

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

THE SUPPORTING ROLE OF TRANS-EUROPEAN ENERGY NETWORKS TO THE TURKISH ACCESSION PROCESS

LAS REDES TRANSEUROPEAS DE ENERGÍA COMO APOYO AL PROCESO DE ADHESIÓN DE TURQUÍA

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ABSTRACT

Turkey is participating in a number of projects included in the list of Trans-European Energy Networks. Turkey's energy infrastructure has gradually grown in importance, as the accession process has progressed, culminating in the opening of the Trans-European Networks chapter in December 2007, which was recognition of the country's level of harmonization on the subject. The specific feature in this area is that what is at stake for the EU is rather more than a candidate country's simply transposing the *acquis communautaire*. The issue is the participation and involvement of a country which is geostrategically crucial to Europe's energy routes, and a country which can make a substantial contribution to the diversification and security of the EU's energy supplies. Thus, this extra value represents a key factor in favor of Turkey's integration. If the EU wants to count on Turkey in this endeavour it needs to keep it duly committed and provide it with adequate incentives. For Turkey this means fulfilling its aspirations of full membership. The issue is that these two processes seem to be running at a different pace and to different timescales, making it probable that, in the medium term, the accession process will continue to be delayed, while the development of Turkey's energy infrastructure presses ahead. However, in the long term, the outcome of the accession process will be the determining factor for the EU's energy issues and network projects.

KEY WORDS: European Union, Turkey, energy policy, energy security, energy infrastructures, EU's enlargement policy.

JEL: F02, F13, F14, F59.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

RESUMEN

Turquía es uno de los participantes en los proyectos de las Redes Transeuropeas de Energía. La importancia de las infraestructuras energéticas turcas ha crecido gradualmente conforme avanzaba el proceso de adhesión, culminando con la apertura del capítulo de Redes Transeuropeas en diciembre de 2007, lo que implicaba un reconocimiento de su nivel de armonización en esta materia. Lo que está en juego para la UE en este caso es bastante más que la mera transposición del acervo comunitario por parte de un país candidato. Lo que está en juego es la participación e implicación de un país que es crucial para las rutas energéticas europeas desde el punto de vista geoestratégico, puesto que las rutas que pasan por Turquía pueden contribuir de forma sustancial a la diversificación y, por tanto, a la seguridad del abastecimiento europeo de energía. Esta contribución puede ser un factor clave a favor de la adhesión de Turquía al club europeo. Si la UE quiere contar para ello con Turquía, necesita mantenerla debidamente comprometida mediante la necesaria provisión de incentivos adecuados. Para Turquía esto significa estar en posición de cumplir sus aspiraciones de ser un miembro de pleno derecho de la UE. Sin embargo, estos dos procesos (las redes transeuropeas de energía y la adhesión a la UE) parecen avanzar a distinto ritmo y con diferentes horizontes temporales, haciendo probable que a medio plazo el acceso de Turquía a la UE siga retrasándose, mientras que el desarrollo de las infraestructuras energéticas turcas siga presionando hacia delante. No obstante, hay que tener en cuenta que en el largo plazo el resultado del proceso de adhesión será un factor determinante para las cuestiones energéticas de la UE y los proyectos de redes transeuropeas.

PALABRAS CLAVES: Unión Europea, Turquía, política energética, seguridad energética, infraestructuras energéticas, ampliación de la UE

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INTRODUCTION

Turkey's strategic location makes it a country of considerable geopolitical and geo-economic importance, its territory representing an increasingly important transit route for energy from the Caucasus, Caspian Sea, Middle East and Central Asia. It is therefore destined to play a strategic role in the European energy network map. The former Ottoman power has been continuing its journey towards European integration in the context of membership negotiations with the European Union (EU). This process has led to an unprecedented debate on EU expansion, and is proving to be the longest and most controversial accession process to date.

During the course of this process energy infrastructure has grown in importance, a fact that is reflected in the candidate's progress reports. Indeed, the Trans-European Energy Networks (TEN-E) chapter has been opened for negotiations, implying recognition of the degree of harmonization on the subject. The specific feature in this area is that for the EU something more than a candidate country's merely transposing the *acquis communautaire* is a stake. The issue is the participation and involvement of a country which is geostrategically crucial to Europe's energy routes, and a country which can make a substantial contribution to the diversification and security of the EU's energy supplies.

In the light of recent events, the outcome of Turkey's membership bid is uncertain. A series of policies and decisions, including those relating to energy infrastructure, hang on the prospects for its eventual membership. What might be the impact of this process on Trans-European energy networks? And, vice versa, what role do these energy networks have in the membership process? These are the questions we shall try to answer in this paper, which is divided into a number of sections. The first gives an overview of Turkey's membership process. The second looks at the development of Trans-European energy networks, and summarizes their origins and the progress made so far, and the objectives and resources available. The following section, which deals with the TEN-E and Turkey's membership process, highlights Turkey's role in these networks, and gives a short description of the gas and electricity projects in which it is participating, and the progress made on energy networks during the membership process and how they have been treated. That is followed by a section on the outlook of Trans-European energy network projects in Turkey based on three alternative scenarios of how the membership process might progress. Finally, we round off with some concluding remarks drawing on the preceding discussion.

1. PROGRESS OF TURKEY'S ACCESSION PROCESS¹

Turkey applied to be an associate member of the European Economic Community on 20 September 1959, but it was not until 12 September 1963 that the foundations of the relationship between the EEC and Turkey were laid, with the signing of the Association Agreement (also known as the Ankara Agreement). This started the longest association by any candidate country for accession. To achieve the stated goals, the progressive creation of a customs union was envisaged, by means of a three-stage process. The next step, on 23 November 1970, was the signing of an

¹ For a review of the main milestones, see Annex 1 "Timeline of the accession process."

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

Additional Protocol in Brussels. This set out the “conditions, mode and pace” of development of the transitional phase set out in the Association Agreement.

Between the signing of the protocol and the coming into force of the customs union, relations between the two sides were far from warm. In 1978, Prime Minister Bülent Ecevit decided to suspend the customs union programme for five years (Altunışık & Tür, 2005). Then, in 1981, as a result of the 1980 coup d'état, the European parliament threatened Turkey with the rescission of the association agreements unless democratic institutions were restored. This was followed by a period in which relations were cool. But Turkey's determination was clear when on 14 April 1987 it applied for full membership of the EEC. However, it was rejected two years later because it did not meet the required community standards, in particular because it fell short on issues such as the country's being an effective democracy, respect for human rights and deficiencies in the economy.

Subsequently, on 1 January 1996, the third phase of the Customs Union for industrial and processed agricultural goods came into effect. This sets out the rules for the execution of this final phase and reiterated that the purpose of this Customs Union was to "achieve economic integration." To ensure this worked properly, Turkey had to first take on a large part of the *acquis communautaire*, in particular, legislation regarding customs, trade policy, competition and intellectual, industrial and commercial property. The subsequent declarations by the Commission and the Council confirmed that the Customs Union was functioning satisfactorily. Nevertheless, it should be noted that the application of the Association Agreement has proven uneven and costly. To the extent that the free movement of people remains a pipedream (the EU has said that it is not possible for “socioeconomic reasons”), the movement of capital and services (including public procurement) was always lower priority, but has still not been completed, and the free movement of goods, while being the most advanced, is incomplete, in that it applies to industrial goods and processed agricultural products, but not to agricultural produce. Moreover, Ankara has expressed its dissatisfaction with the fact that under its Customs Union with the EU, Turkey is obliged to open up its markets tariff-free to countries that sign a Free Trade Agreement with the EU, but these third countries do not assume a reciprocal commitment to open up their markets to Turkey.

Turkey was invited to the Luxembourg European Council on 12 to 13 December 1997, but its hopes of a breakthrough were dashed, as the Turkish candidacy was put to one side while a green light was given to the other countries in the accession process (the ten countries of Central and Eastern Europe –CEECs– and Cyprus), giving them the status of candidate countries. At this Council a brief section was devoted to Turkey, given the heading of a “*European Strategy for Turkey*,” in which Turkey's “eligibility” for membership was confirmed, and that it would be judged “on the basis of the same criteria as the other candidate countries.” Nevertheless, the Council maintained that at that point in time the political conditions required to take this step had not been met (human rights and democracy), while signs of macroeconomic instability were still clear. However, the communication did point to the importance of strengthening mutual bonds in order to prepare Turkey for membership, and it defined the strategy Turkey was to follow.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

These events caused Ankara to break off the negotiations, although not for very long. The cooling of relations lasted for approximately two years, and in the meantime, the "European Strategy for Turkey" was adopted by the Commission on 4 March 1998. This document envisaged an approximation of Turkey's legislation and its incorporating key elements of the *acquis*, along with the first operational proposals regarding this strategy, the extension of the customs union to the services industry and agriculture, and the intention of bolstering EU-Turkey cooperation. The Helsinki European Council, held in December 1999, lauded the "recent positive developments" in the country and the government's intention to continue its reforms, which had earned it the status of a candidate state to be judged on the basis of the same criteria as applied to the other candidate states. It would therefore benefit from a pre-accession strategy to stimulate and support its reforms. This would put the emphasis on: "the political and economic criteria and the obligations of a Member State, combined with a national programme for the adoption of the *acquis*." Given the progress made by the country and the criticisms voiced in Turkey (which accused the EU of being biased against it and applying double standards to the enlargement process), rejection would have been a serious setback, leading many to question the credibility of the European project, especially in circles that accused the EU of not wanting a mainly Muslim country in its ranks, while at the same time raising Turkey's hopes.

After accepting Turkey's candidacy, the economic support it received was stepped up, along with the strategies intended to prepare the new candidate for membership. In April 2000 a Council regulation was passed (no. 764/2000) implementation of measures to intensify the EC-Turkey customs union. That same month Brussels published a new proposal that established special measures by the EIB (European Investment Bank) destined to consolidate and intensify the customs union between the EU and Turkey. Three months later a Commission proposal would also come out "on aid for Turkey in the framework of a pre-accession strategy, and in particular, the creation of an Accession Association," which would focus on: Enhanced political dialogue (especially on the subject of human rights, border conflicts and Cyprus), and participation in community programmes and organizations (in order to bring Turkey closer to Community procedures and policies), the need to adopt a national programme to assimilate the *acquis*, coordination of financial aid to Turkey, intensification of the customs union, establishing the principles, priorities and intermediate objectives and conditions guiding pre-accession assistance and the relevant financial means to achieve the objectives set.

