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## **GAS DIVERSIFICATION AS A WAY OF STRENGTHENING THE NATIONAL SECURITY OF THE REPUBLIC OF SERBIA**

**Abstract:** *The increasing importance of energy supply, particularly gas, has transformed it from solely an energy and political concern to national security. This shift has been particularly evident following the Russian Federation's military aggression against Ukraine in recent years. This paper supports the hypothesis that gas diversification in the Republic of Serbia is crucial for enhancing the country's energy security index and strengthening its national security and state sovereignty. Serbia can safeguard its interests by reducing the political influence exerted by the Russian Federation, which is a direct result of its dominant position in the gas and oil market. To substantiate this hypothesis, the article will utilise well-established and widely used indices for calculating energy security, such as the Shannon-Wiener and Energy Security Index. Moreover, it will demonstrate the interdependence between non-compliance with sanctions imposed on the Russian Federation due to energy dependence and the hindrance of Serbia's European integration progress, explicitly concerning the non-opening negotiation chapters relating to foreign and security policy. The data used in the paper will be derived from the Law on the Availability of Data of Public Importance and official documents of the Republic of Serbia, ensuring a reliable and evidence-based analysis.*

**Keywords:** *diversification, energy, national security, sovereignty*

## 1. INTRODUCTION

The unjustified military aggression of the Russian Federation against Ukraine resulted in the introduction of numerous European Union sanctions against the official Moscow. Although individual EU member states initially stayed away and avoided making a statement about the sanctions, one year after the beginning of the aggression, ten packages of sanctions are in force. All member states are implementing all ten sanctions packages phased in full without exception. All ten packages of sanctions were introduced by Viktor Orbán's regime, even though he spoke negatively about them several times in public and even implied that the EU and NATO themselves are responsible for the war in Ukraine. At the request of the USA, Hungary has cancelled the Russian Bank IIB work permit, which moved its headquarters from Moscow to Budapest in 2019 to finance infrastructure projects in this part of Europe from there. One of the measures established by the EU is the reduction of the import of energy from the Russian Federation, coal, oil, natural gas and nuclear fuel, to reduce the energy dependence of the union and thus the political influence of Moscow on the governments of the EU member states. According to the official statistics of the European Union, the import of energy products from the Russian Federation recorded a drastic decrease in the period of only one year, which shows the unity of the EU and a firm position to stop importing energy products from Russia entirely soon. Thus, gas imports from Russia in 2022 amounted to 23 per cent of all EU needs compared to 40 per cent in 2021, while the drop in crude oil imports was from 26 per cent in 2021 to 14 per cent in 2022, with a tendency to further decline during the year 2023<sup>156</sup>. The consequence is that Norway is now the largest gas supplier to the European Union.

Russia recorded the most significant drop in energy exports in trade with Germany, which is also the most robust economy in Europe. Russian oil and natural gas exports to Germany decreased by 99.8 per cent compared to 2022. Namely, during February 2022, exports were worth 2.2 billion euros, while in the same month of 2023, they amounted to only 4.2 million euros, while the export of Russian coal to Germany fell by 91.4 per cent to only 30 million euros, which made

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<sup>156</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU\\_imports\\_of\\_energy\\_products\\_-\\_recent\\_developments#Main\\_suppliers\\_of\\_natural\\_gas\\_and\\_petroleum\\_oils\\_to\\_the\\_EU](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=EU_imports_of_energy_products_-_recent_developments#Main_suppliers_of_natural_gas_and_petroleum_oils_to_the_EU)

the Russian Federation dropped to 46th place in terms of importance for supplying Germany<sup>157</sup>. Great Britain joined the sanctions and reduction of energy imports even though it is no longer a member of the European Union. In 2021 imports from Russia comprised 4% of gas used in the UK, 9% of oil and 27% of coal. In 2021, gas, oil and coal imports from Russia to the UK were worth a combined £4.5 billion. Energy trade fell to £2.2 billion in 2022 and £1.3 billion in the year to January 2023<sup>158</sup>. Regarding gas dependence, after the introduction of sanctions against Russia, Bulgaria found itself in the most unfavourable position, which refused to pay for gas in rubles, and because of this, Russia suspended its gas deliveries in April 2022<sup>159</sup>. However, unlike Serbia, Bulgaria realised much earlier what gas dependence on Russia entails and built gas routes in time for diversification. As a result, Bulgaria has built more than a thousand miles of gas pipelines quickly, while Serbia slowly built a little more than 100 kilometres of the Niš-Dimitrovgrad gas interconnector. In addition, Bulgaria has an agreement with the Azerbaijani company AGSC for one billion cubic meters of gas through the Interconnector Greece Bulgaria, which can be further expanded so that Serbia can get gas through it.

Bulgaria has also signed a 13-year agreement with the Turkish operator BOTAS, which transports gas to it from the Marmara Ereğlisi LNG terminal, supplied to Bulgaria by the American company Cheniere Energy, the winner of the open tender<sup>160</sup>. Bulgaria has also built a connector through which it will be able to supply LNG from the Greek port of Alexandroupolis.

