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**EU -RUSSIA RELATIONS THROUGH THE PRISM OF ENERGY AGENDA**  
**IN ITALIAN MEDIA COVERAGE**

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## Summary

In the age of the globalization of the world economy and the increase of the integration of the energy policy within the European Union, the significance of the energy in the international relations is mounting. Russia, as one of the leaders of energy resources exporting, faces a number of problems and challenges on its way to exercise the energy policy and cooperate with its partners. The European Union is the energy partner number one for Russia and thus, these particular relations are of high importance for both parties. The constant cooperation despite ups and downs in the interaction makes the EU-Russia energy relations interdependent. The European Union's policy of diversification of energy suppliers marked a new stage of the EU-Russian cooperation straining and deteriorating the already existing contradictions and miscommunication. Nevertheless, the parties are not ready to turn away from each other and try to find the new ways of the further cooperation. The both sides realize the potential of their interaction and the benefits which each of them can receive. For the Russian Federation, it is the possibility to get high profits out of the numerous contracts and projects with the individual European Union's member states. For the EU on the other side, Russia is one of the main suppliers and partners which can assure the long term natural gas deliveries at the reasonable prices. However, the pricing issue has been for a long time a stumbling bloc for the Union. Due to the different price setting for all EU member states and the unfairly high prices for the Eastern European states as Poland, Bulgaria and the Baltic states which are heavily dependent on the Russian gas supplies,<sup>1</sup> the European Commission started its own investigation to order to check Gazprom's compliance with the conditions of the so-called Third Energy Package and stop the violation of the anti-trust provisions. Another problem of the energy cooperation was the strict long-term contracts which were considered outmoded and not correspondent to the current state of things on the European energy market which had been already working under the conditions of the wholesale market pricing. Thus, the increasing difference between the fixed Russian prices and market prices made the European Commission to take action and pull the trigger of its anti-trust probe against Gazprom. Therefore, Gazprom had to make compromises in order to keep its positions on the European energy market and avoid

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<sup>1</sup> Appendix. Diagram 3.

billion penalties. Earlier this spring, Gazprom presented its concessions to the European Commission which in its turn agreed to accept them. Thus, the decades of the Gazprom's monopoly on the European gas markets were brought to the end giving the way to the freer and more transparent interaction.

In addition to the supranational level of the representation in the context of the EU-Russian relations, there is the national level of the cooperation. In some particular cases the states were contradicting to the general line of the European Commission. The individual member states filed their complaints against the Russian gas supplier. The most known complaint is the Poland's appeal to the European Court over the European Commission's decision on the OPAL capacity or its dissatisfaction with the reached agreement on the Gazprom's concessions. Another case is the Italian opposition to the «Nord Stream 2» project. Even if the Commission's general attitude to the project is rather positive, there is a bloc of countries which strongly disagree with this decision and do their best to impede the construction. Italian position is explained by the dissatisfaction with the outcome of the «South Stream» project which was by all means stalled by the European Commission. Thus, Italy wants to make a reciprocal move and nip the «Nord Stream 2» project in the bud since it meets the needs only of Germany and the northern part of Europe. The internal discords and controversies in the European Union have a negative impact on the possible improvement of the relations' climate with Russia in the energy sector. Energy is not only the most important sphere of the interaction, it shapes the political climate in general and identifies the conditions and contexts of the cooperation in other sectors. It sets the tone of the basic perception of the actors in this complicated multilateral scheme of relations which in its turn helps to predict and analyze the further development of the EU-Russian relations as a whole.

Italy is one of the main European partners of Russia. The bilateral cooperation of Italy and Russia traces back in history and count 155 years of official diplomatic relations since the recognition by the Russian Empire of the united Italian state. Nowadays, Russia and Italy have established an intensive cooperation almost in all spheres. They conduct a political dialogue and interact actively in the international organizations and mechanisms.

Since this evident fragmentation of the interests within the European Union and two levels of political and economic structure, there is a need to cooperate on

both levels: national with all member states and supranational conducted on behalf of the EU bodies. Italy has always been considered one of the most friendly oriented EU partners of Russia, thus the cooperation on the national level with Italy has always been of great importance. The frame analysis of the energy agenda in the Italian media coverage is aimed at the identification of the patterns of the perception of Russia and energy issues related to Russia in Italy and its positions in the scale of the Italian political preferences and shaping of general attitudes of the public.

The dissertation is composed by introduction, three chapters, conclusion, bibliography and appendix. Each of the three chapters deals with different aspects of the EU-Russian energy relations.

**Chapter one** is introductory and defines the history of the energy relations. It is composed of two parts and six subparts. It discusses the stages of the development of the EU-Russia energy cooperation. The author analyses the reasons which have influenced the relations and brought them to the today's stance. The chapter has an overview look at the major milestones which have contributed to the legal and political formation of the relations in the energy sphere. It is focused on the processes of the establishment of the legal framework and the failure of the parties to do that.

**Chapter two** examines the recent joint projects and the political impediments in these processes. It mainly focuses on the political constituent of the economic relations and suggests the explanations of these phenomena. The chapter is subdivided into two parts each of which are subdivided into subparts. Part one describes the liberalization of the European energy market, covering the Third energy package unbundling regime. Part two investigates WTO dispute, the cases of «Nord Stream 2» and «South Stream» as well as the anti trust investigation of the European Commission which had a heavy impact on the further development of the energy relations and caused the tenses in the cooperation but which eventually have brought the relations to the new level characterized by the greater transparency and efficiency of the energy interaction with the consequent amelioration of the EU-Russian relations as a whole.

**Chapter three** is fully dedicated to the frame analysis, its application to the political science, study of the Italian political journalism features and the frame analysis of the Italian media coverage of the energy issues of the EU-Russia cooperation. As a result of the framing, the author identified the main features of the

coverage, its general tone and suggested the probable implications of the revealed regularities for the Russian Federation's foreign policy.

The **relevance** of the topic is explained due to the high significance of the energy policy and energy diplomacy in the context of the EU-Russian and Italian - Russian relations, their influence on the cooperation as a whole and understanding of the trends set by the mass media in Italy and their influence on the population of the country.

The **object** of the dissertation is the relations of the European Union and the Russian Federation. The **subject** of research is the EU-Russia energy relation.

The research **objective** is to identify patterns and trends of these relations by means of the frame analysis of the Italian media coverage. The above-mentioned objective sets the formulation and solution of the following **tasks**:

- to identify the major milestones of the energy cooperation throughout the time;
- to analyze the most recent disputes and clashes of interests between the parties concerned;
- to conduct a frame analysis of the selected Italian newspapers;
- to identify the trends and patterns through the analysis of the media;
- to indicate the possible ways of the ameliorating the existing status quo.

Due to the growing needs of the increasing population and growing consumption of the natural resources, the energy security which directly influences the national security is of great importance. The issue of energy security encompasses not only the security of supply to the countries with scarce resources but also the security of deliveries. Thus, this chain of energy trade included both the sellers and buyers, each of which pursues its own interests. In case of the EU-Russian energy interaction, energy influences all other spheres of cooperation and creates the stimulus for the further profound cooperation or its absence. The energy partnership of the two actors is characterized by the helical structure with the periods of the intense cooperation and the periods of the open misunderstanding and confrontation. Information obtained in the course of the study by means of the analysis of the Italian media on the subject of energy relations has a high **practical significance** since it provides with the understanding of the position of Italy, as one of the main Russian partners within the European Union, towards Russia's energy policy and of the general perception of Russia' image. These data can be used in

order to shape the energy policies of Russia towards the European Union and Italy in particular.

The **theoretical significance** of the thesis is in obtaining of adequate knowledge and idea of the EU-Russian energy agenda assessment in the Italian print media by means of the frame analysis.

**Formulation of the research problem:** The EU-Russian relations highly influenced by the development of the energy cooperation undergo a period of a prolonged crisis and general stagnation. They were heavily undermined by the number of the events in which contradictory positions and interests of the parties concerned clashed. Energy, as the main domain of the relations, is an easy target for all kinds of external and internal threats such as wars, conflicts, terrorism and economic crises. That is the Ukrainian crisis and the annexation of Crimea by Russia which literally nullified the fragile cooperation and stalled all the ongoing initiatives in energy sector and hence in all spheres of the cooperation. Before 2014, there were two other conflicts between Russia and Ukraine in the sphere of energy transits which also imposed a mark in the further cooperation. Media have a direct impact on the masses, they are capable of shaping perceptions and altering judgements. They are a powerful tool in hands of the political and business elites, which use them in order to influence not only people but also the police of their countries. The media analysis of the countries, which are the partners of Russia or the cooperation with which has an economic or political importance, represents a crucial approach for the strategic planning, policy framing, security ensuring and fight with the information war against it.

According to the above-stated research problem, the **research question** is the following: what is the attitude of the Italian print media towards the EU-Russian energy relations?

The **main hypothesis** (answer to the research question): the frame analysis of the Italian print media coverage showed that despite different political leanings of the selected newspapers and different sources of their financing, the general tone towards the energy issues related to Russia and the European Union is negative. They all expressed their sharp view towards Russia as a energy partner of the EU. In the coverage the most eye catching framing devices used by the authors include the repeating rigid metaphors and comparisons. The newspapers epitomize Russia with



the president Putin thus creating an image of authoritarian regime which uses energy as its political tool and economic leverage. The continuous repeating of the two gas conflicts with Ukraine and the consequent interruption of the gas supply to Europe without explaining the reasons but creating an image of the rough and cold -blooded energy partner, makes that information be stored in long-term memories of the readers and be decisive in their further perception and proceeding of news items. Such an image of the country depicted by the main Italian newspapers shapes a negative perception of Russia abroad and alters the judgement of people on energy cooperation and any new energy projects. As one of the possible outcomes of such a programmed attitude might be the absence of credibility of the population in the political parties which promote the closer cooperation and relation amelioration with Russia.

**Theoretical and methodological base** of the research is shaped by the inherent to the theoretical level of knowledge, principles, approaches and methods of the research practice.

*explorative* approach is used due to the absence of the previous researches done in this field;

*qualitative* approach is used to study the EU-Russian energy relations in case of the absence of any previous historical data related to the scope of the research;

*descriptive* approach is used to trace the characteristics and the peculiarities of the EU-Russian energy cooperation during the time;

*statistical* approach is used to collect and proceed the data received during the analysis.

The study is based on the *comparative analysis* of the media sources and the *frame analysis* as the research methods of the thesis.

**Scientific novelty** of the thesis lies in the fact that the author focuses the attention on the energy relations of the European Union and Russia through the analysis of the Italian media held by means of the framing method.

The dissertation represents an analysis of a broad range of aspects related to the EU-Russian relations in the sphere of energy and their influence on the relationships in general. In order to get adequate knowledge of the energy relationship functioning, there have been examined the stages of the cooperation and the development of the energy interactions since the beginning of the natural gas exporting from the USSR

to the countries of Western Europe, including the overview of the main legal documents and forms of the cooperation which have played significant role in the establishment of the existing state of affairs. The cooperation is marked by a number of challenges, comprising the problem of the codification of the energy cooperation and how it affects relations at the present stage.

The conclusion made by the author encompasses all the ideas received during the study of the issue. It summarizes the problems of cooperation and the possible ways of the legal framework. Moreover, it gives the assessment of the data received during the conducted frame analysis. Thus, evident politicization of the energy relations which is one of the main impediments on the way to mutual understanding is caused by the refusal of Moscow to adjust to the European Union's market mechanisms and legal norms. The intention of the European Union to set rules for the third parties operating on its energy markets makes bilateral cooperations unequal and that does not coincide with the idea of partners equality which is the key principle of the Russian foreign policy. Such a tug of war has been characterizing the bilateral relations until recently. With the signing of the Gazprom concessions, a new stage of the energy cooperation is on its way.

The legal vacuum arising from the consequent failures of the energy relations codification during the 90s was supposed to be closed by means of the Energy Dialogue in 2000 but these attempts turned out to be fruitless and the Dialogue was kept to mere consultations. The first decade of the 21st century was marked by the creation of the Road Map for the Common Economic Space and the Partnership for Modernization which both ended up serving the same purpose as the previous initiatives. Since the legal framework of the energy relations is not covering the whole range of issues, certain problems have been partially solved by the implementation of bilateral agreements on the national level.

Moreover, the higher politicization of the particular states within the EU has its own negative impact on the improvement of the energy cooperation and the overall relations of the EU and Russia. Several states with historically anti-Russian sentiments try to impede the processes of the rapprochement and halt any new endeavor of new projects such as «Nord Stream 2» or the EU decision on the OPAL capacity.

Different understanding of the essence of the international relations, polarized sets of goals listed in the documents which define the development of the energy at the domestic and international level, as well as the above mentioned challenges stall the process of the transition towards more integrated cooperation.

When the energy strategies of the two parties have absolutely contradictory approach to a certain issue, they clash and the major problems and disputes appear. The Third Energy Package (TEP) which introduced the ownership bundling clause forbids one company to operate at all levels of supply chain, in other words, it bans the operation of vertically integrated undertakings as Gazprom. TEP turned out to be the stumble bloc of the EU-Russia energy cooperation causing a number of issues. It was at the origins of the EC antitrust investigation against Gazprom, moreover, it was called the reason of the European Commission's opposition to the «South Stream» construction. Thus, the TEP provisions and their implications to the energy cooperation and Russia's functioning on the energy market has been examined throughout the dissertation.

Despite the economic constituent of the energy relations, policies has always played a crucial if not the major role in the energy cooperation. The transit issue resulted in the emergence of alternative routes of natural gas deliveries such as the «Nord Stream» pipeline and its twin project, as well as the stopped «South Stream» evoked another wave of the politicization of the energy cooperation. This politicization reached its limits when the «South Stream» construction has been cancelled due to the constant interference of the European Commission into the bilateral relations between Russia and the countries participant of the project. This situation coincided with the escalation of the Russian-Ukrainian relations and to the bigger extent was provoked by this crisis. Thus, the European Union despite all its statements of commitment to the market instruments gave way to the political leverages regardless the economic benefits of the project. In this regard, it seems contradictory when the Italian media repeat with enviable regularity that it is Moscow that uses the energy as its political tool.

The creation of the comprehensive legal framework which will formalize and codify the energy interactions should be the primary task for both sides. Only by means of the reaching a formal agreement on all problematic issues above

mentioned, there will be fruitful cooperation which will positively affect the EU-Russian relations.

Italy which is one of the main European partners of Russia and which media have been subject of research plays an active role in the energy politics of the European Union. In the context of the «North Stream 2» project, it took a rigid position openly speaking out against the project and forming an opposition to Germany and the European Commission. In this case, Italy unites with the bloc of countries, part of which is made up by the state which conduct anti-Russian policies such as Poland, the Baltic states. They express their concerns about the further domination of the Russian natural gas on the European energy markets which will threatens the energy security of the Union, while Italy, the Balkans, and some other Eastern European states are dissatisfied with the double standards of the European Commission which blocked «South Stream» but gave the green light to «North Stream 2». The analysis of the political situations around the projects has showed that there are major contradictions and disputes within the Union itself which have an impact not only on the functioning of the energy union of the EU states but also jeopardize the interests of the Russian Federation on the European energy market.

The subsequent analysis of the Italian media coverage completed the picture and shaped some new regularities and peculiarities. The frame analysis was aimed at the identification of the frames in order to trace the patterns which are inherent to the perception of the European energy issues involving Russia in Italy. The research started with the elaboration of the main features of the Italian political journalism and its influence throughout the centuries, the development of the party affiliation and the emergence of the new trend of political leanings. Further on, the research comprised the analysis of the selection of the most popular Italian newspapers such as *La Repubblica*, *La Stampa*, *Il Corriere della Sera* and *Il Sole 24 Ore*. Each newspaper has a coverage of the topics indicated by the author. These topics are directly connected with the material of the Chapter Two which contains the analysis of the recent events and projects of high significance for the energy relations. As a result of the frame analysis, the following traits and trends were elaborated. Firstly, the analysis showed that political leanings have no primary effect on the content and the attitudes towards the issues. All newspapers follow the similar line which is characterized by the evident antipathy expressed by means of metaphors,

comparisons, catch up words. Secondly, Russia is associated with the president Putin, who is the epitome of the authoritarian regime. Gazprom in this context is the political tool of the regime, the state run monopoly. Thirdly, the Italian media coverage is mainly concentrated on the issues which mainly involve Italy that is why the coverage of «South Stream» is the amplest one. The coverage of the «North Stream 2» is focused on the opposition of Italy to the project and internal Union's confrontations. The coverage of the EC antitrust investigation and the final concessions of Gazprom, which in fact is the most positive phenomenon of the recent years and promises the beginning of the new stage of the relations, is insignificant and shows the disinterest of the Italian media in this event and its relevance for the energy cooperation between the European Union and Russia. Such a neglect of the issue which is considered a breakthrough after the years of the confrontation. The image depicted by the Italian media is not optimistic for the international prestige of Russia. Media as the means of high influence on the population represent an important political leverage which can affect in the long run the international relations and public attitude to the country.

#### **Future prospects of the EU-Russian energy cooperation**

The future energy relations of Russia and the European Union seem to develop more positively. Both of them are trying to protect their own interests and guarantee the best way of the implementation of their energy policies. On one hand, there is the European Union which represents the interests of a large number of countries with different level of economic development and energy demand. The EU imports natural gas thus its primary goal to assure secure deliveries for all member states. On the other hand, Russia is the exporter which primary goal is assure stable demand and as beneficial contracts as possible. In this regard, both actors understand the necessity of their energy cooperation and their interdependence. The constructive energy dialogue which is based on the economic principles and not on the political is of importance. After several energy disputes the Ukrainian crisis and the energy relations reaching their lowest, it is evident that the parties have to elaborate on the new legal framework which will help to avoid in future all these problems inherent to the EU-Russian energy relations. All existing venues that could be used as the basis of the energy legal framework have their own drawbacks. Within the framework of WTO there has not elaborated any energy agreement. By now the Doha Round

negotiations proved to be deficient. The idea to elaborate a new Partnership Agreement between the European Union and Russia which would contain an energy chapter has not moved to the next level. The third option is to work within the framework of the Energy Charter Treaty. It was signed by Russia but never ratified due to unacceptable provisions which run counter to the energy interests of Russia. However, the fact, that the signature has not been withdrawn means and actually has been proved by the then president of Russia D. Medvedev during his meeting with the EC president J. C. Juncker, that Russia is ready to work in the framework of the Energy Charter Treaty but under the conditions of its revisions in order to comply with the interests of all parties concerned. Regarding the recent development of the relations between the European Commission and Gazprom, this option seems more likely to come into being. The will of Gazprom to make the concessions shows its agreement to comply with the European law in order to continue its operation on the European energy markets thus imposing the basis of the EU-Russian energy relations at large.

## **Introduction**

Energy plays a crucial role in the modern world. Energy is the basis of our everyday life. It is the factor of the industrial development, critical for the economic growth and competitiveness in the region and the world. Moreover, energy assures stable and secure living. Urgent and essential nature of the energy resources makes them the public good and requires that these benefits would be equally distributed and easily accessible by all member of the world community. That is why all countries see the energy as a strategic tool and on the basis of exporting or importing the energy resources. They conduct their energy policies and build energy diplomacies. It is closely connected with the desire to provide an uninterrupted supply of raw material, therefore, with issues of energy security, which is one of the most important dimensions of economic security of each country. In the age of the globalization of the world economy and the increase of the integration of the energy policy within the European Union, the significance of the energy in the international relations is mounting. Russia, as one of the leaders of energy resources exporting, faces a number of problems and challenges on its way to exercise the energy policy and cooperate with its partners. The European Union is the energy partner number one for Russia and thus, these particular relations are of high importance for both parties. The constant cooperation despite ups and downs in the interaction makes the EU-Russia energy relations interdependent. The European Union's policy of diversification of energy suppliers marked a new stage of the EU-Russian cooperation straining and deteriorating the already existing contradictions and miscommunication. Nevertheless, the parties are not ready to turn away for each other and try to find the new ways of the further cooperation. The both sides realize the potential of their interaction and the benefits which each of them can receive. For the Russian Federation, it is the possibility to get high profits out of the numerous contracts and projects with the individual European Union's member states. For the EU on the other side, Russia is one of the main suppliers and partners which can assure the long term natural gas deliveries at the reasonable prices. However, the pricing issue has been for a long time a stumbling bloc for the Union. Due to the different price setting for all EU member states and the unfairly high prices for the Eastern European states as Poland, Bulgaria and the Baltic states which are heavily

dependent on the Russian gas supplies,<sup>2</sup> the European Commission started its own investigation to order to check Gazprom's compliance with the conditions of the so-called Third Energy Package and stop the violation of the anti-trust provisions. Another problem of the energy cooperation was the strict long-term conflicts which were considered outmoded and not correspondent to the current state of things on the European energy market which had been already working under the conditions of the wholesale market pricing. Thus, the increasing difference between the fixed Russian prices and market prices made the European Commission to take action and pull the trigger of its anti-trust probe against Gazprom. Therefore, Gazprom had to make compromises in order to keep its positions on the European energy market and avoid billion penalties. Earlier this spring, Gazprom presented its concessions to the European Commission which in its turn agreed to accept them. Thus, the decades of the Gazprom's monopoly on the European gas markets were brought to the end giving the way to the freer and more transparent interaction.

In addition to the supranational level of the representation in the context of the EU-Russian relations, there is the national level of the cooperation. In some particular cases the states were contradicting to the general line of the European Commission. The individual member states filed their complaints against the Russian gas supplier. The most known complaint is the Poland's appeal to the European Court over the European Commission's decision on the OPAL capacity or its dissatisfaction with the reached agreement on the Gazprom's concessions. Another case is the Italian opposition to the «Nord Stream 2» project. Even if the Commission's general attitude to the project is rather positive, there is a bloc of countries which strongly disagree with this decision and do their best to impede the construction. Italian position is explained by the dissatisfaction with the outcome of the «South Stream» project which was by all means stalled by the European Commission. Thus, Italy wants to make a reciprocal move and nip the «Nord Stream 2» project in the bud since it meets the needs only of Germany and the northern part of Europe. The internal discords and controversies in the European Union have a negative impact on the possible improvement of the relations' climate with Russia in the energy sector. Energy is not only the most important sphere of the interaction, it

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<sup>2</sup> Appendix. Diagram 3.



shapes the political climate in general and identifies the conditions and contexts of the cooperation in other sectors. It sets the tone of the basic perception of the actors in this complicated multilateral scheme of relations which in its turn helps to predict and analyze the further development of the EU-Russian relations as a whole.

Italy is one of the main European partners of Russia. The bilateral cooperation of Italy and Russia traces back in history and count 155 years of official diplomatic relations since the recognition by the Russian Empire of the united Italian state. Nowadays, Russia and Italy have established an intensive cooperation almost in all spheres. They conduct a political dialogue and interact actively in the international organizations and mechanisms.

Since this evident fragmentation of the interests within the European Union and two levels of political and economic structure, there is a need to cooperate on both levels: national with all member states and supranational conducted on behalf of the EU bodies. Italy has always been considered one of the most friendly oriented EU partners of Russia, thus the cooperation on the national level with Italy has always been of great importance. The frame analysis of the energy agenda in the Italian media coverage is aimed at the identification of the patterns of the perception of Russia and energy issues related to Russia in Italy and its positions in the scale of the Italian political preferences and shaping of general attitudes of the public.

The topic of the thesis is **relevant** due to the high significance of the energy policy and energy diplomacy in the context of the EU-Russian and Italian -Russian relations, their influence on the cooperation as a whole and understanding of the trends set by the mass media in Italy and their influence on the population of the country.

The **object** of study is the relations of the European Union and the Russian Federation. The **subject** of research is the EU-Russia energy relation.

The research **objective** is to identify patterns and trends of these relations by means of the frame analysis of the Italian media coverage. The above-mentioned objective sets the formulation and solution of the following **tasks**:

- to identify the major milestones of the energy cooperation throughout the time;
- to analyze the most recent disputes and clashes of interests between the parties concerned;
- to conduct a frame analysis of the selected Italian newspapers;

- to identify the trends and patterns through the analysis of the media;
- to indicate the possible ways of the ameliorating the existing status quo.

Due to the growing needs of the increasing population and growing consumption of the natural resources, the energy security which directly influences the national security is of great importance. The issue of energy security encompasses not only the security of supply to the countries with scarce resources but also the security of deliveries. Thus, this chain of energy trade included both the sellers and buyers, each of which pursues its own interests. In case of the EU-Russian energy interaction, energy influences all other spheres of cooperation and creates the stimulus for the further profound cooperation or its absence. The energy partnership of the two actors is characterized by the helical structure with the periods of the intense cooperation and the periods of the open misunderstanding and confrontation. Information obtained in the course of the study by means of the analysis of the Italian media on the subject of energy relations has a high **practical significance** since it provides with the understanding of the position of Italy, as one of the main Russian partners within the European Union, towards Russia's energy policy and of the general perception of Russia' image. These data can be used in order to shape the energy policies of Russia towards the European Union and Italy in particular.

The **theoretical significance** of the thesis is in obtaining of adequate knowledge and idea of the EU-Russian energy agenda assessment in the Italian print media by means of the frame analysis.

#### **Formulation of the research problem:**

The EU-Russian relations highly influenced by the development of the energy cooperation undergo a period of a prolonged crisis and general stagnation. They were heavily undermined by the number of the events in which contradictory positions and interests of the parties concerned clashed. Energy, as the main domain of the relations, is an easy target for all kinds of external and internal threats such as wars, conflicts, terrorism and economic crises. That is the Ukrainian crisis and the annexation of Crimea by Russia which literally nullified the fragile cooperation and stalled all the ongoing initiatives in energy sector and hence in all spheres of the cooperation. Before 2014, there were two other conflicts between Russia and Ukraine in the sphere of energy transits which also imposed a mark in the further

cooperation. Media have a direct impact on the masses, they are capable of shaping perceptions and altering judgements. They are a powerful tool in hands of the political and business elites, which use them in order to influence not only people but also the police of their countries. The media analysis of the countries, which are the partners of Russia or the cooperation with which has an economic or political importance, represents a crucial approach for the strategic planning, policy framing, security ensuring and fight with the information war against it.

According to the above-stated research problem, the **research question** is the following: what is the attitude of the Italian print media towards the EU-Russian energy relations?

The **main hypothesis** (answer to the research question): the frame analysis of the Italian print media coverage showed that despite different political leanings of the selected newspapers and different sources of their financing, the general tone towards the energy issues related to Russia and the European Union is negative. They all expressed their sharp view towards Russia as a energy partner of the EU. In the coverage the most eye catching framing devices used by the authors include the repeating rigid metaphors and comparisons. The newspapers epitomize Russia with the president Putin thus creating an image of authoritarian regime which uses energy as its political tool and economic leverage. The continuous repeating of the two gas conflicts with Ukraine and the consequent interruption of the gas supply to Europe without explaining the reasons but creating an image of the rough and cold -blooded energy partner, makes that information be stored in long-term memories of the readers and be decisive in their further perception and proceeding of news items. Such an image of the country depicted by the main Italian newspapers shapes a negative perception of Russia abroad and alters the judgement of people on energy cooperation and any new energy projects. As one of the possible outcomes of such a programmed attitude might be the absence of credibility of the population in the political parties which promote the closer cooperation and relation amelioration with Russia.

**Theoretical and methodological base** of the research is shaped by the inherent to the theoretical level of knowledge principles, approaches and methods of the research practice.

*explorative* approach is used due to the absence of the previous researches done in this field;

*qualitative* approach is used to study the EU-Russian energy relations in case of the absence of any previous historical data related to the scope of the research;

*descriptive* approach is used to trace the characteristics and the peculiarities of the EU-Russian energy cooperation during the time;

*statistical* approach is used to collect and proceed the data received during the analysis.

The study is based on the *comparative analysis* of the media sources and the *frame analysis* as the research methods of the thesis.

**The degree of the scientific elaboration of the topic.** Due to the the relevance and significance of the problem, topics related to the subject quite fully covered in the works of Russian and foreign researchers. Thematically, in the context of the research, the sources used by the author, can be divided into four clusters:

1. general and specialized works dedicated to the EU-Russian energy relations in general, course of actions and their peculiarities;

2. general and specialized works which cover the European Union's energy policy and legal documents;

3. general and specialized works which review the Russia's energy policy and energy documents;

4. general and specialized works which examine the methodology of the frame analysis.

The **first cluster** includes the literature dedicated to the EU-Russian energy relations in general, its development, major milestones and key projects and events.

This perspective is noted in the works of Romanova T.<sup>3</sup>, Ermolaev S.<sup>4</sup>, Paillard C.A.<sup>5</sup> Hadfield A., Amkhan A.<sup>6</sup>, Talseth Lars-Christian U.<sup>7</sup>, Konoplyanik A.<sup>8</sup>, Esakova N.<sup>9</sup>, Rasmussen P.<sup>10</sup>, Ponomareva E.<sup>11</sup>. The works of Romanova T., the leading Research Fellow at the National Research University Higher School of Economics, Russia, had the particular significance for the research due to their narrow specificity of the topics covered and diversity of the aspects of the EU-Russia energy relations. The author analyzes the consequences of the Third Energy package to the energy interaction of the parties, institutional aspects of the EU-Russia energy cooperation and the issues of energy security for both exporters and importers. No less significant contribution to the study of this subject was made by the works of Ponomareva E., Mgimo Professor of Political Science, whose scope of activity includes the Balkans and, in particular, the situation around the «South Stream»

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<sup>3</sup> Romanova, Tatiana. «Legal Approximation in Energy: A New Approach for the European Union and Russia», in *Dynamics of Energy Governance in Europe and Russia*, ed. C. Kuzemko et al. (Basingstoke : Palgrave Macmillan, 2012), 23-44.

