Q. Would geopolitical confrontation or international/regional collaboration prevail in future cross-border energy and infrastructure projects?

**Introduction**

With oil and gas being the world's most valuable commodities, it breeds no surprise that the national governments of resource-endowed countries frequently push the exploitation of such randomly allocated treasure to its imaginable limits. Revenues derived from the exportation of extracted and refined fossil fuels not only bankroll the foreign policies of regimes with ambitions in their immediate or distant regions, but it also helps them to prop up the foundations of their rule by distributing acquired rent and purchasing the loyalty of the most impactful domestic actors. In other words, for leaderships in countries such as Russia, Saudi Arabia and Iran, which are almost exclusively dependent on the export-related sources of revenue, unchallenged and undisrupted control of energy resources is a matter of long-term survival and quick-paced demise. However, history shows that such circumstances have not encouraged oil-rich countries solely towards defensive positions, and there have been occasions where regimes have sought the expansion of their energy leverage by attaining powerful positions in neighboring countries - be it through corporatist or business-minded channels, or through indirect or outright military aggression. As stated by Nietzsche, experience of power attracts one to further power, and as shown by the history of 20th century, nothing can have greater attraction than energy power.

For countries at the other end of such dynamic, who did not win the lottery of nature and strongly rely on the undisrupted flow of energy imports, such misbalance in allocation makes them extremely vulnerable to the whims of their neighbors that have their controlling hand at the all-too important spigot. And, in the modern world of high energy-centricity, privilege of handling the spigot can frequently be utilized as a powerful geopolitical weapon, which can make the citizens of importing countries feel the cold of winter more than they are accustomed to. Needless to say, current international relations is full of peaceful energy cooperation between countries, where both importer and an exporter rely on access to each other’s services, with examples apparent in both Western (Canada-US, US-Mexico, US-Venezuela) and Eastern (Norway-EU, Algeria-EU, and even Russia-EU(the majority of times, not always)) hemispheres. However, as the world still has not gotten rid of the politics of power and national interest, future change in the balance of aggregate power between presently cooperating countries is more than capable of providing malignant opportunities for regimes with less than satisfied geopolitical ambitions. To this, importing countries are forced to react not only by being ready to diversify or utilize filled storages, but also by interfering in the affairs of their aggressive partners - an interference that may range from the facilitation of civil or army support to the influence of domestic balance of power through arms deliveries or outright military intervention.

Examples of aforesaid characteristics abound in the history of last several decades, with most notable examples being Iran-Iraq war of 1980-88, Gulf War of 1990-1 and the US invasion of Iraq in 2003, as well as the intentional cutting off of Russian gas supplies to Ukraine in 2006 and 2009, which left vulnerable not only Ukraine, but also entire Eastern and to a certain extent, Western Europe. These are powerful examples with undeniable elements of energy geopolitics, and people married to the aforesaid analysis have a valid basis to anticipate similar developments in years and decades to come. But, is it correct to approach this matter as engraved in stone and unable to evolve? Is the future already set for confrontation over energy and infrastructure projects, and are the chances of ever-growing cooperation so slim? Following paragraphs will answer the given question not by focusing on specific energy projects and their future prospects, but by providing an two-front analysis of how overall geopolitical and economic conditions might develop in the future, which will then determine the course of numerous infrastructural or exploratory initiatives.

**Case for future cooperation**

World is changing, and so are the playing rules of energy game. Certain countries that used to be dependent on imports by more than an average margin are seeing domestic developments that will significantly prop up their energy security. Due to the resulting decrease in energy vulnerability, importing countries will have lesser incentive to interfere in the affairs of energy-rich countries, and as such, will contribute less to the frequently consequential escalation of exporting countries' domestic instability (see: Iraq and Libya). More
likely than not, such arising conditions will make business and political climate extremely friendly for the development of new projects. Most important change will be in the position of the US, whose condition as the largest gross importer of oil is projected to decrease in the years to come, which can possibly remove a previously existing geopolitical rationale that might have underpinned its energy security-related actions in the Middle East (read Iraq) and Latin America (read Venezuela). Of course, this does not negate the fact that American oil corporations will remain as hungry as ever for new projects, but it is reasonable to estimate that such undertakings will no longer be as strongly accompanied by Washington's utilization of the country's military and diplomatic clout as in the past. And in reality, more cooperate and less aggressive US foreign policy in energy-rich regions is more likely to ensure friendlier reception for the US companies (see Iran and the greater Middle East).