On 26 February 2001 the regulation on the "assistance to Turkey in the framework of the pre-accession strategy and, in particular, the creation of an association for membership" was passed. Along these same lines, on 8 March 2001 the principles, priorities and intermediate objectives and conditions contained in the Association Agreement were set out, at the proposal of the Commission (these issues would be subsequently reviewed and updated in 2003, 2006 and 2008). The European Council in Copenhagen, held on 12 and 13 December 2002, gave a strong boost to EU enlargement. It deemed the membership talks with eight of the CEECs (i.e. all of them except Bulgaria and Romania), Malta and Cyprus to be complete. Considering these countries to be ready to join the EU, the date of 1 May 2004 was set. A time horizon was also set for the membership of Romania and Bulgaria in 2007, but calendar defined for an enlargement to take in Turkey. However, although it rejected

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

the possibility of starting accession talks, the summit did represent a further step forward in Turkey's process of joining the EU, as it established that "*If the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay.*"

At the European Council meeting in June 2004 the progress the country had been observed to have been making was highlighted and the commitment to start accession negotiations with Turkey without delay if the Copenhagen criteria were met was reiterated. On 6 September, in a gesture of support, the Independent Commission on Turkey², before the impending Commission recommendation on the Turkish membership process, asked the EU to treat the issue of Turkey's membership with "respect, impartiality and consideration." The 2004 regular report was submitted by the Commission on 6 October. On this occasion, the report was more important than usual as it would inform the Council's recommendation as to whether or not to commence membership negotiations.³ Therefore, extraordinarily, the *Regular report on Turkey's progress towards accession* was published jointly with two complementary reports: *The Recommendation of the European Commission on the Turkey's progress towards accession* and a report evaluating the impact of membership, entitled: *Issues arising from Turkey's membership perspective*. In the first of these documents, the Commission said that Turkey was complying adequately with the Copenhagen criteria, and so recommended the opening of negotiations with a view to the country's ultimately joining the EU, once it had met the required criteria. However, the Commission's verdict was hedged around with a large number of recommendations and lacked a predetermined end point, leaving open the possibility of an outcome other than full membership.

The Commission report entitled "Issues arising from Turkey's membership perspective" (Commission of the European Communities, 2004c), aimed to evaluate the possible impact that Turkey's membership might have on the EU and its policies. As a general conclusion, the Commission maintained that Turkey's joining the European Union would be a challenge for both parties, but that if it is managed properly "it will offer significant opportunities" for both the EU and Turkey, which will demand an "even more radical" change on the part of the candidate country. As regards the energy sector, it maintained that would have a positive impact on the EU's citizens through improved security of Europe's energy supply routes.

Following the Commission's reports on 15 December the European Parliament added further political momentum to the process of Turkish integration. The members of the European Parliament passed a resolution recommending (although with reservations) that membership negotiations with Turkey should start. The European Parliament's decision did not have any legal force, but the political backing it gave Turkey's aspirations was a signal that undoubtedly affected the European Council's attitude when they met the following day. Finally, the meeting of

² This Commission comprises a number of European experts with a strong professional track record (Martti Ahtisaari, Kurt Biedenkopf, Emma Bonino, Hans van den Broek, Bronislaw Geremek, Anthony Giddens, Marcelino Oreja Aguirre, Michel Rocard and Albert Rohan).

³ The failed attempt by some Commissioners to add new conditions (alongside those already laid down for candidate countries in general), such as the express recognition of Cyprus and the recognition of the Armenian genocide, also heightened expectations and added controversy.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

the European Council held in Brussels on 16 and 17 December concluded that “Turkey had met the Copenhagen criteria enabling accession negotiations to start” and set 3 October 2005 as the date on which negotiations were to be opened. They also highlighted the circumstances and conditions surrounding the accession, upholding the Commission’s previous proposals.

After Ankara’s initial reservations, stating that Turkey would not be willing to settle for anything less than full membership, and that it would not accept permanent measures directed exclusively at it, finally gave its agreement. Moreover, just as the European Union had been asking, Turkey undertook to complete a series of measures, including extending the Association Agreement to the new members who had joined in 2004, prior to the opening of negotiations. Up until the start date set for the negotiations, Ankara continued to work on its reform process to fulfill the agreed measures: On 1 June 2005 the six legislative packages came into force, and with the signing of a protocol on 29 July, the Ankara Agreement was extended to include the CEECs, Malta and Cyprus. This was the implicit way the EU planned for Turkey to recognize the Republic and Cyprus and raise the restrictions imposed on the use of its ports and airports. Nevertheless, Turkey expressly stated in the protocol that its signature did not mean it recognized the new Member State and it continued with the blockade.

On 2 October 2005 the European Council-Turkey summit was held in order to vote on the opening of accession negotiations. On 3 October 2005, in a climate of political tensions and disagreements, a consensus was reached between the 25 Member States and Turkey. Negotiations began at a time when support for Turkey’s membership was at an all-time low on both the European and Turkish sides. The framework established for the negotiations were set out in a document drafted on 3 October 2005 in Luxembourg (Commission of the European Communities, 2005a). Its main points were:

- (a) Explicit recognition of the possibility of suspending the process in the “case of a serious and persistent breach in Turkey of the principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law on which the Union is founded.” Therefore, contrary to the case in previous enlargements, the opening of negotiations did not guarantee final membership⁴.
- (b) If Turkey was unable to meet its membership obligations, its anchoring “European structures through the strongest possible bond” should be ensured.
- (c) Progress would be evaluated according to the following requirements:
 - The Copenhagen criteria.
 - Good neighborly relations and resolving border disputes.
 - “Progress in the normalization of bilateral relations between Turkey and all EU Member States, including the Republic of Cyprus” and Turkish “support for efforts to achieve a comprehensive settlement of the Cyprus problem within the UN framework.”
 - Fulfillment of Turkey’s obligations arising under the Association Agreement, which were to be extended to all new members, and its Additional Protocol, and the execution of the Accession Partnership.

⁴ In the framework of negotiations with Croatia it was established that “the negotiations are an open-ended process whose outcome cannot be guaranteed beforehand.” The nuance was that in the case of Turkey there was another formula for association, whereas for Croatia this was not envisaged.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

- (d) It envisages the possibility of “long transitional periods, derogations, specific agreements or permanent safeguard clauses,” i.e. clauses which are permanently available in relation to issues such as the free movement of people, structural policies or agriculture.
- (e) Given the financial implications of Turkey's membership, the negotiations could not be concluded before the end of the next financial period, which is due to start in 2014. Financial reform will possibly be required.
- (f) As of its membership, Turkey would participate in Economic and Monetary Union “with a derogation”⁵ and “shall adopt the euro as its national currency” when the necessary criteria have been met.

To continue preparing the way for membership, in January 2006 the Council published an update of the principles, priorities (short and long term) and the conditions guiding Turkey's membership (in February 2008, a new update would be published). Separately, the first phase of the analytical investigation (called a “screening”) of Turkey's application of the *acquis* and its assimilation capacity began in October 2006. As usual, the chapters in which the country showed greatest progress were opened and those which were more complicated to apply were left until last. So far, the *Science and Research* chapter has been closed, and the *Statistics, Business and Industrial Policy, Financial control, Free movement of capital, Company law, Intellectual property law, Information society and media, Tax, Trans-European networks and Consumer protection and health* chapters have been opened. Overall there is a satisfactory degree of assimilation and community principles are being complied with⁶.

However, the EU has warned Turkey that it will not close any other chapters until it recognizes Cyprus, and opens its ports and airports to it. This is an issue which led to eight chapters to be blocked: *Free circulation of goods, Right of establishment and freedom to provide services, Financial services, Agriculture and rural development, Fisheries, Transport policy, Customs union and Foreign relations*. Nor can it be overlooked that since the negotiations were opened, calls for an alternative to Turkey's full membership have become ever stronger. The hard core of detractors comprises France, Germany and Austria, who have insisted on another form of link with the EU, such as a privileged association, to which Turkey's riposte was that it already has that status. France even put forward a concrete plan in the form of the Mediterranean Union which aimed to be a substitute for Turkey. Ankara, for its part, flatly rejects something it considers to be a “consolation prize.”⁷ However, it is worth recalling that accession can only take place if there is unanimous agreement by the Member States, and that does not look likely in the medium term. In the meantime, the process is continuing, and new chapters in the negotiations have recently been opened.

However, since negotiations were opened a slowing in the pace of reform in Turkey has been observed. On the one hand this is the result of the uncertainty about the process, due to the opposition of certain Member States, the difficulty “digesting” the

⁵ A procedure which would mean that one or other regulatory provision of the framework of Economic and Monetary Union would not apply.

⁶ For an overview, see Annex 2 “Turkey's progress in negotiating chapters”.

⁷ A clear example of France's determination was the substitution of the term “accession negotiations” by “negotiations” in texts on Turkey's candidacy.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

enlargements to the east (in some circles it is felt that the EU's absorption capacity has been exceeded) and the EU's disorientation following the attempts to pass the Lisbon Treaty till its endorsement. Moreover, the internal circumstances the Turkey's AKP (Justice and Development Party) government has had to face, has meant it has been much more preoccupied with domestic affairs than international ones: The general elections and presidential elections in 2007 (taking place in a climate of public demonstrations and a public threat of intervention by the military authorities), the conspiracy organized by the Ergenekon ultranationalist networks to overturn the government, the failed attempt to close down the AKP, etc. Nevertheless, after overcoming these obstacles, the central government has made a commitment to a new programme of reforms, geared towards its convergence with the EU.

The European Union has been an engine of development for Turkey. Thus enhancing and fostering relationships between Turkey and the EU, in the framework of the accession process, is of paramount importance for the country's progress. If Turkey continues to make progress, the objective criticisms of the country and the reasons for delaying its access to the European club will be exhausted, and the EU will have to meet its commitments to the candidate. Otherwise, we will be looking at an unprecedented case of discrimination in the history of the EU's enlargement.

