

THE NORTHERN ADRIATIC IN THE VORTEX OF GLOBAL AND LOCAL ENERGY INTERESTS

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Abstract: The area of the Northern Adriatic is central to a number of geoeconomic interests, chiefly the need for reliable, fast and especially economically competitive transport connections, both for classic cargo and for energy. In the surrounding area there are three Pan-European Corridors in the making (the 5th, 6th and 10th) with which the Northern-Adriatic harbours of Trieste, Koper and Rijeka are hoping to connect. The fate of these three ports in the forthcoming decade is going to be linked with the quest for alternative energy sources with which to balance the excessive dependence of Central Europe on Russian natural gas. On one hand, there is clear interest in LNG terminals, on the other hand there is also interest in the construction of the trans-Balkan "South Stream" pipeline, which should connect The Black Sea and Central Europe. How is the region of Northern Adriatic going to react to such strong and varied geoeconomical interests and can we spot the appearance of a Mediterranean "Persian Gulf"?

Keywords: Europe, pipelines, gas, Nabuco

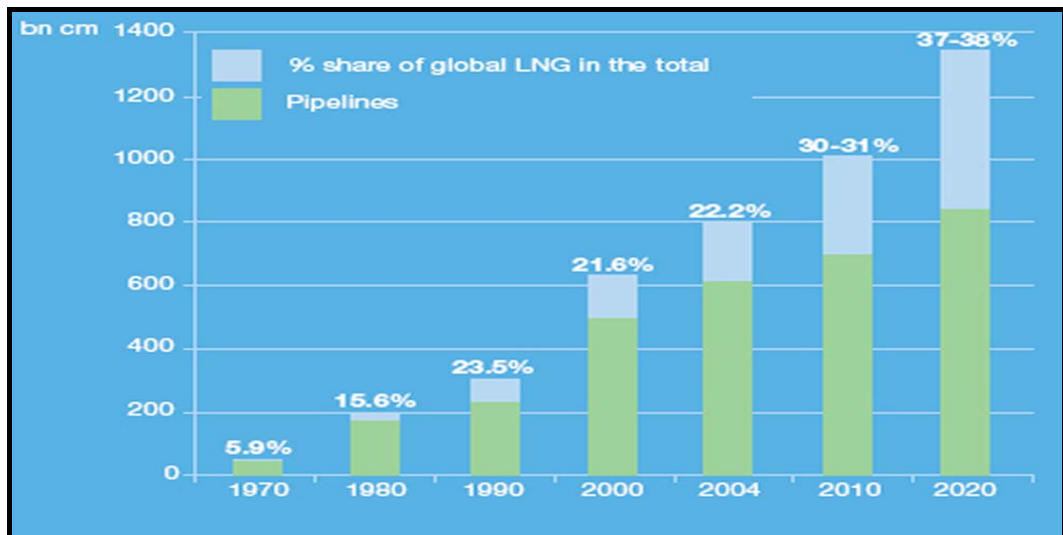
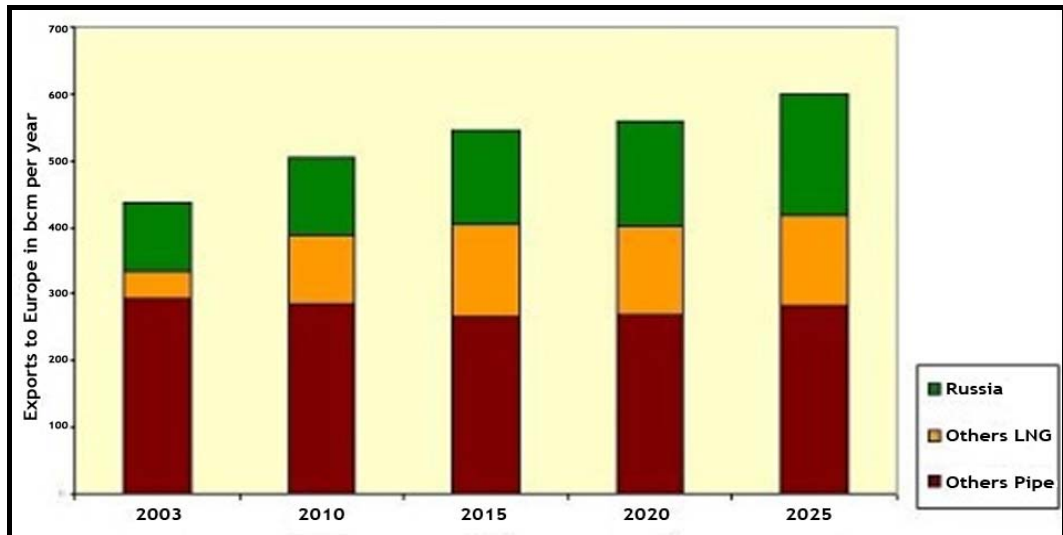
The Area of the Northern Adriatic, which comprises the shorelines of northeast Italy, southwest Slovenia and northwest Croatia, plus a marine surface of about 70.000 kilometers, can be considered as a strategic geopolitical and logistic resource for Europe. It offers an important inter-modal gateway for global traffic to and from Central European urban centers such as Vienna, Munich, Stuttgart, Budapest, Bratislava and of course Ljubljana and Trieste. Via the eastern Mediterranean and the Suez Canal there are relatively efficient connections to the world ocean giving the Northern Adriatic ports a competitive edge.