Romanova, Tatiana. «The Level-of-Analysis Problem in the Past, Present and Future of EU-Russia Relations», *CEURUS EU-Russia Papers*, No. 2.

<sup>4</sup> Ermolaev, Sergei. «The Formation and Evolution of the Soviet Union's Oil and Gas Dependence». [Electronic source] // Carnegie Endowment for International Peace. 2017. // URL: <http://carnegieendowment.org/2017/03/29/formation-and-evolution-of-soviet-union-s-oil-and-gas-dependence-pub-68443#top%20content>

<sup>5</sup> Paillard, Christophe-Alexandre. «Rethinking Russia: Russia and Europe's Mutual Energy Dependence». [Electronic source] // Columbia University's School of International and Public Affairs. *Journal of International Affairs*, Vol. 63, No. 2, Spring/Summer 2010. // URL: <https://jia.sipa.columbia.edu/russia-and-europes-mutual-energy-dependence>

<sup>6</sup> Hadfield, A., Amkhan -Bayno, A. «From Russia with Cold Feet: the Energy Charter Treaty and EU-Russia Energy Relations», *International Journal of Energy Security and Environmental Research* 1 (2012), 1-16.

<sup>7</sup> Talseth, Lars-Christian U., *The Politics of Power: EU-Russia Energy Relations in the 21st Century* (Palgrave Macmillan, 2017), 320.

<sup>8</sup> Konoplyanik, Andrey. «A Common Russia–EU Energy Space: The New EU–Russia Partnership Agreement, Acquis Communautaire and the Energy Charter.» *Journal of energy and natural resources law* Vol. 27, No.2 (2009), 259-261.

<sup>9</sup> Esakova, Nataliya. *European Energy Security: Analyzing the EU-Russia Energy Security Regime in Terms of Interdependence Theory* (Frankfurt, Springer, 2012), 17-21

<sup>10</sup> Rasmussen, Pal. «The global gas market: An international perspective», [Electronic source]// *Natural gas revolution and the Baltic Sea region*, ed. Liuhto, Kari. (BSR Policy Briefing 1 / 2015), 9-17. URL: [http://www.centrumbalticum.org/files/1910/BSR\\_policy\\_briefing\\_1\\_2015.pdf](http://www.centrumbalticum.org/files/1910/BSR_policy_briefing_1_2015.pdf)

<sup>11</sup> Ponomareva, Elena in a comment posted to Vestnik MGIMO, «Juzhnyj potok: bitva za Serbiju», [Electronic source] // URL: <http://old.mgimo.ru/news/experts/document236310.phtml>

Ponomareva, Elena in a comment posted to Vestnik MGIMO, «Evrosojuz vs. «Gazprom»: v labirintah jenergeticheskoy politiki, [Electronic source]// URL: <http://old.mgimo.ru/news/experts/document244328.phtml>

project and the relations between the parties concerned and political and economic implications for them.

The **second cluster** covers the material dedicated to the analysis of the European Union's energy policy, its main documents and provisions. It includes the works by Schubert S.R., Pollak J., Kreutler M.<sup>12</sup>, Eikland P.O.<sup>13</sup>, Jones C.<sup>14</sup>, Birchfield V., Duffield J.<sup>15</sup>. The work of Birchfield V., Duffield J. gives a broad understanding of the progress made by the European Union towards the creation of a single energy policy. The book underlines the development of the energy policy, the evaluation of the progress and the drawbacks and what else should be done yet.

The **third cluster** includes the works by Henderson J., Mitrova T.<sup>16</sup>, Aalto P.<sup>17</sup>, Romanova T.<sup>18</sup> who contribute to the study of the Russian energy policy and strategy.

The **fourth cluster** includes the literature dedicated to the frame analysis, its methodology, usage and Italian media peculiarities, political influence on the media and political journalism. The authors whose works are specialized in the above mentioned topics are Goffman E.<sup>19</sup>, Entman R.<sup>20</sup>, Fairhurst G., Sarr R.<sup>21</sup>, Tuchman

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<sup>12</sup> Schubert, Samuel R., Pollak, Johannes, Kreutler, Maren. *Energy Policy of the European Union*. (Palgrave Macmillan, 2016), 109-110.

<sup>13</sup> Eikland, P. O., «EU Internal Energy Market Policy: Achievements and Hurdles» in *Toward a Common European Union Energy Policy: Problems, Progress, and Prospects*, ed.. Birchfield V.L., Duffield J.S. (New York, Palgrave, 2011), 15-17.

<sup>14</sup> Jones, Christopher, «Introduction» in *EU Energy Law: The Internal Energy Market – The Third Liberalization*, Vol.1, ed. Jones, C. (Package, I, Leuven, Claves & Casteels, 2010),1176.

<sup>15</sup> Birchfield V., Duffield J, *Toward a Common European Union Energy Policy: Problems, Progress, and Prospects*, (New York, Palgrave, 2011), 289.

<sup>16</sup> Henderson, James, Mitrova, Tatiana. *The Political and Commercial Dynamics of Russia's Gas Export Strategy*. (Oxford Institute for Energy Studies, 2015), 82.

<sup>17</sup> Aalto P. *Russia's Energy Policies: National, Interregional and Global Levels*. (Edward Elgar Publishing, 2012), 288.

<sup>18</sup> Romanova Tatiana. «Is Russian Energy Policy towards the EU Only about Geopolitics? The Case of the Third Liberalisation Package.» *Geopolitics* Vol. 21. No. 4. (2016), 857-879.

<sup>19</sup> Goffman Erving. *Frame Analysis: An Essay on the Organization of Experience* (Northeastern University Press, 1986), 586.

<sup>20</sup> Entman, Robert. *Framing: Toward Clarification of a Fractured Paradigm* (Journal of Communication 43(4), Autumn,1993), [Electronic source]// URL: [https://www.attorneygeneral.jus.gov.on.ca/inquiries/cornwall/en/hearings/exhibits/Mary\\_Lynn\\_Young/pdf/05\\_Entman.pdf](https://www.attorneygeneral.jus.gov.on.ca/inquiries/cornwall/en/hearings/exhibits/Mary_Lynn_Young/pdf/05_Entman.pdf)

<sup>21</sup> Fairhurst Gail, Sarr Robert. *The art of Framing: managing the language of leadership* ( San Francisco, Jossey-Bass, 1996), 213.

G.<sup>22</sup>, Azpíroz M.L.<sup>23</sup>, Andrain C.<sup>24</sup>, Russell Neuman W., Crigler A.N., Just M.R.<sup>25</sup>, Johnson-Cartee K.S.<sup>26</sup>, Boykoff M.<sup>27</sup>, Capella J.N., Jamieson K.H.<sup>28</sup>, Nelson T.E., Oxley Z.M. Clawson R.A.<sup>29</sup>, Wood J.T.<sup>30</sup>, Kuypers, J.A.<sup>31</sup>, de Vreese C.H.<sup>32</sup>, Scheufele D.A.<sup>33</sup>, Semetko H.A., Scammell M.<sup>34</sup>, D'Arma A.<sup>35</sup>, Mancini P.<sup>36</sup>. These works cover the theory, methodology of the frame analysis, its application to research topics. The works by D'Arma and Mancini have a particular significance because of their profound study of the Italian political journalism and political leanings of the media, their features and peculiarities.

### The selection of the sources

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<sup>22</sup> Tuchman Gaye. *Making news: A study in the construction of reality* ( New York : The Free Press, 1980), 244.

<sup>23</sup> Azpíroz M.L., «Framing and Political Discourse Analysis: Bush's trip to Europe in 2005», *Observatorio Journal*, vol.8 - no3 (2014), 75-96.

<sup>24</sup> Andrain Charles. *Political Justice and Religious Values* (London, Routledge, 2009), 248.

<sup>25</sup> Neuman Russell W., Just Marion, Crigler Ann N. *Common Knowledge, News and the construction of political* (The University of Chicago Press, 1992), 190.

<sup>26</sup> Johnson-Cartee Karen S. *News Narratives and News Framing: Constructing Political Reality* (Rowman & Littlefield, 2005), 376.

<sup>27</sup> Boykoff Maxwell, «The cultural politics of climate change discourse in the UK tabloids». // *Political Geography* 27(5), 2008, 549-569.

<sup>28</sup> Capella, J.N., Jamieson, K.H. *Spiral of cynicism: The press and the public good* (New York: Oxford University Press, 1997), 336.

<sup>29</sup> Nelson T.E. Clawson R.A., Oxley Z.M. *Media Framing of a Civil Liberties Conflict and Its Effect on Tolerance*, *The American Political Science Review*, Vol. 91, No. 3. 1997, 568-569. [Electronic source] // URL : <http://links.jstor.org/sici?sici=0003-0554%28199709%2991%3A3%3C567%3AMFOACL%3E2.0.CO%3B2-O>

<sup>30</sup> Wood, Julia T. *Communication Theories in Action. An Introduction*. (Canada: Thomson Wadsworth, 2004), 374.

<sup>31</sup> Kuypers, Jim A. *Press Bias and Politics: How the Media Frame Controversial Issues*, (Greenwood Publishing Group, 2002), 302.

<sup>32</sup> Vreese de, Claes H. «News framing: Theory and typology.», *Information Design Journal*, 13(1) (John Benjamins Publishing Company, 2005), 51-62.

<sup>33</sup> Scheufele D.A. «Framing as a theory of media effects», [Electronic source]// *Journal of Communication*, (1999), 103-122 // URL: [http://www.phil-fak.uni-duesseldorf.de/fileadmin/Redaktion/Institute/Sozialwissenschaften/Kommunikations-\\_und\\_Medienwissenschaft/Vowe/Forschergruppe/Scheufele\\_Framing\\_theory\\_media\\_effects.pdf](http://www.phil-fak.uni-duesseldorf.de/fileadmin/Redaktion/Institute/Sozialwissenschaften/Kommunikations-_und_Medienwissenschaft/Vowe/Forschergruppe/Scheufele_Framing_theory_media_effects.pdf)

<sup>34</sup> Semetko H.A., Scammell M. *The SAGE Handbook of Political Communication* (SAGE, 2012), 544.

<sup>35</sup> D'Arma Alessandro. *Media and Politics in Contemporary Italy: From Berlusconi to Grillo* (Lexington Books, 2015), 170.

<sup>36</sup> Mancini, Paolo. «The Press» in *The Oxford Handbook of Italian Politics*, ed. Jones Erik, Pasquino Gianfranco (Oxford University Press, 2015), 664.

For the thesis writing the author used the following sources:

- official documents of the European Union and of the Russian federation including Energy strategy of Russia for the period up to 2035, Green paper. A European Strategy for Sustainable, Competitive and Secure Energy, EU-Russia Summit joint statement, Russian Federal Law which regulates the gas exports<sup>37</sup>, official conferences following the Russia-EU Summit<sup>38</sup>, Memorandum on an early warning mechanism in the Energy sector within the framework of the EU-Russia Energy Dialogue, European Energy Roadmap 2050, Roadmap EU-Russia Energy Cooperation until 2050, European Parliament resolutions<sup>39</sup>, European Parliament Directives<sup>40</sup>, European Commission press releases.

- newspaper articles and internet journals news items which were used for the update information related to the current state of affairs in the energy sphere. The most used media sources were Italian newspapers selected for the frame analysis such as *La Repubblica*, *La Stampa*, *Il Corriere della Sera* and *Il Sole 24 Ore*. For the updated data used for the Chapters One and Two, the author referred to the Financial Times, Reuters, NY Times, the Guardian, RIA Novosti, Vedomosti.

**Scientific novelty** of the thesis lies in the fact that the author focuses the attention on the energy relations of the European Union and Russia through the analysis of the Italian media held by means of the framing method.

The **structure** of the dissertation is determined by the objective and task of the study. The work consists of the introduction, three chapters, the conclusion and the bibliography.

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<sup>37</sup> Federal'nyj zakon ot 18 ijulja 2006 g. N 117-F «Ob jeksporte gaza» [Electronic source] // URL: <https://rg.ru/2006/07/20/gaz-export-dok.html>

<sup>38</sup> News Conference following Russia-EU Summit, May 22, 2009, Khabarovsk [Electronic source] // URL: <http://en.kremlin.ru/events/president/transcripts/4172>

<sup>39</sup> European Parliament resolution on Russian pressure on Eastern Partnership countries and in particular destabilization of eastern Ukraine (2014/2699(RSP)), April 16, 2014- Strasbourg [Electronic source] // URL: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+MOTION+P7-RC-2014-0436+0+DOC+XML+V0//EN>

European Parliament resolution of 10 June 2015 on the state of EU-Russia relations (2015/2001(INI)), June, 10, 2015 - Strasbourg [Electronic source] // URL: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0225+0+DOC+XML+V0//EN>

<sup>40</sup> Directive 2009/73/EC of the European Parliament and of the council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, Article 36 [Electronic source] // URL: <http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32009L0073>



The **first** chapter discusses the stages of the development of the EU-Russia energy relations. The author analyses the reasons which have influenced the relations and brought them to the today's stance. The first chapter has an overview look at the major milestones which have contributed to the legal and political formation of the relations in the energy sphere. The author focuses on the processes of the establishment of the legal framework and the failure of the parties to do that.

The **second** chapter analyses the recent joint projects and the political impediments in these processes. It mainly focuses on the political constituent of the economic relations and suggests the explanations of these phenomena. Moreover, the chapter covers the notorious Third energy package and the anti trust investigation of the European Commission which had a heavy impact on the further development of the energy relations and caused the tenses in the cooperation but which eventually have brought the relations to the new level characterized by the greater transparency and efficiency of the energy interaction with the consequent amelioration of the EU-Russian relations as a whole.

The **third** chapter is dedicated to the frame analysis, its application to the political science, study of the Italian political journalism features and the frame analysis of the Italian media coverage of the energy issues of the EU-Russia cooperation. As a result of the framing, the author identified the main features of the coverage, its general tone and indicated the probable implications of the revealed regularities for the Russian Federation's foreign policy.

## Chapter 1

### 1.1. The development of EU-Russian energy relations, the history and major milestones

The key problem of the EU-Russian energy relations is the absence of a clearly defined purpose, a legal framework and high politicization. Along with that, the energy sphere can be considered a litmus test of the EU- Russia ties at large. It reveals the weak points of the relations and shows the ways of their reinforcement. The disagreements between the EU and Russia regarding the purpose of the cooperation emerge most evidently in the gas sphere, in particular, in the disputes over the Third Energy Package.

Energy cooperation is complicated due to a number of factors. First of all, both parties see the optimal organization of the sector in completely different ways. According to Energy strategy for the period up to 2035, Russia focuses on budget efficiency, modernization and institution stability along with creation of the constructive dialogue with the EU on the issue of Russia's participation in the EU gas market transformation and guarantee of mutual interests.<sup>41</sup> On the other side, the EU priorities, according to its Green Paper 2006, comprise liberalization by means of competition and diversification and formation of the internal market of 27 member states.<sup>42</sup>

Second factor is related to the different understanding of the essence of international relations. The EU tries to not only spread its market mechanisms but its legal norms as well. Moscow's refusal to adjust to the EU norms is construed by some of the EU member states as a reason for politicization. Russia due to its own foreign policy vision is prone to interpret the EU approach as interference into its domestic affairs. Along with that, these norms do not guarantee the best problem resolution even for all EU member states. In reality, it represents an option which suits the majority of the member states for this very moment. Some EU states are more politicized than others. This is the impact of the stereotypes of the past and

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<sup>41</sup> Energy strategy of Russia for the period up to 2035 [Electronic source] // URL: [http://www.energystrategy.ru/ab\\_ins/source/ES-2035\\_09\\_2015.pdf](http://www.energystrategy.ru/ab_ins/source/ES-2035_09_2015.pdf)

<sup>42</sup> Green paper. A European Strategy for Sustainable, Competitive and Secure Energy, Brussels, 8.3.2006 [Electronic source] // URL: [http://europa.eu/documents/comm/green\\_papers/pdf/com2006\\_105\\_en.pdf](http://europa.eu/documents/comm/green_papers/pdf/com2006_105_en.pdf)

historic preconditions as in the Baltic states and Poland and also the absence of any other alternative channel of gas supply.

Extrapolation of the legislation is convenient for the EU because it simplifies cooperation with third countries and facilitates the activity of EU companies. As a result, the EU always plays a role of the leading partner and others have to play secondary roles. All mentioned above runs counter to the principle of partner equality which is the key principle of the Russian foreign policy.<sup>43</sup>

Russia and the EU had several opportunities to codify their energy cooperation. First one emerged in 1991 when the negotiations on Energy Charter were held and Energy Charter Treaty was signed in 1994. Russia took an active part in the elaboration of these documents but refused to ratify the Treaty. The second opportunity came in 1994 at the talks on Partnership and Cooperation Agreement which is the fundamental EU-Russian document. It did not cover the energy issue at all due to the fact that both parties hoped at that moment that the final basic legal clause would be codified in the Energy Charter Treaty.<sup>44</sup>

Thereby, already in the 1990s the legal vacuum became apparent and both parties tried to close it partially with the help of the Energy dialogue. It was initiated in 2000 but was mostly reduced to consultations on regulation of some aspects of the cooperation.

Later on, Road Map for the Common Economic Space (2005) and the Partnership for modernization (2010) served for the same aim. Till nowadays energy sphere remains one of the less legally elaborated spheres of the EU-Russian relations and it serves as a pretext for the further politicization.

The presence of all mentioned above problems does not threaten the hydrocarbon trade but complicate the transition to more integrated cooperation of the parties involved. These problems can not be solved at once. The diversification of relations should help realizing the goal of the cooperation and create a legal framework. The Partnership for Modernization encompasses the increase of energy efficiency and development of renewable energy. The EU is the world leader of the

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<sup>43</sup> Romanova, Tatiana. «Legal Approximation in Energy: A New Approach for the European Union and Russia», in *Dynamics of Energy Governance in Europe and Russia*, ed. C. Kuzemko et al. (Basingstoke : Palgrave Macmillan, 2012), 26.

<sup>44</sup> Romanova, Tatiana. «Legal Approximation in Energy: A New Approach for the European Union and Russia», in *Dynamics of Energy Governance in Europe and Russia*, ed. C. Kuzemko et al. (Basingstoke : Palgrave Macmillan, 2012), 27-30.

renewable energy production and usage. Therefore, it balances perfectly the leadership of Russian hydrocarbon energy. Moreover, the traditional interstate dialogue should be complemented by the transnational dialogue. It implies the dialogue of business, independent experts, ecology organizations. The parties should adjust their domestic policies in a way to solve fundamental problems of their energy relations.

The problems that slow down today's development of energy ties reveal themselves also in other sectors of the EU-Russia partnership. Clear division of purposes and tools, diversification of relations through involvement of new actors and new aspects, cooperation within international forums can all boost not only the energy sector but also other sectors of bilateral cooperation. Along with that, energy issue will remain a litmus test of the EU-Russia relations, and the success of the energy cooperation will set the tone to the economic and political interaction in all other fields.

Since the aggravation of energy relations, both sides have been trying to minimize the risks and to find alternative ways of cooperation. The EU started its program of diversification of suppliers, however, in the next 10-15 years there is no chance for the Union to substitute 150 billion m<sup>3</sup> of Russian gas per year.<sup>45</sup> All announced projects with Azerbaijan and Iran, an increase of Norwegian and Algerian fuel, supplies of American shale gas will not supplant the supplies from Russia. On the other hand, same happens to Gazprom and its pivot to the East. The Russian-Chinese project is not a substitute to the European market but a new weighty export destination. That is why next decade or even more, the parties will remain the most important partners to each other. In this context, the parties should overcome a conceptual vacuum that they share and pave a way to a new comprehensive agreement.

### **1.1.1. Soviet period of energy cooperation with the EU**

Despite the fact that Russia has started to export energy resources in Europe since the end of 19<sup>th</sup> century, full-fledged cooperation in energy sphere began in the

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<sup>45</sup> Appendix. Diagram 1.

second half of 20<sup>th</sup> century when the USSR managed to enter the European energy market. Main consumers of soviet gas were the countries of Soviet bloc. The first pipe constructed was “Druzhba” pipeline in 1966 which functions till nowadays.

Already in the 60s, the USSR formed a system of export pipelines. However, these pipelines were mostly used for non-market oil supplies to the European part of the Soviet Union and to Poland, Hungary and GDR. These pipelines had strategic and political significance because they transferred oil at a lower price to Eastern European countries in order to increase their economic and as a result political dependence on the USSR. In other words, Soviet system of export pipelines was limited to the member states of the Council for Mutual Economic Assistance and was not expected to supply countries of Southern and Western Europe. <sup>46</sup> Nevertheless, there were deliveries also in capitalist countries. In 1957 an Italian-Russian treaty on oil supply was signed, later, in 1968 Soviet gas was delivered in Austria for the first time.<sup>47</sup>

The détente of international tensions in the 70s contributed to the activation of energy cooperation of the USSR with the Western Europe. «Western policy» of Willy Brandt played a crucial role in the warming of relations between FRG and the USSR. In 1970, two countries signed a contract of gas deliveries.

With the discovery of new gas fields in Western Siberia in the late 1970s, new projects of gas pipeline construction appeared in order to deliver gas to Western Europe although the USA tried to impede this process by means of trade sanctions imposed on the USSR.

The pipeline system of the USSR was already formed in the 1980s. The main export corridors were Belarus for the countries of Central Europe, the Black Sea coastline for the deliveries to Southern Europe and the Baltic ports for the North of Europe.

Talking about the energy cooperation between Europe and the USSR, it is necessary to mention energy crises of 1973 and 1979 which forced the Europeans to

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<sup>46</sup> Ermolaev, Sergei. «The Formation and Evolution of the Soviet Union’s Oil and Gas Dependence». [Electronic source] // Carnegie Endowment for International Peace. 2017. // URL: <http://carnegieendowment.org/2017/03/29/formation-and-evolution-of-soviet-union-s-oil-and-gas-dependence-pub-68443#top%20content>

<sup>47</sup> Henderson, James, Mitrova, Tatiana. *The Political and Commercial Dynamics of Russia’s Gas Export Strategy* [Electronic source] // Oxford Institute for Energy Studies. 2015, 29. // URL: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/09/NG-102.pdf>

search for alternative suppliers of energy beyond the confines of the Middle East. This played a crucial role for the USSR energy exports to Europe. However, the crisis of 1986 when the oil prices dropped caused a lot of damage to the economy of the USSR which by that time had already been highly dependent on hydrocarbon exports.<sup>48</sup>

After the collapse of the Soviet Union, the construction of new pipelines was temporarily stopped and the Soviet system of pipelines found itself on the territory of 15 new independent states. Newly created states in the post-Soviet space started to build their own pipeline nets and pursue their independent energy policies.

### **1.1.2. Cooperation of Russia and the EU in the gas sphere in the period of the 1990s-2000s**

The 1990s were marked by the privatization of gas and oil industry. The system and structure of energy sphere functioning were under way. It could seem that vertically integrated state gas and oil holdings were left behind in the Soviet past. Nevertheless, monopolization trends appeared again in the 2000s when Gazprom evolved into a monopolized gas giant.

In the context of deindustrialization and difficult social-economic situation in the country, hydrocarbon export became even more crucial for new Russia since the revenues from oil and gas exports were helping to handle some domestic problems. Therefore, maintenance and development of energy relations with the EU as always been a priority for Russian authorities. As a result, in the 1990s they started to construct the Baltic gas pipeline system, in the first place, Yamal-Europe pipe system which goes through the territories of Russia, Belarus, Poland and Germany.

Russia became much more interested in energy dialogue enhancement with the EU in the 2000s along with the change of state authorities when the economy was focused on the hydrocarbons. Then Russia made attempts to strengthen its positions in Central Asia and in the Caspian region in order to monopolize extraction and

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<sup>48</sup> Ermolaev, Sergei. «The Formation and Evolution of the Soviet Union's Oil and Gas Dependence». [Electronic source] // Carnegie Endowment for International Peace. 2017. // URL: <http://carnegieendowment.org/2017/03/29/formation-and-evolution-of-soviet-union-s-oil-and-gas-dependence-pub-68443#top%20content>

transportation of hydrocarbons since the gas from Central Asia plays a significant role in Russian energy balance and supply to Europe.

In the 2000s Gazprom reached unprecedented control over the European gas markets. In the beginning of the 21st century Gazprom managed to keep «approximately 35% of gas market of Germany, more than 25% of the Italian and French markets and around 70% of the Austrian gas market, not to mention the Baltic states which Gazprom provides with 100% of gas supplies.<sup>49</sup>

The top management of the company relying on the forecast that Europe was going to increase its gas supplies and the reserves of Algiers and Norway eventually would become scarce, expected to increase the extraction and thus the gas prices for the EU.<sup>50</sup>

However, the Gazprom expectations were not lived up. Norway did not decrease its extraction and the EU found some new natural gas suppliers such as ex Soviet republics, Qatar and even Australia. Gazprom found itself in the less favorable situation than it expected.

These are the reasons Gasprom is loosing its ability to dictate its conditions of the deliveries to the European countries: its inflexible price policy, gas price dependency on oil prices. Moreover, Gazprom-the EU relations were based on the longterm contracts and the terms of these contracts were rarely subjects to change.<sup>51</sup>

Gazprom has implemented a policy of risk minimization which means that even if a country did not buy the agreed amount of gas, it had to pay up to 90% of the price. In other words, the European gas market was a market of a seller and that did not satisfy the European partners because they constantly paid for the unused gas.

Another principle of Gazprom in energy sphere is the principle of assets exchange which implies that Gazprom has a possibility to work directly with the consumers in Europe and has an access to energy assets in Europe in exchange for the permission to invest into filed development and extraction in Russia for the foreign companies. As a result, German companies got the access to the development

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<sup>49</sup> Henderson, James, Mitrova, Tatiana. *The Political and Commercial Dynamics of Russia's Gas Export Strategy* [Electronic source] // Oxford Institute for Energy Studies. 2015, 30. // URL: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2015/09/NG-102.pdf>

<sup>50</sup> Ibid., 37-38.

<sup>51</sup> Ibid., 29.

of the Yuzhno-Russky field in 2005 in exchange for «Nord Stream» pipeline construction.<sup>52</sup>

Absence of the common European strategy towards Russia played a crucial role in the elaboration of the Gazprom energy policy in this period. For instance, Germany, Italy and France were more prone to cooperate with Russia in energy sphere than other countries thus Gazprom had better relations with them and was able to promote its own interests on the European gas market. Along with that, exclusive relations with Germany are of particular importance. Germany is the most important partner in energy field for Russia.<sup>53</sup>

Nevertheless, despite the successes Russia achieved in sphere of energy cooperation with the EU, their energy dialogue is always complicated by the political interference. European partners were not satisfied with the inflexibility of Gazprom price policy and its frequent refusals to respond to the changed of market conditions as it happened in 2008-2009 when there was a decline of the demand of Russian gas. Two Ukrainian «gas» crises of 2006 and 2009 respectively when Russia suspended gas deliveries to Ukraine leaving Europe in the middle of winter in cold added more assurance to Europe to diminish its energy dependence on Russia and to resist its probable energy blackmailing.<sup>54</sup>

Liberalization of the European energy market started in 1998 in the first place did not bother Gazprom. However, with the time it has become a significant impediment since it required a modernization of already worked out infrastructure of interaction between suppliers and consumers.

Moreover, recently, there has been going a process of shaping a common European energy policy and positions of individual countries towards Russia have become more alike, in other words, tougher. This indicates the changes of the whole paradigm of the EU-Russia energy relations.

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<sup>52</sup> Project Fuels German Fears of Energy Dependency on Russia [Electronic source] //Deutsche Welle. April 26, 2006. // URL: <http://www.dw.com/en/project-fuels-german-fears-of-energy-dependency-on-russia/a-1980615>

<sup>53</sup> Appendix. Diagram 2.

<sup>54</sup> Romanova, Tatiana. «Legal Approximation in Energy: A New Approach for the European Union and Russia», in *Dynamics of Energy Governance in Europe and Russia*, ed. C. Kuzemko et al. (Basingstoke : Palgrave Macmillan, 2012), 34-36.



## **1.2. The modern stage of the EU-Russia cooperation and interaction in energy sphere**

### **1.2.1. Legal aspects of the gas deliveries**

Modern relations of Russia and the EU in energy sphere are regulated on multilateral and bilateral basis. The multilateral basis includes the Energy Charter Treaty which came into force in 1998 and is a legally binding agreement. From a formal point of view, this Treaty defines the norms of a range of spheres of activity in energy sector and promotes establishing long-term relationships between suppliers and consumers of energy. However, this Treaty also encompasses another purpose: creation of a single universal energy market by means of national energy markets opening in particular those of countries producers of energy resources and establishment of supranational control over them.<sup>55</sup>

The aspirations of the European Union to set control over Russia hydrocarbons market were not accepted by Russia state authorities and in 2009 Russia announced its refusal to become a part of this Treaty.<sup>56</sup>

The EU still insists on Russia's implementation of the Treaty conditions although it admits the necessity of the elaboration of a new treaty which will correspond to modern state of affairs.