2. DEVELOPMENT OF THE PROGRAMME OF TRANS-EUROPEAN ENERGY NETWORKS

2.1. Origins and evolution

The Treaty establishing the European Economic Community (1957) reflected the determination to develop a common policy in the transport sector (articles 3 and 74-84). However, it did not mention infrastructure in other sectors. As a result, in the early sixties, the community's infrastructure policy only focused on transport. However, it also partly addressed the energy industry and energy supply routes were considered an alternative to traditional means of transport (Johnson & Turner, 1997). Although the Commission presented a report on the existing energy infrastructure in 1961, the impact of energy on infrastructure during the first two decades of the European Community's existence was very limited. The first initiative specifically focusing on energy infrastructure came on the scene in 1976, and required Member States to report to the European Commission all the projects of community interest⁸ in the oil, natural gas and electricity sectors.

Although in the eighties energy networks were relegated to a marginal role, the relaunch of the community infrastructure policy had the added effect that energy became one more pillar of the Trans-European networks (TEN) and the first effective steps in this field were taken. Significant progress was made in 1990 thanks to the Community Action Plan, which gave rise to an updated version of the TEN. This introduced the proposal to develop Trans-European Networks in the fields of transport, telecommunications and energy, as a necessary and urgent issue for the creation of a single market without internal borders (Commission of the European

⁸ Those which fulfil the majority of the principles, criteria, scope of application, priorities for action, and objectives envisaged for the TEN-E.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

Communities, 1990). It was also highlighted that the TEN would not be limited to community territory, but would include the whole European continent.

In early 1992, a Regulation was published on the Declaration of European Interest⁹ along with the Communication on infrastructure in relation to TEN for gas and electricity, in order to develop the guidelines regarding the targets, priorities and identification of projects of common interest (Johnson & Turner, 1997). In addition, this Communication established for the first time the advantages and benefits of interconnections in the gas and electricity sector, as previously, it had had a clearly national or independent focus. This new perspective was based on the idea that the development of these interconnections was a necessary part of successfully completing the EU's internal market, as they would provide more flexibility and security of supply.

The definitive push came with the transition from a mere declaration of principles to a legal text, when TEN were included as a part of the integration process in the Maastricht Treaty, Title XII, Articles 129B-D (DOCE, 1992). This text was subsequently updated by the consolidated version of the Treaty on the functioning of the European Union, Title XVI, Articles 170-172 (DOCE, 2008), according to which "action by the Union shall aim at promoting the interconnection and interoperability of national networks as well as access to such networks." As regards their operation and competencies over them, it established that Member States would coordinate with one another, in cooperation with the Commission, and opened the door to cooperation with third countries to promote projects of mutual interest and to ensure the interoperability of networks.

Since then, various initiatives have been launched, leading to the consolidation and implementation of TEN-E. These included the creation of the Christophersen group whose tasks included identifying the first 8 priority projects for energy¹⁰ (Bulletin of the European Union, 1994). The group presented its report at the European Council in Essen in 1994, setting out the first list of priority projects (5 gas projects and 5 electricity projects). However, the programme only really began to get off the ground in 1995, when the conditions, modes and procedures for the granting of community financial aid to projects of mutual interest in relation to TEN were established by Council Regulation 2236/95 (DOCE, 1995). Then, in 1996, the first guidelines for TEN-E were published (DOCE, 1996a). This document was formalized in the framework of application of TEN-E in the electricity and gas sector, defining the objectives and action priorities.

Since the first guidelines on the TEN-E were adopted in 1996, they have undergone two revisions. The first in 2003, derogating the previous Decision, and reforming it to take into account the need to fully integrate countries in the process of accession

⁹ This label was assigned to projects declared to be of top priority. At present, it is applied to a selection of projects along axes which are either cross-border or have a significant impact on cross-border transport capacity.

¹⁰ The projects relating to Trans-European energy networks include priority projects, considered to be of considerable importance to the operation of the internal energy market and the security of energy supply. This classification includes projects declared to be of European interest. At present, these must fulfil the following criteria: a) have a significant influence on the functioning of competition in the internal market and/or b) bolster security of supply in the Union and/or c) promote increased use of renewable energy sources, energy efficiency services or cogeneration.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

within the EU's TEN-E policy, and to incorporate the dimension of a broader Europe. It is envisaged that these new countries will be taken fully into account when deciding the list of projects that are eligible for support by the European Union. Moreover, the creation of a "declaration of European interest" was envisaged for certain cross-border projects that depend on the priority axis. It also opened the way for the appointment of a European coordinator in the framework of individual projects (DOCE, 2003).

The second, and last (up to now), reform of the guidelines was published in 2006. The Decision (DOCE, 2006) establishes a set of guidelines referring to the EU's objectives, priorities and main lines of action in the TEN-E field. Thus, the EU's two main lines of action are: the identification of projects of common interest and priority projects, including those of European interest, and the creation of a more favorable context for the development of these networks (DOCE, 2006). It also envisages the possibility of introducing a new player in the form of the European coordinator, whose role will be to facilitate and coordinate TEN-E. The initial list of ten priority projects, drawn up in 1994, has gradually swollen over time, rising to 43 in 1996, then 74 in 1997, 90 in 1999, 291 in 2006, and so on. Nowadays, there are 568 TEN-E projects eligible for Community co-financing, divided into 9 priority axes relating to electricity and 6 relating to gas¹¹. These projects have been ranked in three categories, according to their perceived importance in producing wider European benefits (Commission of the European Communities, 2010a):

- (a) Projects of European interest have a cross-border nature or have a significant impact on trans-border capacity. They have first priority for funding from the Community TEN-E budget. It includes 32 electricity and 10 gas projects
- (b) Priority projects have a significant impact on the functioning of the internal market, on the use of renewable energy sources and/or on security of supply. The projects are selected from the projects of common interest and have second priority for Community financial assistance. The number of electricity and gas priority projects amount to some 140 and 100 respectively.
- (c) Projects of common interest meet the objectives and priorities laid down in the Guidelines and display potential economic viability as determined by a cost-benefit analysis in terms of the environment, security of supply and geographical cohesion. The Guidelines list 164 electricity and 122 gas projects of common interest.

It has been noticed TEN-E has been most effective in projects of European interests, and those which had considerable political support and commercial potential (Commission of the European Communities, 2010a). The Priority Interconnection Plan (PIP) (Commission of the European Communities, 2007a) analyzed the progress of 42 projects of European interest covered by the 2006 guidelines. At that time it was estimated that 60% of electricity networks projects would suffer delays, mainly due to the complexity and lack of harmonization in planning and authorization processes, along with funding difficulties and environmental and health issues. Gas projects, on the other hand, were making better progress, although there were also delays. During the period 2007-2009, some progress was made in the implementation of TEN-E projects, although it has not been very significant.

¹¹ Annex 3 includes a list and maps of the priority axes of the TEN-E.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

The Green Paper on energy networks (2008a) envisaged that, with the approval of the Third Package (set of measures on the internal energy market, in particular as regards gas and electricity), there would be "significant changes in network planning, including rules on unbundling, regulatory coordination and new collaborative networks bringing together transmissions system operators. These should stimulate investments, synergies, efficiencies and innovation in energy networks" (Commission of the European Communities, 2008a). It is also anticipated that the Agency for the Cooperation of Energy Regulators and two new European Transport Network Managers would contribute to guaranteeing better coordination and transparency in network-related planning, operation, research and innovation.

However, problems are seen to be associated with cross-border or regional projects in general, and particularly those that bring together several energy networks (Commission of the European Communities, 2008a). As well as these changes, work is currently underway to find simpler procedures for the approval of energy network projects. Moreover, efforts are also being made to ensure the TEN-E integrate energy policy objectives in a more consistent and effective way. It is worth noting that the Green Paper on European Networks (2008a) also says that the advisability of extending the TEN-E programme to oil pipelines should be evaluated, primarily with a view to improving security of supply and maritime security, actually, TEN-E policy framework has recently included olefin transmission networks. It also acknowledges the current challenges being faced by the TEN-E: "the EU needs to reinforce its policy on energy network development. It should for example be able to intervene or mediate where public and private parties are unable to move forward on key projects with a European impact. It should also review its funding framework, notably Trans-European Networks for Energy (TEN-E), to direct it better towards policy goals. Planning and authorization difficulties must also be addressed" (Commission of the European Communities, 2008a).

Finally, it has been announced that "there should be a reflection on how the existing TEN-E instrument could be replaced by a new instrument, the EU *Energy Security and Infrastructure Instrument*, and how best to articulate it with the EU's external financial instruments" (Commission of the European Communities, 2008a, 2008c, 2010a)¹². As an overall assessment, it could be said that the TEN-E have developed insufficiently mainly as a result of a lack of funding. In addition, the operation of the programme has highlighted a lack of coordination between national networks, and the separation between the different phases of activity in the energy sector (which reduces the incentives for operators in the system that belong to vertically integrated companies, which would be exposed to greater competition) (Commission of the European Communities, 2007a). On the other hand, judging by the report on the implementation of the TEN-E in the period 2007-2009 (Commission of the European Communities, 2010a) it is needed to focus on a limited number of strategic projects that represent European priorities, while the definition of projects should be flexible to better respond to network development needs.

¹² The possible goals of this instrument would be: 1) Completing the internal energy market. 2) Ensuring the development of the network in order to achieve the EU's renewable energy targets. 3) Ensuring security of energy supply in the EU, by means of aid to essential projects and infrastructure within and outside of the EU.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

As we get closer to the present, it can be seen that TEN-E have grown in importance. In part this is due to the greater concern with energy security of supply, in part because gas and electricity demand and transactions have grown considerably in recent years, making energy transport emerge as an essential priority. Therefore, a renewed generation of TEN-E is augured which will be closer to the needs and realities of the European energy market.

2.2. Objectives and means

The current objectives of the TEN-E policy, centring on gas and electricity connections (and recently olefin transmission networks, as well), are to:

- (a) support the completion of the EU internal energy market,
- (b) reduce the isolation of less-favored and island regions (foster cohesion),
- (c) secure and diversify the EU's energy supplies also through co-operation with third countries,
- (d) contribute to sustainable development and protection of the environment.

