions, especially the EC, which acts on behalf of the European Union in the external energy relations towards third-party actors, including Iran. Likewise, the member states have accepted the role of the EU, first its role in the capacity of the High Representative for the CFSP, and later its role in the capacity of the High Representative for Foreign Affairs and Security Policy, for the E₃/EU + 3 negotiations with the IRI with the aim to stop its nuclear programme.

The internal recognition of EU actorness is further supplemented by the external recognition process on the part of a third party. Iran, as well as the EU member states, accepted the EU as an actor of external (energy) relations. This was done by the political leaders of the IRI participating in the Working Group on Trade and Investment in

2001, but in particular it was done because of Iran's accession to the negotiations on the EU-Iran Trade and Cooperation Agreement, which was associated with the negotiations on the Agreement on Political Dialogue, and which was supposed to contribute to the further development of the economic potential of Iran and lead to an improvement of the investment climate and trade with the EU.⁷⁸ At the same time, Iran acknowledged the importance of the EU, and during the on-going crisis in Ukraine, which strained the relations between the EU and Russia, Iran has repeatedly offered its resources to Europe. For example, in the beginning of May 2014, Iranian Oil Minister Zanganeh emphasised that 'Iran is capable of delivering large quantities of gas and is always willing to participate in the European market.'⁷⁹ In a similar vein, Iran's President Rouhani, during talks with his Austrian counterpart Heinz Fischer in New York in late September 2014, stated that 'Iran may become a safe and reliable energy supplier for Europe.'⁸⁰ Finally, in early May 2008, the Iranian Deputy Oil Minister for International Affairs and Trade, Ali Majedi, said that 'only Iranian natural gas is a potential competitor to Russia in export to Europe.' He further added that the 'export of gas from Iran to Europe will be a win-win solution for both parties.'⁸¹ Majedi also suggested three possible routes of supply of natural gas from Iran to Europe. He said that 'Iran can deliver gas to Europe through Turkish pipelines, which is considered the most rational route, or through the pipeline via Iraq, Syria and Lebanon, and the third way is through Armenia, Georgia and the Black Sea'⁸² The Islamic Republic of Iran basically has two ways how to supply natural gas to Europe.

Firstly, it may be in the form of LNG. The Iranian natural gas would first have to be transported via a pipeline to the LNG hub in Oman and from there in the form of LNG with tankers to European ports in the Mediterranean.⁸³ Secondly, through a system of pipelines. Although there is currently no gas pipeline linking the IRI to the EU, the country is already connected to Turkey via the Tabriz-Ankara pipeline, which transports natural gas from the South Pars gas field into the town of Bazargan on the border of Turkey. Iran has several possibilities to use pipelines to send gas to the EU. Firstly, by using the above-mentioned Persian pipeline. Secondly, through the 5000 km long planned gas pipeline connecting Iran with Turkey and Europe (ITE), which has a capacity of around 35 bcm of gas annually. The ITE pipeline is supposed to begin at the border of Turkey and Iran and would lead to the city of

Ipsala at the border of Greece and Turkey. The gas would subsequently be piped through Greece and Italy, where the pipeline would split into two legs: the northern leg, leading to Germany, Austria and Switzerland, and the southern leg, leading to France and Spain. Thirdly, it could extend the existing gas interconnector linking Turkey with Greece (ITGI) to Italy by adding a subsea portion of the IGI Poseidon (linking Greece and Italy). The annual capacity of ITGI is planned at 12 bcm of natural gas.⁸⁴ Fourthly, via the future TANAP gas pipeline (Trans-Anatolian pipeline), which is supposed to start at the Georgian-Turkish border, where it connects with the existing Baku-Tbilisi-Erzurum (BTE) pipeline, thus feeding the pipeline with Azeri natural gas from the Caspian Shah Deniz II field and terminating at the Turkish-Greek border. The actual construction of this pipeline started in March 2015. In four years, the TANAP pipeline should transport to Europe natural gas in the volume of 16 bcm and in 2026 it is supposed to reach the capacity of 31 bcm of natural gas per year. The TANAP is supposed to be followed by the Trans-Adriatic Pipeline (TAP), which leads from the Greek city of Thessaloniki through Albania and across the Adriatic Sea to Italy and to Europe, with a total capacity of around 10 bcm of gas per year. Natural gas from the TAP would then be transported into Southeast Europe by the Ionian-Adriatic Pipeline (IAP) running along the Adriatic coast, with a capacity of 5 bcm of natural gas per year. Along the route, the pipeline should pass Albania via Montenegro, Macedonia and Croatia, or could link Greece and Bulgaria (GBI) via an interconnector.⁸⁵

For the moment being, however, it is not clear whether Iran will be able to secure a substantial volume of gas for the Southern energy corridor. Firstly of all, even if the European Commission ensured 50% of the capacity of the TAP pipeline for third party access, TAP's and TANAP's capacity is already 100% covered by 25-year long-term contracts to Azerbaijani gas. Thus, while the gas from Azerbaijan has already found its way to its customers, Iran so far failed to safeguard its potential customers' needs of gas. Furthermore, the legal framework for the supply of gas to Europe is so far lacking. Secondly, Iran's joining of the TANAP consortium does not mean that Iran will supply Europe through this pipeline. This is due to the fact that Iran's participation in the Shah Deniz consortium through the NIOC Company allows Iran to participate in the supply of Azerbaijani gas only for the initial capacity of TANAP, as well as TAP. Thirdly, even if Iran planned to deliver a large volume of gas to Europe through a capacity expansion of TANAP and TAP, its

potential consumers will need to build the appropriate interconnectors for an adequate volume of gas. From this point of view, Iran could attempt a resuscitation of the Nabucco-West Project, which should lead from the Turkish-Bulgarian border to Baumgarten in Austria, and whose original annual capacity was planned at 20 bcm of natural gas. Fourthly, due to the damage to the Iranian energy industry inflicted by Western sanctions, which among other things led to considerable delays in the development of gas fields in the Persian Gulf and to problems of supply to the domestic market, Iran will need at least five to six years to arrange the export of gas to Europe, building new pipelines and developing new fields.⁸⁶