When it comes to bilateral interaction between Russia and the EU, it is regulated by the 1989 Agreement on trade and economic cooperation between European Economic Community, European Atomic Energy Community of one part and the USSR of the other part and the Partnership and Cooperation Agreement between the Russian Federation and the European Union (1994).

It is important to note that after having analyzed the above mentioned agreements, the conclusion to make is that the energy issue by the time of agreements signing was not the priority for both parties as it is now. That is why they agreed to conclude a new agreement which has not been elaborated yet.<sup>57</sup>

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<sup>55</sup> Schubert, Samuel R., Pollak, Johannes, Kreutler, Maren. *Energy Policy of the European Union*. (Palgrave Macmillan, 2016), 109-110.

<sup>56</sup> Ibid., 109-110.

<sup>57</sup> Romanova, Tatiana. «Legal Approximation in Energy: A New Approach for the European Union and Russia», in *Dynamics of Energy Governance in Europe and Russia*, ed. C. Kuzemko et al. (Basingstoke : Palgrave Macmillan, 2012), 30.

In 2003 the two parties started to work on the creation of four «common spaces»: economic space, a common space of freedom, security and justice, a space of co-operation in the field of external security, as well as a space of research and education, including cultural aspects.<sup>58</sup> The roadmap for the new common space should have been introduced within the framework of a new Partnership Agreement (PA) which was expected to substitute for the Partnership and Cooperation Agreement of 1994.

At the 2008 Summit Russia and the EU agreed to start negotiations on the new Partnership Agreement. However, the Georgian war and second Ukrainian gas crisis halted the negotiations. Nevertheless, later the EU Commission renewed the process of PA elaboration. New Partnership was intended to develop a legal framework for the creation of a common economic space which would include energy issue.<sup>59</sup> Since the Helsinki Summit 1999, Russia pursued an idea of an absolutely new agreement with the Union. That agreement should have implied a mutual obligation to build a fully-edged framework of cooperation and partnership in the upcoming century.

The two parties continued to discuss further the preparation of this agreement. Back that time it was evident, that new agreement would include an energy chapter, however, the architecture of the chapter was not clear.

In 2009 the European Union included Russia in the list of its «10 strategic partners». In its turn, Russia in 2010 started its program «Partnership for modernization». The elaboration of a new strategic agreement was stalled by the further WTO disputes, mutual claims and introduction of the EU's Third Energy Package. The main tool of the cooperation and interaction was and still is a format of dialogues.<sup>60</sup>

Both sides agree that the PCA is no longer relevant and there is a need to elaborate a new agreement that will address the pressing problems of nowadays and reflect the modern stage of the EU-Russian cooperation.

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<sup>58</sup> EU-Russia Summit joint statement, St.-Petersburg, 31 May 2003 [Electronic source] // URL: [https://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/75969.pdf](https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/75969.pdf)

<sup>59</sup> Konoplyanik, Andrey. «A Common Russia–EU Energy Space: The New EU–Russia Partnership Agreement, Acquis Communautaire and the Energy Charter.» *Journal of energy and natural resources law Vol. 27, No.2* (2009), 259-261.

<sup>60</sup> Romanova, Tatiana. «The Level-of-Analysis Problem in the Past, Present and Future of EU-Russian Relations» [Electronic source]// *CEURUS EU-Russian Papers*, No. 2, 13-14. // URL: <http://ceurus.ut.ee/wp-content/uploads/2011/06/Romanova-20111.pdf>

Nevertheless, there are no exact dates or time frames for the new agreement. The process of its elaboration is complicated by a number of disputes, disagreements and political events of the past 3 years. Ukrainian crisis and Crimea annexation, Western sanctions and Russian counter sanctions overshadowed mutual attempts to bring the EU-Russian relations to a new stage of their development.

The EU strategy towards Russia is defined by a number of fundamental documents which should be examined in order to understand the motives and purposes of the EU in the energy sphere. This strategy had been formed at several stages. In the 2000s at the first stage the European Commission tried to elaborate common policies for the member states in sphere of energy politics to make them act as a single unit.<sup>61</sup>

The most important document of that time was European Commission's green paper «A European Strategy for Sustainable, Competitive and Secure Energy» 2006 which identifies the strategy of energy sector development of the EU till 2025.<sup>62</sup> According to that concept, the member states should form a single energy market and a single policy of energy supplies till 2025 by means of bigger share of alternative energy resources and diversification of suppliers due to new means of transportation from Caspian region and North Africa.

The statements of these documents defining European energy strategy run counter to interests of Russia. For this reason, Gazprom on behalf of Russia does not accept the majority of European initiatives in energy sphere and makes them a subject of its criticism.

The second period starts in 2009 when the Lisbon Treaty came into power. It provided the legal framework for companies' functioning on the European energy market and for the EU relations with the countries producers of energy resources and transit states. This Treaty made the Strategy more accurate and precise by codifying the provision for creating supranational energy market of the Union and for granting the rights of the EU member states to define and conduct their energy policies to the EU supranational bodies.

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<sup>61</sup> Schubert, Samuel R., Pollak, Johannes, Kreutler, Maren. *Energy Policy of the European Union*. (Palgrave Macmillan, 2016), 148-152.

<sup>62</sup> Green paper. A European Strategy for Sustainable, Competitive and Secure Energy, Brussels, 8.3.2006 [Electronic source] // URL: [http://europa.eu/documents/comm/green\\_papers/pdf/com2006\\_105\\_en.pdf](http://europa.eu/documents/comm/green_papers/pdf/com2006_105_en.pdf)

The Third Energy Package (2009) had as its purpose a further opening of energy markets of the EU. It was aimed at market liberalization and clear separation of companies' generation and sale operations from their transmission networks.<sup>63</sup> The rules of the Package were not aimed just at European companies but also at the companies from outside of the Union. It is evident that the Package was directed against Gazprom. This case will be analyzed in the second chapter of the paper.

Russia in its turn regulates its gas exports on the basis of the Federal Law «Gas export» ( July 18, 2006) according to which Gazprom and its subsidiaries possess the monopoly on gas exports.<sup>64</sup> All other companies which had delivered gas abroad before the Law came into force, had to cooperate with Gazprom Export enterprise. However, several years ago a process of abolition of Gazprom monopoly on liquefied natural gas (LNG) deliveries started and in 2010 an independent natural gas producer Novatek signed an agreement with Gazprom on LNG deliveries.<sup>65</sup>

Summing up the legal aspects of the EU-Russia cooperation in energy sphere, it is important to highlight that there are several drawbacks and general incompleteness of the normative legal framework which regulates the bilateral relations. That concerns especially the adjustment of current Russian standards and rules with the European norms. This is required in order to ameliorate the conditions of energy exports. One of the most important moments in normative legal framework improvement is the signing of new bilateral agreements which will consider the interests of all parties concerned- producers, transit states, consumers.

### **1.2.2. Energy Dialogue as a means of modern interaction in energy sphere**

The Energy Dialogue plays a crucial role in the EU-Russian relations. It was created in 2000 during the 6th «the European Union -Russia» Summit when the leaders of both parties declared their willingness to define their cooperation in energy sphere as the primary one. The energy dialogue is called to play a role of a discussion

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<sup>63</sup> Schubert, Samuel R., Pollak, Johannes, Kreutler, Maren. *Energy Policy of the European Union*. (Palgrave Macmillan, 2016), 152-157.

<sup>64</sup> Federal'nyj zakon ot 18 ijulja 2006 g. N 117-F «Ob jeksporte gaza» [Electronic source] // URL:<https://rg.ru/2006/07/20/gaz-export-dok.html>

<sup>65</sup> Pravitel'stvo vypuskaet szhizhennyj gaz // Kommersant №241 (5026), December 20, 2012.

platform for the issues of energy saving, rationalization of production and transport infrastructure and the relations between all parties concerned. It is also aimed at rapprochement of legislatures and standards of Russia and the Union in energy sector. This will lead to the better implementation of different kinds of mutual infrastructural projects.

The both sides acknowledge that in view of the fact that Russia is the biggest supplier of natural gas to Europe and Europe is the biggest energy market for Russia, the energy security, which both parties are viewing as their priority, depends on their partnership and constructive dialogue. The Energy Dialogue has lived several stages of the EU-Russia relations. Until 2003, the relations between Russia and the EU could be characterized as a mutual rapprochement. However, since 2003 Russian foreign policy has changed significantly due to a number of prerequisites. Fundamental geopolitical changes in Europe as the NATO expansion to the East, another EU enlargement also to Eastern Europe, colored revolutions in Georgia, Ukraine, all these factors had contributed to the revision of the political course not only in energy sphere but at large. That period marked the shaping of the independent political course of Russia which later would become a subject of criticism on the part of the West and a major stumble bloc for the EU and the West in their relations with Russia. By 2008-2009 the relations took a form of a direct confrontation caused by the Georgian war and the Ukrainian political crisis in 2008 followed by the 2009 Ukrainian gas dispute. That period marked a point of no return for the further EU-Russian rapprochement.<sup>66</sup>

Despite the obvious aggravation of the political relations by the end of the first decade of the 21st century, and evident attacks of the Europe on Russia and Gazprom in particular in energy sector, the then president of Russia D. Medvedev proposed to create a new international energy security regime due to the malfunction of the previous one. During a conference regarding an outcome of the EU-Russia Summit in 2009, Medvedev underlined the the issue of energy security was the key issue of the EU-Russia cooperation. Along with that, he stated that Russia was not a participant of the Energy Charter in its current edition and had no intentions to do so. Besides that, Russia was not a participant of the Energy Charter Treaty and would

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<sup>66</sup> Esakova, Nataliya. *European Energy Security: Analyzing the EU-Russia Energy Security Regime in Terms of Interdependence Theory* (Frankfurt, Springer, 2012), 17-21.

not use its clauses. According to Medvedev, the current edition of the Energy Charter should be used in order to create more effective energy instruments by means of elaborating a new edition of the Energy Charter or a new independent agreement. The existing agreements proved their unreliability, lack of arbitration and liability, and inability to resolve pressing problems. Ukraine which has been a participant of the Charter and the Treaty for quite a time ignored the binding documents and their clauses during the gas disputes with Russia. On the other hand, the President of the EU Council Jose Manuel Barroso stated that EU was open to discuss a new framework but the existing agreements could not be thrown away, so Russia in its turn could try to integrate itself into the system.<sup>67</sup>

With the Russia's commitment not to enter the Energy Charter or the Treaty and the EU's commitment to already existing institutions and agreements, it will be impossible to find a way forward to draw up a new legal framework in energy sphere for two parties. The time has shown that since the conference in 2009, little has been changed in order to fulfill the commitments to create a new energy security regime.

Within the framework of the Energy dialogue there are groups of energy strategies, energy efficiency and energy markets development. These groups include the specialists of major energy companies, financial institutions and different experts. They hold round tables on the issues of coal, electricity, gas and atomic energy on a regular basis. The round tables dedicated to the issues of gas sector usually raise the questions of gas deliveries security and compliance with the consumers' rights.

During the second Ukrainian gas crisis in 2009, upon the agreement between Russia, the European Commission and Ukraine they created a mechanism of monitoring of natural gas deliveries through Ukraine which according to some experts' opinions contributed to the renewal of gas deliveries.<sup>68</sup>

In 2007 within the framework of the Energy Dialogue, at the EU-Russia Summit the parties introduced an early warning mechanism in the energy sector. This mechanism suggested an elaboration of an early evaluation of the potential risks and problems related to the deliveries of the natural gas and its necessity for the member

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<sup>67</sup> News Conference following Russia-EU Summit, May 22, 2009, Khabarovsk [Electronic source]// URL: <http://en.kremlin.ru/events/president/transcripts/4172>

<sup>68</sup> Obobshhajushhij doklad Jenergeticheskij dialog Rossija-ES 2000-2010: Vozmozhnosti dlja nashego budushhego partnerstva v oblasti jenergetiki [Electronic source] // URL: <https://russiaeu.ru/sites/default/files/user/2010-EnergyDialog%20-report11-10th%20anniversary-ru.pdf>

states of the EU. Moreover, it also comprised prevention and quick response to the arising problems in case of the emergency that implies a significant infringement or a gas delivery disruption from Russia through transit states.<sup>69</sup>

Despite some success achieved by Russia and the EU within the framework of the Energy dialogue, a lot of announcements are declarative in nature and mainly signed agreements are not legally binding. This fact indicates the unreadiness of Russia and the EU to move to the stage of active implementation of their agreements and their unwillingness to compromise.

The energy dialogue has a potential role as an instrument of the interaction between the EU and Russia in the energy sector. However, the process of the relations development in the sphere of gas deliveries has slowed down due to the differences of interests. The future of the Energy dialogue is in the hands of both parties. They should define whether it will turn into a formal platform of continuous discussions or it will become an effective mechanism of the interaction in energy sphere.

### **1.2.3. Export routes of the gas deliveries in the EU**

Energy politics of the EU towards Russia is contradictory. It is caused by a number of objective and subjective factors. Objective factors include the dependence of the EU member states on gas deliveries from Russia. That is why one of the purposes of the EU energy policy is the promotion of the integration of the Russian energy market into the energy market of the Union. For this very reason the European Union tries to solve several problems: to guarantee secure natural gas deliveries and to provide affordability of gas prices.

The subjective factor is related to the EU fears of the inability of Russia in the future to fulfill its obligations to deliver agreed amounts of the hydrocarbons due to the underinvestment into its production capacities and depletion of its gas fields.<sup>70</sup>

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<sup>69</sup> Memorandum on an early warning mechanism in the Energy sector within the framework of the EU-Russia Energy Dialogue [Electronic source] // URL: [https://ec.europa.eu/energy/sites/ener/files/documents/2009\\_11\\_16\\_ewm\\_signed\\_en.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2009_11_16_ewm_signed_en.pdf)

<sup>70</sup> Aalto Pami, *Russia's Energy Policies: National, Interregional and Global Levels*. (Edward Elgar Publishing, 2012), 6-9.

The fears of the European partners are not completely contrived. Gazprom nowadays faces the growing needs of investing into new gas fields since those fields of Western Siberia have been rather depleted.<sup>71</sup>

The share of the hard-to-recover reserves of natural gas which for the last 10 years has increased fourfold. In 1993 Gazprom extracted 559 billion cum. and in 2012 it could not even reach 500 billion cum. because the majority of its extraction fields are situated in the zones of severe weather conditions.

At the same time, along with the cooperation with Russia in energy sphere, the EU energy policy pursues another goal- to decrease its energy dependence on Russia though the diversification of hydrocarbon imports and by means of developments of the alternative sources of energy and introduction of energy efficient technologies. Thus, the energy policy of the Union is aimed at development of relations with the countries of Central Asia and Caspian region, North Africa and an increase of its imports of LNG.

The EU plan of diversification of energy sources and the means of transportation implies the creation of «Southern gas corridor»- a system of pipelines aimed at improving the security and diversity of the EU's energy supply by bringing natural gas from the Caspian region to Europe. It is one of most ambitious and developed projects in energy sector. The corridor crosses 7 countries and involves more than 10 big energy companies. It is aimed at amplification of cooperation between the EU and such states as Azerbaijan, Turkmenistan, Kazakhstan, Uzbekistan, Georgia.<sup>72</sup>

The priority for the Union is to create a company which will buy and transport natural gas from Central Asia bypassing Russia.<sup>73</sup> According to the TAP officials it «will connect to the Italian natural gas grid operated by Snam Rete Gas from which all Italian gas exit points to European destinations can be reached.<sup>74</sup> Italy thus is playing a crucial role in the project since it is one of the biggest consumers of natural

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<sup>71</sup> Khaitun Alexey, «Rossia na evropeyskom gazovom rynke» // *Sovremennaya Evropa* n.3 (47) July - September, 2011, 60-66.

<sup>72</sup> Lyutskanov, E., Alieva, L. , Serafimova, M. *Energy Security in the Wider Black Sea Area* (IOS Press, August 3, 2013), 95-99.

<sup>73</sup> *Ibid.*, 95-99.

<sup>74</sup> TAP AG official website [Electronic source] // URL: <https://www.tap-ag.com/the-pipeline/the-big-picture/southern-gas-corridor>



gas in Europe and also along with Greece and Albania will become a transit country of the «Southern Corridor» for the rest of the European countries - consumers of natural gas. The US assisted the EU in engineering and constructing of several pipelines which pass through the territory of Central Asia and Caspian region and bypass the territory of Russia. Already existing pipelines are the Baku-Tbilisi-Ceyhan and the Baku-Tbilisi-Erzurum Gas Pipelines. They have reduced the influence of Russia in the Caspian region and on the European energy market.

One of the most interesting and important projects among unrealized ones is Trans-Caspian gas pipeline which would pass on the seabed of the Caspian Sea transporting the gas from Kazakhstan and Turkmenistan in Europe. Its realization is complicated by the uncertainty of the legal status of the Caspian Sea and Russia's opposition to this project.<sup>75</sup>

Another planned pipeline project is Trans-Anatolian Natural Gas Pipeline (TANAP) which would deliver gas from Azerbaijan through Turkish territories to Central Europe and Italy. The agreement was signed between Azerbaijan and Turkey in 2011. The construction formally has begun in 2015 and is planned to be finished in 2018. If the project is realized, it will make Turkey a regional energy hub.

The Nabucco project which in the very beginning was considered a priority for the EU with the time lost its importance. In June 2013 Nabucco was cancelled and the priority switched to the Trans-Adriatic pipeline (TAP). Therefore, the project did not help to weaken the gas dependence of the Union on Russia.

The idea of diversification of gas export routed in the EU exists also in Russia. However, it does not imply the appearance of new gas suppliers on the European gas market, on the contrary it is aimed at the increase of gas supplies of Russia to the European Union. Such an idea appeared in the 90s when the export pipes of the USSR found themselves on the territory of Ukraine and Belarus which later became transit states for the Russian gas. Thus, all gas exports to Europe became dependent politically on these countries. That time, Russia elaborated several projects of gas deliveries through the Black Sea and the Baltic Sea. That is why since the early 2000s, Russian authorities began to work in different directions controlling gas

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<sup>75</sup> Russia says pipelines across Caspian Sea floor unacceptable [Electronic source] // RIA Novosti. January 25, 2007. // URL: <https://sptnkne.ws/ejF4>

transportation systems of both transit countries in order to decrease the risks of supply disruptions.

Secondly, Russia tried to enlist support of European countries to build new gas pipelines such as «Nord Stream» and «South Stream» invoking the unreliability of gas deliveries via transit countries. Despite the fact that the above mentioned projects were approved by the European Union, «gas wars» contributed to the gradual perception of strong and dangerous energy dependence on Russia and the necessity to diversify the energy suppliers.

Therefore, Russian pipelines will not be able to strengthen the position Russia up to the point to make it a leader on the European gas market. The EU has been working on alternative projects of hydrocarbon deliveries and managed to decrease the dependence on Russia. The reasons and consequences of that decrease will be discussed below.

#### **1.2.4. Reasons and consequences of the decreasing gas deliveries from Russia to the European Union**

Since 2009 the share of Gazprom on the European energy market has been gradually declining. Despite the fact, that Gazprom owns 6 pipelines, it can not use their capacities in full. In particular, «Nord Stream» capacity is used just up to a half.<sup>76</sup>

Under the decision of the European Commission, Gazprom received a right of just 50% of OPAL capacity but in October 2016 «according to the revised decision, the use of only 50 % of OPAL's capacity will be exempt from third party access rules and the operation of the other 50 % of the pipeline capacity will be covered by stringent EU market rules».<sup>77</sup> Furthermore, Gazprom began to participate in auctions to buy additional capacities of the other 50% of the OPAL.

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<sup>76</sup> Gazprom snizhaet postavki v Evropu po Severnomu potoku [Electronic source] // Gazeta Vedomosti. February 1, 2017. // URL//<https://www.vedomosti.ru/business/articles/2017/02/02/675835-gazprom-postavki-evropu>

<sup>77</sup> European Commission - Press release. Gas markets: Commission reinforces market conditions in revised exemption decision on OPAL pipeline, Brussels, October 28, 2016 [Electronic source] // URL: [http://europa.eu/rapid/press-release\\_IP-16-3562\\_en.htm](http://europa.eu/rapid/press-release_IP-16-3562_en.htm)

Starting from the end of December, the usage of the route «Nord Stream»-OPAL grew by 41%. Gasprom began to increase its capacities of gas deliveries and by the end of 2016 «Nord Stream» was uploaded up to 80% of its full capacity. Along with that, the transit through Ukraine has been reduced by 20%.<sup>78</sup> Since February 2017, the European Court has cancelled the auctions and stalled the decision of the EC after Poland had filed a complaint against the Commission's decision. The case became a political issue intertwined with economic concerns and issues of energy security. It grew into a proceeding which involved different participants and resulted into a temporary crisis of the already complex relations between Russia and the West. More precisely it be analyzed further in the second chapter.

The intentions of Europe to decrease the gas dependence on Russia are exemplified also by its opposition to the project of «Nord Stream-2» pipeline which should pass on the seabed of the Baltic Sea to Germany alongside to the already existing «Nord Stream» pipeline. A number of European states has already appealed to the European Commission with a demand to ban the project which threatens the European energy security and strengthens the dominant position of Gazprom.<sup>79</sup>

The loss of Gazprom positions can be explained by several reasons. The so called «shale revolution» in the United States with its new technologies of the extraction of LNG put into question the dominance of Russia on the European energy market. The new method of drilling let the US become the leader of gas extraction in 2009. In 2016 the States sent several tankers to Europe but it is too early to talk about the constant supply in large volumes.<sup>80</sup>

Nowadays, the price environment impedes the further gas trade between the US and the EU. The American gas is cheaper than Russian but the expenditures on liquefaction and delivery eventually surpass the final costs of the Russian gas. At the moment, for the American gas producers the Asian-Pacific region is more attractive

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<sup>78</sup> Gazprom snizhaet postavki v Evropu po Severnomu potoku [Electronic source] // Gazeta Vedomosti. February 1, 2017. // URL://<https://www.vedomosti.ru/business/articles/2017/02/02/675835-gazprom-postavki-evropu>

<sup>79</sup> Szymanski Konrad. Russia's gas pipeline threatens European unity [Electronic source] // Financial Times. October 21, 2016. // URL: <https://www.ft.com/content/25a17928-96c3-11e6-a1dc-bdf38d484582>

<sup>80</sup> Rasmussen, Pal. «The global gas market: An international perspective», [Electronic source]// *Natural gas revolution and the Baltic Sea region*, ed. Liuhto, Kari. (BSR Policy Briefing 1 / 2015), 9-17. URL: [http://www.centrumbalticum.org/files/1910/BSR\\_policy\\_briefing\\_1\\_2015.pdf](http://www.centrumbalticum.org/files/1910/BSR_policy_briefing_1_2015.pdf)

since the competition there is not intense and the price range is higher. Along with that, there is no risk of price wars among the suppliers.<sup>81</sup>

Since the US almost managed to substitute the volumes of exported gas with its own reserves, there started the process of global redistribution of the amounts which were targeted at the US consumption. The US gas partners such as Australia and the Middle East countries now are focused on the European energy market. Such a situation plays into the hands of the European authorities which are working on the diversification of energy suppliers and lessening of the Union's gas dependence on Russia.

As a result of cheap and steady LNG supply from Qatar on the European energy market, low oil prices, robust imports from Russia, Algeria and Norway, starting from the beginning of 2015 the wholesale prices have gone down and Gazprom contract prices turned out to be higher than the average price on the market. In this situation, it has become unprofitable for the EU to buy Russian gas at such high prices.<sup>82</sup>

Lately, Norway has begun to increase its supplies of natural gas to Europe. Gazprom loses its position in Germany, traditionally its biggest trade partner in Europe.<sup>83</sup> The share of Norwegian gas on German energy market is growing and displacing Russian supplies. The reason of such success of Norway on the European energy market is its policy of lower wholesale prices for the European countries. In addition, Norway is planning to decrease the transportation tariffs which should decrease the gas prices themselves in the immediate future.

The development of the alternative sources of energy to some extent influences on the reduction of the Gazprom's share on the energy market of the EU. In last couple of years the share of renewable sources of energy has grown by 12%.

Nowadays, the EU considers the development of alternative energy as one of the most important directions of its energy policy. According to the European Energy roadmap 2050, «the share of renewable energy (RES) rises substantially in all

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<sup>81</sup> Gazprom vypikhiyayut iz Evropy [Electronic source]// Gazeta.ru. January 8, 2017. // URL: <https://www.gazeta.ru/business/2016/12/22/10443287.shtml#page2>

<sup>82</sup> Rasmussen, Pal. «The global gas market: An international perspective», [Electronic source]// *Natural gas revolution and the Baltic Sea region*, ed. Liuhto, Kari. (BSR Policy Briefing 1 / 2015), 9-17. URL: [http://www.centrumbalticum.org/files/1910/BSR\\_policy\\_briefing\\_1\\_2015.pdf](http://www.centrumbalticum.org/files/1910/BSR_policy_briefing_1_2015.pdf)

<sup>83</sup> Appendix. Diagram 4.

scenarios, achieving at least 55% in gross final energy consumption in 2050, up 45 percentage points from today's level at around 10%».<sup>84</sup>

However, such a scenario can be considered too optimistic because of the doubts that the Union might reach the planned level of consumption of renewable sources of energy. These doubts mainly are related to the requirements to introduce supplementary technological, economic and political decisions which must be accomplished at the same time by all the member states. In practice, it seems hardly possible due to the differences in the structure of energy consumption of the member states.

To sum up, the first chapter presents an overview on the history of the development of the Russian-European energy relations starting from the Soviet period when the energy ties just started to appear and moving to the period of the modern Russia and today's stance of the relations in energy sphere. Due to the high politicization of the energy relation between the two parties, this part of the economic cooperation is of particular interest. The lack of a legal framework complicates the smooth process of rapprochement and creates a legal vacuum which in its turns stalls the cooperation growth.

The interdependence of the EU and Russia in the energy sphere is a driving force of their relations in all spheres in general. Despite this interdependence, the EU's policy of supply diversification is under way. The member states are committed to the idea that Russia threatens their energy security and violates the principles of a free market. Nevertheless, the attempts to find a key to a peaceful coexistence and mutually beneficial partnership are made by both parties. The Energy Dialogue is an example of such an attempt although its results have been questioned by many experts.

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<sup>84</sup> Energy Roadmap 2050 Brussels, 15.12.2011 [Electronic source] // URL: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0885&from=EN>

## Chapter 2

### 2.1. Liberalization of the European energy market and its impact on the relations with Gazprom and Russia

#### 2.1.1. Liberalization path as a prerequisite of the Third Energy Package

At the time of the emergence of the European Economic Community (EEC) in 1957, the then member states decided to create a common European market with the main principle of free movement of goods, people, capital and services. Although they contributed to the liberalization in different economic sectors, energy sphere remained under control of individual states with their national or regional monopolies which had special rights to deliver energy to customers. These companies controlled also all supply chain from production to distribution. Mainly all these utilities were vertically integrated and represented something like Gazprom nowadays.

In the late 80s with the help of European subnational institutions the process of energy sector liberalization began itself. The purpose of the liberalization process was to insure free and healthy competition among energy companies which would result in lower prices for the consumers.<sup>85</sup> This process turned out to be rather difficult due to the dominance of big vertically integrated energy undertakings. In the 80s, all energy market belonged to them. In order to save their share of the market unchanged they prevented any new supplier to enter the market.<sup>86</sup> Later, these general competition rules affected Gazprom and its operation in the European Union.

Hence, the European Commission took initiatives to boost the competition in the sector adopting liberalization packages among which there were «Third Party Access» regulation and the «Unbundling». The provisions of «Third Party Access» comprise different rules which are aimed at facilitation of non-discriminatory access to transmission networks of vertically integrated energy companies for any electricity or gas supplier.<sup>87</sup> Unbundling issue will be elaborated later on in this chapter.

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<sup>85</sup> Eikland P. O., «EU Internal Energy Market Policy: Achievements and Hurdles» in *Toward a Common European Union Energy Policy: Problems, Progress, and Prospects*, ed.. Birchfield V.L., Duffield J.S. (New York, Palgrave, 2011), 15-17.

<sup>86</sup> Jones, Cristopher, «Introduction» in *EU Energy Law: The Internal Energy Market – The Third Liberalization*, Vol.1, ed. Jones, C. (Package, I, Leuven, Claves & Casteels, 2010), 22-33.

<sup>87</sup> Hadfield, A., Amkhan -Bayno, A. «From Russia with Cold Feet: the Energy Charter Treaty and EU-Russia Energy Relations», *International Journal of Energy Security and Environmental Research* 1 (2012), 1-16.