Additionally, with European gas market significantly changing and slowly transitioning towards the spot-price structure, Russian giant of Gazprom might be induced to rethink its past strategy of exploiting its market power in Eastern European countries through its control of transportation infrastructure and oil-indexed, iron-clad contracts. In other words, changing market conditions, precipitated by the future arrival of LNG exports from the US and Australia, can potentially influence Russian energy giant to reconstruct its business strategy more towards the reflection of supply-demand dynamics and competitiveness. What might further influence Gazprom towards such transitioning could be the growing strength of the EU's Third Energy Package, which has the power to diminish Gazprom's energy strangling of Eastern European countries through contracts containing destination and export clauses that prohibit importing countries from moving Russian gas both locally and regionally. And finally, increasing European concentration on common energy policy and the upgrading of transportation/transmission networks such as common grids and reverse flows might further erode Gazprom's ability to practice the strategy of 'divide et impera'. To sum up, all of the aforesaid changes in Europe might prompt Gazprom to move away from its past strategies, which frequently caused both commercial and geopolitical confrontations between the energy partners (see 2006, 2009 supply cut-offs). If this occurs, there will be greater focus on benign cooperation and less flexing of geopolitical muscles from Russia, and perhaps fewer Russian-backed projects will experience the type of EU opposition that the South Stream did, and Nord Stream 2 is starting to face.

And finally, with China continuing its 'peaceful rise', the country is becoming more and more dependent on energy imports. It is currently the largest net importer of oil and is projected to surpass the US as the largest gross importer in the near future. This incentivizes it to pursue energy agreements on future exploration and infrastructure projects from Africa to Middle East to the rest of Eurasia. Most notably, country is currently engaged with Russia and Central Asian republics, with whom it already possesses extensive gas pipeline networks (with Turkmenistan) and is developing new gas routes with (Western route and Eastern route gas pipelines with Russia). With gas demand expected to increase annually by more than 8%, shrewd and conservatively-minded Chinese leadership is unlikely to undermine its ongoing and future gas projects, especially considering its newly-established environmental ambitions and related tasks of replacing polluting consumption of coal with renewable energy and most importantly, imported natural gas. As such, Chinese domestic energy requirements and environmental policies will propel the chances of greater regional collaboration on energy projects.

Case for future confrontation

Is the US really going to become less interested in the affairs of the Middle East and Latin America, just because it is on the pace of becoming less dependent on oil imports? Aforesaid argument has validity, and it can be utilized by ones who believe in the better days to come. However, history of Washington's approach to energy-related issues shows that the overall US approach towards the issue of foreign oil and energy has not changed since President Truman's assessment of the Middle Eastern energy riches as 'stupendous source of strategic power' (only necessary adjustments, but no paradigmatic change). Former National Security Advisor under Carter administration, Zbigniew Brzezinski, has made it clear over the years that control over energy resources (he has specifically outlined the Middle Eastern oil) and key transportation routes is capable of giving the US an ultimate leverage over its European and Asian counterparts. With its Fifth Fleet in the Persian Gulf, with its navy patrolling in the Strait of Malacca and with its troops stationed in the Balkan countries, aforesaid historical rationale seems to be still at work, which can possibly become even more
outright and bold in the face of growing American energy self-reliance. If such approach is correct, American companies are less likely to receive a warm welcome in the Middle East anytime soon, especially not in Iran (despite sanctions-relief) and only to a certain extent in Iraq, where French, Russian and British companies abound more than American ones.

