Iran Sanctions and European Union dependence on Russian Energy

1Ghodrat Ahmadian and 2Sara Karimi

1Ph.D, Department of Political Science, Razi University, Kermanshah, Iran.
2M. A., Department of Political Science, Razi University, Kermanshah, Iran.

ABSTRACT

Considering the dispute between the West and the East on the issue of Ukraine and according to some cases of gas cutoffs and the use of energy as a political weapon from Russia, once again to the European Union dependence on Russian energy highlighted. Iran is the largest producer of gas in the world after Russia and this Union could have used this Iranian energy as an alternative. In the recent years this Union instead of using this opportunity, imposed sanctions on Iran’s oil and petrochemical industry, and in this between both Iran and the European Union damaged from this sanctions.

INTRODUCTION

The general definition of power is known as the capacity to accomplish work but away from this abstract definition, energy is a critical, objective, and meanwhile tangible for today’s countries. Economic, political, cultural, technological, and scientific progress and development directly depends on supplying numeral infrastructures that the main lifeline of these infrastructures is energy. Todays, oil is a strategic and vital good for survival of the west which despite remarkable efforts and developments to use renewable energy, even with the appearance of new energies, it is not possible to substitute oil and gas by other kinds of energies at least for decades. Due to the dependence of industry and demand for household uses for oil and gas and considering the distribution of these goods on the surface of the earth, dominance on oil resources has been the main priority of world powers. Even following the September 11th and the US attacks to Afghanistan and Iraq, many experts believed that the purpose of the US presence in the Middle East had been dominance on energy resources in the region. [1].

In fact the energy security issue is one of the most important problems for all of the small and big economic and political powers of the world, which is the first and main priority in the national security of the countries. European Union consists of 28 countries that are currently considered the world's largest energy importer and are among the consumers that are seeking to acquire cheap and persistent natural gas reserves and forecasts imply that from 2030 onwards, the EU will have to import more than 70 percent of its energy and this is going to damage its ability to compete in the world. While the leaders of these countries seek to find a more central role in solving the world's equations, energy dependency could undermine the realization of their aspirations and wishes.

Energy has always been the most influential factor in relations between Russia and European Union and because Russia has mining technology, exploitation, and plumbing pipes to Europe, the EU is seeking to have permanent relations with Russia and the countries having these abilities. Table 1 shows The share of Russia in supplying oil and gas to central and eastern European countries to their total consumption, which represents Europe's considerable dependency on Russia.

After the collapse of the Soviet Union, Russia and Europe relations have been vicissitudinous. So that at one time they have had common interests and some other time their objectives and policies have been disputed and possibly even contradictory [1]. Economically the EU is considered the largest trading partner of Ukraine and this country is the place of 80% natural gas and 75% crude oil transit imports from Russia for the European Union. [7] the European Union in the past few years has faced with the problem of energy security, dependence on energy imports since the oil shocks of 1970 is recognized as one of the weak points of the European Union. The Russian government action to temporarily cut off gas exports to Ukraine and Europe markets in early January 2006 and 2009 and recent issues of political changes in Ukraine, had a warning message for the EU

Corresponding Author: Sara Karimi, M. A., Department of Political Science, Razi University, Kermanshah, Iran.
leadership. The main question of this paper is: Have the EU sanctions against Iran been effective on European Union’s more dependence on Russian energy?

**Theoretical Framework:**

Structuration theory of Giddens is the theory that present article’s configuration is based on. Structuration theory is the most expressive efforts in integrating micro and macro issues. According to Giddens, it cannot be claimed that structure determines the action or vice versa. His theory is actually a theory of combination. The term Structuration became common in 1973 in a discussion of process of class formation. According to Giddens, structures and human factors are not distinct phenomena. On the one hand, the structures determine the background of social performance of actors and on the other hand, human factors with their interactions create the conditions of reproducing structures. In this theory both binding and creative aspects of the actors are taken into consideration. Giddens’ Structuration theory passes through two schools of functionalism and interaction and reaches an integrated perspective and nullifies the historical confrontation micro and macro or action and construction [10]. He believes that in explaining the structures, the role of actors and subjective factors are to be considered. This theory has reached to the point that it must accept the paradigm of human as agent and in structural analysis must put dignity and status for human being’s position and action. According to Giddens, an exclusive emphasis on the structures causes materialistic perspective on human. Therefore, objectivity of structures and human subjectivity are fundamental elements of Structuration in Giddens theory [9].

According to Giddens, the most important key to understand the transformation of social sciences is to deal with human action and social construct. And in any study in the field of social sciences, we must somehow seek to explain the relationship between agency and structure. However, classical sociologists have emphasized on one of these two (action - structure) and one of them are considered as determining factor, but Structuration theory is a combination of the both [3]. Giddens argues that social science is divided between the two traditions. One gives priority to institutions which form based on determinism and structure. This type of social sciences has been successful in the analysis of institutions but unsuccessful in analysis of human action. On the other hand, there are other social theories that give priority to human as an agent considering his action recognizable and have been successful in analysis humans as an actor, but in analysis of the institutions have not been successful. Although these two traditions contradict, it is a mistake to say they do not have mutual relationship [8].