The first Ukrainian gas crisis in 2006 paved a way for the aggravation of the EU-Russian relations and the damage of Russia's reputation as a reliable energy partner of the European Union. This crisis became a driving force for the EU to further integrate energy markets internally and towards Ukraine. Then first with the Georgian War in 2008 and later with the second Ukrainian energy crisis in 2009, the EU Commission took a decision to diversify away from Russia rather than to integrate with it. Nevertheless, both parts were dependent on the other so while being still interdependent in economic terms, in political terms Russia and the EU were drifting apart.<sup>88</sup>

The EU has been conducting the policy of liberalization of energy sector not only internally but also externally targeting the dominance of foreign energy companies, in particular, Gazprom. In this chapter, the focus will be on the liberalization process of the European energy market from Gazprom's dominance and the relations between the two parties under the process of liberalization. Lately, the European Union has been concerned with the problem of energy dependence on Russia and that is why it has been trying to conduct the policy of liberalization and has been putting pressure on Gazprom in order to refuse the long-term contracts of natural gas deliveries.

Despite the fact that nominally the process of liberalization started in 1998, it reached its peak in 2007 when the European Commission proposed the idea of the so-called Third Energy Package which has defined the rules of the competition on the European energy market and banned the access to the pipelines by third parties. In other words, according to that document, extraction and transportation of natural gas should be exercised by different companies.<sup>89</sup> At that time these energy companies had a 100 percent share of the European energy market.

In 2009 it officially came into force and when finally in 2011 it took into effect, it harmed a lot economic interests of Russia because it created a new political and legal basis for vertically integrated energy companies operating on the territory of the EU. Back that time Vladimir Putin during his visit to Brussels, tried to «push

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<sup>88</sup> Talseth Lars-Christian U., *The Politics of Power: EU-Russian Energy Relations in the 21st Century* (Pgrave Macmillan, 2017), 162.

<sup>89</sup> Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC [Electronic source] // URL: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0073&from=EN>

energy policy model to the EU» but at the end the parties did not manage to come to an understanding.<sup>90</sup>

The main problem of the European Union is its dependence on energy abundant countries most of which are considered by the EU as non democratic regimes. The EU tries to use a scheme of high competition in the sector while it decreases its consumption of traditional sources of energy and increases the share of RES.<sup>91</sup>

Gazprom considered this package anti-Russian and directed against Gazprom itself. Although for the last few years there have been several meetings between the Gazprom representatives and the officials from the European Commission, the parties have not reached any agreement.<sup>92</sup> Nowadays, the clauses of the Third energy package are the main object of Gazprom's claims and at the same time, one of the major stumble blocs of the energy relations between Russia and the Union. One of the clauses imposes an equal access to the infrastructure which means that a gas supplier has to either sell its transportation nets or to delegate its management to an independent operator or provide an access to other companies to its 50% capacities.<sup>93</sup> Along with that, the access by third country companies is allowed only under the condition that their activity is exercised on the liberal principle. Thus, for Gazprom in order to get an access to energy assets of Europe, it is necessary to dispose its transportation constituent.

Therefore, as a result of the European Commission's requirements, Gazprom has to load the «Nord Stream» pipeline up to 50% of its initial capacity.<sup>94</sup> The European Commission has not refined its legal framework concerning the realization of projects of mutual interest with third parties. All the variants that the European Commission has proposed to Gazprom were declined by the company as ineffective

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<sup>90</sup> Iškauskas, Česlovas. «Third Energy Package: dispute between Russia and the EU» [Electronic source]// *Geopolitika*. 2011. // URL: <http://www.geopolitika.lt/?artc=4561>

<sup>91</sup> RES is the acronym for renewable energy sources

<sup>92</sup> «Tretij jenergopaket otpravljen v novyj god» [Electronic source] // *Kommersant*. 02.12.2011 № 226.

<sup>93</sup> «Neftegazovyj kompleks Rossii: tendencii razvitija (2000-2010 gody)» // ed. Gusejnova V.A. (Moscow, Krasnaja zvezda, 2011), 341.

<sup>94</sup> «Commission decision of 28.10.2016 on review of the exemption of the Ostseepipeline-Anbindungsleitung from the requirements on third party access and tariff regulation granted under Directive 2003/55/EC, Brussels, 28.10.2016 [Electronic source] // URL: [https://ec.europa.eu/energy/sites/ener/files/documents/2016\\_opal\\_revision\\_decision\\_en.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2016_opal_revision_decision_en.pdf)



since according to Gazprom the situation needs a more detailed solution. By doing so the EU more likely tries to limit the deliveries of natural gas from Russia under long-term contracts and to not pay for the unused gas. Thus, the European legislation became a serious obstacle to the realization of some infrastructure projects of Gazprom. That is why, Gazprom called Third energy package discriminatory and demanded to assign to «Nord Stream» and «South Stream» the status of transboundary projects before the project «South Stream» was completely cancelled. Before the beginning of the Ukrainian crisis in 2014, European politicians were not unanimously for the clauses of the Third Energy Package. The German Chancellor A. Merkel was supporting Gazprom's demands while Italian politician C. De Vincenti insisted on unconditional application of rules of the package to Gazprom.

During the meeting of the EU delegations, there was signed a Roadmap EU-Russia Energy Cooperation until 2050. According to the document «the Roadmap should be forward-looking and make recommendations for a series of steps to enhance EU-Russia energy cooperation over the coming decades».<sup>95</sup> Its main purpose was to create a Pan-European Energy Space with competitive markets and integrated infrastructure.<sup>96</sup>

In spite of an apparent progress in bilateral relations, the issue of transboundary status of projects of Gazprom was not solved because the Commission had not included them into its priority list. Although the Roadmap declares that the sector of extraction and exploration of fields must belong to the international competitive sphere,<sup>97</sup> the Russian legislation gives a priority to state companies when the deal includes foreign companies in exploration and extraction of hydrocarbons. This shows one more time that the announcements of both parties are mainly declarative and in reality neither the EU nor Russia are willing to compromise and prefer to stay in confrontation.

One of the main problems of the cooperation in energy sphere is high natural gas prices and long-term contracts which Gazprom has imposed long time ago and

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<sup>95</sup> Roadmap EU-Russia Energy Cooperation until 2050 [Electronic source] //URL: [https://ec.europa.eu/energy/sites/ener/files/documents/2013\\_03\\_eu\\_russia\\_roadmap\\_2050\\_signed.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2013_03_eu_russia_roadmap_2050_signed.pdf)

<sup>96</sup> Ibid.

<sup>97</sup> Paillard, Christophe-Alexandre. «Rethinking Russia: Russia and Europe's Mutual Energy Dependence». [Electronic source] // Columbia University's School of International and Public Affairs. *Journal of International Affairs*, Vol. 63, No. 2, Spring/Summer 2010. // URL: <https://jia.sipa.columbia.edu/russia-and-europes-mutual-energy-dependence>

which nowadays run counter to the European process of liberalization of energy market.

These long-term contracts including the take-or-pay principle appeared in time when the EU had a few energy suppliers and Russia remained the major one for the European customers. Natural gas was delivered only by pipelines which required billions of investments and cost recovery could be reached only securing long-term obligations from the European consumers. Back that time, this system functioned well and was mutually accepted by both Gazprom and the EU customers. Nowadays, the situation has changed significantly and the market of sellers has been overshadowed by the market of buyers where the conditions are created by consumers which have a wide range of suppliers which compete among themselves by decreasing the prices and offering special delivery conditions.

That is why every year the European customers find the conditions of long-term contracts with Gazprom less and less beneficial to them. These contracts have higher prices than the average on the market and they oblige the customers to make the deficiency payment. Hence, the European Union tries to put pressure on Gazprom to make it revise the contracts and decrease the prices of its gas. Since 2009 Gazprom received a couple of dozens of claims from European companies to provide discounts. Eventually, Gazprom had to give up to 10% discounts to its European partners.<sup>98</sup>

Such companies as PHNiG (Poland), RWE (Czech Republic), Erdgas Import Salzburg (Austria) have required a revision of price conditions and many of them have succeeded in that. Vienna Commercial Court took the side of Czech RWE Transgas in the price dispute with Gazprom in 2013 «awarding RWE a reimbursement for payments made since May 2010»<sup>99</sup>

In case of Polish PGNiG, the Gazprom prices of natural gas to Poland had been among the highest in Europe. The company filed a claim against the Russian gas company but later the parties managed to agree on a discount which was included

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<sup>98</sup> «Gazprom Makes Concessions in E.U. Gas Deal, but Trouble Looms for Russian Giant» [Electronic source] // NY Times. March 13, 2017. // URL: [https://www.nytimes.com/2017/03/13/business/eu-russia-gazprom.html?\\_r=0](https://www.nytimes.com/2017/03/13/business/eu-russia-gazprom.html?_r=0)

<sup>99</sup> «Vienna Commercial Court takes RWE side in price dispute with Gazprom» [Electronic source] Rapsi News. June 28, 2013. // URL: [http://www.rapsinews.com/judicial\\_information/20130628/267947550.html](http://www.rapsinews.com/judicial_information/20130628/267947550.html)

into a new agreement on price change.<sup>100</sup> As a result, the prices for Poland were reduced up to 16% for the gas which is delivered via the «Yamal-Europe» pipeline, however, the binding of natural gas prices to oil prices and the «take or pay» clause have remained.<sup>101</sup>

Italian Eni despite the discounts of Gazprom demands the abolition of this «take or pay» principle which make the company incur significant losses.<sup>102</sup> Eni is traditionally one of the main Gazprom's partners, the companies have a lot of mutual projects. Thus, Gazprom probably will have to make some concessions and either abolish this principle or lessen it for Eni.

Gazprom in its turn accuses the European Commercial courts of bias and absence of impartiality. In reality, it can not do anything to change the situation. To keep its leading positions on the European energy market it has to make concessions by decreasing the prices to individual states. However, doing so it provokes a chain reaction on part of other states which demand same concessions. Nevertheless, all these concessions and discounts do not change the situation that the EU stays resistant searches for the ways to decrease deliveries from Russia.

One of the possible solutions for the European Union to lessen the «take or pay» principle turned out to be the idea of reverse deliveries of gas to Ukraine which in its turn also demands some concessions to make from Gazprom. In 2013, the European Commission announced its decision of reverse gas deliveries to Ukraine via «Druzhba» pipeline through Slovakia, Poland and Hungary, however, Moscow warned these countries about the cut off in case they continue reverse gas supplies to Ukraine which was under Russia's energy sanctions that time. The European Commission gathered a meeting to urge Eastern European countries to keep reverse deliveries of gas but V. Orban, Hungarian Prime Minister, took a decision to halt the

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<sup>100</sup> «Poland's PGNiG steps up legal battle against Gazprom» [Electronic source] // Reuters. February, 2016. // URL: <http://af.reuters.com/article/energyOilNews/idAFL8N15H1RZ>

<sup>101</sup> «Gazprom reduces price of gas to Poland» [Electronic source] // Financial Times. November 6, 2012. // URL: <https://www.ft.com/content/65ee5514-2836-11e2-a335-00144feabdc0>

<sup>102</sup> «Eni rinegozia il contratto take or pay sul gas con i russi di Gazprom» [Electronic source] // Il Sole 24 Ore. May 23, 2014. // URL: [http://www.ilsole24ore.com/art/finanza-e-mercati/2014-05-23/eni-rinegozia-contratto-take-or-pay-gas-i-russi-gazprom-121711.shtml?uuid=ABW7XYKB&refresh\\_ce=1](http://www.ilsole24ore.com/art/finanza-e-mercati/2014-05-23/eni-rinegozia-contratto-take-or-pay-gas-i-russi-gazprom-121711.shtml?uuid=ABW7XYKB&refresh_ce=1)

deliveries since Moscow recognized them illegal and threatened to stop gas supply to some European countries which backed Ukraine.<sup>103</sup>

For Europe such a scenario seems beneficial since those volumes which it has not consumed and for which it has to pay the same, it may sell to Ukraine at a lower price. The EU Commission considered it legal because this gas becomes the property of the EU from the moment it is paid for.

### **2.1.2. TEP's unbundling regime**

The EU energy market liberalization does not exist without the unbundling mechanism. Unbundling provokes the clash of interests of third countries with the EU legislation. Those non-EU countries which operate on its territory and conduct their own policies find these unbundling regimes jeopardizing the interests they pursue. The latests unbundling regime came into force as a result of a number of liberalization waves undertaken by the EU Commission. According to the new regime, member states of the European Union could opt for one out of three models of the Third Energy Package.

All three of them are proposed to the member states on an equal basis. These are functional, legal and ownership kinds of unbundling. The ownership unbundling implies a selling of its transmission system to another operator on the market.<sup>104</sup> In other words, transportation unit must be separated from vertically integrated undertakings and supply companies to ensure maximum profits and non discriminatory access to the market.<sup>105</sup>

Thus, it is considered to be the most effective way of elimination of all non - competitive behavior and is the most promoted way to reach free competition among energy companies by the European Commission. Exactly this kind of unbundling

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<sup>103</sup> «Hungary suspends gas supplies to Ukraine under pressure from Moscow» [Electronic source] // The Guardian. September 26, 2014. // URL: <https://www.theguardian.com/world/2014/sep/26/hungary-suspends-gas-supplies-ukraine-pressure-moscow>

<sup>104</sup> Ownership unbundling in EU energy market [Electronic source] // Free University of Berlin internet encyclopedia. // URL: <http://userwikis.fu-berlin.de/display/energywiki/Ownership+unbundling>

<sup>105</sup> Ming-Zhi Gao, Anton. *Regulating Gas Liberalization: A Comparative Study on Unbundling and Open Access Regimes in the US, Europe, Japan, South Korea, and Taiwan* (Kluwer Law International, 2010), 149-151.

was the stumbling block of the EU-Russian conflict around the Third Energy Package. It will be discussed later on in this chapter.

Ownership unbundling forces vertically integrated undertakings to sell their transmission activities. However, there is a little particularity in this law. The regime allows a company to maintain its ownership of transmission assets to some extent. The main requirement is to provide other energy suppliers with a sufficient share of the ownership which would eliminate chances of a vertically integrated undertaking to dominate the transmission chain.

Article 9 of the Gas Directive prescribes that a vertically integrated undertaking is allowed to maintain no more than 50% of its assets but is deprived of its right to vote or appoint high ranking managers or exercise control in any other way. In other words, it could receive just dividends from its share.

In the first place, Gazprom welcomed the ongoing liberalization process of the European energy market hoping to get a bigger stake of the market due to the unbundling process among European vertically integrated undertakings. In its 2003 annual report, the authorities of Gazprom expressed their assurance that not only it would maintain its positions on the energy markets of Europe, but also increase its domination. It was the time of the Second Energy Package coming into force. Several years later, the EU ran counter to Gazprom's vision when it adopted the Third Energy Package which challenged the Gazprom domination in Europe.<sup>106</sup>

Gazprom initially had welcomed the EU's attempts to liberalize its gas markets, because the company saw a possibility to increase its dominant position. «Undoubtedly Gazprom will not only preserve its position in this market but will enhance its dominance as liberalization continues to occur», - leaders of Gazprom announced in the foreword to an annual report of 2003, in the year when the Second Energy Package replaced the First Energy Package.<sup>34</sup> In the same foreword, Gazprom presented a vision of the company as 'a vertically integrated diversified energy company». The unbundling provisions of the Third Natural Gas Directive several years later went against such a vision of Gazprom's business in EU territory.

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<sup>106</sup> Pakalkaitė, Vija. «Lithuania's Strategic Use of EU Energy Policy Tools: A Transformation of Gas Dynamics», *Oxford Institute for Energy Studies*, September 2016. [Electronic source] // URL: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/09/Lithuanias-Strategic-Use-of-EU-Energy-Policy-Tools-A-transformation-of-Gas-Market-Dynamics-NG-111.pdf>

### **2.1.3. The anti-trust investigation against Gazprom**

In this regard, in 2011 the European Commission has started an antitrust case against Gazprom. It initiated spontaneous inspections of the European energy companies cooperating with Gazprom for violation of the European antitrust legislation. The investigation took place in 10 countries of Central and Eastern Europe in which Gazprom was one of the main natural gas suppliers or the only one as in the case of the Baltic states.

In 2012 the EU Commission has started its official investigation of Gazprom monopoly on the gas market of Central and Eastern Europe. According to the EU main body, Gazprom might have breached the clause regulating the functioning of monopolies which impede free competition on the European energy market.

The EU announced its accusation based on three infringements of Gazprom. There were suspicions that Gazprom has divided the European market in segments and thus limited free deliveries through the territory of some European countries. Secondly, it conducted a policy which impeded the diversification of gas supplies to the EU member states and finally, it supplied gas at the unfair prices linked to the oil prices. The sanction for the breach of the law was a fee of 10% of the total annual profit of the company.

More likely, the third clause is the key for the Commission. Due to the absence of the singular pricing, Gazprom delivers gas to different countries at different prices according to contracts with these countries. That is why, the Commission can not understand why some countries get discounts and others do not.<sup>107</sup>

Moreover, some states received not simply discounts but the reduction of prices as France, Germany, Italy when in 2012 Gazprom announced its decision to reviewed prices for these countries because of the changed market conditions. Hence, the difference in prices for Eastern and Western Europe became evident and was not acceptable for the Commission.

One of the expected consequences of the Gazprom investigation is a revision of pricing principles. According to the European Commission, Gazprom's fixed contract prices are not fair due to their binding to the oil prices. Nowadays, this kind of indexation is no more relevant. Last decade the oil market has become dependent on

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<sup>107</sup> «Udar po «Gazpromu» mozhets povysit' ceny gaza dlja Evropy» [Electronic source] // RIA Novosti. September 6, 2012. // URL: <http://ria.ru/analytics/20120906/744205143.html>

the world financial market and that led to the situation that the oil prices has been growing since 2000 and have increased almost fourfold. Along with that gas prices have increased by 3 times themselves. Thus, there appeared a significant gap between wholesale prices and long-term contracts prices linked to the oil prices. This gap especially widened after the world financial crisis of 2008 when the difference of prices reached unprecedented 250 dollars ( for a thousand cubic meters).

In addition, recently, the European Union's energy consumption structure has increased a share of natural gas and LNG and has decreased a share of oil which makes up nowadays around 2,5% of the total consumption.

That testifies that the oil binding does not show real market situation since lately the oil market and the gas market have been distancing from each other and are no more seen as a single unit. The EU was advocating for the gas to become an independent trade good and that was codified in the Third Energy package which has equated energy sources to goods and services which can move freely within the borders of a single market. That means that the gas sold by Gazprom to one EU country can be used by any other EU member state without a special permission.

The EU is no longer satisfied with the gas discounts, nowadays when there is a pretty stable gas situation in Europe, it feels free to put pressure on Russia and dictate its own conditions. That is why it was rather obvious from the very beginning that such an antitrust investigation was used by the European Commission as a means of intimidation of Gazprom because it would not wait till the end of the investigation and possible sanctions and would change its pricing policy revising the export contracts.

It is worth mentioning that in Russia the European Commission actions were perceived negatively. In particular, V. Putin declared that the purpose of the antitrust investigation was to put pressure on Gazprom in order to decrease prices under conditions of the Eurozone crisis.<sup>108</sup> Although the declarations of the Russian side about the rejection of the Third Energy Package norms and Gazprom demonopolization were numerous, nowadays the situation has changed significantly. In March 2017, rumors had it that the European Commission was going to reach a consensus with Gazprom and make a new deal after a long-term price dispute. As the

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<sup>108</sup> «Европейские проблемы «Газпрома» // Ведомости. September 10, 2012.

European commissioner for competition has announced, the EC believes that «Gazprom's commitments will enable the free flow of gas in Central and Eastern Europe at competitive prices. They address our competition concerns and provide a forward looking solution in line with EU rules. In fact, they help to better integrate gas markets in the region.»<sup>109</sup>. It seems odd since not long ago, the European Commission sharply criticized Gazprom and tried to free the European energy market out of the gas dependency on it. The Commission initiated the investigation almost six years ago, and expressed its preparatory view that the gas giant had been breaching the European antitrust legislation. After the years, it agreed to the Gazprom's concessions and abandoned its idea of fining the Russian energy company. For Russia, the concessions are the way to avoid billions of fines, but also is a chance to save already strained relations with the European Union worsened by the Ukrainian crisis. While Gazprom agrees that it has already done significant concessions, the EC still considers that the case should be examined precisely and all Gazprom arguments would be taken into account before the Commission makes its decision. Although European authorities believe that energy is used by Russia as a foreign policy tool, they argue that on their part the antitrust case against Gazprom is not a political one.<sup>110</sup>

The Commission's priority is to ensure competitive energy supply and stable prices in Central and Eastern Europe where Gazprom is one of the main gas suppliers or even the only one. During last years, Slovakia has developed a net of gas interconnections which has allowed it to be better connected to the Western European gas market. Thus, Slovakia received an access to Western gas facilities and hubs and lessened its dependence on the Gazprom gas. Such a course of events compelled Gazprom to reduce its prices up to the average European market price level. The European Commission has expressed its belief that Gazprom's concessions would

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<sup>109</sup> European Commission - Press release. Antitrust: Commission invites comments on Gazprom commitments concerning Central and Eastern European gas markets, Brussels, 13 March 2017 [Electronic source] // URL: [http://europa.eu/rapid/press-release\\_IP-17-555\\_en.htm](http://europa.eu/rapid/press-release_IP-17-555_en.htm)

<sup>110</sup> «Gazprom considering concessions to settle EU antitrust case» [Electronic source]// Reuters. May 7, 2015. // URL: <http://www.reuters.com/article/russia-gazprom-eu-idUSL5N0XY2B420150507>



ameliorate the situation on this region's gas market. In case Gazprom breaks its own commitments, it would be definitely fined by the European Union<sup>111</sup>.

The operation of Gazprom in Europe was based on the non equal attitude to different EU countries. Hence it applied various tariffs in Western on one hand and Central and Eastern Europe on the other regardless the fact that it is a single market territory. By doing so, it breached the European Union's laws and neglected the EC position. A new agreement between the Russian energy giant and the European Commission seems to be promising in solving future commercial problems. Previously, Gazprom put restrictions which forbade some European states to resell gas to other European states. Now according to Gazprom's commitments, it will lift all the restrictions it imposed and let these Central and Eastern European states control and manage the gas flows exporting or importing them within the borders of the European Union.<sup>112</sup>

Gazprom turns flexible in its new concessions. For example, instead of Slovak delivery points it would bring the gas to the neighboring states such as Bulgaria, Latvia, Estonia, Lithuania with which it has no gas connecting infrastructure. Before these commitments come into force, they should be approved by the member states, their customers and shareholders.

In other words, Gazprom conceded the issue of pricing and operating on the European energy market to the European Union in order not to be fined for the breach of antitrust rules of the Union. The deal was not welcomed in the Baltic states and Poland which had advocated for the stricter approach and penalties for Gazprom. The before mentioned countries fear the monopoly of Gazprom and the extent to which its influence on their markets might jeopardize the energy security of the EU as a whole. The final version of the commitments released on March 13, 2017 after the European Commission's submission will pave the way to a gradual shift of Gazprom's pricing on the European energy market.

Polish state-owned PGNiG has already expressed many times its dissatisfaction with the Commission's decision and has already sued the EC for its decision to give

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<sup>111</sup> Liptakova Jana. «Slovakia responds cautiously to possible EC-Gazprom deal» [Electronic source]// The Slovak Spectator. 23 March 2017. // URL: <https://spectator.sme.sk/c/20490647/slovakia-responds-cautiously-to-possible-ec-gazprom-deal.html>

<sup>112</sup> European Commission - Press release. Antitrust: Commission invites comments on Gazprom commitments concerning Central and Eastern European gas markets, Brussels, 13 March 2017 [Electronic source] // URL: [http://europa.eu/rapid/press-release\\_IP-17-555\\_en.htm](http://europa.eu/rapid/press-release_IP-17-555_en.htm)

Gazprom the access to the full capacity of OPAL pipeline which later was suspended by the Court of Justice of the European Union. Ukraine, Lithuania joined the Polish complaint to the Court. The countries claim that Moscow uses gas as a political tool to exercise its influence in the post Soviet space and the ex Warsaw Pact countries. The deal is a rare example of the amelioration of economic relations of Russia and the European Union in the context of a serious crisis of political relations caused by the Ukrainian and the Syrian crises.

Regarding the OPAL dispute, along with Poland, Ukraine has sued the European Commission in March, 2017 for its decision. According to Ukraine, the EC has taken a decision without consultations and discussions with Ukraine thus breaching their Agreement on Association and its obligations to the Energy Charter Treaty. Naftogas claims that the EC has taken a decision which lays beyond its authority. Moreover, it puts a threat to the energy deliveries to Ukraine and other Central, Eastern European countries and enhances the domination of Gazprom on their markets. The involvement of Ukraine into the court proceeding as a third party is explained mostly not by its fears of the European energy security instability but by the possibility to be excluded from the process of gas transiting which would happen in case Gazprom received additional capacities of OPAL pipeline. The more Gazprom uses OPAL, the less are the profits of Ukraine from the gas transit.<sup>113</sup>

As a result, the European Court has suspended the Commission's decision on the OPAL access for Gazprom. Although the Court has made its decision on the case, it is not the sphere of competence of the EC to control the distribution of the pipeline's capacities but the Germany's Federal Network agency that is in power of doing it. Thus, the decision of the Court is not legally binding for the German regulator. Moreover, the EC representation argues that the procedure of the OPAL capacity distribution was undertaken in full compliance with the clauses of the Third Energy Package and did not violate any of the EU antitrust laws.<sup>114</sup>

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<sup>113</sup> «Vyzvali na dujel': Ukraina poshla na ser'eznyj spor iz-za reshenija v pol'zu Rossii» [Electronic source]// Obozrevatel. March 29, 2017. // URL: <https://www.obozrevatel.com/finance/trends/46379-vyizvali-na-duel-ukraina-poshla-na-sereznyij-spor-iz-za-resheniya-v-polzu-rossii.htm>

<sup>114</sup> «Evropeyskiy sud priostanovil reshenie o dostupe «Gazproma» k OPAL» [Electronic source] // RBC. December 26, 2016. // URL: <http://www.rbc.ru/business/27/12/2016/5862967d9a794740ca4f584d?from=main>

## **2.2. The new unbundling regime and its consequences for Russia**

### **2.1.2. The energy dispute within the WTO**

In 2011 Russia after 18 years of negotiations joined WTO. This event was followed by endless discussions on benefits and drawbacks of the accession. Energy which is one of the main fields of Russia's trade is also a subject of the WTO regulation. Along with all other goods and services, energy commodities from the moment they cross the borders of WTO members fall under non discriminatory principles and principle of free access to the market envisaged in such underlying agreements as GATT<sup>115</sup>, GATS<sup>116</sup>, TRIPS<sup>117</sup> and Agreement on Subsidies and Countervailing Measures. Energy is not an exclusion, although there is no special agreement which would regulate international trade of gas, oil, renewables and other energy services.

As a result of the negotiation process of the Russia's accession to WTO, it retained a right to control domestic prices on gas but had to assume liabilities to do it without breaching the rules, in particular, of the Agreement on Subsidies and Countervailing Measures. Not only Russia was presented additional requirements to raise the domestic prices on energy but also Saudi Arabia.

The question is how Russia's accession to WTO can influence foreign trade policy in the field of energy. One of the main political and legal benefits is the potential which Russia has as one of the main players on the world energy market and which it can use in order to participate actively in the mechanism of a dispute settlement within WTO. There are several issues in energy sector which can be brought to the panel of dispute resolution. For example, transit dispute between Russia and Ukraine which has been subject to many political discussions and consultations in the framework of Energy Charter. However, that issue can be solved in the framework of WTO consultations only on the initiative of one of the parties concerned. By now, neither of them has expressed such a will to bring the issue to the WTO dispute settlement panel. Another example is the EU antitrust case of Gasprom. Although the monopoly is not prohibited by the WTO rules, it obliges the

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<sup>115</sup> General Agreement on Tariffs and Trade

<sup>116</sup> General Agreement on Trade in Services

<sup>117</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights

member states to abide by the non discriminatory principles and the decisions taken by Gazprom must have just economic motivation and not political. Thus, Gazprom would be able to continue its different prices practice only if it complies with the above mentioned rules. However, it has already offered the EU its concessions according to which it promised to depart from the practice of different pricing.