These objectives are backed by the principles of:

- (a) Interconnection
- (b) Interoperability
- (c) Access.

Projects' eligibility depends on the extent to which they contribute to the achievement of the objectives and priorities defined for the TEN-E, and the potential economic feasibility of projects whose financial returns are considered insufficient (DOCE, 1995). Moreover, when granting community aid, the Commission will take into account: The maturity of the project, the stimulus effect the community intervention will have on its public and private funding, the solidity of the project's financial arrangements, the direct and indirect socio-economic impacts, above all in employment terms, and the environmental consequences.

Member States in most cases do not participate directly in financing projects of TEN-E since it is mainly carried out by Transmission System Operators (TSOs) and the costs are recovered through the regulated tariffs (users-pay principle). Depending on the total cost of a project, the main financing sources (as direct investment needs) for the implementation of such projects are:

- (a) TSOs' own resources: amounting to approximately 20-100 % of the total investment required.
- (b) Bank loans (e.g. Commercial banks, European Investment Bank, European Bank for Reconstruction and Development): These loans may amount to an average of approximately 40-80 % of the total investment required.
- (c) EU co-financing: TEN-E annual Programme (a total amount of 69.5 million Euros was awarded in the period 2007-2009), European Economic Programme for Recovery (the EEPR Regulation proposed a contribution of 2,365 million Euros to co-finance specific gas and electricity infrastructure projects), Structural and Cohesion Funds (the cohesion policy will devote 675 million Euros to TEN-E projects for the period 2007-2013), ENPI (or other instruments such as PHARE, CARDS, ISPA programmes, the European Neighborhood and

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

- Partnership Instrument, etc.)¹³ and RTD Framework Programmes (the Seventh Framework Programme will invest 100 million Euros in electricity networks over the period from 2007-2009).
- (d) Partnerships with companies active in the gas and power sector (possibly other than TSOs).

As table 1 shows, the budgetary allocation to the TEN-E is modest and has remained more or less unchanged in absolute terms, whereas the average allocation to each project has dropped from 2 to 0.3 million Euros since the programme started, thus limiting its scope. Moreover, as the Green Paper on the European network acknowledges (Commission of the European Communities, 2008a) "It is debatable whether the market will make the necessary investments serving public interests without serious public intervention." Moreover, it should not be forgotten that the initial TEN-E were conceived of and implemented when the EU was significantly smaller than it is today, and therefore the energy sector had entirely different financial needs and characteristics from today's.

Table 1: Budgetary finance of the TEN-E Programme (1995-2013)

Period	Budgetary allocation (€ millions)	No. of Projects	Average allocation per project
1995-1999 (5 years)	112	53	2,11
2000-2006 (7 years)	148	286	0,52
2007-2013 (7 years)	155	568*	0,27*

* It has been considered the current TEN-E projects eligible for Community co-financing.

Source: Commission of the European Communities (2001a & 2004a), Commission of the European Communities (2008b), Commission of the European Communities (2010a)

Efforts will soon need to be undertaken to make all the Union's energy network coordination instruments more consistent and effective. However, it would be more appropriate to review and update its budgetary allocation according to the current circumstances. Moreover, other non-financial instruments should be developed as a means of creating incentives for aid from other sources (for example, awarding a recognized "EU" quality label).

Finally, in view of the content of the third section, we can highlight that the three problems observed in the implementation of TEN-E were, first of all, the fact that the programme was slow and marginal; and secondly, the planning of energy infrastructure in a somewhat disjointed way, with a nationalistic rather than a community perspective; and thirdly, the lack of financial resources, in absolute¹⁴ and relative¹⁵ terms. This has all been to the detriment of a greater degree of interconnection in Europe, and as a result, has meant foregoing the associated benefits. Therefore, although the potential contribution of the TEN-E to the EU's

¹³ Since 2007 the European Neighbourhood and Partnership Instrument has replaced the MEDA and TACIS programmes.

¹⁴ Nevertheless, it should be recalled that the TEN-E programme's aim was not to fund projects but to promote them and give them institutional support, that is to say, it was envisaged that finance would come from the private sector and not in the form of public investment. Also, although in the last decade the programme has gained visibility and consistency, the budgetary allocation seems to be going in the opposite direction, as it has remained unchanged and is superficial.

¹⁵ Currently, transport TEN have an annual budget of 500 million euros, whereas the budget for TEN-E is 22 million euros a year, equal to 4.4% of the former.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

security of supply is considerable, their impact on energy diversification, in practice, has been late in arriving and requires a bigger effort and commitment from European bodies and Member States.

3. TURKEY, TRANS-EUROPEAN ENERGY NETWORKS AND THE ACCESSION PROCESS

3.1. Turkey in TEN-E projects

As mentioned earlier, one of the aims of Trans-European Energy Networks was to develop energy cooperation with third countries, with the overall goal of enhancing the EU's security of supply and fostering cooperation with these countries. Also, with a view to bolstering the stability of Europe and its neighboring regions, the emphasis was on the candidate countries, so as to prepare them for integration with the EU. Since the TEN-E policy was launched in the mid-nineties, we moved on to a situation in which Turkey has grown in significance and has become more integrated with the EU.

Whereas the first list of projects of community interest published in 1994 did not include Turkey, just one year later Turkey was mentioned in the context of Eastern Mediterranean electricity networks, and specifically, there were plans to build electrical grid connections between Turkey and Greece and Syria. Little by little Turkey gained in centrality and carved out an ever more exclusive space for itself among third countries taking part in TEN-E. This has led to the situation today in which Turkey plays an important role in four fundamental axes.¹⁶

3.1.1. *Electricity networks*

The projects in which Turkey is taking part are included in the following axes:

- (a) **EL4: Greece – Balkan countries – UCTE system**¹⁷. This consists of the development of electricity infrastructure to connect Greece with the UCTE system and enable the development of the European electricity market in the south east. These include the Greece (Philippi) – Turkey (Hamitabat) line, designated a project of European interest. It was finalized and fully operational since 2008 (see figure 1). However, as now the line starts in Babaeski on the Turkish side instead of Hamitabat, the line is now shorter and connects Babaeski (TR) and Philippi (EL). The TEN-E budget allocated to the Greece-Turkey line was 545,000 Euros, and the project's total cost 70 million Euros. Work is currently focusing on completing the interconnections with Serbia, Montenegro and FYR Macedonia (500 MW), which is due in 2010. In 2004 a feasibility study looking at the possibility of developing a Black Sea electricity ring (considered a project of common interest), which would also involve Turkey in that it would connect Russia, the Ukraine, Romania, Bulgaria, Turkey and Georgia. The line between Bulgaria (Maritsa) and Turkey (Hamitabat) was completed in 2002. The cost of the Turkey-Bulgaria connection was 24 million Euros but did not enjoy the financial support of the TEN-E.

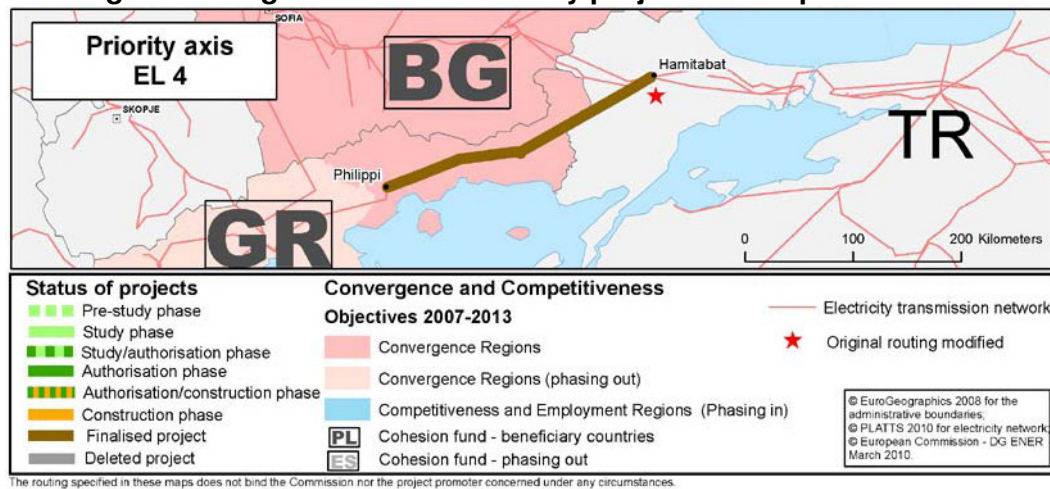
¹⁶ Several priority axes are currently in progress, comprising multiple international projects.

¹⁷ Union for the Coordination of Transmission of Electricity.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

- (b) **EL9: Mediterranean Member States - Mediterranean Electricity Ring:** This aims to increase the electrical interconnection capacity between the Mediterranean Member States and Morocco, Algeria, Tunisia, Libya, Egypt, the countries of the Near East and Turkey (considered a project of common interest). These include the following project of European interest: Electrical connection between Tunisia and Italy. This is still at the study phase and there has been noticed uncertainty of the financial results.

Figure 1: Progress of EL4 electricity project of European interest.



Source: Commission of the European Communities (2010a)

3.1.2. Gas networks

The projects where Turkey has taken part in the context of TEN-E in the gas sector are:

- (a) **NG3: Caspian Sea Countries – Middle East – Turkey – EU:** This aims to develop new gas pipeline networks to transport natural gas to the European Union from new sources. These include the following projects of European interest: Turkey-Greece-Italy gas pipeline (ITGI/Poseidon) and Turkey-Bulgaria-Romania-Hungary-Austria (Nabucco gas pipeline). The former project aims at connecting the Caspian and Middle East natural gas to Italy and the EU through Turkey and Greece, and it is divided into two sections. The first one, from Turkey to Greece, was completed in 2007, despite noticing some complexity elements. It is 295 km long and brings an additional import capacity of up to 11 bcm/year. This project received a TEN-E grant of approximately 4.5 million euro for feasibility, technical and environmental studies, and the total cost amounts to approximately 280 million Euros. The second section, Greece-Italy, is in the authorization phase. It will be 800 km long (of which 570 km onshore) and will have a capacity of up to 9 bcm/year. The project is facing a delay of tree years and is expected to be operational in 2015. It has been allocated three TEN-E grants in 2003-2005 for studies amounting approximately 7.6 million Euros, and is estimated that it will have a cost of 1,250 million Euros.