In fact, according to this theory, there is a mutual and dialectic relationship between the structures and human factors. According to Giddens, there is no separation between structure and agency at the current social performance. In fact, these two integral dimensions constitute social reality and are considered two sides of a same coin.

The main hypothesis of this paper is in the same direction. The lack of interaction between Iran and Europe Union in recent years, not only has caused damage to Iran, but also it has led to even more dependence of the union to Russian energy as well, which has always been insecure for Europe.

**Table 1:** The share of Russia in supplying Central and Eastern Europe oil and gas.
Russia: Attempts to Monopolize and Dominate the Regional Energy Market

Russian game: Recently, after Ukraine's dispute, Russians have taken the approach of cutting the gas exports to Ukraine and Europe once again. Current relations of Europe and Russia are affected by this issue. Particularly with regard to Putin's remarks about ending cheap gas era, European fear of energy security has increased. Considering cutting gas exports to Ukraine and Europe, Russians have turned to "Russian game" once more. According to “Russian game” owner of sources of energy stop supplying this source to consumers and demands a higher price in the most difficult conditions. In this situation, most countries are forced to accept offered price and if that country reject the new price, it will be removed from the list of owner’s business partners. Over the past years, Ukraine and Belarus have been the main victims of “Russian game”. Meanwhile last year, Turkmenistan embarked the same “Russian game” against Iran and by cutting gas exports in the bitter cold of winter, forced Iran to accept a higher price. What exacerbate the situation is the difference in the amount of dependency and vulnerability of member states. Some countries have coal and gas reserves as much as their consumption and some like France use nuclear energy to meet their needs, but countries like Romania and Bulgaria are increasingly dependent on Russia to meet their needs (Akbari and Pilevar).

Forming gas OPEC:

Gaseous countries, including Iran, Russia, Qatar, Venezuela and Algeria formed the assembly of gas exporting countries during 2001. These countries have access to 73% reserves and 42% global gas production. Forming a gas OPEC is facing opposition from European officials. Daily newspaper quotes from, British energy minister, Malkom Wikenz that "Britain is opposed to the formation of a gas OPEC. There must exist competition in the gas market. Market needs transparency. There is no need to form other cartel of energy such as OPEC oil. Cartels are always seeking to monopolize the supply of products. Formation of gas OPEC will be to the detriment of consumer countries and global economy ". The opposition of European officials is because the formation of these organizations causes rising the price and creates bargaining power to the sellers, and consequently this is a potential threat to consumer countries including Europe that are the main importers of Russian gas. Even predictions indicate increasing gas prices in the coming years.

Europe Union: an attempt to get rid of dependency on Russian energy

Earlier, Europe Union’s concern over its excessive dependency on Russian energy and its consequences were discussed. Crisis between Russian and Ukraine, in recent months, and its impact on relations of Russia and Europe and threats of two sides against each other, indicates Russia's willingness to use energy as a political weapon. Hence, this Union follows specific policies to get rid of this dependency, most important of which are:

Nabucco project:

Today, the most important challenge is to transport gas to consumers because there is no required and sufficient tool to transport gas at high volumes in Europe's gas market. In fact Europe Union seeks a safer route towards Russia. Nobaco starts from western border of Turkey and passes through Bulgaria, Romania, Hungary and Austria, seeking to access to gas of Iran, Turkmenistan, Azerbaijan and Iraq to reduce Europe's dependency on imports of this substance from Russia.
Some of the objectives of this project include:

- Developing a new route to supply Europe’s gas and associated countries through affordable gaseous resources.
- Participation of all partners and European countries in consistent and stable supplying of gas.
- Reinforcement the role of all Nobako’s network of gas pipelines which are connected with Europe’s gas network.

**Diversification of Sources of Energy Supply:**

European Union has always sought to diversify sources of energy supply, which increases the bargaining power and ultimately increases energy security. Oil will remain the most important source of European Union’s energy consumption (Although its consumption in 2030 compared to current consumption will not increase considerably.)

The following table shows the contribution of each sources of energy in total energy consumption in Europe.

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<tr>
<td>Solid fuels</td>
<td>27.8</td>
<td>18.5</td>
<td>15.8</td>
<td>13.8</td>
<td>15.5</td>
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<tr>
<td>Oil</td>
<td>38.3</td>
<td>38.4</td>
<td>36.9</td>
<td>35.5</td>
<td>33.8</td>
</tr>
<tr>
<td>Gas</td>
<td>16.7</td>
<td>22.8</td>
<td>25.5</td>
<td>28.1</td>
<td>27.3</td>
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<tr>
<td>Nuclear Energy</td>
<td>12.7</td>
<td>14.4</td>
<td>13.7</td>
<td>12.1</td>
<td>11.1</td>
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<tr>
<td>Renewable energy</td>
<td>4.4</td>
<td>5.8</td>
<td>7.9</td>
<td>10.4</td>
<td>12.2</td>
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**European Energy Charter:**

The charter was signed by 50 European countries On 17 December 1991. Russia also signed it, but so far it has refused to ratify the charter.