Russia has filed two energy complaints against the EU. First one took place in December 2013 and was related according to Russia's spokeswoman Y. Chkanikova to «a violation by the EU of anti-dumping provisions of the WTO agreement». Russia blamed the EU for using the «cost adjustment» methodologies to calculate dumping margins in the anti-dumping probes towards Russian goods. These methodologies imply the calculation of cost of goods based not on Russian energy prices but on European prices. Such a method is used by the EU due to the allegedly low cost of gas in Russia. For this reason, a variety of protective measures is used, primarily in metallurgic and chemical industries.<sup>118</sup>

In April 2014 Russia has filed its second complaints to WTO against the European Union over the Third Energy Package. In this case Russia claimed that the provisions of the Package were not consistent with some obligations and commitments made by the EU under the WTO agreement. Russia has stated several times that the EU's Third Energy Package should not be backdated to the contracts signed before 2009 when the Package was introduced for the first time. In July 2015 the panel was established. The third party rights were reserved by Brazil, China, India, Japan, the US, Ukraine and some others. In August 2016 it was announced that the final report should be issued in May 2017 but due to the complexity of the dispute the final report would be available by the end of 2017.<sup>119</sup>

In the framework of the Package, the EC has implemented additional conditions for transmission system operators certification from third countries. It primarily influences the conditions of Russian operators' access to the European market. The EU Competition Commissioner underlined that Gazprom investigation would not end until the Ukrainian crisis has been resolved at least partially. The

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<sup>118</sup> WTO Dispute Settlement DS474: European Union — Cost Adjustment Methodologies and Certain Anti-Dumping Measures on Imports from Russia [Electronic source] // URL: [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds474\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds474_e.htm)

<sup>119</sup> WTO Dispute Settlement DS476: European Union and its Member States — Certain Measures Relating to the Energy Sector [Electronic source] // URL: [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds476\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds476_e.htm)

Third Energy Package dispute between Russia and the EU is rooted on the «reciprocity clause» which obliges also non-EU companies if they operate in the European Union to proceed unbundling and transmission system operators certification. Even though the TEP was in the first place targeted at national European vertically integrated companies, the predictable counter reaction of Russia along with the concern that unbundling among the EU companies would lead to the domination of the non-EU companies on the market forced the European Commission to introduce that clause for the extra-EU companies. Aiming at Gazprom in the first place, it was unofficially named «the Gazprom clause». A possibility to challenge the European Union through the WTO dispute settlement mechanism was considered by Russia from the very beginning of its accession to the international trade body. The most evident reason of such a delay can be explained by the fact that the «Nord Stream» project was exempted from the Third Energy Package.<sup>120</sup>

### **2.2.2. The future of the «Nord Stream 2» deal, the reasons of its suspension**

Another stumbling bloc in the complicated EU-Russian relations is the future of the «Nord Stream 2» project. It plays an important role in the context of the recent deal between Gazprom and the European Commission. The Gazprom's commitments have opened a way for the Commission's new rules of elaboration of intergovernmental agreements (IGA's) with non-EU states in energy sphere. These rules are aimed at «increasing the transparency and compliance with EU law»<sup>121</sup> of IGA's.

Before, the agreements very frequently failed to comply with the European Union's law due to the differences in bilateral agreements concluded by individual EU member states with third parties such as Gazprom. New rules compel that all agreements should be first submitted to the EC for their compliance with the EU law.

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<sup>120</sup> Directive 2009/73/EC of the European Parliament and of the council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC, Article 36 [Electronic source] // URL: <http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32009L0073>

<sup>121</sup> EU rules on Intergovernmental Agreements in energy, updated 21 March 2017 [Electronic source] // URL: <https://ec.europa.eu/energy/en/news/eu-rules-intergovernmental-agreements-energy-updated>

By doing so, the EU plans to increase security and stability of the energy sector and provide better functioning of the internal market.

It is remarkable that these new rules were adopted right after the antitrust investigation of Gazprom had been completed. Gazprom agreed to review pricing for the Baltic states, Poland, Bulgaria and refused to claim a compensation from the latter for the withdrawal from the «South Stream» project.

A new consensus will open new opportunities for the Russian company on the European energy market. Thus, despite the proclaimed by the EU policy of the decreasing dependence on the Russian gas in the framework of the supplier diversification program, in 2016 Gazprom delivered to the EU record volumes of natural gas.

After the events of 2014 when the Ukrainian crisis broke out, Russia annexed Crimea and the war in Donbass started, the EU tried to implement a number of preventive economic and political measures. In the context of this anti-Russian policy, the EU especially developed the energy leverage. In particular, it made a lot of effort to stall the «South Stream» project till Russian authorities took a decision to cancel it by themselves due to the non constructive position of the European partners. More probable seems to be the «Nord Stream 2» project which implies a parallel pipeline on the seabed of the Baltic Sea from Russia to the German coast. This project has found opponents in face of Ukraine and Poland and other Eastern European and Baltic states which are openly against further positive development of the EU-Russian relations. The thaw in relations brought by the Gazprom commitments, let the European mass media propose that no later than by the end of autumn, the European Commission will give the green light to the beginning of the «Nord Stream 2» construction.

At the same time, Gazprom initiated the meetings with the biggest European energy companies to discuss the perspectives of north routes of gas supplies from Russia and the perspectives of «Nord Stream 2».<sup>122</sup> With ENI Gazprom signed a Memorandum of understanding which reflects the willing of the two sides to develop

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<sup>122</sup> «Bock and Miller discuss Yuzhno-Russkoye field, Nord Stream-2 pipeline» [Electronic source] // New Europe. March 23, 2017. // URL: <https://www.neweurope.eu/article/gazprom-inks-mou-eni-export-gas-europe/>

their cooperation on perspectives of south corridor of nature gas deliveries from Russia to European countries, and in particular in Italy.<sup>123</sup>

The German giant BASF participates in the «Nord Stream 2» project through its subsidiary Wintershall which owns a share of Nord Stream AG company along with Gazprom and some other European companies. For Germany which is the main buyer of the Russian gas, the project is of particular interest. The president of Russia held a meeting with the BASF Chairman of the Board during which they especially discussed the perspectives and future of the project. The meeting signaled about the importance attached to the cooperation of Moscow and its German partners in energy sphere. German and Russian energy business are interconnected in many ways. Russia has been a gas supplier of the biggest German companies for decades, German Wintershall has its extraction activities in Russia and always stresses that Russia represents a key region of cooperation for it.

In case of the «Nord Stream 2» approval, Germany will benefit from the project more than any other European nation. The gas consumption in Germany has been gradually growing due to the decision to close down all facilities working on coal. Along with Russia, Germany puts its priority on the pipe gas rather than on LNG. Moreover, if the «Nord Stream 2» is realized, Germany would become the biggest European gas hub. Such a possibility is crucial for Germany because nowadays the biggest gas hub is situated in Britain which transfers through its territory Norwegian gas to continental Europe. Since Brexit, Europe needs a substitute for this role.

Without a doubt, «Nord Stream 2» is the Gazprom's most promising project. It would increase the volumes of gas supply to Europe bypassing transit countries. It is rather important in the context of two gas crises with Ukraine. The net cost of the Russian gas is very low, therefore, Gazprom has a possibility to decrease prices in order to keep or increase its share of the market. For example, Romania announced its gas independence from Moscow but later increased gas imports from Russia because Gazprom offered a price lower than the net cost of gas in that country.

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<sup>123</sup> «Eni: firmato Memorandum of Understanding con Gazprom» [Electronic source] // ENI official website. March 21, 2017. // URL: [https://www.eni.com/it\\_IT/media/2017/03/eni-firmato-memorandum-of-understanding-con-gazprom](https://www.eni.com/it_IT/media/2017/03/eni-firmato-memorandum-of-understanding-con-gazprom)

However, to conduct such a policy which is suitable for the EU and profitable for the Russian gas company, there should be a secure export route for bigger volumes under minimum costs. Existing «Nord Stream» meets these requirements but it is not big enough for the complete independence from transit states in order to minimize the risks and reduce the expenses on transportation.

Ukraine has made several attempts to raise the transit fees. Although these attempts were not successful, in 2019 the transit agreement expires and there is no guarantee that Ukraine will not increase the fees. Under the conditions of failed negotiations on «Nord Stream 2», Russia will have no other option and Ukraine might use it as a political and economic leverage which in its turn might lead to a decrease of gas supply to Europe and loss of competitiveness of Russia on the European energy market. On the contrary, according to the Gazprom data, shipping costs via «Nord Stream» are 1,6 times lower than the transit via Ukraine and much more secure thus, the «Nord Stream 2» is so backed by Russia and European business.

The situation with the «Nord Stream 2» is rather ambiguous. On one hand, Brussels imposes anti-Russian sanctions and is not ready to lift them in the immediate future, on the other hand, it is open to discuss the possibilities of further Russian gas extension to the Union.

Despite the fears of the EC that Russia strengthen its gas monopoly and increase European dependence, there were no clear reasons to bloc the project and by the end of March, 2017 the European Commission stopped opposing the project. In its letter to the government of Denmark of March 28th, the Commission indicated that it had not found any violation and had not had grounds to stop the project. Although, it accepted the project, Commission stressed that it did not like the project politically. Such an ambiguity of the Commission's attitude and its approach to Russia shows its weakness facing the business circles of Europe which are backing the project. At the same time, Russian authorities try to assure that the project is all about business and there is no attempt to cause economic damage to transit countries and pose a threat to the European energy security, on the contrary, the new pipeline is going to improve gas security of the region.

Nevertheless, the EC plays a crucial role in the EU functioning, it has to get an approval to conclude a deal with Russia from all member states of the Union. This



intergovernmental deal will define the status of the pipeline in the framework of the European law. Within the EU, there are contradictions among the member states. Some as Germany which is mainly involved into the project admit its economic benefits and others as Poland, Slovakia, which will lose profits from transits do their best to impede the process of negotiations in different ways.

The EC has finally made an announcement that «Nord Stream 2» does not fall under the Third Energy Package clauses. Moreover, «Nord Stream» itself was built when the TEP had not existed thus, the document could not apply to the pipeline. «Nord Stream 2» technically is not a new pipeline but a continuation of the same project, literally, its twin. Hence, European antitrust norms can not be applied to it either. Nevertheless, the negotiations on the construction of the pipeline have been stalled for the last couple of years because of the political cooling of the relations between Russia and the West.

More likely, Poland has its political motives which it is trying to cover with economic concerns. «Nord Stream 2» does not affect the interests of Poland that buy energy directly from Russia. The opposition of Poland to the project can be explained by its historically strained relations with Russia. Besides that, lately, Poland ran by the conservative political party «Law and Justice», has worsened to some extent its relations with Germany. Berlin is dissatisfied with the growth of right wing sentiments in Poland, and on the other hand , the leader of the Polish ruling party Jaroslaw Kaczynski in his turn blames Germany for its domination over the European Union.<sup>124</sup>

In case of Ukraine, political instability, war conflicts in the South -East of the country in Donetsk and Luhansk self-proclaimed republics and the absence of any chance of amelioration of the situation during last few years have had a negative impact on the Commission's perception of the transit issue. It becomes more and more clear for the European officials that there is no guarantee that volunteer battalions operating across the country will not one day bloc a transit pipeline and that the alternative ways of gas supply which bypass the Ukrainian territory will provide more security of the uninterrupted supply.

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<sup>124</sup> «Jaroslaw Kaczynski: Poland's kingmaker» [Electronic source] // Financial Times. February 26, 2016. // URL: <https://www.ft.com/content/8238e15a-db46-11e5-a72f-1e7744c66818>

At the same time, the perspectives of the shale gas deliveries from the US are bleak. The US has not managed to become the main exporter to the EU. Moreover, for example, Germany does not even plan to build terminals for LNG in their ports giving its preference to the pipe gas. Countries bordering Ukraine such as Hungary and Slovakia have their own reasons to oppose the project. Slovakia in case of «Nord Stream» realization will lose money from transit, Hungary on the other hand is concerned with the security of supply in case the direct deliveries from Ukraine stop. Greece, Bulgaria and Italy are not willing to back the project because the perspective of «Nord Stream 2» decreases the possibilities of «South Stream» construction which was blocked by Bulgaria itself. Moreover, Italy in case of «Nord Stream 2» launching will find itself in dependence on Germany and Austria through which the gas will be delivered to Italian borders. However, Italy is working on alternative projects which will guarantee a direct supply via Trans -Anatolian Pipeline (TAP) from Azerbaijan through Georgia and Turkey to South Europe.<sup>125</sup>

The Baltic states claim that they oppose the project for an environmental reason. In fact, a pipeline on the seabed of a shallow sea might cause an environmental damage. However, besides an ecologic concern, the Baltic states' position has political overtones. It is not a secret that after the collapse of the USSR, the Baltic states repeatedly expressed their anti-Russian sentiments. In other words, they might act unanimously with other parties concerned which oppose the project just to oppose Russia and its projects.

With Britain out of the European Union, the question of the EU financing was brought to the table. Previously, Britain paid 15% of the total EU budget, now France and Germany which are the biggest contributors to the EU budget will share the power in the Union. Thus, they will say the last word in all EU initiatives and will distribute financing. Therefore, countries donors of the European Union have a political and economic leverage to lobby the projects they prefer over countries dependent such as Poland, Slovakia and the Baltic states. These countries will probably understand that the economic preferences and subsidies which they heavily depend on, will be distributed by major donors of the EU so the opposition to the project which is advocated by these donors might affect them in a negative way.

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<sup>125</sup> «Via libera al festival nel prato di Pontida» // La Repubblica. 21 April, 2017:1.

To conclude on the future of «Nord Stream 2», it is necessary to say that the project has a strong backing from the business circles of «old Europe» and in fact there are no infringements of the anti-trust law to bloc it, while the countries of «new Europe» mainly Eastern and Central ones advocate against it using weak evidences to prove its damage to the European energy security. The European Commission after a long consideration and different attempts to bloc it, seems to be finally in favor of the project. Although, «Nord Stream 2» runs counter to the general idea of demonopolization and diversification of suppliers which the Union has stuck to last decade, it finally has stopped resisting and is ready to give the green light to the start of construction.

### **2.2.3. «South Stream» and political games around it**

Energy without a doubt is the basis of the world economy, however, not only the resource abundance defines economic and political influence. Nowadays, the importance of energy resources has a transnational character. That means that role and influences of resource abundant countries depends directly on the markets to sell and ability to deliver. In terms of globalization, geo-economy intertwines with geopolitics. In other words, resource transportation is linked to political securing of this process.

The situation around «South Stream» should be analyzed from this point of view. The project has been put under question from 2012 when the government of Ivica Dačić in Serbia was formed. It is worth noting that from the very beginning of the project, Russia has faced a number of political problems. Initially, it was planned to build 4 pipelines which should have started to operate in the first half of 2016 with their complete functioning by 2018. At the time when the project was discussed it was the most expensive one in Europe with the estimated cost of 16 billion euros. Gazprom was interested in «South Stream» because it would acquire the status of trans-European network. It would help to deduce from-under actions of Third Energy Package of the EU. Apart from «South Stream» by now «North Stream» and «Yamal-Europe» have a status of trans-European networks.

Another factor in favor of the project was the decision of countries participants to assign «South Stream» a status of a national project. First country to do so was Bulgaria in 2011 and it was followed by Serbia. However, later, with the change of government in Serbia the process became complicated. Serbia has deep historic, economic and political ties with Russia. Russia is one of those countries which do not recognize Kosovo, moreover, it is the most important economic partner of Serbia. Russia has invested a lot into Serbian economy after the devastations caused by long term sanctions and NATO aggression in 1999 when the country's oil industry was practically destroyed. These factors made the Russian authorities think that the Serbian part of «South Stream» would be the least problematic. In fact, Serbia had been postponing the process of status assignment till 2013. At the end, the Serbian Parliament adopted a law with a significant particularity. Due to the vague wording of the document, there was a big chance that the EC would apply the Third Energy Package clauses to the project. Then, there appeared problems with the landlords of the territories which were necessary for the pipeline construction.<sup>126</sup>

Before the beginning of the Ukrainian crisis the main problem was a situation around the «South Stream» pipeline. The project promising to be beneficial for all parties concerned thus caused opposition on part of those for whom it would become an economic and political loss. Serbia experienced a pressure from such parties and this pressure has borne fruit. The country itself was positive about the project but as the then minister of energy of Serbia Zorana Mihajlović said «Serbia is a small country which cannot influence the resolution of issues such the one between EU and Russia. ... We do want gas through South Stream as soon as possible, but at the same time we should construct the Nis-Dimitrovgrad pipeline... For the energy security of Serbia it's very important to have another direction for gas supply ...».<sup>127</sup>

The Ukrainian crisis played a crucial role in defining the future of «South Stream». Brussels had required from Gazprom to revise the agreements on the pipeline building. This requirement concerned such countries as Bulgaria, Slovenia, Croatia Serbia and Hungary. During the conference «South Stream: The evolution of a

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<sup>126</sup> Ponomareva, Elena. «Juzhnyj potok»: bitva za Serbiju» [Electronic source] // Vestnik Mgimo. // URL: <http://old.mgimo.ru/news/experts/document236310.phtml>

<sup>127</sup> Mitrovic, Milos. «Serbia between South Stream and TAP» [Electronic source] // Independent Balkan News Agency. June 6, 2014. // URL: <http://www.balkan.eu.com/serbia-south-stream-tap/>

pipeline» held at the European Parliament in 2013, Klaus-Dieter Borchardt<sup>128</sup> declared «the South Stream link will not operate in the territory of the European Union if it's not in compliance with EU law».<sup>129</sup> The EU explained its position by saying that these international governmental agreements did not have legal force. Thus, according to the EU logics, not national parliaments and governments but the norms of the Third Energy Package give legal force to intergovernmental documents.<sup>130</sup>

However, recalling the situation with «Nord Stream 2», the EU played the card of Third Energy Package quite the opposite<sup>131</sup>. It seems more and more obvious that it uses its power to interpret the documents and legal norms according to its own will. Political reasons are put above the economic interests of member-states and their sovereignty. In addition to that, most of the agreements were concluded in 2008 therefore before the Third Energy Package came into force. Moreover, the law is not retroactive. The absence of the full sovereignty of member states of the EU makes them consider the demands of Brussels.

In case of its realization, «South Stream» would have become one of the most economically beneficial project for Southern Europe. It would not only provide uninterrupted supply but would also create new jobs, attract investments and activate financial systems of countries participants. As D. Medvedev mentioned, the Third Energy Package runs counter to the norms of WTO because it has a discriminatory character towards Russian companies on the European market.<sup>132</sup> For Serbia this project according to the speech of the president of the country was a hope for the economic development and strengthening of its position on international arena.<sup>133</sup>

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<sup>128</sup> Director of the Internal Energy Market at DG Energy at the European Commission

<sup>129</sup> «EU Tells Russia: Re-negotiate South Stream» [Electronic source] // KazInform. December 8, 2013. // URL: [http://www.inform.kz/en/eu-tells-russia-re-negotiate-south-stream\\_a2612309](http://www.inform.kz/en/eu-tells-russia-re-negotiate-south-stream_a2612309)

<sup>130</sup> Ponomareva, Elena. «Evrosojuz vs. «Gazprom»: v labirintah jenergeticheskoy politiki» [Electronic source] Vestnik Mgimo. // URL: <http://old.mgimo.ru/news/experts/document244328.phtml>

<sup>131</sup> Poland has sued the European Commission for its decision to give the green light to the «Nord Stream 2» project. The EC explained that in this case the norms of TEP were not applied and thus were not legally binding to the pipeline. This case is analyzed in Chapter 2.2.3

<sup>132</sup> «Moskva zasudit ES za gaz» [Electronic source] // Gazeta.ru. December 4, 2013. // URL: <https://www.gazeta.ru/business/2013/12/04/5783613.shtml>

<sup>133</sup> «Serbian President Hopes South Stream Gas Pipeline Project to Be Implemented» [Electronic source] // Sputnik. March 9, 2016. // URL: <https://sputniknews.com/europe/201603091036000990-serbian-president-nikolic-south-stream-gas-pipeline-implement/>

Up until 2014 and beginning of the Ukrainian crisis, all parties concerned had been doing the preparatory work. Russia and Serbia had signed a 10 year contract for gas deliveries to Serbia, all countries had given their permission to start the construction. However, starting from 2014, when Russia announced that the sea part of the project could pass through the territory of Crimea, the general tone of the project has changed. Right after that, the EC stalled the negotiations with Russia over «South Stream» and in April 2014, the European Parliament adopted the Resolution on Russian pressure on Eastern Partnership countries and in particular destabilization of eastern Ukraine. The resolution contains a clause which appeals to member states to take measures against Russian companies in particular in the energy sector as well as for review and suspension of all agreements with it.<sup>134</sup> European press started to call the project «dead», however, Russia declared its intention to continue the construction despite the EU resolutions. But already in 2 months, the Bulgarian Prime minister after a meeting with the US congressman announced that Bulgaria was going to halt the construction due to the EC announcement to stop the «South Stream» construction in its member states, first of all, in Bulgaria because some violations on part of Bulgaria, mainly the inconsistency with the norms of Third Energy Package have been found.<sup>135</sup> The position of Bulgaria influenced also Serbia which stated that it had to suspend the realization of the project. Despite the evident intention of the EU to impede the construction of the pipeline, the president of Russia together with the authorities of Austrian company «OMV» signed an agreement to build a part of the pipeline on the territory of Austria. Along with that, Hungary, Macedonia and Italy reaffirmed their commitment to build the pipeline.

In spite of apparent determination of the EU member states to continue the project, the European Parliament did not lose its grip on these states and adopted a resolution on the state of EU-Russia relations in which it appealed to member states to strengthen their unified position against Russia, reconsider their relation with Russia, maintain sanctions against it and abandon the strategic partnership concept. As one of its main lever pressure it used the energy issue stating that «energy, which

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<sup>134</sup> European Parliament resolution on Russian pressure on Eastern Partnership countries and in particular destabilization of eastern Ukraine (2014/2699(RSP)), April 16, 2014- Strasbourg [Electronic source] // URL: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+MOTION+P7-RC-2014-0436+0+DOC+XML+V0//EN>

<sup>135</sup> «Bolgarija priostanavlivaet rabotu po proektu «Juzhnyj potok» [Electronic source] // Prime. June 8, 2014. // URL: <http://1prime.ru/News/20140608/786356899.html>

plays a central and strategic role in EU-Russia relations, is a key instrument of Russian foreign policy»<sup>136</sup>, apart from this, the EU should be resilient to pressures, diversify its economy and lessen its dependence on Russia and this could only be achieved through inner cooperation and solidarity.<sup>137</sup> Bulgaria had to stop the construction works two times under the pressure of the European Commission. After several months of confrontation and attempts of the EC to «put a spoke in the wheel», on December 1st, president of Russia announced the decision to end up the construction of «South Stream» due to the non constructive position of the European Union. As he stated it «not only the EC did not help to construct the pipeline, but we can see, it creates impediments to its realization».<sup>138</sup> The CEO of Gazprom, A. Miller, declared that the project had been closed due to the inability to get a permission from Bulgaria to build the sea part of the pipeline and reach the Bulgarian coastline.<sup>139</sup> On January 1, 2015 Bulgaria announced that it was ready to give all necessary permissions for the continuation of construction which was followed by the approval of a new «Program on stable development of Bulgaria for the period 2014 to 2018» which underlined that «South Stream» construction would be done as a priority in a total compliance with the EU laws and in dialogue with the European Commission.<sup>140</sup> After half a year, Bulgaria addressed to Russia for the second time asking to renew the project. By that time, Russia had already decided to turn «South Stream» into « Turkish Stream» in partnership with Turkey which was intended to deliver gas to Europe not via the Balkan states but via Turkey. Not only these Balkan states lost huge profits from transits and possible investments resulted in such a big project, they also trapped themselves into corner of political and economic domination of Turkey which could become a regional hub.

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<sup>136</sup> European Parliament resolution on the state of EU-Russia relations (2015/2001(INI)), June, 10, 2015 - Strasbourg [Electronic source] // URL: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2015-0225+0+DOC+XML+V0//EN>

<sup>137</sup> Ibid.

<sup>138</sup> «Rossija ne budet stroit' «Juzhnyj potok» [Electronic source] // Vesti. December 1, 2014. // URL: <http://www.vesti.ru/doc.html?id=2167089>

<sup>139</sup> «Miller: proekt «Juzhnyj potok» zakryt, vozvrata ne budet» [Electronic source] //RIA Novosti. December 1, 2014. // URL: <https://ria.ru/economy/20141201/1036049502.html>

<sup>140</sup> «Stroitel'stvo «Juzhnogo potoka» ostaetsja prioritetoj v rabote pravitel'stva Bolgarii» [Electronic source] // TASS. January 21, 2015. // URL: <http://tass.ru/mezhdunarodnaya-panorama/1713262>

Nowadays, Turkey is preparing a new national energy program with its main idea to make Turkey a leading energy hub of the region. That is why it attempts to gather as many gas pipelines as possible on its territory. Taking into account recent constitutional amendment, it is unlikely, the European Union will be willing to have Turkey as main energy transit state on the European continent.

However, there are still some prospects that the «South Stream» project might have a future. Russia has been warning several times that it is planning not to renew transit contracts with Ukraine. It is been already more than 2 years since the crisis broke out and there is not much progress in the process of reconciliation between the parties concerned. Transit via Ukraine is considered to be the riskiest one, it jeopardizes the fragile energy rapprochement that the EU and Russia have finally reached lately. Since there is a high possibility that in 2019 transits via Ukraine will be stopped, Southern European states got concerned about the security of supply. Bulgaria still hopes to restart the project especially since president of Russia mentioned during his visit to Hungary that Russia seeks for further cooperation with Europe but under condition of firm guarantees that all promises will be kept and countries participants of the project will not become puppets of the EC.<sup>141</sup> On the other side, it seems that after years of political confrontation and interference into economic affairs of its member states, the EC finally realized that its plan to avoid cooperation with Russia in energy sector and find alternative supply routes would not bring the desired results. The sudden change of its course and «Nord Stream 2» backing are an example that shows that there is a chance it will reconsider its position towards Russia's energy.

To sum up, the second chapter had a look at the most important period of the energy relations between Russia and the European Union. It encompassed the overview of the liberalization process which has brought a series of clashes of interests of the two parties, especially over the well known Third Energy Package. This package has introduced a new unbundling regime, which influenced already existing projects as «Nord Stream», and complicated the negotiations over future projects as «Nord Stream 2» and «South Stream» resulting in the total cancellation of

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<sup>141</sup> «Juzhnyj potok»: Bolgarija hočet peretjanut' na sebja chast' tranzita cherez Ukrainu [Electronic source] // Novinite.ru. February 22, 2017. // URL: <http://www.novinite.ru/articles/25129/%22Южный+поток%22:+Болгария+хочет+перетянуть+на+себя+часть+транзита+через+Украину>



the latter. Although, during last decade the relations could not be characterized as thriving, noting how the Ukrainian crisis of 2014 jeopardized them in different spheres, in particular, in energy sphere, lately we have been witnessing the evident attempt to reach a consensus and return to the path of political rapprochement and mutually beneficial economic relations. The process of a new thaw in these relations is under way , it also requires a lot of time and much more elaborated foreign policy of each party. To conclude, energy is the issue that can guarantee that rapprochement since both Russia and the European Union admit that they are interdependent and cannot lose each other as significant economic and political partners.

The last chapter of this thesis will give a detailed analysis of the Italian media on the issue of energy relations between Brussels and Moscow. The analysis will be based on the articles from the main Italian newspaper which had published their features related to the key events and major milestones of the energy relations.

## Chapter 3

### 3.1. The theory and methodology of the frame analysis

Frame (also framing) analysis is a multidisciplinary method of scientific research which is used for analyzing how people perceive different situations or events. The concept of frame analysis was introduced by Erving Goffman in his book *Frame analysis: an essay on the organization of experience* (1974)<sup>142</sup>. Later, the concept application was spread to the theory of social movements, political research, news and other studies. The term «framing» of the method did not have the generally accepted definition until the 90s when the frame analysis study was renewed due to the contribution of Robert Entman who clarified the terminology and methodology of the subject. Due to his contribution, the frame analysis evolved into a serious academic subject.

Today, the majority of scientists and researchers agree that one of the best explanations of the term was given by Robert Entman in his work *Framing: Toward Clarification of a Fractured Paradigm* in which he states that «to frame is to select some aspects of a perceived reality and make them more salient in a communicating text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation for the item described»<sup>143</sup>. He defined the frames as a schemata of information processing in news texts which enhance a specific perception and understanding of events. News frames appear and embody in key words, metaphors, symbols, visual images, concepts which are underlined in the texts of news items. These components of the frames coincide very frequently with the established in society discourse and shape a such a way of thinking about a particular event that is already well known by the audience from the previous experience. R. Entman identifies four purposes of the

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<sup>142</sup> Erving Goffman (1922-1982) is one of the main sociologists of the 20th century. The main idea of his work is that people's behavior, in particular, normality and abnormality, is explained by the forms of organization of everyday experience and communication or frames, which make up social life and which let interpret behavior of others.

<sup>143</sup> Entman, Robert. *Framing: Toward Clarification of a Fractured Paradigm* (Journal of Communication 43(4), Autumn,1993), 51. [Electronic source]// URL: [https://www.attorneygeneral.jus.gov.on.ca/inquiries/cornwall/en/hearings/exhibits/Mary\\_Lynn\\_Young/pdf/05\\_Entman.pdf](https://www.attorneygeneral.jus.gov.on.ca/inquiries/cornwall/en/hearings/exhibits/Mary_Lynn_Young/pdf/05_Entman.pdf)

frame analysis application into the media research. It defines problems, diagnoses a course, makes value judgments, and suggests remedies.<sup>144</sup>

The theory of framing shows how the information given to the audience influences the way people choose how to process the information. Frames systematize the meaning of the information conveyed to the audience. In the mass media analysis, the frames are used to shape the needed perception of a news articles by the audience. It might seem that frame analysis is similar to agenda setting, both of them focus on how the mass media draws the audience's attention to particular issues, nevertheless, there is a significant difference. Frame analysis expands the idea of the agenda setting and focuses on the whole issue rather than particular patterns of it. The frame analysis implies that the mass media cover some and ignore other events, while agenda setting implies that the mass media covering an event ignore some parts of it and underline others in the meantime. In other words, framing analysis manages the audience, guiding how and what to think about an issue.

The framing is a kind of content analysis which is used by a researcher to analyze a text in order to identify the frames and find out if this text plays a political role. Theoretically, such an analysis defines how frames get embedded into news items by political actors, how journalists use them to write texts and how the readers interpret these frames. The method allows to identify the manipulation of public opinion in cases when the mass media items contain framing. In its identification, framing is more difficult to be found than the agenda setting.