The Nabucco gas pipeline is a new interconnector to connect the Caspian region and the Middle East gas resources to the Central and Western European gas market. To date, the project is in the authorization phase (see figure 2). In

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

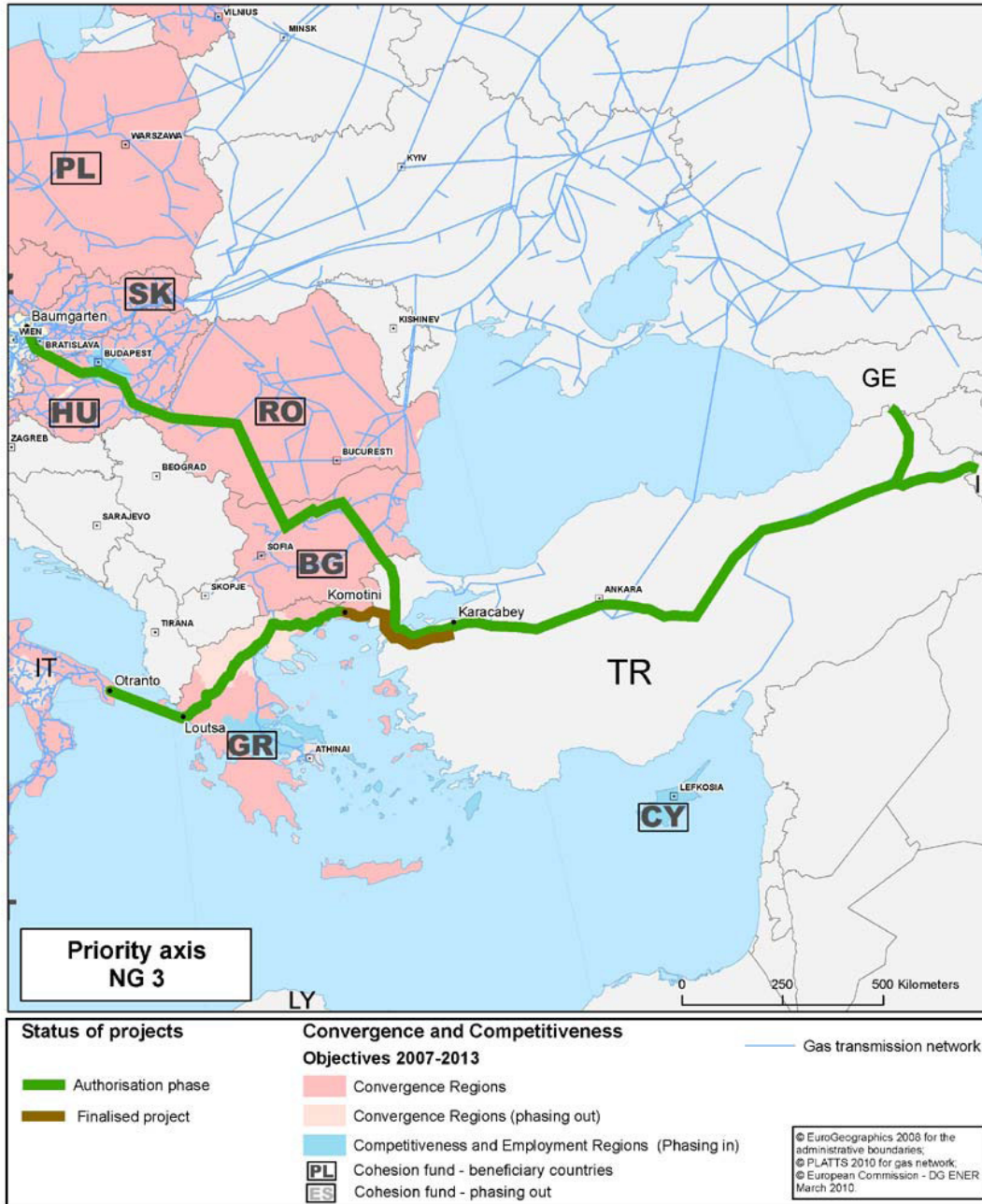
2008, preparations began for the planning and design phase of the gas pipeline. A more recent milestone regarding this project was the signing of the Intergovernmental Agreement on July 2009, aimed at mitigating the regulatory risks and demonstrating the political support from the Nabucco partner countries. According to the planned schedule, construction was due to begin in 2008 and end in 2010 but, among other factors, the lack of an agreement between the participants on the terms of the project has delayed its execution. The pipeline will be constructed in different phases. The pipeline is expected to reach its first capacity stage, up to 8-10 bcm/year, in 2014. A first extension of the capacity (up to 15 bcm/year) is foreseen to be operational in 2016. Last, the pipeline is foreseen to reach its full capacity up to 31 bcm/year in 2019. The pipeline will include a reverse flow capability. The Nabucco gas pipeline will have a length of approximately 3.300 km and capacity of 30 bcm/year. This is not an outstanding volume from the perspective of added energy value to the total European energy mix, but it will significantly have an impact in the gas markets in Turkey and southeast and central Europe, where almost exclusively depend on gas imports from Russia.

The Nabucco pipeline has been allocated three TEN-E grants amounting 9.5 million Euros, while the estimated total cost of the project amounts to 7,900 million Euros. It is the most ambitious project in which Turkey is taking part, mainly on account of the number of EU countries involved, its length, its financial requirements and its contribution to the diversification of Europe's energy supply (as it will reduce the high degree of dependence on Russian gas). Five firms from EU Member States are taking part (MOL from Hungary, TRANGAZ from Romania, BULGARGAZ from Bulgaria, RWE from Germany and OMV from Austria) along with one Turkish company (BOTAŞ).

As far as the European Commission is concerned "the lack of harmonization of legal and regulatory framework along the pipeline route, the environmental permitting procedures and the need to synchronize the project implementation with the development of large gas fields where the gas will be sourced from are the main elements of complexity to be faced" (Commission of the European Communities, 2010a). Thus, in view of the differences of opinion over the pipeline's management (above all as regards transit quotas and quantities), Turkey is at a clear disadvantage, which is leading the Turkish authorities to demand that BOTAŞ be given a more ambitious role. Another problem arising in the Nabucco project is that, to date, only Azerbaijan has confirmed that it will supply it, but its output is insufficient to ensure the project is economically viable. Iran and Turkmenistan are the main candidates for expanding the pipeline's group of gas suppliers, although Turkmenistan is very much in Russia's sphere of influence and is unlikely to do so in the near future. Other potential suppliers of gas in the Middle East (Qatar, Iraq, Egypt) are therefore being considered and some sources have even cited Russia (Hürriyet Daily News, 2009a). Moreover, Nabucco is considered in competition with South Stream project to carry Russian gas to Europe by pipeline under the Black Sea.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

Figure 2: Progress of NG3 gas projects of European interest.



Source: Commission of the European Communities (2010a)

- (b) **NG6: Mediterranean Member States – East Mediterranean Gas Ring:** This is intended to build and/or increase the gas pipeline capacity available for gas transport between the Mediterranean Member States and Libya, Egypt, Jordan, Syria and Turkey.¹⁸ These include one project of European interest: Libya-Italy gas pipeline, which entered into operation in 2004. The main obstacles and reasons for delay reported are: technical/technological constraints, crossing existing infrastructures (e.g. tunnels, underwater pipelines etc), crossing natural barriers (e.g. Mediterranean Sea) and managing protected natural areas (including fauna and flora).

¹⁸ In 2003 the option of including Lebanon was also considered, but in 2004 it was dropped from the project's list of member countries.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

3.2. TEN-E in Turkey's accession process

Prior to the start of negotiations in 2005, there was no specific section¹⁹ dedicated to TEN, but when the negotiations were opened a specific chapter was devoted to Trans-European transport, telecommunications and energy networks.²⁰ Since becoming a candidate country, Turkey has expressed its interest in taking part in European energy network programmes such as INOGATE²¹. In the regular progress report in **2001** (Commission of the European Communities, 2001a) the role of Turkey was extolled as the key country in the transport of oil and gas from the Caspian, Black Sea and Central Asian regions. In turn, its contribution to the EU's security of supply thanks to the development of projects such as 'Blue Flow', the Baku-Tbilisi-Ceyhan (BTC) pipeline and the potential for energy cooperation between Turkey and Greece, was highlighted.

In the **2002** progress report (Commission of the European Communities, 2002) it was acknowledged that Turkey had taken measures to diversify its supply and strengthen its role as a transit country, as concerned gas and oil corridors in particular. Specifically, the report cited the progress on the Turkey-Iran gas pipeline and Blue Current, and on the Caspian-Mediterranean pipeline (Baku-Tbilisi-Ceyhan, BTC), together with the signing of the two Memorandums of Understanding between the main companies in the gas and electricity sectors in Greece and Turkey so as to build a gas interconnection and an electricity transmission network between the two countries.

In **2003** the regular report (Commission of the European Communities, 2003) said that Turkey's progress on strengthening security of supply through a diversification of resources and energy routes remained on track (which would be a constant factor in subsequent reports). Blue Flow came into operation in December 2002. A couple of months earlier the companies entrusted with gas transit between Turkey, Bulgaria, Greece, Romania, Hungary and Austria had signed a Memorandum of Understanding to extend their interconnections. Likewise, Turkey signed another Memorandum aimed at the creation of a regional electricity market in Southeast Europe and continued with studies on the Caspian-Turkey gas connection (Baku-Tbilisi-Erzurum, BTE). Construction of the BTC pipeline began in 2003. In early 2003 an agreement was signed concerning the construction of the Turkey-Greece gas interconnection and for the construction of the Hamitabat-Philippi (Turkey-Greece) electricity line. The latter opened the way for the possible participation of Turkey in the UCTE system, as restrictions on cross-border trade were still found to exist.