The Northern Adriatic is not important only for its geographic location, but also for its climate and geomorphology. Here, three important European physical zones meet: the Mediterranean, the Alpine and the Dinaric Alpine. All three zones influence the natural features of the Gulf of Trieste with the result that its biotic diversity is exceptional. The climate in the region is generally mild but susceptible to rapid changes brought by cold north winds (characteristic of a sub-Mediterranean climate). The effects of these winds is moderated by the Adriatic sea which is on average 15.8° C -- nearly 3 degrees warmer than the air above it. The prevalent sea current (average velocity 0.8 knots) is from south to north. At the north end, near Trieste, the current makes a U-turn and heads south again. Normally there are two cycles of high and low tides every 24.8 hours.

The mild climate of the northern Adriatic has long attracted tourists and tourism has long been an important part of the economies of the coastal zones of all three countries in the region. Croatia, with its coastal regions of Istria, the Kvarner gulf and Northern Dalmatia is especially focused on tourism, which is

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also important for Italy, where the city of Venice is a global tourist attraction. Tourism is also increasingly important to the local economy of the Slovenian Primorska region.



PAN-EUROPEAN CORRIDORS V AND X

The Northern Adriatic is in close touch with two of the Pan-European land routes: Corridor V and Corridor X. The first connects Lisbon and Kiev and touches the Northern Adriatic on West-East axis and therefore is an important connection between the westernmost and easternmost parts of Europe along a route that runs south of the Alps taking advantage of the moderate climatic influences described above. The second one is projected to run on a North-South axis, connecting Central Europe with Greece and passing through the Balkans. This network is geopolitically important, as it intends to connect the troubled Balkan peninsula to the Central and the Southern parts of the European Union,

thus contributing to economic integration. Both corridors, therefore, represent important links connecting different geopolitical and geoeconomic realities of the European Union, important especially for their potential once Eastern Europe and the Balkans will be economically stronger and more integrated with the European common market.

The two corridors will cross each other by the Slovenian capital city Ljubljana, that is just 70 kilometers North-East of the Northern Adriatic. The closeness of this important transport node, together with the already strategic position of the area make it easy to understand why the Northern Adriatic is becoming ever more important for its geoeconomic position.



TRAFFIC TO THE PORTS OF THE NORTHERN ADRIATIC

The seaborne traffic in the Adriatic follows the flow of the natural currents, north along the eastern coast and south along the western coast. This traffic represents a relevant economic reality, which on the other hand is also of big ecological stress to the region. It is probable that such traffic will increase in the next decades due to the attempts of the Ports of Rijeka, Koper and Trieste to get a bigger chunk of an already growing traffic between Asia and the European Union, which is for the time being mostly one-way (from Asia to Europe). This trend is supported by last decade's data, which confirms such an increase. In the Port of Koper alone, for example, total tonnes of handled cargo in 1996 were 6.542.502, while 10 years later (in 2006), these figures more than doubled, totaling 14.030.732 tonnes). (Luka Koper, URL1)

THE NORTHERN ADRIATIC AS A NEXUS OF ENERGY TRANSPORT FLOWS

The fact that Europe is ever more dependent on external energy resources has been apparent to the wider public in the recent years especially during the problems that arose with Russian supply of Natural Gas through Ukraine and

Bielorussia to the European Union. Russia's share of energy exports to the European Union is crucial, being 35 percent in 2005 and likely to increase to as high as 60 percent (European Commission Green Paper 2001). For some EU countries Russia supplies more than a third of the total Natural Gas imports. In the case of some of the former Soviet republics, such as Lithuania and Estonia, Russian Natural Gas represents 100 percent of total consumption; in the case of Bulgaria 99 percent, Slovakia, 98 percent, Finland, 82% for Greece, 48% for Poland and 39% for Germany. (Gelb, URL2)