The methodology of the frame analysis includes two types of sources: reasoning devices and framing devices. The former explain the events and the latter characterize them. Reasoning devices represent the interpretation of the reasons of an event, its consequences and significance. According to Fairhurst and Sarr framing devices include key words, key actors, metaphors, slogans, stories, artifacts, spins. Metaphors are used to frame an idea through comparison with something else. Key words are used first in the headlines and then are repeated several times in the text. Key actors represent a person or a group of people who are identified with the reason of a problem or its solution. Slogans and stories are used to frame an idea with catchy

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<sup>144</sup> Entman, Robert. *Framing: Toward Clarification of a Fractured Paradigm* (Journal of Communication 43(4), Autumn,1993), 52. [Electronic source]// URL: [https://www.attorneygeneral.jus.gov.on.ca/inquiries/cornwall/en/hearings/exhibits/Mary\\_Lynn\\_Young/pdf/05\\_Entman.pdf](https://www.attorneygeneral.jus.gov.on.ca/inquiries/cornwall/en/hearings/exhibits/Mary_Lynn_Young/pdf/05_Entman.pdf)

words to make it more remarkable. Artifacts represent the object with a strong symbolic meaning that makes the idea more memorable.<sup>145</sup> Framing devices include the writing techniques and visuals such as headlines, photo captions, selection of sources and quoting. Quoting is of particular significance since the quotes from the official sources give the text more credibility and validity.

To understand how the frames work, it is necessary to elaborate on such concepts as *salience*, *sizing* and *importance*. The frames highlight specific information about objects of a message making them more *salient*, understandable, remarkable. In order to be more salient, the information should be placed in the beginning or at the end of the text, be repeated numerous times.<sup>146</sup> *Sizing* is the essence of the framing, it exaggerates or downplays the elements of the imagined reality for greater or lesser *salience*. Besides words and images used for the image of reality, there is also *importance*- that is how much information about an event is out and what place it takes in a newspaper.

It is hard to deny that nowadays, the mass media has a strong influence on the society and individual perception of the world. G. Tuchman compares news items with a window of the world and Americans look at the world and at themselves through the frame of this window. However, what they see out of this window is always different, the view depends on many factors which together create the problematics of the frame.<sup>147</sup> The media affect the audience in different ways using different techniques and tools, especially when it comes to politics and its understanding. The process of framing is crucial in that sense since frames are applied to politics and individuals themselves interpret the meaning of political news. The application of the frame analysis to the politics was introduced by George Lakoff, famous American linguist. His book *Don't think of an elephant* was a breakthrough in the frame analysis study which led to the spread of framing to the

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<sup>145</sup> Fairhurst Gail, Sarr Robert. *The art of Framing: managing the language of leadership* ( San Francisco, Jossey-Bass, 1996), 148.

<sup>146</sup> Entman, Robert. *Framing: Toward Clarification of a Fractured Paradigm* (Journal of Communication 43(4), Autumn,1993), 53-54. [Electronic source] // URL: [https://www.attorneygeneral.jus.gov.on.ca/inquiries/cornwall/en/hearings/exhibits/Mary\\_Lynn\\_Young/pdf/05\\_Entman.pdf](https://www.attorneygeneral.jus.gov.on.ca/inquiries/cornwall/en/hearings/exhibits/Mary_Lynn_Young/pdf/05_Entman.pdf)

<sup>147</sup> Tuchman Gaye, *Making news: A study in the construction of reality* ( New York : The Free Press, 1980), 83.

political circles and its usage as a political communication tool.<sup>148</sup> As G. Lakoff puts it, the «frames are the mental structures that allow human beings to understand reality – and sometimes to create what we take to be reality. [T]hey structure our ideas and concepts, they shape how we reason, and they even impact how we perceive and how we act. For the most part, our use of frames is unconscious and automatic – we use them without realizing it.»<sup>149</sup>

According to Neuman, Just and Crigler, there are «five predominant frames» most used by the mass media. They deal with the most pressing problems and topics most interesting for the audience and issues that involve society as a whole. The human impact frame highlights what individuals probably will be affected by the issue. Media tends to use vivid examples with «human face» so people could compare themselves to these examples and express their own concerns over the topic. By the same token, they use a wide range of adjectives, epithets and metaphors to color a picture which attracts attention of the receivers and generates certain feelings among them. The morality frame in its turn draws attention to the moral side of an issue. The economic frame is one of the most important since it deals with the prosperity, welfare and economic stability of the society. The powerlessness frame underlines the fact that there are forces which are more powerful than people and which rule over individuals, it stresses the lack of control within the hands of common people and the concept of powerful others. This generates the feeling of little personal control over the course of events and even own lives. The last one is the conflict frame. The media puts a strong emphasis on conflicts as a means of drawing people's attention. The media use the «game interpretation of the political world» as endless confrontations, contests which reveal those who win and those who lose. The media use sets of opposite forces underlining their polarization. The conflict frame is frequently used in the coverage of domestic policy, foreign affairs, international relations.<sup>150</sup>

The works by T.E. Nelson, Oxley and Clawson gave a broader understanding of the framing effects and cleared up a theoretical domain of the frame analysis

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<sup>148</sup> Azpíroz Maria Luisa. «Framing and Political Discourse Analysis: Bush's trip to Europe in 2005», *Observatorio Journal*, vol.8 - no3 (2014), 75-96.

<sup>149</sup> Andrain Charles. *Political Justice and Religious Values* (London, Routledge, 2009), 162-163.

<sup>150</sup> Neuman Russell W., Just Marion, Crigler Ann N. *Common Knowledge, News and the construction of political* (The University of Chicago Press, 1992), 64-75.

which until recently has been confused with other mass communication theories, mainly agenda setting. Frames are not crucial just for the news information, they evoke the information which was processed by the audience and evaluated as important. Frequently, frames do not provide receivers with some new information about the topic, despite that, their impact on people's perception and position towards an issue may be significant due to the way they affect the relevance of issues by individuals'.<sup>151</sup>

News items are usually composed of several sections which bring to the receiver different kind of information. At the beginning of an article, journalists elaborate on the topic mentioned in the headline, they add details and strengthen the message they convey. Then there are middle passages which often use another perspective to shed some light on the issue and by the end of an article, authors return to the initial topic, key idea and conclude. That means that the longer an article, the higher is the possibility that an article contains more frames. Thus, it is possible to divide frames into primary and secondary according to their appearance in a news item and their relevance. Boykoff asserts that identification of primary and secondary frames depends on the importance of «elements in the text, who was quoted and/or referred to, terms used, and relationships between clusters of messages». <sup>152</sup> In the first place, there should be identified and analyzed primary frames. They usually can be easily found in the headline, subtitle and first paragraphs. However, there is a little peculiarity: not always the headline corresponds to the content of the first paragraph due to the fact that different persons could be in charge of the article and headline writing. Primary frames are defined by such elements as source quoting and these quotes are usually taken from reliable and famous sources which are always mentioned in an article. Once having identified primary frames, the rest of the text can be further scrutinized for secondary frames.

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<sup>151</sup> Johnson-Cartee Karen S. *News Narratives and News Framing: Constructing Political Reality* (Rowman & Littlefield, 2005), 26-28.

<sup>152</sup> Boykoff Maxwell, «The cultural politics of climate change discourse in the UK tabloids». *Political Geography* 27(5), 2008, 549-569.

<sup>153</sup> Di Gregorio, Monica et al. Code book for the analysis of media frames in articles on REDD [Electronic source] // CIFOR, Bogor, Indonesia, 2012, 1-3. // URL: [http://www.cifor.org/publications/pdf\\_files/books/bbrockhaus1202.pdf](http://www.cifor.org/publications/pdf_files/books/bbrockhaus1202.pdf)

To be able to conduct a frame analysis of newspaper features, it is necessary to start with the identification of repeated patterns in news items by means of the following techniques. First step is to select newspapers. In this case, the analysis will encompass the major Italian national newspapers as *la Repubblica*, *la Stampa*, *Corriere della Sera*, *il Sole24ore*. These are the newspapers which have the highest circulation and have politics related features. Each newspaper of the above mentioned ones will be analyzed on the subject of its political leanings, what political forces it backs, by whom it is sponsored in order to have a better understanding why a certain newspaper sticks to a particular point of view on the issue throughout the whole period of news examining. The second step represents a selection of articles related to the topic of the research. Wimmer and Dominick define this step as the identification of analysis units. They argue that «the unit of analysis might be a single word or symbol, a theme, or an entire article or story»<sup>154</sup>. In context of the frame analysis, most frequently the unit is an article of the selected newspaper of the indicated period of time. For this very reason, there should be defined one or several time spans depending on the number of issues subjected to the analysis. In this paper, the major issues are the abolition of the «South Stream» project, the EU anti-trust investigation of Gazprom's and the concessions agreement and the attitudes towards «Nord Stream 2» and its perspectives. The choice of these topics is based on the fact that the indicated periods of time are characterized by their significance for the development of economic and political relations, direct impact on the prospects of the relations and the highest media coverage. The time frame for the first issue («South Stream») is set on the period from July 2014 till the end of December 2014 when the final decision on the project was announced. The period of the second theme (anti-trust investigation) is set from 2015 as a year when the antitrust investigation officially began and then the period of September 2016- May 2017 when the concessions of Gazprom were announced. The third topic («Nord Stream 2») is set on the period from December 2015- up until now because the possibilities of the pipeline have been discussed ever since «South Stream» was cancelled.

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<sup>154</sup> Wimmer R.D, Dominick J.R. «Mass Media Research. An Introduction» in Linström, Margaret, Marais, Willemien. *Qualitative news frame analysis: a methodology* (Canada, Thomson Wadsworth, 2012), 158.

The analysis of each newspaper selection of articles will be followed by a comparison of the framing of each topic by the publications from the newspapers which will be scrutinized. Thus, each topic will be analyzed in two stages in order to assemble a complete picture, reveal regularities and at the end to answer the research question. In order to proceed the frame analysis, it is necessary to select a frame typology. This step is of great importance. The frames selection can be done by means of the inference of the generalized conclusion made from single observations and particular instances, in other words, along the course of research making. In a pilot study, a researcher reads selected articles a number of times and identifies new frames or a researcher can use the already existing, identified by famous scholars as Neuman, Just, Crigler five basic news frames<sup>155</sup> and in this case the inference will be from the generalized knowledge to individual and single observations at the end of the research. As soon as frame types are selected, a researcher can proceed with the selection of what kinds of frames to use: either primary or both primary and secondary frames. Primary frames represent the main ideas of the article and secondary support the additional ideas which amplify the main idea. Further, there should be identified operational definitions which « specify the phenomena of interest»<sup>156</sup>. The researchers J. N. Cappella and K.H. Jamieson from Oxford University in their book *Spiral of Cynicism: The Press and the Public Good* propose three benchmarks to follow in order to formulate the operational definitions of frames and understand the news effects. Thus, a frame should contain some linguistic and conceptual peculiarities, have a constant and broad media coverage and be easily recognized among other frames.<sup>157</sup> There must be a clear distinction between hidden aspects of the discourse which impact on interpretations and judgements and easily identified frames which mean a lot to people's attitudes and their conduct.

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<sup>155</sup> Neuman Russell W., Just Marion, Crigler Ann N. *Common Knowledge, News and the construction of political* (The University of Chicago Press, 1992), 64-75.

<sup>156</sup> Wood, Julia. *Communication Theories in Action. An Introduction* (Canada: Thomson Wadsworth, 2004), 65.

<sup>157</sup> Capella, J.N., Jamieson, K.H. *Spiral of cynicism: The press and the public good* (New York: Oxford University Press, 1997), 47-48.



Cappella and Jamieson throughout their study use the term «news consumers»<sup>158</sup>. It is not just a random combination of words, but an elaborated concept which implies a deeper understanding of the mass media influence on shaping people's beliefs and ideas. This term reflects the essence of the whole range of analysis of media and their impact on the audience by using the word «consumer». Both from the academic, and media point of view, individuals who read the print editorials or watch TV news are perceived as consumers. They not only consume alimentary goods but they also consume information. The information which is conveyed in media messages is conveyed in the ways which are intended to form specific attitude or understanding of certain issues. Individuals consume what is proposed to be consumed by «the media market». Same as their routine consumption of goods, the choices made by people in sphere of news consumption are mostly unconscious due to the limited political and economic background and the blind trust in the news giants which every day shed light on all kinds of issues. The authors assess that «frames may be able to activate knowledge, stimulate stocks of cultural moral and values, create contexts within which... media effects are produced»<sup>159</sup>.

Frames do not serve only for revealing the content of news articles, they mainly serve to study the impacts and effects which these news formats produce on individuals. Without a doubt, the presence of a framing does not mean that it has some kind of consequences for the audience. People tend to rely on their knowledge, outlook and personal opinions. Hence, it is wrong to assert that all frames have equal impact on receivers' attitudes, understanding of an issue or behavior. In case an existing in the text frame has a strong effect, the personal experience or external influence on an individual might overshadow or contradict an effect of this frame. There is also a chance that an individual does not take seriously one or another media print and search for other sources of information to prove or deny what was presented in a taken news item. Thus, other sources apart from the media prints might have their own effect on an individual by destroying or enhancing the effects of framing. The readership is supposed to be incapable of seeing the core of the issue beyond the frames which are imposed by the news authors. Cappella and Jamieson

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<sup>158</sup> Capella, J.N., Jamieson, K.H. *Spiral of cynicism: The press and the public good* (New York: Oxford University Press, 1997), 46-49,57, 79, 85,89.

<sup>159</sup> Ibid., 47.

claim that the framing effects should be treated carefully. Despite the fact that frames exist, their effects cannot be taken for granted. They see it as a widespread disregard among the scholars who study the framing and its effects. They compare their own view with the views of such researchers as Entman and Patterson. Entman supposes that, in case, in the text there is only one dominant frame, it leads to the exclusion of all other possible frames and as a result receivers are under the effect of this main frame. Cappella and Jamieson note that such a perspective on the issue neglects the individuals' mental capacities and their ability to think independently or a possibility that they might be under the influence of external sources. On the other hand, Patterson argues that the changes of studies in the field of politics coverage induce framing effects. The authors sum up by saying that framing and its effects are two different things and they cannot be interconnected till it is proved they are<sup>160</sup>.

To proceed with the frame analysis, there should be identifies the keywords and the news frames themselves. Margaret Linström and Willemien Marais propose to rely on the study by Alozie in order to know *how* to identify the news frames using the following algorithm. It comprises three phases: recurring reading of the chosen material (news articles) and putting down notes, then final reading in order to define frames and repeated themes and deep analysis of the articles with the further interpretation of the content. <sup>161</sup> Those who write articles intend to clarify issues for the receivers, however, very frequently they distort information rather than to convey a message properly. The frame analysis of news articles is aimed at the a number of media research purposes such as comparison of the content with the real course of actions, evaluation of media effects and their significance in the society.

The coverage of the political issues differs from all other types of issues. It is more selective and precise. Journalists pay attention on what sources to use, whom to quote and from what point of view to cover the events. Complicated and profound issues have to be organized in a way to be brief and clear to the readers. Journalists always search for some external sources to get the insights, professional views, analysis of a situation and quotes to refer. A well placed quote or opinion can give a

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<sup>160</sup> Capella, J.N., Jamieson, K.H. *Spiral of cynicism: The press and the public good* (New York: Oxford University Press, 1997), 49-50.

<sup>161</sup> Alozie, Emmanuel. «Sudan and South Africa – a framing analysis of Mail & Guardian Online's coverage of Darfur» in Linström, Margaret, Marais, Willemien. *Qualitative news frame analysis: a methodology* (Canada, Thomson Wadsworth, 2012), 30-31.

boost to a political force, program, campaign or interest. Thus, political elites play a crucial role in the process of political news framing and shaping of the framing devices. Despite the fact that political elites contribute a lot, the news agencies and newspapers summarize and conclude by themselves depending on their own points of views and political beliefs.<sup>162</sup>

Framing devices with all the elements that they encompass influence on the individuals' perception. By triggering these or those frame techniques, the authors impose an opinion and understanding of certain things. For the research in the sphere of political communication, one of the main questions is how people process the information they get from the media and how eventually this information forms and changes their political beliefs and opinions. According to Nelson, Lawson and Oxley there are three models to answer this question.<sup>163</sup> First one - the learning model explains that the people's opinions are influenced by the new information, new details which are given by the news items in print media or TV. The second-accessibility model is based on the assumption that not only new data shapes the viewers' or readers' outlooks but also additional feelings and beliefs matter. This model derives from the theory that people inherently are unable to perceive a lot of information simultaneously and that guarantees that political evaluations are formed by just a part of all possible important considerations and thoughts. People store in their distant memory basic considerations and beliefs which interact with new information from news articles and thus that new information is processed with reference to already shaped view. This model argues that only the information which has an easy access is powerful and can influence the public opinion. The third one-expectancy value model emphasize that all patterns of the text have different impact on the consciousness of people and thus at the end form differently the final attitude of a person. The authors suggest that news frames evoke different level of importance of certain considerations which bring greater significance to the final attitude and by doing this they affect the opinions of people. Having conducted two experiments with groups of people and news articles, Nelson, Lawson and Oxley

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<sup>162</sup> Nelson T.E. Clawson R.A., Oxley Z.M. *Media Framing of a Civil Liberties Conflict and Its Effect on Tolerance* [Electronsource] // *The American Political Science Review*, Vol. 91, No. 3. 1997, 568 - 569. // URL : <http://links.jstor.org/sici?sici=0003-0554%28199709%2991%3A3%3C567%3AMFOACL%3E2.0.CO%3B2-O>

<sup>163</sup> Ibid., 568-569.

came to the conclusion that the personal choice of journalists of what words to put into texts, what stylistic elements to use, how to present an issue as a whole and the like has a direct link to the way how the respondents perceived the same issue. These alternative frames have noticeable impact on how receivers perceive the topic and eventually and on the opinions they express.<sup>164</sup>

The amounts of researches and studies that cover the frame analysis are great and they all testify that the framing nowadays is considered to be a very powerful technique to explain the activities of the mass media. It ensures a better understanding of all media processes which intend to shape public opinions and alter the beliefs. As it was already said, the public opinion on the political issues is highly influenced by the news media. The media's main function is to guarantee that all new information given to the readers is of high quality and can be relied on. Apart from that, the mass media try to give some signals about how to embed our beliefs into attitudes. Media set what should be perceived as most important and what should be a subject of people's consideration. Furthermore, another important concept of the frame analysis study is the weighting concept. It represents a vision that accessibility of considerations is not as crucial as the weight related to these considerations. Thus, it again stresses that some pieces of information are more significant than others in the framework of a certain opinion.<sup>165</sup>

Jim A. Kuypers suggests that the newspaper readership percentage depends on the educational level of people. In his study of the Americans, he comes to the conclusion that those Americans whose education level is limited to just high school are twice unlikely to read newspapers than those who have studied at colleges and universities. In other words, the higher the education and person's income, the more probable that person looks at print media for news. The most interesting observation in the readership study is that there is a direct correlation between newspaper reading and political involvement. In his book *Press Bias and Politics: How the Media Frame Controversial Issues*, J.A. Kuypers analyses how press sources modify and alter the original information, original idea that they have to cover. His main question

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<sup>164</sup> Nelson T.E. Clawson R.A., Oxley Z.M. *Media Framing of a Civil Liberties Conflict and Its Effect on Tolerance* [Electronicsource] // The American Political Science Review, Vol. 91, No. 3. 1997, 568 - 569. // URL : <http://links.jstor.org/sici?sici=0003-0554%28199709%2991%3A3%3C567%3AMFOACL%3E2.0.CO%3B2-O>

<sup>165</sup> Ibid., 577.

is how do we perceive controversial topics under the influence of the mass media?<sup>166</sup> To answer this question he uses a variety of techniques including the frame analysis. The author starts from introducing the concept of media manipulation which according to Graber is one of the four media functions along with surveillance, interpretation and socialization.<sup>167</sup> Surveillance implies a provision of news and information, interpretation in its turn means an interdependence of data selection, its interpretation and the media's criticism of the reported information while socialization is a way to learn a set of values that people adjust to their cultural environment. Finally, the manipulation function corresponds to the intentional manipulation of political processes. Kuypers base his study on the manipulation concept since the cornerstone on which Graber builds her concept is that media exercise an extraordinary function of news shaping and agenda keeping. The manipulation is embodied into two ways. The first one is the drawbacks and malfunctioning disclosure of the political apparatus and the second refers to attention attraction by means of sensation writing in order to sell out the newspapers. Kuypers relies on the first form of manipulation in his work. He explains that with the time, the press has acquired a new liability. It turned its main role from observation and statement of facts into a kind of social guardian which decides what is not working in the society and what should be changed.<sup>168</sup>

Both Kuypers and Graber argue that agenda-extension is « a widely used strategy for manipulating politics».<sup>169</sup> However, Kuypers stresses that this position of the press as a social activist jeopardizes the stability of the democratic society. It jeopardizes the values of society because it is penetrated with bias and political and business affiliation. The author mentions the research conducted by Patterson who states that reporters and journalists tend to let their personal ideologies and political

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<sup>166</sup> Kuypers, Jim A. *Press Bias and Politics: How the Media Frame Controversial Issues* (Greenwood Publishing Group, 2002), 2.

<sup>167</sup> Graber, Doris A. *Mass Media and America Politics* (Washington, DC, Congressional Quarterly Press, 2014), 11.

<sup>168</sup> Kuypers, Jim A. *Press Bias and Politics: How the Media Frame Controversial Issues* (Greenwood Publishing Group, 2002), 14-16.

<sup>169</sup> Graber, Doris A. *Mass Media and America Politics* (Washington, DC, Congressional Quarterly Press, 2014), 277.

leanings to influence their works. At the same time, de Vreese states that the media are the foundation of the democratic regime.<sup>170</sup>

De Vreese also suggests that it is not enough to know what are the types of the frames, it is also very important to know in what situations and how to use these types. Frames are the part of the communication process which encompasses the constructing of frames and their adjustment to the people's susceptibility. The process of framing itself is composed of the four phases which are the above mentioned two types plus the framing consequences on personal and societal levels. The frame constructing constitutes a way how journalists build the frames. This process occurs due to the permanent cooperation of journalists and political circles<sup>171</sup>. The next step is the adjustment of the frames to the existing information and set of beliefs of receivers because frames tend to alter interpretation and assessment of a given topic. On personal level, the impact of framing represents in a way it changes the perception of one or other already known issue. At the meantime, on the level of society interference, frames can start a process of political socialization, social protests and movements against particular political force, program or policy.<sup>172</sup>

De Vreese in his turn proposes his own typology of frames according to which particular frame are appropriate in certain issues or events. He calls these frames «issue-specific» ones. Others which are named «generic» frames can overcome the imagined barriers and be applied to a variety of issues and diverse cultural contexts.<sup>173</sup> This typology serves to clarify why the catch all framing phrases are used. «Issue-specific» frames which are intertwined only with particular topics and have their relevance only in these kinds of news articles contexts. As the author claims, researchers use this type of frames in such specific cases as Muslim Intifada, Internet, Feminism and etc.<sup>174</sup>

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<sup>170</sup> Vreese de, Claes H. «News framing: Theory and typology.», *Information Design Journal*, 13(1) (John Benjamins Publishing Company, 2005), 51.

<sup>171</sup> Tuchman Gaye, *Making news: A study in the construction of reality* ( New York, The Free Press, 1980), 104.

<sup>172</sup> Vreese de, Claes H. «News framing: Theory and typology.», *Information Design Journal*, 13(1) (John Benjamins Publishing Company, 2005), 52.

<sup>173</sup> Vrees de, Claes H. *Framing Europe. Television news and European integration* (Amsterdam: Aksant Academic Publishers, 2002), 21-27.

<sup>174</sup> Ibid.,55.

Among researchers who use the «generic» approach to the framing study, some choose politics and how the media cover it as their case study. Cappella and Jamieson stress that in case of the USA, the strategic news prevails the news coverage of politics, political campaigns and policies of the government.<sup>175</sup>

Another group of researchers study the relation between news frames and broader features of the news coverage. Semetko and Valkenburg reconsidered the class five news frames by Neuman et al.. They define «conflict», «human interest», «attribution of responsibility», «morality» and «economic consequences»<sup>176</sup>. The study conducted by the authors resulted in the statement that «attribution of responsibility», «conflict», «economic consequences» were the most frequently appeared in the media. Another study on the use of «economic consequences» and «conflict» frames showed that the latter was more visible than the former in the political and economic news articles in the countries where the research was conducted.

Each nation has its own journalist culture, that is why the same event can be covered differently not only at the domestic level due to the differences of the news organizations, their settings and corporate ideologies but also at the international level which distinguishes the countries and their national attitudes, established beliefs and judgments. The similarity of news frames in different countries stresses the generic nature of these frames.<sup>177</sup>

In an unstable and unsteady, altering communication milieu, it is important to draw attention to the problem of the duration of framing effects. Readers possess a power to choose what to read according to their own, long term attitudes to different issues. That is why the researchers in the field of the framing have to note what are the factors which contribute to the high public attention to a particular issue. What are the short term and long term effects of this choice and how long the effects of a framing last. The studies of Lecheler and de Vreese show that the duration of the framings is directly dependent on a receiver's exposure of additional external rival

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<sup>175</sup> Cappella, J.N., Jamieson, K.H. *Spiral of cynicism: The press and the public good* (New York: Oxford University Press, 1997), 80.

<sup>176</sup> Semetko, H. A., Valkenburg, P. M. *Framing Europe- an politics: A content analysis of press and television news* // *Journal of Communication*, 2000, 50(2), 93–109.

<sup>177</sup> Vreese de, Claes H. «News framing: Theory and typology.», *Information Design Journal*, 13(1) (John Benjamins Publishing Company, 2005), 59.

frames. In case they do not exist, the duration of the framing effects can last for the long period of time and influence further decision making and alter the further judgements. Competitive news frames study gained momentum in the research circles. Mainly, the scholars concentrate on the effects of the competitive news frames and their impact on the repetitive news frames.<sup>178</sup> Most works on the framing focus on the competitive news frames only if there are two or more competing in the text. The study by Sniderman and Theriault revealed that competitive framing enhance the impact of individual's beliefs in the process and diminishes the news framing effects.<sup>179</sup>

A significant number of scholars classify frames in another way as independent (IV) and dependent (DV) variables. The frames as dependent variables are subject to the studies which analyze what is the role of different factors in making an impact on frames creating and modifying. The journalists are influenced by a number of variables such as organizational, social, personal and ideological. The frames at the level of receivers, DV are analyzed as results of the media's framing of a topic.<sup>180</sup> Media frames as DV are characterized by five factors which impact the way a journalist frame a proposed topic: norms and values, organizational pressure and constraints, pressure of interest groups, journalistic routines and political and ideological affiliation of a journalist. For the further study of news frames, these factors are subdivided. The DV represent the framing of reality which is a sub-dimension of the act of news making.<sup>181</sup>

Studies on media frames as independent variables concentrate more on the framing effects.<sup>182</sup> Such researchers as Pan, Kosicki, Etman elaborate on the concepts that analyze the media frames as IV. There is no single approach to the media frames as IV. Some scholars suggest that media frames as an IV which has an influence on

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<sup>178</sup> Mazzoleni, Gianpietro et al. *The International Encyclopedia of Political Communication*, Volume 1 ( John Wiley & Sons, 2015), 409.

<sup>179</sup> Semetko H.A., Scammell M. *The SAGE Handbook of Political Communication* (SAGE, 2012), 300-301.

<sup>180</sup> Scheufele Dietram. *Framing as a theory of media effects* [Electronic source] // Journal of Communication, 1999, 107-108. // URL: [http://www.phil-fak.uni-duesseldorf.de/fileadmin/Redaktion/Institute/Sozialwissenschaften/Kommunikations-\\_und\\_Medienwissenschaft/Vowe/Forscherguppe/Scheufele\\_Framing\\_theory\\_media\\_effects.pdf](http://www.phil-fak.uni-duesseldorf.de/fileadmin/Redaktion/Institute/Sozialwissenschaften/Kommunikations-_und_Medienwissenschaft/Vowe/Forscherguppe/Scheufele_Framing_theory_media_effects.pdf)

<sup>181</sup> Ibid.,109.

<sup>182</sup> Ibid.,110-112.



the people's views, outlooks, attitudes and personal frames. However, this group has not presented enough empirical data to prove their assumption. The other part of researchers measure media frames as the IV and personal frames as the DV. In this group of scholars the most prominent study belongs to Huang who measure frames at micro and macro levels. She came to a conclusion that media frames penetrate into personal frames and when these two kinds of frames cross, the media and the audience provide difference value to the frames.<sup>183</sup>

When it comes to individual frames, they also subdivide into dependent and independent variables. The studies on individual frames as DV comprehend a connection between media frames as independent and personal frames as the DV's. The studies concentrate on personal frames as results given particular types of media frames. All studies encompass only DV and measure by means of experiments media frames as the IV. Personal frames as independent variables correlate with the personal processing of information.<sup>184</sup>

To sum up, the framing process is a complex issue which plays a crucial role in the modern political communication research. It proposes a vast possibility to analyze and find out how it affects the receivers of the news, to what extent and why. At the same time, the framing is not a fully elaborated concept. It lacks a full-fledged, agreed definition and it is characterized by inconsistent research designs. Those researchers who take a theoretical approach agree upon the fact that in the field of framing studies there is still a lot of theoretical ambiguity and vagueness. The framing relevance is contingent upon the future studies on «the duration and persistence of framing effects in a dynamic media use scenario»<sup>185</sup>.