Energy charter treaty has taken four items into consideration:

1. Supporting foreign investment on the basis of protecting against non-commercial risks.
2. Non-discriminatory conditions for energy trade in the framework of World Trade Organization rules and ensuring the cross-border transfer of energy through pipelines and other means of transportation.
3. Resolving disputes between participating states and between investors and host governments.
4. Promoting energy efficiency and efforts in order to minimize the environmental impacts of production and consumption of energy.

**Iran Sanctions and Missed Opportunity for Europe to Lessen its Dependence on Russian Energy:**

Sanction is not a new issue for Iran's economy. During the past 35 years since the Iranian Revolution, sanctions against Iran have always been applied by the great powers, but with the new round of economic sanctions, Iran entered a new phase that that these sanctions are more severe and extensive and also have different influence and effectiveness. Iran may be the first country to undergo sanctions by the European Union for reasons such as fight against states sponsoring terrorism or governments that violate human rights and the
nuclear issue, Europe's policy toward Iran has been the linear approach of "Intensify pressures and continue talks." [2]

The main obstacle for Iran's oil and gas exports to Europe, is the European Union’s imposed sanctions contrary to the international law and along with the policy dictated by the US against Iranian people. Wherein Russia manipulated the flow of gas to Ukraine in order to put Kiev under pressure, Iran which has the second largest reserve after Russia, could be a proper alternative in many countries of the former Soviet Union, including Ukraine. But the West's policy of prohibiting foreign investment in Iran's energy sector along with preventing the transfer of oil and gas from Iran to the west has made Russia to gain a large portion of the West's energy market in Europe. Iran with constructing pipelines "Karache - Kordkouy" (1376/1996) and "Doulat Abad - Sarakhs - Khangiran" (2010/1388) could be able to take out the monopolized purchase of Turkmenistan gas from the hands of Russia and pave the way for future transit of gas to Europe. Although many Western analysts believed that Iran is the cheapest, shortest, and safest route to transport Caspian and Central Asian gas to Europe but because of economic sanctions, Iranian and Caspian gas transportation to Europe did not happen and indeed Europe's gas monopoly remained in Russia's hands. In the European media the transfer of Iranian gas to Europe is less discussed. Because the EU believes that the Iranian nuclear issue is more important than gas and human rights. Vladimir Socor from "Jamestown Research Institute in Washington" which studies gas-related issues, says freedom from dependence on Russian energy has been always one of the concerns of the European Union and is not related to the current crisis in Ukraine. He emphasizes that two years ago a research started in European Union for breaking Russian gas monopoly, but due to the nuclear issue and political problems, the Iranian gas did not get priority. Undoubtedly, Iran is dependant upon oil production and oil revenue is 80% of total export earnings and 50% of GDP and removing these incomes undoubtedly will cause damage to its economy. (Babri Gondab: 4) But on the other hand this Union despite all its energy problems, ignores the potential of investing in this sector, and lost the opportunity of reducing the dependence on Russia's energy. And we saw in the recent Ukraine Crisis, Russia still uses energy as a political weapon.

And Europe does not have the ability of taking more actions. This Union due to the numerous problems and especially economic, is itself exposed to a deep crisis, and its dependence on Russia's economy not only in energy but also in all economic and industrial dimensions, does not allow a serious measure.

Conclusion:

What that can be concluded from the arguments mentioned above is that the European Union's dependence on Russian energy is inevitable, but due to gas cut off in some cases by Russia, and use of energy as a political weapon. And according to the sameness of the quality and quantity of gas produced in Iran to that of Russia, Iran's energy could be a viable and suitable alternative, which due to extensive sanctions against Iran's oil and petrochemical industries, they have lost this opportunity. But considering the disputes between the West and the East on the issue of Ukraine, an opportunity has been provided for Iran, that due to the progress in the nuclear talks between Iran and the 5 +1 and the effective and active diplomacy of Iran in the region and in the international system, Iran can use the opportunity arose to take steps in order to gain the most benefit based on national interests. Among these opportunities are the sanctions of the West against Russia. On the other hand in the threats of Russia not to supply the energy of the West, once again prompted Western politicians to seek for safer alternatives for Russian energy. Thereby according to serious and active diplomatic talks between Iran and the 5+1 and assurance to diplomacy from the Western side and energy security of Iran, A historic opportunity is provided to revitalize international and regional power of Iran, which is also emphasized in the 20-year plan also. It is worth mentioning that after Russia, Iran has the largest gas reserves in the world, and with the launch of the new phases of South Pars gas field in the near future as planned by Oil Ministry, Iran could produce equivalent to 175 million cubic meters of gas per day in excess of domestic consumption, This capacity could be a great attraction for gas importing countries to make other plans for transferring Iranian gas via an international pipeline. Although many experts believe that this alternative source of energy for European Union would require more than five years of time, If Europe instead of putting sanctions on Iran's oil and petrochemical industries, in recent years could have used this huge resource, and now weren't involved and trapped in Kremlin threatening politics.

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