Here goes picture no.1 with caption: Simulation results for European natural gas imports (Source: GASMOD simulation runs, DIW Berlin), <http://www.energypolicyblog.com/?p=30>, 05-03-2008

These fact illustrate why there are many attempts to diversify the European Union's energy sources. In addition to Russia, an important energy source is North Africa (especially Algeria), and the Middle East. Meanwhile, the Caspian basin is acquiring ever more importance as a supplier to Europe of both oil and natural gas and the same goes for the Persial Gulf and South East Asia (mainly Indonesia) for liquid natural gas (LNG), an energy source that is growing in global importance. Today LGN represents about one-fourth of global natural gas trade, while projections show that it could reach almost 40 percent by 2020. (Earth Trends, URL3)

Here goes picture no.2 with caption: Share of global LNG trade compared to total Natural Gas trade, http://earthtrends.wri.org/images/LNG_trade_02.jpg, 05-03-2008

Given Europe's increasing demand for energy from outside sources and its need to diversify its supply chains, it is clear that the Northern Adriatic is in a strategic position as a gateway not only for cargo transport routes to Central Europe, but also for fuel transfers. Increasingly the latter are shaping projects related to energy transport such as terminals for the re-gasification of LNG near Trieste and close to Rovigo, Italy, and new pipe and gaslines. There are plans to build a new pipeline from the Romanian port-city of Constanta to the Italian port-city of Trieste (project Volta), while LNG re-gasification terminals are proposed on the Croatian island of Krk, in the Port of Koper, in Muggia by Trieste and off-shore some miles out of the Port of Trieste. On a wider, Adriatic-Ionian scale there are three additional projects: the one close to Brindisi and the one on Isola di Porto Levante that are already being built, plus two proposed on the Ionian shore close to Taranto. This means a total of eight proposed terminals, out of which probably not all will reach construction phase.

Here goes picture no.3 with caption: King&Spalding, LNG Import Terminals in Europe, LNG Europe – An Overview of European Import Terminals, http://www.kslaw.com/library/pdf/LNG_in_Europe.pdf, 07-03-2008, modified and corrected by author

THE ADVENT OF TERMINALS FOR THE RE-GASIFICATION OF LIQUIFIED NATURAL GAS

Europe is lacking in facilities able to re-gasify LNG and it is understandable that there are several projects to locate them on the most convenient routes connecting South East Asian LNG sources to Europe – especially the Northern Adriatic. The installation of LGN re-gasification terminals represents only 10-15 percent of the total investment for LNG extraction at the source and shipment to the final consumer. Most of resources go in fact for

operations at the source: about 25-35 percent for site development, 30-35 percent for the construction of the liquefaction facility, while shipment takes another 20-25 percent. Re-gasification facilities are in this respect the cheapest part of the total operation, so it is not surprising that so many proposals popped up in the last couple of years.

Here goes picture no.4 with caption: Share of needed investment for LNG extraction and delivery, Merlo, Gianbattista, ExxonMobil Italia (2006) <http://www.omc.it/fileadmin/documenti/relazioni/merlo.pdf>

Besides this, LNG terminals offer a high degree of flexibility when choosing the gas supplier. Given the technical nature of LNG transportation by sea, the supplier can be thus changed quickly by simply changing LNG tankers' sea routes, which is an important factor in an ever unstable global geopolitical situation.



THE SOUTH STREAM AND THE NABUCCO PIPELINE

The Nabucco consortium started in 2002 after initial talks between the Austrian OMV and the Turkish Botas. It is intended to provide a transport route for natural gas coming from sources not currently used by the EU countries. Its main idea is thus the diversification of energy sources, the same standing behind the many LNG terminals projects.

Parallel to the Nabucco project runs another one, similar in its East-West course, but strategically completely different: South Stream. Similarly to the idea of North Stream, which will connect directly Russia as a gas supplier and Germany as a gas buyer bypassing Ukraine or Bielorrussia, so will South Stream connect Russia as a gas supplier and Italy and a gas buyer bypassing Ukraine. The project has been welcomed by many Central European countries as an effective answer to the current energy dependency of the EU on gas supply from Russia through Ukraine. Nevertheless, South Stream does not indeed completely answer to the challenge, as the sole gas supplier remains Russia. Moreover, the Russian state energy company Gazprom has a 50% ownership stake of the pipelines in the different countries where South Stream will pass through, making it a deciding factor not only in the supply, but also in the distribution of natural gas.