The **2004** progress report (Commission of the European Communities, 2004b), acknowledged the efforts and progress being made by Turkey, and specifically, the following initiatives: Signing of a gas purchase agreement between BOTAŞ and DEPA (Turkish and Greek companies, respectively) in December 2003. Turkey backed the planning of the Nabucco project (gas pipeline connecting Turkey, Bulgaria, Romania, Hungary and Austria). Progress was made on the construction of

¹⁹ Up until that time Turkish energy infrastructure was included in the energy chapter.

²⁰ Nevertheless, TEN-E were cited for the first time in the 2004 progress report.

²¹ The INOGATE programme (Interstate Oil and Gas Transport to Europe) is dedicated to international cooperation between the European Union, the countries around the coasts of the Black Sea and Caspian Sea, and their neighbouring countries. For more information, see <http://www.inogate.org/>

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

the BTC pipeline and the Hamitabat-Philippi electricity line. In December 2003 Turkey signed the Athens Memorandum of Understanding intended to create regional gas and electricity markets in Southeast Europe with the aim of establishing an Energy Community. It was observed that Turkey was strengthening its position as a transit country and envisaged that it would play a crucial role in the diversification of oil and gas routes (above all, gas from Russia, the Caspian, and the Middle East), as well as through the "development of projects of common interest and guidelines established in the TEN." Moreover, Turkey was encouraged to take part in the EU's initiatives to promote the security of energy infrastructure.

Finally, in the **2005** progress report (Commission of the European Communities, 2005b) the TEN had their own chapter for the transposition of the *acquis* to be assessed. In July 2005 the construction of the gas interconnection between Turkey and Greece began. Moreover, thanks to TEN-E funds, two feasibility studies were carried out, one on the environmental impact of the system and the other on its being extended towards Italy. The support Turkey provided in the planning of the Nabucco gas pipeline was acknowledged and it was urged to step up its efforts in the project, which had come to be considered a priority for the TEN programme. The programme therefore carried out two technical, financial and economic studies, the financial and legal basis of which had largely been developed since the creation of the *Nabucco Company Pipeline Study GmbH* consortium in late 2004. The BTE gas pipeline was being finalized so as to be brought into operation at the end of 2006. The BTC pipeline was also near completion. Probably for this reason, Turkey was advised to pay special attention to the physical protection of its energy infrastructure, as it plays an important role in the EU's security of supply. In turn, there was a renewed call for it to continue playing an active role in projects of common interest for the EU. Nevertheless, it was mentioned that Turkey did not yet have a synchronized interconnection with Europe's energy grids, and that energy trade was limited. However, it was also true that progress had been made in relation to UCTE and the Hamitabat-Philippi electricity line, as two lines with Bulgaria were in operation.

The **2006** progress report (Commission of the European Communities, 2006b) was able to describe only limited progress. Although the fact that the BTC pipeline was operational deserved to be highlighted, the priority projects included in the TEN-E had not seen any significant progress: Firstly, construction of the Turkey-Greece gas interconnection had been delayed, and secondly, Turkey was being asked to make a bigger effort to support the Nabucco project.

The **2007** report (Commission of the European Communities, 2007c), however, said that considerable progress had been made and that preparations in the sector were well advanced. The construction of the Turkey-Greece gas interconnection had finished and the BTE pipeline had been completed, while Turkey was reminded that the Nabucco project needed more attention regarding the transit regime. The chapter of the negotiations on TEN was opened in December 2007. The screening report preceding it by a few months indicated that Turkey "did not expect to meet any difficulties in implementing the *acquis* for accession" (Commission of the European Communities, 2007b). In turn, Turkey confirmed that the legislation on European networks would be aligned with the community regulations at the time of accession. The Turkish legal framework has undergone a process of harmonization, and has gradually converged with EU standards (for example, with the ratification of the

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

Energy Charter Treaty) and it is contributing to energy market access and cross-border flows. Turkey's contribution to Europe's security of supply through its participation in the energy projects underway was also recognized.

Moreover, Ankara maintained that the development of its electricity grid was compatible with the development of the TEN-E. As regards the UCTE system, the technical studies continued and even Turkey estimated that the synchronization tests would be performed in early 2008. Perhaps for this reason the Commission maintained that at present, electricity interchange with third countries was "being hindered by an incomplete regulatory framework and the absence of a synchronous connection with the European electricity network based on EU standards." As regards gas, Turkey added that the Arab Gas Pipeline (AGP) and the Baku-Tbilisi-Erzurum, Iraq-Turkey and Trans-Caspian pipelines would contribute to the TEN-E objectives by increasing the capacities of the region's pipelines. However, Turkey refused to join the Energy Community initiative and made its participation conditional upon the opening of the energy chapter in the negotiations, as it considered its belonging to the Community to imply the assimilation of the community *acquis* on energy, so it should "validate" this harmonization with the chapter of the accession process.

Finally, the overall assessment of Turkey's level of harmonization and implementation capacity set out in the report was fairly positive, in that it stated that Turkey had achieved a "satisfactory level of preparation," in the strategic development of energy networks in accordance with the design and objectives of the TEN-E. Moreover, it maintained that the *acquis* in this field would be applied at the time of accession and that Turkey needed to keep up its momentum order to manage the expected investment, which would be likely to "gradually increase its integration with the EU's internal market." It also called for the development of alternative sources of energy, something that would, in turn, lead to new network connection needs.

Subsequently, in the **2008** progress report (Commission of the European Communities, 2008d), progress was mentioned on various fronts, including the gas pipeline between Turkey and Greece, which was now operational and on which technical work was continuing with a regard to its extension to Italy; and preparations (in terms of planning and design) for the Nabucco gas pipeline had begun, the Turkish authorities demonstrating a firm commitment to the project's realization. Moreover, the report upped the project's importance, saying that it considered it to be "one of the EU's highest priority projects." As regards electricity networks, it was noted that Turkey had connections with Bulgaria, Syria, Iraq, Iran, Azerbaijan and Georgia, and it was encouraged to develop its interconnections with the European UCTE network. In parallel, Turkey gave priority to projects relating to priority axes of European interest no. 4 (Greece-Balkans-UCTE) and no. 9 (Mediterranean Electricity Ring). Finally, it mentioned that the construction of the Hamitabat-Philippi line had been completed in June 2008, allowing electricity to be transmitted between Turkey and Greece.

Finally, the **2009** progress report (Commission of the European Communities, 2009) mentioned, as new developments, the signing of the Intergovernmental Agreement on the Nabucco gas pipeline in July, the purpose of which was to establish a

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

common regulatory framework and support the investment climate. In the gas sector technical preparations geared towards bringing the Turkey-Greece-Italy interconnector into operation also continued. On the separate topic of electricity networks, it was considered that the preparations for Turkey's synchronization with the UCTE electricity network were very advanced. Moreover, it was confirmed that the Hamitabat (Turkey) – Philippi (Greece) line was now fully operational.

It is clear from the foregoing that energy infrastructure has gone from being in the background to taking a central role in the process of Turkey's accession. In short, it may be concluded that the gas and electricity projects taking place on Turkish soil will contribute substantially to Turkey's physical integration in the EU through its participation in the TEN-E and the internal energy market. However, the further development of energy routes and Turkey's becoming established as a priority transit country for the EU requires the application of the regulatory and legal framework, in accordance with European standards, and this process still suffers from certain deficiencies, meaning that work on this issue needs to continue.

4. OUTLOOK FOR THE ROLE OF TURKEY IN THE TEN-E UNDER DIFFERENT SCENARIOS FOR THE ENLARGEMENT PROCESS

As mentioned earlier, a question mark hangs over the final outcome of Turkey's accession process. Nevertheless, Turkey does not contemplate any other end point than full membership, despite the insistence of some Member States on offering alternative formulas. Therefore, in this section the perspectives for the role of Turkey in the Trans-European Energy Networks are set out under a number of possible scenarios for the progress of the Turkish accession process. In view of the obstacles and uncertainties surrounding Turkey's accession, it is difficult to get a clear view of a horizon on which it might successfully conclude. However, certain factors need to be taken into account, such as the consistency and credibility of the EU vis-à-vis third countries, the message it sends to Muslim countries and Europe's Muslim citizens, and the opportunity cost of Turkey's integration in the EU.

One of the net advantages of Turkey's full integration is in the energy sector, specifically in the case of energy routes. Trans-European energy networks have given a strong boost to the EU's security of supply. As a part of this objective, Turkey has a key role in the diversification of energy routes, essentially destined to reducing dependence on Russian supplies. Both parties undoubtedly share an interest in developing the TEN-E; it is also true that bilateral political relationships will have an important role in their progress. The envisaged timing of Turkey's membership was established as being at some point after 2015, as a result of which Turkey built up expectations of joining the European club in the second half of the decade. Therefore, around 2015 the EU will find itself in the predicament of having to give Turkey an unambiguous signal about how the process will turn out, in response to Turkish aspirations of membership (particularly if the country continues to meet its commitments as a candidate). Therefore, as of that time, the political framework in which bilateral relationships develop will play an important role in the future of the TEN-E in which Turkey is participating.

The three political scenarios considered, and their impact on the role of Turkey in the TEN-E projects, are set out below:

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

1. Turkey's full membership of the EU.

This milestone would favor a stable framework of mutual trust, making it the most favorable scenario in which to guide bilateral relations, in general, and in relation to the TEN-E in particular. Turkey would have achieved its aspirations and would be integrated and motivated to take part in all the community's institutions and programmes. Moreover, it would imply the full transposition of the community *acquis* by Turkey and the harmonization of its policies and interests, with their alignment with the EU. In this case no insurmountable problems in the development of energy infrastructure are to be expected, and it would even leave open the door to future projects, not just in the gas and electricity sectors, but also in oil, given that, as mentioned earlier, the possibility of its also becoming part of the internal energy market is also being considered.