As it pertains to situation in Europe, aforesaid scenario contains a commercial validity and any company with a purely business-inclined outlook would react to the mentioned European market developments similar to the proposed way. However, Gazprom is far from being a commercial entity, with the Russian government acting as a majority holder, and there is strong possibility that company will continue to operate in future as an extension of President Putin's foreign policy ambitions. It might react to growing European and Ukrainian resilience if not by outright disruption of supplies (though this possibility must not be excluded), then by diversifying its supplies to China and establishing new transiting networks through Turkey. Added to that, it might wait for the European gas demand to resurrect itself (currently it is at lowest in years, but is projected to increase), which will diminish the impact of American and Australian LNG prospects, and along with the diminishing European production, will make Russian gas as desirable as it used to be prior to the financial crisis of 2008. Current economic and financial sanctions on Russia, along with the ongoing inability to solve the Eastern Ukrainian quagmire, are not making the prospect of better cooperation better, and are putting further questions marks over Gazprom's capacity to benignly respond to changing market conditions. What this might accomplish is the long-term duplication of EU-Russia standoff on the development of future projects, with the result being even greater redirection of Moscow towards its Eastern partners.

But, will energy relations between China and Russia develop as smoothly as previously stated? confrontation against the US, which still considers itself as the primary naval and military power in East Asia and Pacific. First of all, due to its recent economic deterioration, wider world considers Moscow to be a junior partner in its growing cooperation with China, which Moscow is all too well aware of and goes to distance to cover up by expressing somewhat uncompromising positions on issues such as the future price of gas and requesting greater financial input from Beijing. On the other hand, China, whose gas demand growth is at its lowest in years and currently benefits from low-priced LNG imports, is in no hurry for the completion of projected pipelines with Russia and is masterfully playing on the latter's urgent need for additional finances and supply diversification. Such dynamics are bound to strain the two countries' cooperation on energy projects, if it is not altered by a decisive action from either of parties. However, in terms of China, potential drift with Russia may not be the only problem that might arise in future. Another possible complication might have a more geopolitical dimension. With China, its 'peaceful rise' may deviate from its 'peaceful' nature if the US decides to impinge upon Beijing's oil and gas interests in Central Asia and the Middle East. In the latter region, it seems unlikely that the US will be able to thwart growing oil relations between China and Iran, and already established ties between China and Saudi Arabia. But in Central Asia, US efforts have been more visible, especially in Washington's attempts to sway Turkmenistan away from China through the prospect TAPI pipeline, as well as ceaseless efforts of the US energy giants to outbid Chinese companies for projects in Kazakhstan (supported by the State Department). However, the most volatile area in present is the South China Sea, where Beijing claims control over energy-rich islands and deepwater against the US-ally Philippines and Vietnam. Of course, China is willing to purchase increasing amount of oil from Saudi Arabian and Russia, but preference lies in the development of domestic supplies, and the islands of South China Sea present such a possibility. Such vital interest in the area may bring China in increasing

And last but not least, while the Islamic State (IS) attracts the largest portion of international attention, it frequently goes unmentioned that Russian, Chinese and European companies (supported by their respective governments) are slowly starting a bidding war against each other for oil and gas developments contracts in soon-to-be sanction-less Islamic Republic of Iran. While the rationale for Chinese and European actors is to diversify their supplies or meet the projected increase in demand, Russian determination to secure contracts is driven by its strategic wish to gain as great of a foothold in Iranian oil and gas industry, increase its influence over the future direction of Iranian energy policy and direct it as far as possible from traditional Russian markets in Eastern Europe, and to some extent, China. This dynamic further adds to the already tense and almost contradictory nature of Russia-Europe and China-Russia energy relations, and even further bleak their prospects of greater future cooperation on energy projects.
Conclusion

To conclude, as ever, future energy dynamics will remain tense, complex and full of contradictory elements. Combination of geopolitical ambitions, hegemonic aspirations and purely energy-related interests will keep the prospects of cooperation over energy projects ceaselessly changing, but based on the nature of most important states and their record of recent or historical accomplishments, balance is in favor of geopolitical confrontation, with percentile estimate being 70% to 30% (personal opinion, not based on any statistical data).

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