Furthermore, the export of Iranian gas via Turkey to the countries of Southeastern Europe may face the Russian-sponsored Turkish Stream project and its potential market impact. In terms of volume and diversification, the IRI and the RF are bound to be strong competitors in Europe after the sanctions against the regime in Iran will be discontinued. Iran's participation in the South Energy Corridor will, however, mean a weakening of the dominance of Russia in Southeast Europe and in the European market. Gazprom certainly does not like to see the emergence of another large supplier.⁸⁷

Besides the acceptance of the EU and its member states as energy partners for Iran, it was equally critical for the EU to be recognised by the IRI in the diplomatic negotiations about the nuclear programme. Although the actors involved are still unable to reach a final solution, the simple fact that Iranian authorities continue to meet with EU representatives suggests that the IRI has recognised the EU as an actor in the nuclear programme. Furthermore, Iran is not the only actor who has recognised the role of the EU in dealing with the nuclear programme. In the negotiations with the IRI, the EU also received support from the US, Russia and China, which, in the last few months, has brought at least partial results and concessions from the side of the IRI.⁸⁸

On one hand, it is obvious that the EU is generally considered to be an important actor in its relations with the IRI. This is recognised by both the member states themselves and third parties, including Iran. On the other hand, it is more appropriate to talk about a limited actorness on the part of the EU in its energy relations with Iran, which are still limited by Iran's nuclear programme. This was encapsulated in a statement by Iranian President Rouhani, in which he stressed that

Iran 'will not sign any contract unless all sanctions will be lifted. We want a win-win solution for all parties involved in the nuclear talks'.⁸⁹ However, the EU is well aware of the immense potential of Iran, whose gas may represent one of the main sources for the tapping of the full capacity of the Southern Energy Corridor in the future, which, for example, was confirmed in April 2015 by the European Commissioner for Climate Action and Energy, Miguel Arias Cañete, who said that 'if a final agreement is reached in June 2015 with Iran, it will open new possibilities for the future. The Southern Corridor will be able to supply natural gas not only from Azerbaijan, but also from Iran in the future'.⁹⁰

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Conclusion

The main aim of the presented article was to define the main criteria of EU actorness and use them for drawing up an analysis of the internal dimension of the EU energy policy and its external dimension in relation to Iran. It was stated that the concept of actorness is related to the concept of agency. More independent the agent is the higher degree of actorness the EU demonstrates. In various policy areas the EU demonstrates different degree of actorness. In the case of the internal dimension of the energy policy, following four criteria were used to determine this degree: authority, autonomy, recognition, and coherence.

Judging by the extent of delegation of the competences to the Commission and form of the Union representation in international negotiations, it can be argued that the EU has a moderate degree of actorness in the internal dimension of the EU energy policy. The considerable progress was made in terms of the gas market integration, which led to the rise of the Commission's competences. Yet it is still dominated by Gazprom. Thus to challenge Russian market position it is necessary to diversify supplies, and Iran with its vast natural gas resources is a potential alternative supplier. Yet a 'hybrid model of negotiation format' in regards to the external energy relations, in which are involved not only the EU institutions but also separate energy companies backed by their respective governments, as well as the issue of Iranian nuclear programme necessitate the analysis of the EU-IRI relations through a prism of CFSP. In this policy area, the level of delegation is low by definition, since the High Representative is dependent on the unanimous decision making in the European Council and Foreign Affairs Council.

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To analyse the level of actorness in the external dimension of the EU energy policy in relation to Iran the following criteria were used: an articulation of its actorness, consistent and specific policies, a diplomatic apparatus and political tools, and the perception of the EU actorness by third parties.

The analysis shows that the EU is able to employ its diplomatic apparatus in the energy relationship with Iran by using a blend of EU and member state activities and the development of a comprehensive framework. Alongside the member states, the main actor in the EU's external energy relations towards Iran is, in particular, the European Commission, which carries out its activities in this area through the High Representative of the EU, the Vice-President of the European Commission and the EU Commissioner for Climate Action and Energy. In its relations with the IRI, the EU has a wide range of positive and negative energy and diplomatic tools at its disposal to ensure the improvement of the relations. Although the EU is generally considered to be an important actor *vis-à-vis* Iran that is recognised by both the member states and third-party countries, including the IRI itself, the EU's actorness in its energy relations with Iran was still limited by the Iranian nuclear programme. The EU, however, is very well aware of the importance of the IRI for enhancing its energy security.

But until the genuine energy union is developed, when the member states as principals delegate the competences to the Vice President for the Energy Union to lead the negotiations with Iran and directly participate in intergovernmental agreements, we can talk only about the limited level of actorness in the external dimension of the EU energy policy *vis-à-vis* Iran.



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Notes

- 1 At the same time, this article combines weak constructivism with weak rationalism, as the EU, as a normatively rational actor, tries to use its influence in terms of norms and values in an attempt to get certain benefits, pursue its interests and change the behaviour of its partners, who accept the EU's norms and values, but who also try to manipulate these norms for their own benefit. See Petr Kratochvíl and Elsa Tulmets (2010), *Constructivism and Rationalism in EU External Relations*, Baden-Baden: Nomos.
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