On the contrary, the Nabucco project aims exactly at searching for new suppliers, avoiding Russia. It reaches directly to the Caspian basin, opening multiple supplying alternatives, from Azerbaijan, Turkmenistan, and Kazakhstan to Iran and Iraq. Through the Blue Stream, connection it could be also fed with Russian gas if needed. Its flexibility in terms of potential suppliers makes it therefore a very attractive project, which anyhow lacks a strong political leading will. Until now no concrete agreements have been made on the route of the pipeline, while South Stream's quest for country agreements in in

the closing stage and perceived as a much more concrete alternative that once built could inhibit the Nabucco project for a long period of time.

Here goes picture no.6a or 6b (your choice) with caption: The proposed Nabucco and South Stream pipelines within the wider European scenario, http://s.wsj.net/public/resources/images/P1-AL936A_SOUTH_20080615212438.gif, 17-06-2009

A NEW GEOPOLITICAL SCENARIO FOR THE NORTHERN ADRIATIC

The geopolitical scenario for the Northern Adriatic is rapidly changing in light of recent developments in the geoeconomic strategies of the European Union concerning energy supply as well as emerging circumstances brought about by maturing globalization. Until two decades ago, the Northern Adriatic was still a divided area -- politically, ideologically, ethnically and culturally. The events before, during and after the Second World War meant that for a time the Iron Curtain divided Italy from Yugoslavia and even after it moved eastward, the area remained divided (though less radically than elsewhere in Europe) into the Capitalist and the Socialist blocs.

After the events of the Nineties, the Northern Adriatic completed its transformation into a "contact area". (Bufon, 1997, 295-306), meaning that it became an area of cultural and economic contact between a mature liberal-capitalist and Neo-Latin Italy on one side and on the other a post-socialist, Slavic-based liberal capitalism struggling through a political, economic and social transition.

Now, there seems to be a shift towards a new scenario, where the Northern Adriatic is poised to become an important energy gateway for the European Union and, hence, an important geoeconomic area. It is conceivable that the region is on the brink of a completely new phase, similar to the Venetian domination of the Mediterranean in Medieval times.

THE ADRIATIC – A NEW PERSIAN GULF?

The developing role of the Northern Adriatic, and by extension of the whole Adriatic Sea, as an energy gateway has interesting potential similarities to the Persian Gulf in its central location as a geoeconomic and energy nexus. In addition to a peculiar similarity in physical shape and direction (a north-west to south-east axis) of the two gulfs, they have similar geopolitical characteristics. They both have a choke-point in the southeast: the Hormuz Strait in the case of the Persian Gulf and the Strait of Otranto in the case of the Adriatic Sea. Moreover, they both feature unstable areas: Iraq and potentially Iran along the Persian Gulf, and in the Adriatic Sea, Kosovo and Bosnia Hercegovina. If the Adriatic Sea does, in fact, develop in the direction of an important energy gateway, it will play the same role the Persian Gulf plays for the countries of that region, and thus possibly become a "European Persian Gulf".

EUROPEAN ENERGY CENTER OR TOOL?

Occupying a position as a gateway does not necessarily mean that the Northern Adriatic would automatically become an energy center, with all the wide geopolitical influence that this implies. But such a position would likely draw massive infrastructure investments from elsewhere, thus providing an inflow of capital. For those in the vicinity, it could also mean easier access to energy resources and cheaper energy prices.





This is alas not the sole possible scenario. Instead of becoming an European Energy Center, if the gateway role is poorly played, the region could become a European Energy “Tool” or pawn in European energy geopolitics. Perhaps most significantly, the environmental impact on the region’s delicate ecological equilibrium of massive infrastructure development and more traffic, pipelines, terminals for re-gasification of LNG constant transit would almost certainly be negative and severe (Malačić & others, URL4). Especially on its Eastern shore, the Adriatic Sea is important also as a tourist destination for Europe and increasingly also for Russia.

Massive inflow of capital could also mean a shift away from local ownership of logistics and energy facilities, putting a big question mark also on easier local accessibility of energy and cheaper prices. In this respect it is important to understand what are the interests of non-local capital owners and how they could differ with local interests. It could be expected that such interests would tend to be mainly drawn on a short-to-medium term scale, which means that the main scope of the investment would be for high revenues. This usually differs from what tends to be the main focus of local interests, which tend to stress the need of long-term, preferably sustainable development.

Probably the answer to this dilemma lays in the abilities of the local population, through local and national authorities plus effective civil initiatives, to negotiate effectively with external capital interests on how to shape the balance between needs for short and medium term capital returns and long-term sustainable development. It is therefore also a question of effectiveness of democratic structures of the area and of the ability of the local population to effectively use them for its own interests, of their resilience to corruption and pressure attempts and nonetheless of their maturity.

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