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<sup>183</sup> Scheufele Dietram. *Framing as a theory of media effects* [Electronic source] // Journal of Communication, 1999, 111. // URL: [http://www.phil-fak.uni-duesseldorf.de/fileadmin/Redaktion/Institute/Sozialwissenschaften/Kommunikations-\\_und\\_Medienwissenschaft/Vowe/Forschergruppe/Scheufele\\_Framing\\_theory\\_media\\_effects.pdf](http://www.phil-fak.uni-duesseldorf.de/fileadmin/Redaktion/Institute/Sozialwissenschaften/Kommunikations-_und_Medienwissenschaft/Vowe/Forschergruppe/Scheufele_Framing_theory_media_effects.pdf)

<sup>184</sup> Ibid.,113-114.

<sup>185</sup> Semetko H.A., Scammell M. *The SAGE Handbook of Political Communication* (SAGE, 2012), 302.

### **3.2. Journalism in Italy, its characteristics, features and political leanings of the newspapers**

In order to start the frame analysis of the selected newspapers, it is important to give an overview of the political biases and affiliation of these periodicals, their backgrounds and trends which characterize them. The newspaper circulation in Italy is pretty low with around 100 copies sold for a thousand of Italians. Considering the fact, that the total number of citizens in Italy reaches 60 million, the number of daily papers is significantly small. Most papers are local or regional due to the historically strong role of regions and native cities in lives of Italians. Nevertheless, there are major national daily newspapers such as Milan-based *Corriere della Sera*, *La Repubblica* with the headquarters in Rome, *La Stampa* from Turin and business oriented newspaper *Il Sole 24 Ore*. Apart from these dailies, there are also popular weekly newspapers with wide readership. Among them, the news magazines are *Panorama* and *L'Espresso*.

As in France, in Italy professional journalism emerged from literary gazettes. From the very beginning, this literary feature penetrated journalism and remained in it, embodied in the interpretative and narrative style which is today's Italian press peculiarity.<sup>186</sup> Due to the fact, that even in 20th century, the level and spread literacy in Italy was low, the mass media market was developing very slow. That was a reason of a relative financial weakness of the print press. As a result, there emerged external support from parties in the beginning, then financial institutions and industrial groups. Another consequence of the wide spread illiteracy appeared in the elite orientation of the Italian print press.<sup>187</sup>

As P. Mancini states, Italian journalism is highly politicized. The history of such politicization traces back to the times of Risorgimento newspapers which were used by rival political forces as political tools. In Italy, the press is more likely to impose some particular ideas and enhance areas shaped views and attitudes than to simply report the facts. During the period, this politicization trend had been

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<sup>186</sup> D'Arma, Alessandro. *Media and Politics in Contemporary Italy: From Berlusconi to Grillo* (Lexington Books, 2015), 79-80.

<sup>187</sup> *Ibid.*, 80.

increasing progressively.<sup>188</sup> After the war, in the First Italian Republic, all political parties has their own newspapers. Gradually, with the time, by the end of the 20th century, the party press following the disappearance of many political parties faded away. As a result, party press was substituted by the politically affiliated press with the same grade of politicization of journalists. Nowadays, polarization of the political system in Italy engendered during the Berlusconi era, shaped a new attitude of the newspapers to their audience. Journalists behave as the political actors, instead of reporting the facts they comment and judge. It is worth noting, that Italy is one of those countries where the newspaper circulation has never vast and Italian newspapers have never had a large constant audience, nevertheless, they manage to get their influence through the empowerment by and tight cooperation with political and economic elites. Italian press has started with the main idea of education people. However, it was very soon turned into the political and ideological tools. This feature is inherent to a lot of countries, yet it appears most visible in the Mediterranean.<sup>189</sup> J. Chalaby studies the two cases in his book, the Anglo-American and the French journalism traditions. He states that in France comparing to the UK and the US, the process of democratization came much later and it was accompanied by the bloodshed violence and journalists took an active participation in that transformation and political change.<sup>190</sup>

Mancini argues that in Italy the process was not very different from the French one, although the commercialization of the press started later than in many other European countries. At the time of Risorgimento as it was said above, newspapers played a crucial role in the process of the national battle. Those who took a part in it, were mainly journalists and writers or used the newspapers in order to reach their goals. Such a trend of newspapers as a political instrument, continued and was commonly used by Mussolini. His newspaper *Il Popolo d'Italia* was his main tool, his platform from which he successfully advocated for the Italy's participation in the

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<sup>188</sup> Mancini, Paolo. «The Press» in *The Oxford Handbook of Italian Politics*, ed. Jones, Erik, Pasquino, Gianfranco (Oxford University Press, 2015), 582-583.

<sup>189</sup> Hallin, Daniel, Mancini, Paolo. *Comparing Media Systems. Three Models of Media and Politics* (Cambridge University Press, 2005) in Mancini, Paolo. «The Press» in *The Oxford Handbook of Italian Politics*, ed. Jones Erik, Pasquino Gianfranco (Oxford University Press, 2015), 583.

<sup>190</sup> Chalaby Jean. «Journalism as an Anglo-American Invention. A Comparison of the Development of French and Anglo-American Journalism 1830s–1920s» // *European Journal of Communication*, 11, 1996, 303–326.

World War I, after the war Il Popolo d'Italia became the Fascist Party official newspaper and thus its important tool.<sup>191</sup>

Another turn in the increase of partisanship of the Italian press accompanied the growing anti-fascists and anti-nazi sentiments and eventually the fight against them. Underground print press of the resistance movement contributed to the unification of different anti-fascists forces. With the fall of fascism in Italy and arrival of the Allies, these underground periodicals were allowed to circulate freely in Italy. These events strengthen the position of the print press and its active participation in the political sphere of the society. The political affiliation and partisanship continued to grow and reached the today's forms and sizes.<sup>192</sup>

As it was already said above, gradually, Italian print press has changed its course and shifted from party affiliation to the «political parallelism» happened due to the market-orientation of the mass media in the 80s. The parties lost some of their influence and power and that resulted in the disappearance of the party press which served before as a tool of political socialization. Nowadays the newspapers are read not by the adherents of different parties but by common people who search for the new information and who find the general tone of a certain newspaper close to his/her own beliefs and ideas. We will no the able to find a newspaper of the Socialist party or of the Christian Democracy party, but the Italian print press can be analyzed for the existence of particular political orientations.<sup>193</sup>

In Italy political parallelism displaced the party affiliation, newspapers are not related to particular parties anymore, yet the print press still keeps its partisan feature and is oriented to the readers with the clear political affiliation and political beliefs. The partisanship of the Italian press encompasses three components: content, professionalism and readership.<sup>194</sup> Such a high level of the partisanship of the Italian mass media is linked to the so-called polarized-pluralist political system. There is a huge gap between the position of parties towards different issues, there are parties which are against the political system, they call for its destruction and do not pursue

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<sup>191</sup> Mancini, Paolo. «The Press» in *The Oxford Handbook of Italian Politics*, ed. Jones, Erik, Pasquino, Gianfranco (Oxford University Press, 2015), 584.

<sup>192</sup> Mancini, Paolo. «The Press» in *The Oxford Handbook of Italian Politics*, ed. Jones, Erik, Pasquino, Gianfranco (Oxford University Press, 2015), 584-585.

<sup>193</sup> Ibid.,585.

<sup>194</sup> Ibid.,585.

a goal to win elections. The example of such a party is the Movimento Cinque Stelle. Today in such a state of affairs, print media and other kinds of media interact with the parties to support them in their competition within that polarized political system.<sup>195</sup>

*La Repubblica* has been founded and edited since then by Eugenio Scalfari. Starting from 1976 when the first issue was published, *La Repubblica* has grown and reached one of the highest readership and circulation in the country. The paper belongs to the Espresso group controlled by C. de Benedetti who is Berlusconi's business rival. The first issue was accompanied by the Scalfari's statement which reflected the orientation of *La Repubblica* and ideological affiliation: «this newspaper is a bit different from others: it is a journal of information that doesn't pretend to follow an illusory political neutrality, but declares explicitly that it has taken a side in the political battle. It is made by men who belong to the vast arc of the Italian left».<sup>196</sup> With such a proclamation, the editor stressed that the newspaper had its own voice in the politics and was going to take a stage and address to the education people of Italy. The leftists orientation of *La Repubblica* is easily detected from its content and approach.

Another popular daily newspaper with the highest circulation in the country is *Corriere della Sera*. It was founded in 1876 in Milan. It has been traditionally the paper of the elites, of the Italian establishment. However, in the 21st century it changed its political leanings towards the left and nowadays has both left and right-wing writers. During the Berlusconi's rule, for example, it was opposing his centre-right government.

*La Stampa* which is the third most circulated newspaper is considered to be centric and moderate in its political orientation.

*Il Sole 24 Ore* is a business broadsheet which is has a highest circulation among business newspapers in Europe.

Italy is a country with a relatively low level of newspaper circulation and readership. It is ranked one of the last among the European countries. Moreover, those who read newspaper in Italy are usually educated people with their sphere of

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<sup>195</sup> Mancini, Paolo. «The Press» in *The Oxford Handbook of Italian Politics*, ed. Jones, Erik, Pasquino, Gianfranco (Oxford University Press, 2015), 596.

<sup>196</sup> Eugenio Scalfari «Un giornale non neutrale» // *La Repubblica*, January 14, 1976.

interest or occupation in politics, administration, business and journalism itself. Enzo Forcella states in his famous article of 1959 that Italian readership consists of 1500 readers among which are mostly ministers, secretaries, sometimes parliamentarians, business managers and industrialists.<sup>197</sup> Hence, it is possible to say that the periodicals serve as a platform for different kinds of elites such as political and business and journalists, intellectuals who use print media as their means of political communication. Via newspapers they express their ideas, confront the opposition, argue and negotiate. The contradiction of the Italian press is that it managed to maintain a function of a political communication tool and at the same time, it encompasses a limited number of people which constitute the elitist circles of the Italian society. The lack of readers brings the question of the revenues. After the World War II, Italian press fell under the control of «impure proprietors»<sup>198</sup> such as state-owned big enterprises, private business, financial institutions, banks, industrial enterprises, which were not aimed at gaining profits but to exercise political influence and participate in a decision-making process and lobby their interests. This phenomenon got a name «Lobbying all'italiana».<sup>199</sup> Such instrumentalization of the print press by external interests has been its significant feature in Italy for a long time already. That was a significant impediment to the development of the neutrality and impartiality of the press. Over the centuries Italy was torn by the political conflicts which contributed to the growth of journalistic advocacy and political engagement.

Summing up all mentioned features and peculiarities of the development of the Italian print press, it is possible to say that the journalist practice, political news coverage patterns were influenced by the following things: fast shift in the 80s to market-oriented mass media, the fall of the First Italian Republic and its main parties in the 90s which caused the restructuring of the political landscape, the emergence and presence in the next 20 years of the so-called «Berlusconi factor», increase of non print media, spread of Internet news sources in the 21st century.<sup>200</sup>

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<sup>197</sup> Forcella Enzo. «Millecinquecento lettori» (Rome, Donzelli, 2004), 3.

<sup>198</sup> D'Arma, Alessandro. *Media and Politics in Contemporary Italy: From Berlusconi to Grillo* (Lexington Books, 2015), 80.

<sup>199</sup> Ortoleva, Peppino. «Il capitalismo italiano e i mezzi di comunicazione di massa» in *Storia del capitalismo italiano*, ed. Barca, Fabrizio (Rome, Donzelli, 1997), 237–263.

<sup>200</sup> D'Arma, Alessandro. *Media and Politics in Contemporary Italy: From Berlusconi to Grillo* (Lexington Books, 2015), 81.

On one hand, the Berlusconi era has deepened the already existing process of partisanship in the Italian media. The whole media sector has been divided into two polarized fields: pro and anti-Berlusconi. For years, this visible cleavage has characterized the Italian political scene and media system. Along with that, Berlusconi and his media were following the long living in the Italian media phenomenon of partisanship and thus giving both right and left wing prints and in particular, journalists, a possibility to use their voice against Berlusconi, oppose and, ultimately, influence the decision-making and political life of the country. By doing this, the media attracted and involved their readership into the political discussion, enhancing the inner links between them and the reader. P. Mancini calls this phenomenon «dramatized polarization» which is inherent to the Italian media as a whole.<sup>201</sup>

According to the researches of G. Bobba, Italy is a champion of the political news coverage. Comparing to other Western European countries, it has a significant rate of political news both on TV and in print media. While in other countries, the number of political news per day depends on the occurrence or absence of important political events and declarations, in Italy, political news on newspapers front pages and on TV news journals make up 75% and 85% respectively.<sup>202</sup>

The Osservatorio of Pavia in its study came to the conclusion that most frequently used frame in Italian reporting is conflict. Strategic frame which implies a focus on the party disputes, inter party controversy, motives of politicians and their decision making has been commonly used by the Italian media and turned into a trend. Italian journalism is also characterized by such a style of political framing as «retroscena» which literally means «behind the scene». It tends to cover the hidden meanings, concealed intentions and collect information from indirect sources and rethink quotations. The study by C. Vaccari reveals the adoption of political framing in the Italian media on the example of the debates on immigrants' voting rights, highlighting that also politicians promote political framing themselves.<sup>203</sup>

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<sup>201</sup> Mancini, Paolo. «The Italian Public Sphere: A Case of Dramatized Polarization» // *Journal of Modern Italian Studies*, 18(3), 2013, 335–343.

<sup>202</sup> D'Arma, Alessandro. *Media and Politics in Contemporary Italy: From Berlusconi to Grillo* (Lexington Books, 2015), 81.

<sup>203</sup> *Ibid.*, 83.

Another research shows the approach of Italian journalists to the reporting news related to the European Union. The organization of the EU bodies is based on the particular manner of the reporting by means of conflict avoiding and focus shifting from the political aspects of decision -making process. Such a manner is not acceptable by Italian journalists and their professional culture. Covering and reporting the events and information from Brussels, Italian journalists use different techniques in order to «Italianize» the EU politics. They represent news from national point of view and adopt political frames and look for conflict constituent in all news.<sup>204</sup>

Internet has brought another feature of the political journalism- reliability of the media on the utterance of politicians as tweets and Facebook posts. Taking into account that their posts could be taken and used in media, Italian politicians «adopt a media friendly aphoristic style» of writing in social networks.<sup>205</sup> Internet gave a vast opportunity for journalists to bring their newspapers online. Those journalists who work in internet editorials organize and shape stories according to their ability to attract reader's attention and keep it.

### **3.3.1. The abolition of the «South Stream» project**

Due to the direct participation of Italy in «South Stream» project, the coverage of the theme is much vaster than of the other topics. The articles of *Corriere della Sera* stress in the context of the abolition of «South Stream» the weigh which Italian had in the project with its major energy state-owned company ENI. The pipeline has been named «the pipeline of discord» («gasdotto della discordia») in the paper and this nickname, a word play of «the Apple of discord» sheds the light on the perspective of the Italian media on the project and the state of affairs around it. For *Corriere della Sera* the main topic to cover was not the difficulties of the project implementation due to the counteraction of the EU. In fact, the newspaper focused on the Italian own participation and disillusion. It highlighted the unfair politics that Moscow pursued , how it stopped the construction and how it affected the ENI's

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<sup>204</sup> D'Arma, Alessandro. *Media and Politics in Contemporary Italy: From Berlusconi to Grillo* (Lexington Books, 2015), 84.

<sup>205</sup> Ibid.,91.



subsidiary Saipem which had already been working for the project. The newspaper underlines that the pipeline was very backed by Moscow which wanted to get rid of the transits through Ukraine and that was a problem for the EU. The diversification of deliveries would leave Ukraine without one of its major revenues and the EU and IMF would have to give more money to Kiev since it was sinking in its financial problems. Moreover, as frame devices the paper uses the metaphors as «Russian bear» («orso russo»), or «colossus» («colosso») towards Russian biggest energy companies. It also uses the derogative and mocking «gone era of the friend Putin» («tramontata l'era dell'amico Putin») to emphasis the change of the attitudes to Russia and Putin on part of Italian companies due to the cancellation of the project. Moreover, the periodical mentions the name of the Russian present Putin more than any other politician. Thus, the main frame of *Corriere della Sera* is the fault of Russia in the calculation of «South Stream» and justification of the EC decision due to a number of factors.

*La Stampa* in the period of the 2014 when the «South Stream» construction was under way and its not that sudden stop published most of its articles related to the topic in December when the decision of cancellation was taken, other months the topic was relatively not popular in the newspaper. The most mentioned person of the annual coverage is the present of Russia, V. Putin, with B. Obama following him. The most mentioned company is Italian ENI which with its subsidiary Saipem followed by Gazprom. The newspaper in the coverage of «South Stream», pays a lot of attention to Serbia, its position and balancing between Russia and the EU. The newspaper also underlines the problems with Ukraine which face the EU and IMF and the EC's official position towards «South Stream» which did not abide by the rules of the Third Energy Package. The newspaper states that for many countries the project was beneficial and moreover, from the very beginning the project was bilateral between ENI and Gazprom. It asks the same question, what about the money which have been invested into the pipeline. The interesting thing is that *La Stampa* takes the side of anti-European energy policy, quoting the head of Gazprom who reveals that Europe is going to pay for the American gas more than it pays now, because of the transportation and small volumes. Moreover, it criticize the EC for letting Russia to turn to Turkey which is going to become a regional energy hub and which will put the EU «into the hands of the regime that serves as a guide to the

islamic world and for that choice Brussels and all Europe will have to pay a special price» («Bruxelles - dunque tutti noi - oltre a mettersi nelle mani di un regime che si propone come guida del mondo islamico pagherà un costo salato per le sue scelte...») <sup>206</sup> The paper stresses that while Gazprom will have new contracts with Turkey, the EU and especially Bulgaria are left with the losses of billions of euros. The frame of *La Stampa* articles is evident: the fault of abolition is in hands of the European Commission, pursuing its goal to not give Ukraine bankrupt and to punish Russia for the Ukrainian crisis, it runs counter to the positions of the EU member states and their economic and political benefits.

*Il Sole 24 Ore* has one of the broadest coverages of the theme among all 4 newspapers. The paper has a harsh approach to the origins of the project blaming Russia in annexing Crimea because of its resource abundance and geo strategic location beneficial for «South Stream». The periodical states that Moscow has changed the initial itinerary of the pipeline and instead of Italy the gas would be delivered to Austria which was already a big gas hub of Central Europe pointing out at the unwilling of Italy to be dependent even on other European states in its gas deliveries. Its harsh approach to the situation continues with the repeated idea that Russia might erupt the gas supply to the EU as it has already done before due to the conflict with Ukraine, that is why the EU has to be united. The other clear idea is the ambitions of Italy to become European energy hub and play a big role in the energy relations within the Union. The frame of the *Il Sole 24 Ore* coverage is the lack of necessity of the pipeline in Europe due to the changes in political and economic environments.

*La Repubblica* also has a broad coverage of the theme. The particularity of the newspaper is its headlines. All the headlines of the articles related to the topic are catchy with the shade of conflict in all of them. «With «no» to «South Stream» there is an energy cold war between Kremlin and Brussels» («Con il no al South Stream è guerra fredda dell'energia tra Bruxelles e il Cremlino»), or «Blackmail and pressures, the axis of the energy between Rome and Moscow is beginning to crack» («Ricatti e pressioni l'asse dell'energia tra Roma e Mosca comincia a incrinarsi»), «Putin to the war of energy» («Putin alla guerra dell'energia»). The headlines contain the

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<sup>206</sup> Zaccaria, Giuseppe. «South Stream fermato dalla burocrazia Ue» // *La Stampa*, December 9, 2014.

metaphors and comparisons as «cold war» («guerra fredda»), «the time of Gazprom's divorce» («l'ora del divorzio Gazprom»). The paper stresses the initial usability of the parties to agree on energy issues following that it would bring eventually a full size conflict, so called energy cold war. It makes an emphasis on the participation of the United States in the process of influencing on the decision -making in the EU and the pressure it put on particular states. It also tries to show the ENI position in the project as not interested backing that with the quotes of the CEO of ENI and other Italian officials such as the ex prime minister whose words appeared as a headline for one of the articles: «The government gives up on «South Stream», Renzi: it is not essential» («Il governo molla South Stream Renzi: non è fondamentale»). The periodical repeats that the price of the ENI's share is too high and too risky adding that after the sanctions, some partners of Gazprom had problems of finding the sources of financing. On the other hand, it highlights the existing of alternative pipelines such as Nabucco and TAP which would help to diversify more the supply and are backed by the EU and moreover, do not include Moscow. *La Repubblica* comparing to *La Stampa* does not mention the consequences for the Balkan states which heavily relied on the project and which could ameliorate their economic and financial positions with the help of such an ambitious project as «South Stream». Instead it frames the uselessness and irrelevance of the project and cooperation with Moscow when it does not comply with the EU rules and there are other competitive projects.

### **3.3.2. The EU anti-trust investigation of Gazprom and the concessions agreement**

The coverage of this topic in the selected newspapers is pretty small considering the volumes of articles in other European, American and Russian periodicals.

*La Repubblica* focuses just on the fact that Moscow has promised to the EC to change its pricing policy and ensure a free flow of gas within the territory of the EU, and lift its restrictions on the cross-border gas resale. It same uses the well-known catch up phrases as «the giant controlled from Kremlin» («il colosso controllato dal

Cremlino») to underline its negative attitude to the company. Such descriptions appear throughout the coverage of all articles where Gazprom or for example Rosneft are mentioned. *La Repubblica's* frame is the victory of the EU in the long term anti-trust battle with Gazprom.

*Il Sole 24 Ore* calls the final rapprochement of Russia and the European Commission in the sphere of energy as a «peace» («pace») referring to the state of war before which was commonly called in the Italian media as «the energy cold war». Along with saying that «Russia gas giant is putting the «final touch» to the proposal» ( «Il gigante russo del gas sta mettendo il «tocco finale» alla proposta di accordo») and the Commissioner for Competition Margarethe Vestager states that the negotiations in the last stage, the paper stresses that «however, Vestager stays still cautious» («Vestager resta comunque molto cauta») adding that there is still an option of sanctions. The periodical's frame is the final agreement between the two parties and the uncertainty of the EU of the Gazprom proposals.

*Il Corriere della Sera* starts with the statement that possibility to have its influence towards Europe depends on the gas and oil extraction and energy prices. It also states that «the president of Russia uses policy of raw materials to create divisions between the EU countries» («la politica delle materie prime in un certo senso sostituito della politica delle cannoniere e stata usata dal presidente russo per creare divisioni tra i paesi europei»). It uses such headlines as «Europe in attack on Gazprom («l'Europa all'attacco del gigante Gazprom») and then later on «EU on the way to the peace (with conditions) with Gazprom» («UE verso la pace (condizionata) con Gazprom»). It also calls Gazprom «Russia monopolist gas giant» («colosso russo monopolista del gas»). Along with that, the newspaper quotes many times the words of Russian Minister of foreign affairs, S. Lavrov, who calls the accuses «unfounded» («infondate»). The newspaper puts a frame of unfair gas pricing and rightness of antitrust investigation against Gazprom.

*La Stampa* barely covers the issue, reporting just the increasing supply via OPAL which the EC gave to Gazprom. However, the newspaper reacts negatively to the statement of the EC that the gas dependence on Russia will not grow. It states that it is hardly believe in what the EC says. The paper takes a harsh approach to the EC criticizing for making concessions to Russia and for denying so. The periodical skips the process of Gazprom's concession just emphasizing the inability of the EC to

treaty Gazprom as it should be. The frame is the weakness of the EC to really release from the gas dependence on Moscow.

### **3.3.3. The attitudes towards «Nord Stream 2» and its perspectives**

The «Nord Stream» news have appeared in the newspapers relatively not long ago and are dated to 2016-2017. The business daily *Il Sole 24 Ore* has mentioned the pipeline rather frequently and dedicated to it 4 articles for the period mentioned. As it was said above, Italian journalism is characterized by a strong tradition of conflict covering. In case with the «Nord Stream 2», it highlighted such sub-themes as Gazprom and dispute over the contract of pipeline construction, issues with the project financing and the impacts of the «Nord Stream» construction on Italy and South Europe. As the main actors of the coverage there are the Gazprom CEO and high managers, European energy companies and their CEOs, Moscow, Berlin and Brussels. The newspaper mainly stress the economic constituency of the project, however, almost all articles mention the well known threat of Russia's domination on the energy market of Europe. The periodical uses quotation of senior managers of energy companies to emphasize the seriousness and reliability of the narrative. In general, the tone of the articles is always more negative with the shades of doubt and uncertainty. Although, from the Russian point of view, the project has overcome all the impediments on its way and it is just the question of time when the European Commission gives the green light to it. The articles put more attention to the negative consequences of it for the South, the economic benefits for Germany and the problems of money. The main frame of the articles of *Il Sole 24 Ore* is the absence of interests of Italy in the project and the threats it represents to Italy and its neighbors in the South. The framing devices used in the articles are key words as confrontation («il confronto»), «hard burden» («un onere pesante»), «partners» (i soci), «high prices» («i prezzi alti»), «risk» («il rischio»). The headlines are the following: «from European partners of Gazprom 4.8 bln. of euros for «Nord Stream 2»», «With Nord Stream 2» the costs are higher for Italy», «Gazprom is asking money for «Nord Stream 2»».

*La Repubblica* has a broader coverage of the issue. Most of the articles deal with the same topics, however, there are more figures of speech and frame devices, such as epithets and metaphors, catch-up words, headlines and comparison. Gazprom

is one of the most used for comparisons such as «colossus controlled by Kremlin» («il colosso Gazprom controllato dal Cremlino») or «the Russian energy giant» («il gigante energetico russo Gazprom»). Another particularity is a number of citations of officials and business representatives. *La Repubblica* stresses throughout its coverage the fact that the project is dead or stopped and Gazprom has been left alone. The newspaper also puts the Italian discontent with the project and its consequences for the country as the main frame of the publications. The periodical says in one of the articles that the project is more a child of politics than of economics. Thus, proving one more time that energy and politics are deeply interconnected and moreover, the project has been a subject of political discussions and disputes more than other projects of the EU with other countries. The media tends to use a metaphor «game» («partita») towards the Brussels and Moscow's interaction over the project implying the complicated character of these relations and unpredictable for everyone outcome, same as in football, in which context in Italian they use a word «partita». The articles reveal the rigidity and dismissive attitude towards the president of Russia which is apparent due to the wording of the articles. Very often the authors use derogative expressions as «Kremlin of Putin» («il Cremlino di Putin»), «the discussion on the Putin's dossier» («la discussione sul 'dossier Putin'»). *La Repubblica* emphasizes the interference of Poland into the process and its firm contradiction to the project because of the threats that Russian increased presence on the gas market puts on the energy security of the Union.

In case of *Il Corriere della Sera*, there is an evident anti-Nord Stream 2 attitude. The newspaper uses catch up headlines such as «Gas game between Moscow and the EU» («La partita del gas tra Mosca e l'Europa») or «Italy and «Nord Stream»: the challenge of pipelines. The energy union continues to divide Europe» («Italia e Nord Stream: la sfida dei gasdotti. Unione energetica continua a dividere l'Europa»). The periodical defines the frame of dispute and conflict between Merkel and the then prime minister of Italy, Renzi over a number of questions including the pipeline.

stresses the will of Moscow and Berlin to work on the project despite the sections and the opinions of other EU states. Same as other newspapers it tends to label the participants of the story, using for example «colossus» («il colosso») towards Gazprom.

*La Stampa* in its turn cover the topic from another perspective. It stresses the possibility that appeared for Italy to participate itself in the project. It quotes high managers in order to provide a view that Italy's in need of gas regardless where it comes from, «Nord Stream» or its South analogue. *La Stampa* strengthens the issue of sanctions and their selectivity. In the newspaper the issue of gas, of «Nord Stream» is always linked to the situation in Ukraine and the sanctions. The frame is the strategy of Russia to divide the EU, to weaken it and return to bilateral relations and to create as many problems as possible to distract the EU and the US from the post-soviet space. The paper stresses the same as others the omnipotence of Germany and France to decide everything in the Union, but *La Stampa* adds some new feature, it states that this is a view of Putin that these two countries rule the EU emphasizing who in Germany are the «friends» of Putin leading again to the point that Germany and Russia are playing behind the back of the rest of the EU in favor of their interests. The frequency of mentioning of Russia-Turkey relations shows the concern of Europe and Italy as a South country in particularly with the possible grown of influence of Turkey as the biggest gas hub in the Balkans which can put the South of Europe including Italy in its dependence. The paper says «this is a signal to West which shows where the wind is blowing» («... è un segnale all'Occidente che vuol mostrare dove tira il vento»). *La Stampa* proposes a name for «Nord Stream 2» which has not been mentioned in any other coverage by the rest of newspapers. It calls it «the pipeline of discord» («gasdotto della discordia»). It also stresses the frame of the opposition of most of Europe to the project and shows Italy as a leader of that «movement».