2. Privileged association and any intermediate form of integration conceived of as an alternative to accession.

This option raises a number of issues. For example, Turkey's motivation to take part in community programmes could be diminished by its frustration at the suspension of the accession process (although it would be the best option for some Member States). It would also result in a lack of trust in the European Union and even a degree of resentment. However, we should not forget that although TEN-E originates as public initiative they are basically implemented and paid for by the private sector. Therefore, the potential benefits for Turkey's energy companies could be sufficient to motivate them to continue their participation in the TEN-E (although we should not overlook the strong influence of the Turkish state on the country's energy companies). This outcome would be arrived at a point when Turkey will have already transposed a large part of the community *acquis* in relation to TEN-E (even if not completed), so it is to be not expected that it would be an obstacle to their completion. Moreover, if Turkey finally accepts an alternative form of privileged association, it would entail the acceptance of the most advantageous feasible offer in this scenario. In this case, there would not be a breaking off of political relationships with the EU. However, it would lead to an initial cooling of relations.

In this scenario there is no doubt that the projects underway would be completed. Turkey has already made certain commitments and the companies involved have signed binding contracts committing them to the completion of the projects. Future projects not yet being considered and those that are currently at the study stage may also be of interest to Turkish companies. Moreover, Turkey's strategic position on energy routes highlights its importance and justifies the EU's interest, but Turkey also has both political and economic incentives to participate in the TEN-E whether it is a candidate (or member) or not, in that these projects help it bolster its role as a transit country and would be consistent with its goal of becoming an energy hub. It would also represent a direct and indirect contribution to the country's economic development and its own security of supply. In short, the energy relationship between the EU and Turkey should be viewed as one of interdependence.

For the foregoing reasons the TEN-E may suffer somewhat in the long term if Turkey decides to concentrate its strategy more on the future of the North-South axis than on the East-West axis, giving priority to other energy consumers in the region. Nevertheless, energy corridors to Europe are those that offer the greatest potential

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

for Turkey. This does not give cause to think that there will be big changes in Turkey's policy towards developing its energy infrastructure.

3. Suspension of the accession process without a compensating agreement.

This scenario is the least favorable in terms of the impact it might have on bilateral relations. If the accession process is suspended, and if Ankara does not receive any type of "compensation" that it finds sufficiently satisfactory, there would be a shift in its foreign policy towards other poles, not in addition to the European bloc as is happening at present, but as an alternative to it. Diplomatic relations would be reduced to the essential minimum and would be marked by mistrust and suspicion, caused by the failure of a long and far-reaching process that has involved all strata of the country.

By then (not before 2015) we would have a Turkey that is fully integrated in the Trans-European energy infrastructures and projects. All the TEN-E projects in which Turkey is a participant and which are currently under construction are planned to come into operation in the first half of the next decade, meaning that their continuity would not be seriously jeopardized. By contrast, those likely to suffer the biggest impact from a freezing of Turkey-EU relations would be longer-term projects, such as the gas and electricity rings, and other community initiatives, such as the Energy Community and other possible future TEN-E projects.

As a result, the TEN-E projects in progress would be completed but, Turkey would refuse to take part in new community projects or programmes. Nevertheless, the process of harmonization with EU standards would slow down rather than go into reverse. As mentioned, at present, Turkey's efforts are focused on promoting energy routes to increase security of supply and become an energy bridge for the region. In this scenario, the objective would not change, rather Turkey would focus its strategy on other geographical areas and on bilateral country-to-country relations with Europe, avoiding negotiations with the bloc as a whole (keeping the same goal, but changing the means of achieving it).

5. CONCLUSIONS

Turkey is continuing its journey towards integration with the European Union in the framework of the accession process but this is proceeding at a slower pace than in previous enlargements. At the current juncture, the opposition of certain Member States to Turkey's membership has stiffened, with alternative formulas being put on the table, despite Turkey's outright rejection of them. Meanwhile, on the Turkish side, mistrust towards the EU has set in, both on the political level and in society as a whole. The problem is that uncertainties surrounding the process have slowed it yet further, and are discouraging Turkey's efforts and reducing its incentives to continue them. This gives further arguments to skeptics about Turkey's accession, which means Turkey needs to break the vicious circle and demonstrate its continued determination. Nevertheless, to guarantee Turkey's commitment to the reform process, the expectations of membership need to be maintained.

In the energy field, in particular, certain difficulties persist, such as the lack of a single, coordinated common energy policy in the EU to guide EU-Turkey energy

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

cooperation. Turkey's strategic location makes it a country of potential high geopolitical and geo-economic importance in energy transit routes and diversification in the region. Moreover, its territory could become an increasingly important energy hub between Europe and Middle East, Caspian Sea and Central Asia. Therefore, it is able to play a significant role in the map of the Trans-European energy network and help lessen dependence on Russian supplies.

Turkey's energy networks have grown in importance in Turkey's progress reports. Indeed, the Trans-European energy networks chapter has been opened, implying recognition of the degree of harmonization in this area. The specific feature here is that for the EU something more than a candidate country's simply transposing the *acquis communautaire* is a stake. The issue is the participation and involvement of a country which is geostrategically crucial to Europe's energy routes, and a country which can make a substantial contribution to the diversification and security of the EU's energy supplies.

Another factor to take into account in this tug of war is that private investment, a prerequisite for the development of energy infrastructure, is low in Turkey. A stable Turkey in partnership with the EU would be the most favorable climate for investments in Turkey, and would make Turkey more attractive for many investors. Moreover, although as a candidate country Turkey offers added value in terms of energy infrastructure, EU-Turkey relations are clearly asymmetric, and biased in the EU's favor. However, it is worth pointing out that bilateral energy relations are, in any event, a relationship of interdependence, and they are characterized by convergence and complementarity of interests.

In short, the potential bilateral energy links provide strong arguments for membership and will continue to be a reason to speed up pan-European projects involving Turkey. Meanwhile, for its part Turkey is seeking to link the progress of certain community energy initiatives (for example, the Energy Community) to progress in accession talks. Therefore, although both parties undoubtedly share an interest in developing the TEN-E; it is also true that bilateral political relationships may shape how they evolve in the future. Thus, the political framework in which bilateral relationships develop will play an important role in the future of the TEN-E in which Turkey is participating.

From the three scenarios considered we may deduce the following:

- In the case of full accession, relations will flow normally, within a stable scenario, with the progressive integration of Turkey in community structures and its participation, without reservations, in Trans-European energy networks.
- If an intermediate formula is arrived at as an alternative to membership, such as a privileged association, we would find Turkey reluctant to participate in future projects, although the projects in progress would be completed. It might also be willing to participate in new TEN-E projects, due to the existence of complementary interests, and because the programme leaves project execution and financing in private hands.
- In the third scenario, where there is a suspension of the process of membership without satisfactory "compensation" for Turkey, this would lead to the country's turning its foreign policy elsewhere and cutting bilateral ties to

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

the bare minimum. Although the projects in progress would be completed, Turkey would cease to be involved in future community projects. The mistrust and disenchantment would lead Turkey to focus its energy policy on other geographic zones and keep relations on a country-by-country bilateral basis, shunning deals with the EU as a whole.

The EU's goal of including Turkey in the Trans-European energy networks has been a noteworthy success as far as the present and medium-term is concerned. Indeed, the TEN-E have gone from second or third place on the Turkish accession process to overtake other chapters and head the list of factors in favor of the candidate country's accession. For this reason, Turkey's privileged geostrategic position is making itself apparent in the commitment to the development of energy relations in general, and the TEN-E in particular, and it is one of the Turkish candidacy's strongest suits. Nevertheless, given the likely delays to the process, in the long term the EU needs to keep Turkey fully committed by giving it adequate incentives (which, from the Turkish point of view, means fulfilling its membership aspirations) if it wants to exploit Turkey's potential contribution to Europe's energy networks.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

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Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

ANNEXES

ANNEX 1: timeline of the accession process.

25 March 1957: The Treaty of Rome is signed, leaving the door open to the possible integration of Turkey.

20 September 1959: Turkey applies for *associate membership* of the (then) European Economic Community (EEC).

12 September 1963: Association Agreement signed between Turkey and the EEC.

1 December 1964: The Association Agreement making Turkey an associate member of the EEC comes into effect.

22 July 1970: Turkey ratifies an agreement envisaging its possible full membership of the Community.

23 November 1970: Additional protocol to the Customs Association Agreement.

26 January 1987: Turkey recognizes the right of its citizens to submit complaints to the European Commission of Human Rights.

14 April 1987: Turkey applies for formal membership of the EC.

18 December 1989: The European Commission reaffirms Turkey's eventual membership as the goal, but delays accession negotiations.

31 December 1995: Third phase of the Customs Union.

1 January 1996: The Customs Union for industrial goods and processed agricultural products comes into effect.

13 December 1997: Turkey's membership application is rejected at the Luxembourg Summit, with the freezing of relations and contacts.

4 March 1998: Commission communication on the "European Strategy for Turkey".

17 July 1998: "A strategy for developing relations between Turkey and the European Union - Turkey's proposals."

10 December 1999: Turkey is accepted and recognized as a candidate country for membership at the Helsinki Council.

26 February 2001: Attendees in favor of Turkey in the framework of a pre-accession strategy, and in particular the establishment of the *Association for Accession*.

8 March 2001: The principles, priority, intermediate goals and conditions in the association for accession are defined.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

19 March 2001: The Turkish government publishes the National Programme for the Adoption of the *Acquis communautaire*.

12 December 2002: The EU sets a date for a meeting in December 2004 at the Copenhagen Summit: If the European Council believes Turkey fulfils the Copenhagen criteria, the EU will open formal negotiations "without delay."

19 May 2003: The European Council approves a review of the principles, priorities, intermediate objectives and conditions set out in the Association Agreement for Turkey's Accession.

July 2003: The Turkish government publishes a revision of the National Programme for the Adoption of the *Acquis communautaire*.

6 October 2004: The European Commission issues its regular report on Turkey, the accession impact report, and the recommendation to start negotiations.

15 December 2004: The European Parliament says yes to the integration of Turkey.

17 December 2004: European Council decision on the starting of membership talks.

29 July 2005: Turkey extends the Ankara Agreement to the 10 new members. However, in the same protocol it explicitly states its non-recognition of the Republic of Cyprus and continues to refuse it permission to use Turkey's ports and airports.