### **3.4. An overview of the media analysis**

To sum up on the theme, the general conclusions will be the following: in Italian print press, the topic has been covered just from the perspective of drawback of the pipeline. It commonly strengthens the negative consequences of the project for Italy and the South of Europe, putting an emphasis on behavior of Germany which backs the projects based on its economic interests and neglecting the interests of the rest of the Union. The German Chancellor is presented as a cunning non team player

whose position is not stable and varies because of the probable benefits. Moreover, the frame of power in hand of Germany and France which decide for the rest of the Union is constantly repeated in almost all the articles. Such factors give an understanding of the inner division and opposition in the Union. However, taking into account the predisposition of the Italian press to focus on the conflict in the news coverage<sup>207</sup>, the general picture might have been distorted and exaggerated in the eyes of the readers.

In general, Russia and the relations with Russia are not the most popular topics in Italian media. Italian coverage does not mention Russia and the events related to it very often. When there is a mentioning of Russia, it is most frequently related to particular persons who are the epitome of Russia in the West and Italy in particular. The topics which cover Russia are limited: mostly, they are about Ukrainian crisis and energy. Russia does not represent as a country itself in the coverage, it is mostly associated with particular people, companies or events. Thus, talking about the energy issues, gas, energy relations between Russia and Italy or Russia and the European Union, the name of the country is often overshadowed by names of Putin or Gazprom's CEO, Miller. Moreover, in the context of the energy agenda, the names of countries are substituted mainly by the names of the biggest companies which represent the country abroad in energy sector such as Gazprom or Italian ENI. Hence, there is a lack of information which leads to the misunderstanding, prejudices and stereotypes. The analysis conducted in this paper is the attempt to collect the information about the attitudes and judgments towards Russia through particular topic which is the most relevant in the EU-Russia relations, the analysis helps to find out the trends and patterns inherent to these relations in order to identify the prospect for future.

The analysis of the Italian newspapers showed that the coverage of the energy issues is vast only in cases when Italy itself played an important part in the events as it was with «South Stream» and the rigid opposition of Italy in case of the «Nord Stream» project. The third topic which covers the ongoing process of rapprochement of the EU and Russia in energy sphere related to the Gazprom concessions and the final stage of the antitrust investigation against it, is almost completely ignored by all

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<sup>207</sup> This feature has been discussed above in section 3.2



four newspapers used for the analysis. Such a gap of the coverage shows that after the years of the coverage of the others energy topics and depicting of Russia and Gazprom as energy enemies of the EU, the readers have no chance to see that the situation is slowly changing and there is a new stage of the energy relations. Thus, they are forced by the invisible hand of the media to proceed the information, shape some key judgments which stay in the long term memory and which eventually will influence the new information in a negative way even if it is actually more positive.

The common trend is the derogatory, pejorative attitude which is traced through the text of almost all articles. The usage of metaphors, comparisons and epithets make the information less important than the attitudes expressed by the journalists towards the actors and events by means of the frame devices. In fact, the study of the newspapers' coverage did not reveal significant difference between the attitudes of the newspapers even if they have diverse political leanings. Due to the Italian journalistic particularities such as concentration mainly on the domestic news, domestic politics, much less importance is given to the foreign events, especially if it is beyond the EU or US. The influence of the US in the Italy and Italian media is very strong. Along with the EU, the US constitute to the significant part of the foreign news. That is why there is not much room for actors like Russia. Thus, such a division of influence in media in general and in politics in particular represents a serious problem for external propaganda and image and prestige of the country abroad. The soft power so used by the US and to the lesser extent by Russia when it comes to the Italian media does not show positive results.

## Conclusion

The dissertation represents an analysis of a broad range of aspects related to the EU-Russian relations in the sphere of energy and their influence on the relationships in general. In order to get adequate knowledge of the energy relationship functioning, there have been examined the stages of the cooperation and the development of the energy interactions since the beginning of the natural gas exporting from the USSR to the countries of Western Europe, including the overview of the main legal documents and forms of the cooperation which have played significant role in the establishment of the existing state of affairs. The cooperation is marked by a number of challenges, comprising the problem of the codification of the energy cooperation and how it affects relations at the present stage.

Evident politicization of the energy relations which is one of the main impediments on the way to mutual understanding is caused by the refusal of Moscow to adjust to the European Union's market mechanisms and legal norms. The intention of the European Union to set rules for the third parties operating on its energy markets makes bilateral cooperations unequal and that does not coincide with the idea of partners equality which is the key principle of the Russian foreign policy. Such a tug of war has been characterizing the bilateral relations until recently. With the signing of the Gazprom concessions, a new stage of the energy cooperation is on its way.

The legal vacuum arising from the consequent failures of the energy relations codification during the 90s was supposed to be closed by means of the Energy Dialogue in 2000 but these attempts turned out to be fruitless and the Dialogue was kept to mere consultations. The first decade of the 21st century was marked by the creation of the Road Map for the Common Economic Space and the Partnership for Modernization which both ended up serving the same purpose as the previous initiatives. Since the legal framework of the energy relations is not covering the whole range of issues, certain problems have been partially solved by the implementation of bilateral agreements on the national level.

Moreover, the higher politicization of the particular states within the EU has its own negative impact on the improvement of the energy cooperation and the overall relations of the EU and Russia. Several states with historically anti-Russian sentiments try to impede the processes of the rapprochement and halt any new

endeavor of new projects such as «Nord Stream 2» or the EU decision on the OPAL capacity.

Different understanding of the essence of the international relations, polarized sets of goals listed in the documents which define the development of the energy at the domestic and international level, as well as the above mentioned challenges stall the process of the transition towards more integrated cooperation.

When the energy strategies of the two parties have absolutely contradictory approach to a certain issue, they clash and the major problems and disputes appear. The Third Energy Package (TEP) which introduced the ownership bundling clause forbids one company to operate at all levels of supply chain, in other words, it bans the operation of vertically integrated undertakings as Gazprom. TEP turned out to be the stumble bloc of the EU-Russia energy cooperation causing a number of issues. It was at the origins of the EC antitrust investigation against Gazprom, moreover, it was called the reason of the European Commission's opposition to the «South Stream» construction. Thus, the TEP provisions and their implications to the energy cooperation and Russia's functioning on the energy market has been examined throughout the dissertation.

Despite the economic constituent of the energy relations, policies has always played a crucial if not the major role in the energy cooperation. The transit issue resulted in the emergence of alternative routes of natural gas deliveries such as the «Nord Stream» pipeline and its twin project, as well as the stopped «South Stream» evoked another wave of the politicization of the energy cooperation. This politicization reached its limits when the «South Stream» construction has been cancelled due to the constant interference of the European Commission into the bilateral relations between Russia and the countries participant of the project. This situation coincided with the escalation of the Russian-Ukrainian relations and to the bigger extent was provoked by this crisis. Thus, the European Union despite all its statements of commitment to the market instruments gave way to the political leverages regardless the economic benefits of the project. In this regard, it seems contradictory when the Italian media repeat with enviable regularity that it is Moscow that uses the energy as its political tool.

The creation of the comprehensive legal framework which will formalize and codify the energy interactions should be the primary task for both sides. Only by

means of the reaching a formal agreement on all problematic issues above mentioned, there will be fruitful cooperation which will positively affect the EU-Russian relations.

Italy which is one of the main European partners of Russia and which media have been subject of research plays an active role in the energy politics of the European Union. In the context of the «North Stream 2» project, it took a rigid position openly speaking out against the project and forming an opposition to Germany and the European Commission. In this case, Italy unites with the bloc of countries, part of which is made up by the state which conduct anti-Russian policies such as Poland, the Baltic states. They express their concerns about the further domination of the Russian natural gas on the European energy markets which will threatens the energy security of the Union, while Italy, the Balkans, and some other Eastern European states are dissatisfied with the double standards of the European Commission which blocked «South Stream» but gave the green light to «North Stream 2». The analysis of the political situations around the projects has showed that there are major contradictions and disputes within the Union itself which have an impact not only on the functioning of the energy union of the EU states but also jeopardize the interests of the Russian Federation on the European energy market.

The subsequent analysis of the Italian media coverage completed the picture and shaped some new regularities and peculiarities. The frame analysis was aimed at the identification of the frames in order to trace the patterns which are inherent to the perception of the European energy issues involving Russia in Italy. The research started with the elaboration of the main features of the Italian political journalism and its influence throughout the centuries, the development of the party affiliation and the emergence of the new trend of political leanings. Further on, the research comprised the analysis of the selection of the most popular Italian newspapers such as *La Repubblica*, *La Stampa*, *Il Corriere della Sera* and *Il Sole 24 Ore*. Each newspaper has a coverage of the topics indicated by the author. These topics are directly connected with the material of the Chapter Two which contains the analysis of the recent events and projects of high significance for the energy relations. As a result of the frame analysis, the following traits and trends were elaborated. Firstly, the analysis showed that political leanings have no primary effect on the content and the attitudes towards the issues. All newspapers follow the similar line which is

characterized by the evident antipathy expressed by means of metaphors, comparisons, catch up words. Secondly, Russia is associated with the president Putin, who is the epitome of the authoritarian regime. Gazprom in this context is the political tool of the regime, the state run monopoly. Thirdly, the Italian media coverage is mainly concentrated on the issues which mainly involve Italy that is why the coverage of «South Stream» is the amplest one. The coverage of the «North Stream 2» is focused on the opposition of Italy to the project and internal Union's confrontations. The coverage of the EC antitrust investigation and the final concessions of Gazprom, which in fact is the most positive phenomenon of the recent years and promises the beginning of the new stage of the relations, is insignificant and shows the disinterest of the Italian media in this event and its relevance for the energy cooperation between the European Union and Russia. Such a neglect of the issue which is considered a breakthrough after the years of the confrontation. The image depicted by the Italian media is not optimistic for the international prestige of Russia. Media as the means of high influence on the population represent an important political leverage which can affect in the long run the international relations and public attitude to the country.

#### **Future prospects of the EU-Russian energy cooperation**

The future energy relations of Russia and the European Union seem to develop more positively. Both of them are trying to protect their own interests and guarantee the best way of the implementation of their energy policies. On one hand, there is the European Union which represents the interests of a large number of countries with different level of economic development and energy demand. The EU imports natural gas thus its primary goal to assure secure deliveries for all member states. On the other hand, Russia is the exporter which primary goal is assure stable demand and as beneficial contracts as possible. In this regard, both actors understand the necessity of their energy cooperation and their interdependence. The constructive energy dialogue which is based on the economic principles and not on the political is of importance. After several energy disputes the Ukrainian crisis and the energy relations reaching their lowest, it is evident that the parties have to elaborate on the new legal framework which will help to avoid in future all these problems inherent to the EU-Russian energy relations. All existing venues that could be used as the basis of the energy legal framework have their own drawbacks. Within the framework of

WTO there has not elaborated any energy agreement. By now the Doha Round negotiations proved to be deficient. The idea to elaborate a new Partnership Agreement between the European Union and Russia which would contain an energy chapter has not moved to the next level. The third option is to work within the framework of the Energy Charter Treaty. It was signed by Russia but never ratified due to unacceptable provisions which run counter to the energy interests of Russia. However, the fact, that the signature has not been withdrawn means and actually has been proved by the then president of Russia D. Medvedev during his meeting with the EC president J. C. Juncker, that Russia is ready to work in the framework of the Energy Charter Treaty but under the conditions of its revisions in order to comply with the interests of all parties concerned. Regarding the recent development of the relations between the European Commission and Gazprom, this option seems more likely to come into being. The will of Gazprom to make the concessions shows its agreement to comply with the European law in order to continue its operation on the European energy markets thus imposing the basis of the EU-Russian energy relations at large.

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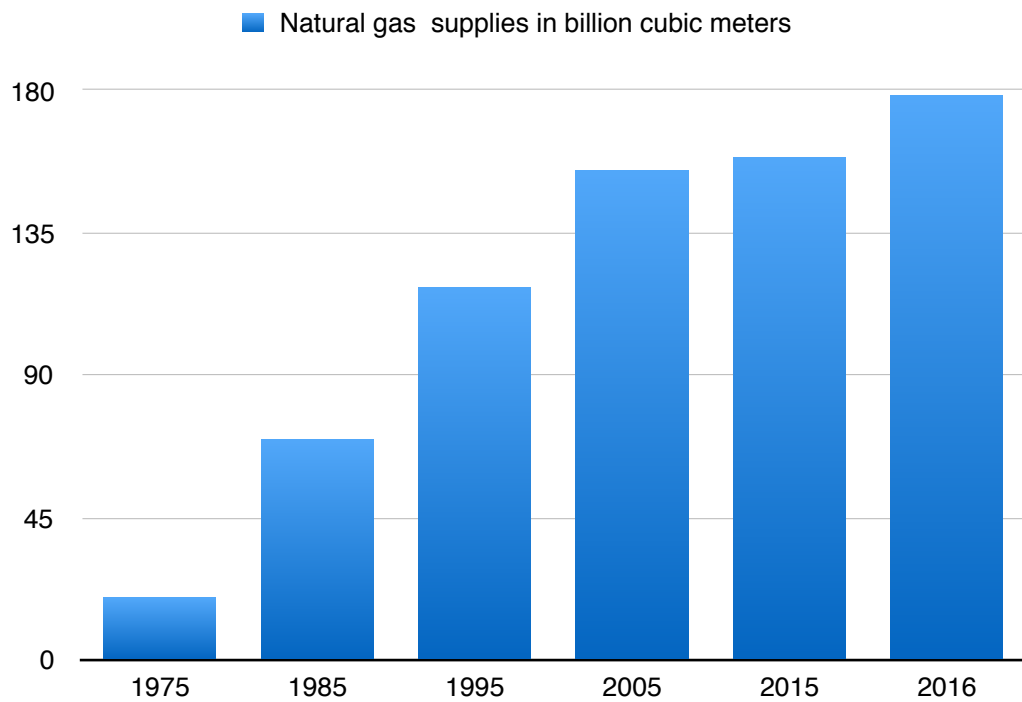
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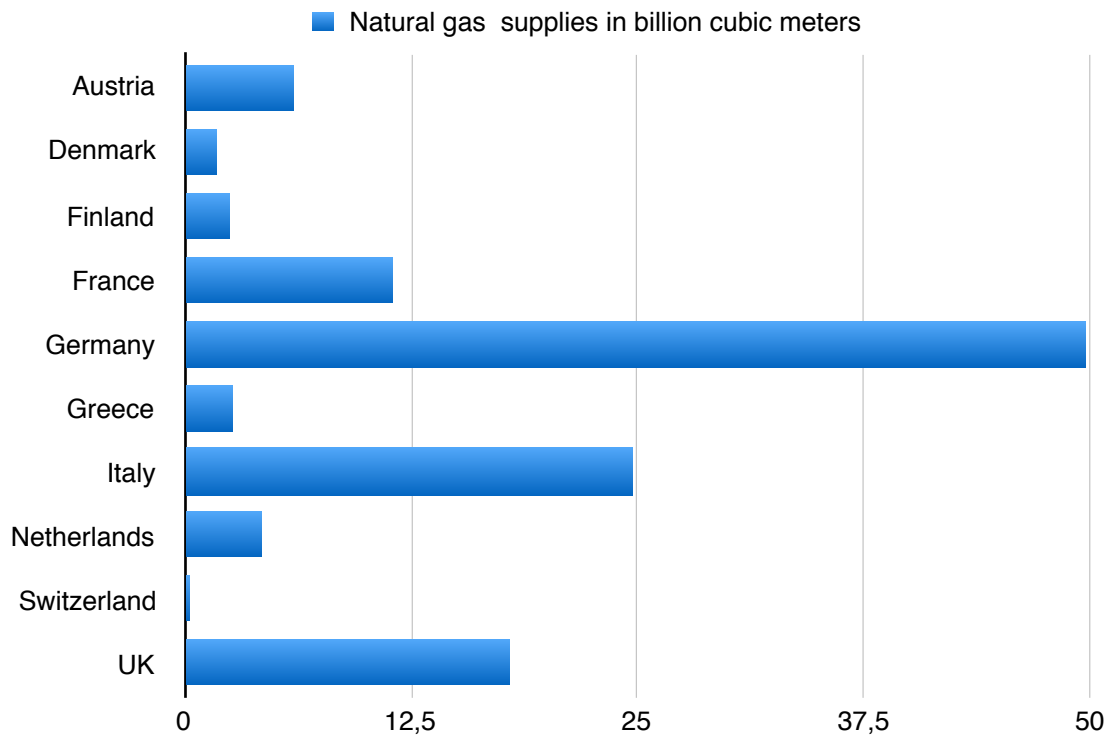
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## Appendix



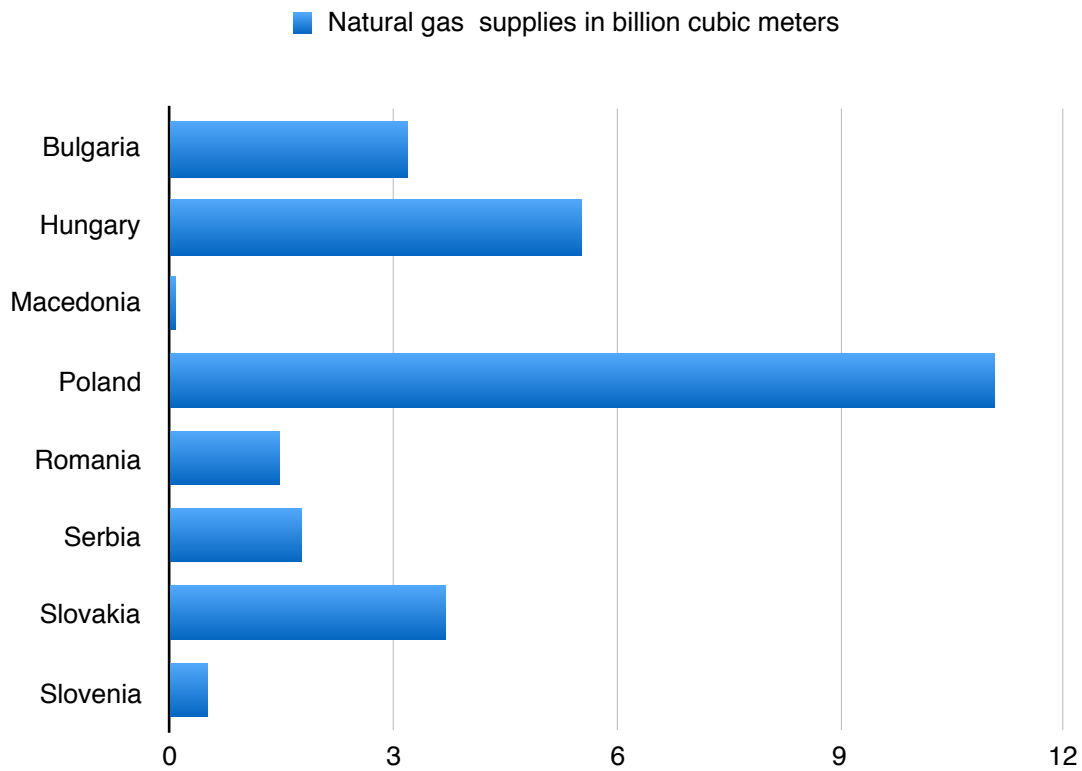
**Diagram 1.** Gazprom official statistics of natural gas supplies to Europe.

Source: Delivery statistics at <http://www.gazpromexport.ru/en/statistics/>



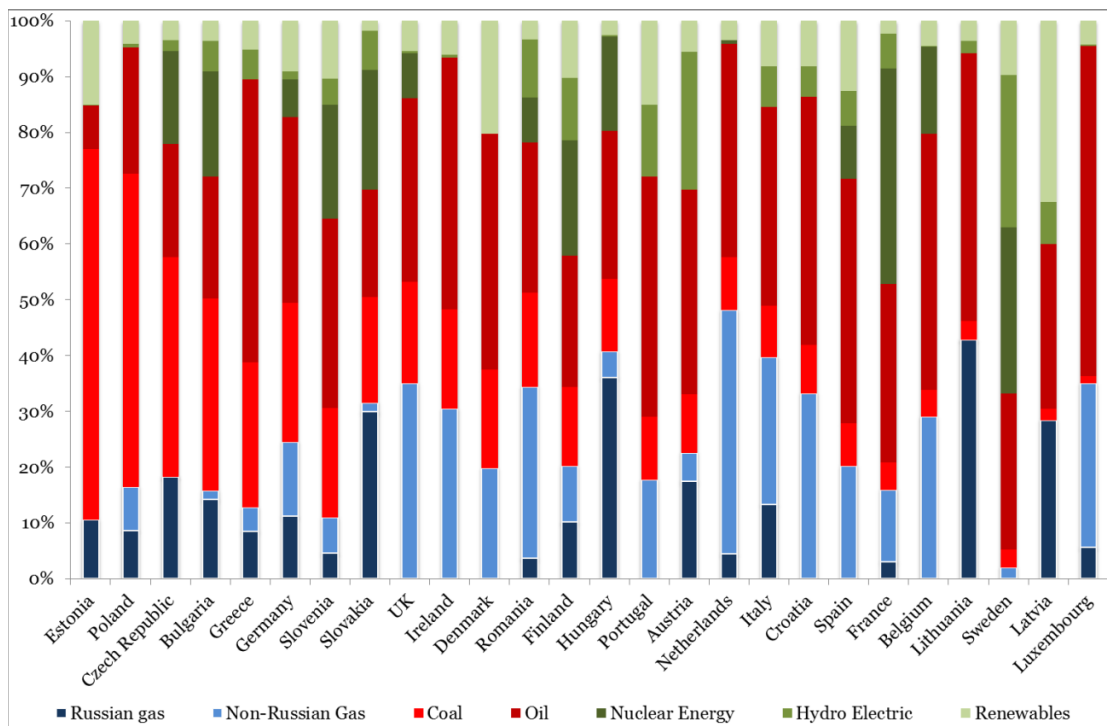
**Diagram 2.** Gazprom's official statistics of natural gas supplies to Western Europe in 2016.

Source: Delivery statistics at <http://www.gazpromexport.ru/en/statistics/>



**Diagram 3.** Gazprom’s official statistics of natural gas supplies to Eastern and Central Europe in 2016.

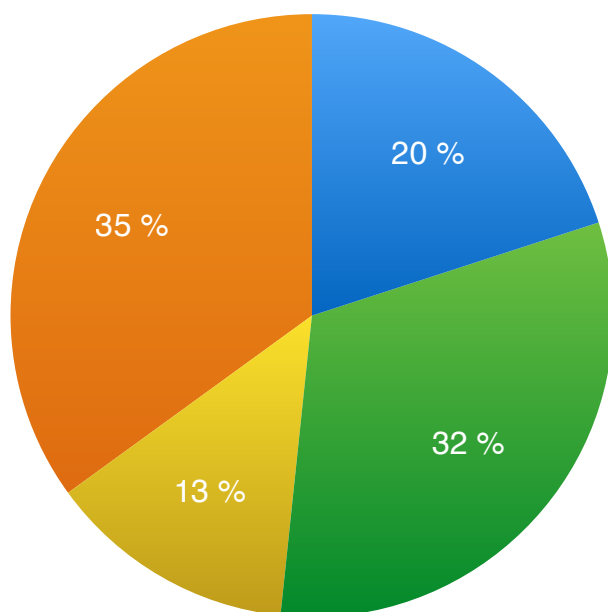
Source: Delivery statistics at <http://www.gazpromexport.ru/en/statistics/>



**Diagram 4.** Fuel mix of member states

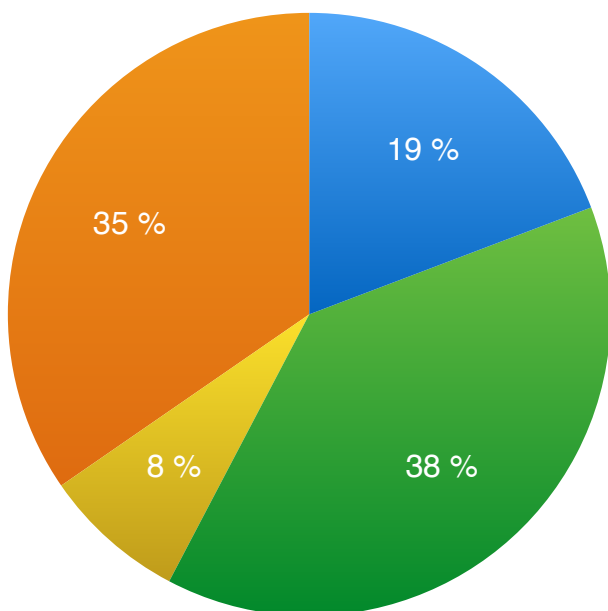
Source: IEA 2014 Gas Information, BP Statistical Review of World Energy 2014, IEA Website

● Il Corriere della Sera ● La Repubblica ● La Stampa ● Il Sole 24 Ore



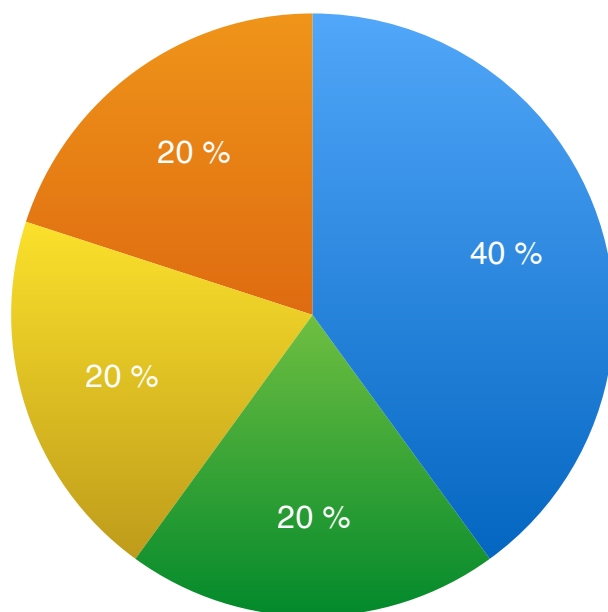
**Diagram 5.** Total share of each newspaper of the coverage of the three topics.

● Il Corriere della Sera ● La Repubblica ● La Stampa ● Il Sole 24 Ore



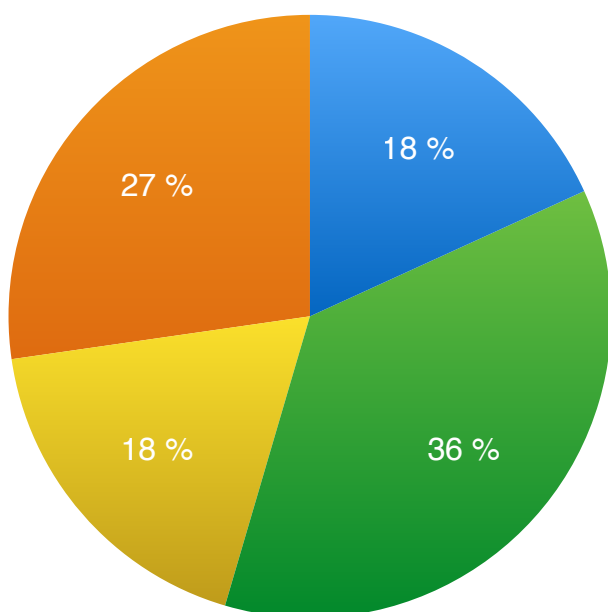
**Diagram 6.** The share of each newspaper of the coverage of the « The abolition of the «South Stream» project» topic.

● Il Corriere della Sera ● La Repubblica ● La Stampa ● Il Sole 24 Ore



**Diagram 7.** The share of each newspaper of the coverage of the «The EU anti-trust investigation of Gazprom and the concessions agreement» topic.

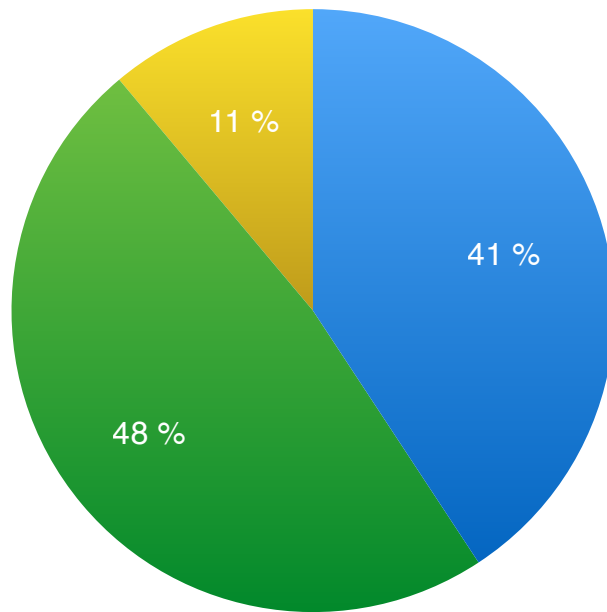
● Il Corriere della Sera ● La Repubblica ● La Stampa ● Il Sole 24 Ore



**Diagram 8.** The share of each newspaper of the coverage of the « The attitudes towards «Nord Stream 2» and its perspective» topic.



● Nord Stream ● South Stream ● Anti-trust and concessions



**Diagram 9.** The share of each topic in the total coverage of the energy relations.