3 October 2005: Opening of membership negotiations.

23 January 2006: Decision of the European Council updating the principles, priorities and conditions contained in the Accession Association Agreement.

12 June 2006: Opening and provisional closing of the first (and to date, only) chapter: Science and research.

October 2006 First "screening" phase of examining the *acquis* is completed.

11 December 2006: 8 Chapters of the 35 in the negotiations are frozen.

18 February 2008: Decision of the European Council updating the principles, priorities and conditions contained in the Accession Association Agreement.

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

ANNEX 2: Turkey's progress in negotiating chapters.

01. Free movement of goods	Suspended (1)
02. Free movement of workers	To be negotiated
03. Right of establishment and freedom to provide services	Suspended (1)
04. Free movement of capital	Opened
05. Public procurement	To be negotiated
06. Company law	Opened
07. Intellectual property rights	Opened
08. Competition policy	To be negotiated
09. Financial services	Suspended (1)
10. Info society and media	Opened
11. Agricultural and rural affairs*	Suspended (1)
12. Food safety, veterinary and phytosanitary policy	To be negotiated
13. Fisheries	Suspended (1)
14. Transport policy	Suspended (1)
15. Energy	To be negotiated
16. Taxation	Opened
17. Economic and monetary policy*	
18. Statistics	Opened
19. Social policy and employment	To be negotiated
20. Enterprise and industrial policy	Opened
21. Trans European networks	Opened
22. Regional policy and coordination of structural funds*	
23. Judiciary and fundamental rights	To be negotiated
24. Justice, freedom and security	To be negotiated
25. Science and research	Provisionally closed
26. Education and culture	To be negotiated
27. Environment	To be negotiated
28. Consumer and health protection	Opened
29. Customs Union	Suspended (1)
30. External relations	Suspended (1)
31. Foreign, security and defense policy	To be negotiated
32. Financial control	Opened
33. Financial and budgetary provisions*	
34. Institutions*	

(1) Chapters suspended over Cyprus by the European Council in December 2006.

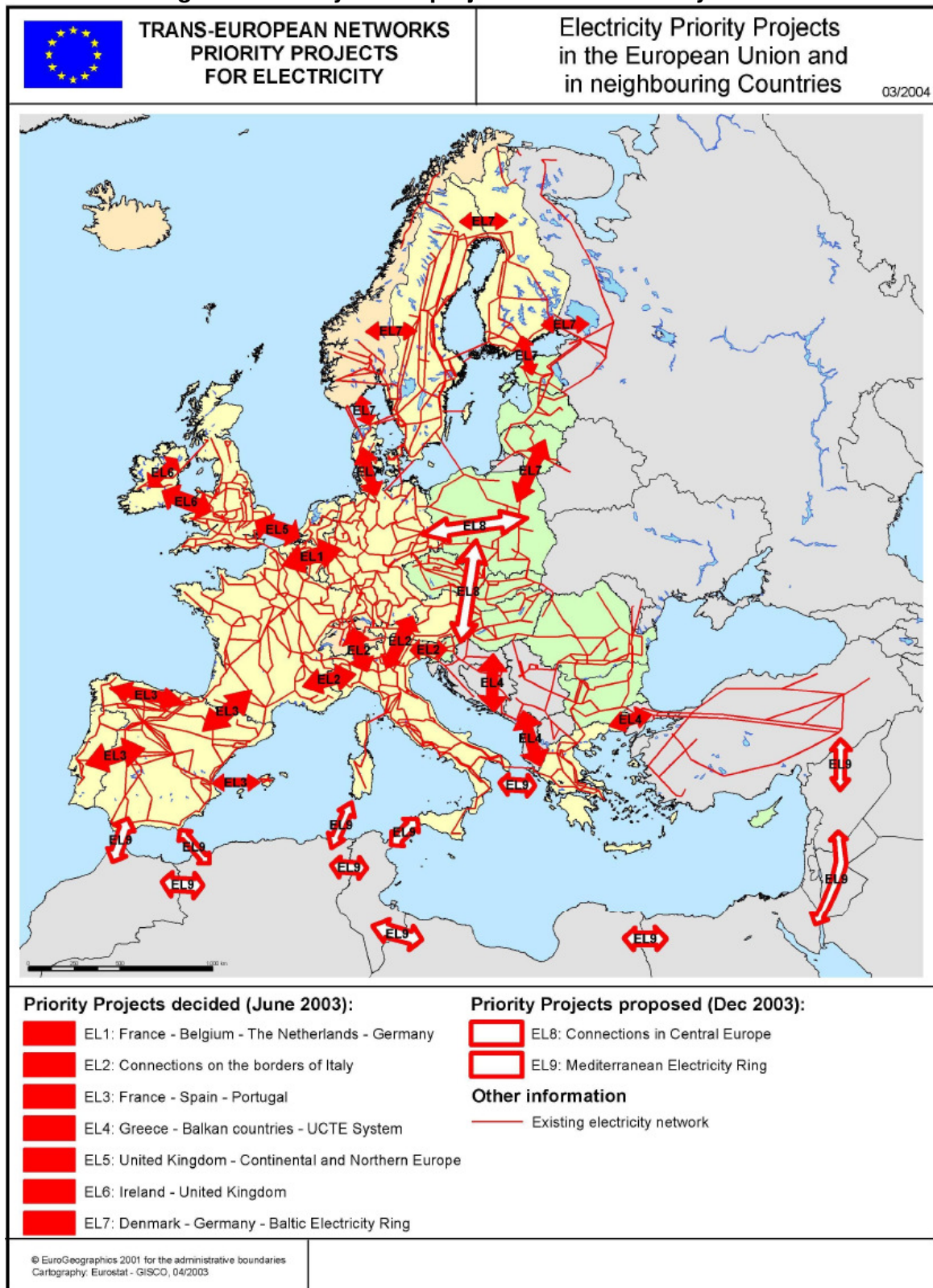
* Chapters opposed by France.

Source: Unión Europea: *Ampliación de la UE*, and Chislett, W. (2009).

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

ANNEX 3: priority TEN-E projects.

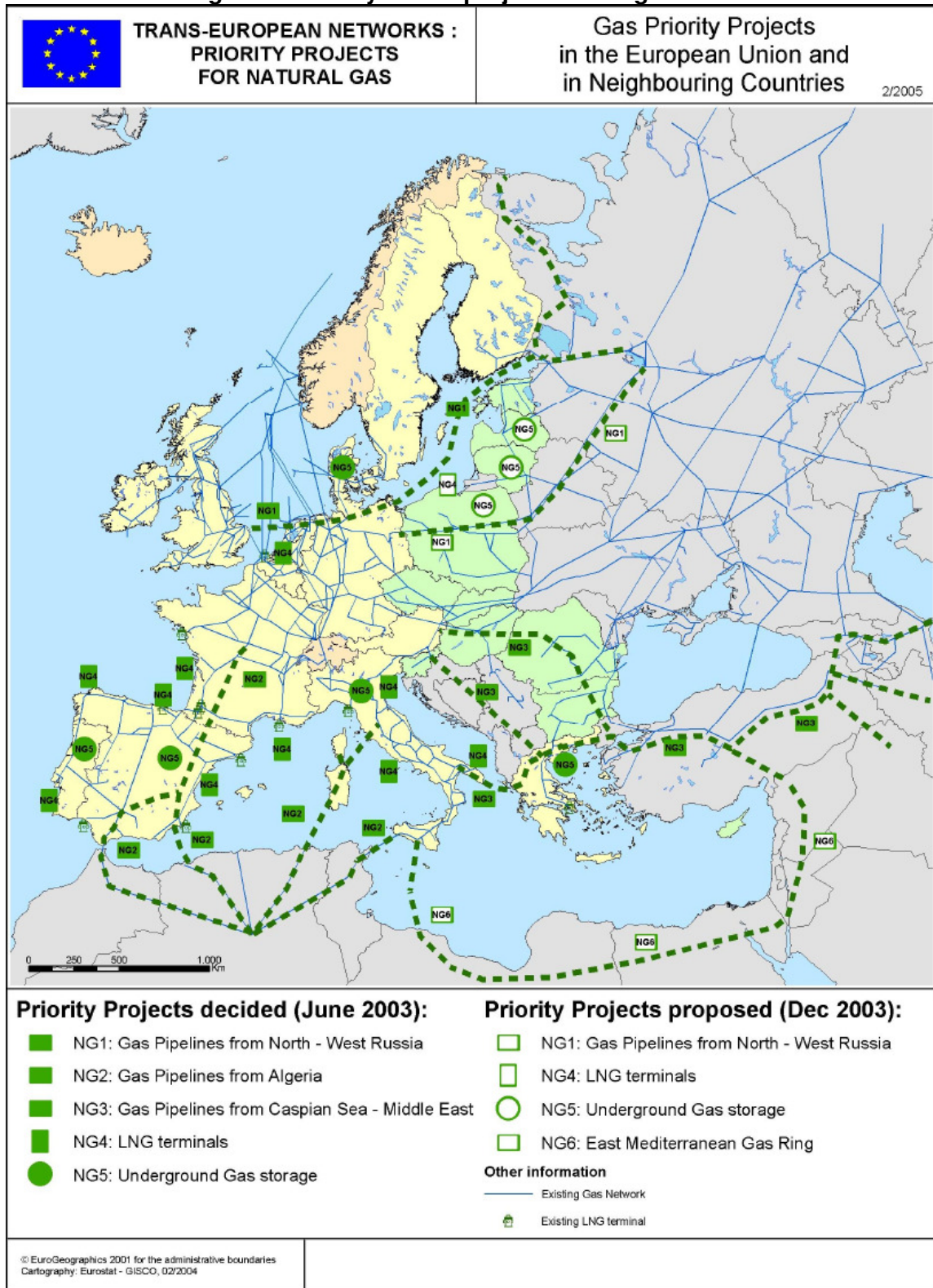
Figure 3: Priority TEN-E projects in the electricity sector.



Source: Commission of the European Communities (2006).

Muñoz, Beatriz y San Martín, Enrique. The supporting role of Trans-European energy networks to the Turkish accession process.

Figure 4: Priority TEN-E projects in the gas sector.



Source: Commission of the European Communities (2006).