The conclusion is that Bulgaria could allow itself an energy confrontation with the Russian Federation because, as a full member, it could count on the help of the EU in overcoming obstacles, and obtaining loans and support, as well as on the USA, which is the leader of NATO, of which Bulgaria is also a member because it proved to be a trusted partner during the unique introduction of sanctions against the Russian Federation, did not succumb to pressure and threats

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<sup>157</sup> <http://www.frontnews.ge/en/news/details/57140>

<sup>158</sup> United Kingdom Parliament(2023),Imports of fossil fuels from Russia“, research briefing by Paul Bolton, <https://researchbriefings.files.parliament.uk/documents/CBP-9523/CBP-9523.pdf>

<sup>159</sup> <https://www.euractiv.com/section/global-europe/news/exclusive-gazprom-and-bulgaria-wrangle-over-gas-bill/>

<sup>160</sup> <https://serbia-energy.eu/sr/bugarska-prva-posiljka-lng-a-za-bugarsku-stize-u-tursku-12-aprila/>

from official Moscow. In the example of Bulgaria and its rejection of blackmail and threats by the Russian Federation regarding energy sources, the profitability of membership in the EU and the NATO collective security system has been seen. After the beginning of the Russian aggression against Ukraine, the Republic of Serbia held a meeting of the National Security Council on February 25, where, among 13 conclusions, it was announced that it would not impose sanctions either on the state or on legal and physical persons, as this does not currently represent a vital political or economic interest Republic of Serbia<sup>161</sup>. Two days later, on February 27, the Government of the Republic of Serbia unanimously adopted the conclusions of the National Security Council, making that document and its decisions an official instruction for conducting foreign policy concerning the war in Ukraine<sup>162</sup>. Therefore, Serbia has aligned with the Decision of the EU Council 2022/579 against Belarus, which was introduced in 2012 due to violating the principles of democracy, the rule of law, and human rights in that country<sup>163</sup>. At the same time, sanctions against Belarus were introduced, among other things, due to its participation on the side of Russia in the aggression against Ukraine, which leads to the thought that sanctions against Russia by Serbia due to the aforementioned military aggression are not being introduced for some particular reason that is not contained in the conclusions of the National Security Council. How else to explain that sanctions are imposed on the state, in this case, Belarus, for its participation in the Russian aggression against Ukraine, i.e. an auxiliary actor in the armed conflict, and not on the leading actor, i.e. Russian Federation?

## **2. THE CURRENT SITUATION IN THE GAS SUPPLY OF THE REPUBLIC OF SERBIA**

According to the data obtained during the research necessary for the writing of this paper, the company NIS from Novi Sad, which is majority owned by a Russian company, is the only one in Serbia engaged in exploration as well as oil and gas production. The company "Gazprom Neft" owns 50% of the share capital of NIS, the Republic of Serbia owns 29.87% of the shares, and the

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<sup>161</sup> <https://www.predsednik.rs/lat/pres-centar/saopstenja/zakljucak-saveta-za-nacionalnu-bezbednost-republike-srbije-broj-1-102022-od-25-februara-2022-godine>

<sup>162</sup> <https://www.srbija.gov.rs/vest/613771/vlada-usvojila-zakljucak-saveta-za-nacionalnu-bezbednost-rs.php>

<sup>163</sup> <https://europeanwesternbalkans.com/2022/05/20/serbia-has-aligned-with-eu-sanctions-on-belarus-over-the-war-in-ukraine/>

company "Gazprom" owns 6.15%. The rest belongs to citizens, employees, former employees and other minority shareholders<sup>164</sup>. Therefore, 56.15 per cent of the capital is in the possession of the Russian Federation. This company uses 64 oil fields with 796 active wells as 43 development and two exploration wells for these purposes. The company NIS also owns complexes on the territory of the Republic of Serbia for processing crude oil in the cities of Novi Sad and Pančevo, as well as a plant for preparing and transporting oil and gas. The company NIS also owns 322 retail establishments where it sells petroleum products. Based on publicly available data in the Energy Balance of the Republic of Serbia for 2021, it can be concluded that the NIS company in those facilities also sells oil derivatives produced from oil extracted on the territory of the Republic of Serbia in the amount of 20 per cent, for which it does not pay import duties and for which transport is much cheaper. However, most importantly, it comes from wells owned by NIS<sup>165</sup>.

When it comes to supplying the Republic of Serbia with natural gas, all 78 gas wells on the territory of the Republic of Serbia are also owned by the NIS company. NIS provides 11 per cent of the total needs of the Republic of Serbia from these company wells, while the Republic of Serbia imports the remaining 89 per cent. As far as imports are concerned, the Republic of Serbia 2021 relied entirely on the import of gas from the Russian Federation through the gas pipeline through Hungary, so that by opening the main Balkan stream, only the diversification of the route was carried out, through Turkey and Bulgaria, which bypassed Ukraine. However, the supplier remained the same—i.e. Russian Federation. The situation is the same regarding storage capacities on the territory of the Republic of Serbia. Currently, there is only one warehouse in the part of the Republic of Serbia, in Banatski Dvor, which does not have sufficient capacity for the country's needs<sup>166</sup>. Russian partners also mainly owned this storage, so Serbia leased additional capabilities in Hungary, i.e., for 500 million cubic meters of gas<sup>167</sup>. In addition, the Republic of

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<sup>164</sup> <https://www.nis.rs/informacije-o-kompaniji/>

<sup>165</sup> Official Gazette (2021) Energy balance of the Republic of Serbia for 2021

<sup>166</sup> Information contained in the response of the Ministry of Mining and Energy to the authors based on the request submitted on April 15, 2023 in accordance with the Law on Free Access to Information of Public Importance

<sup>167</sup> <https://mfin.gov.rs/sr/aktivnosti-1/potpisan-ugovor-o-nabavci-i-skladitenju-gasa-u-maarskoj-sigurna-zima-za-graane-i-privredu-1>

Serbia showed exceptional sluggishness in solving the increase in the capacity of this warehouse, which is a minor owner, but did not undertake anything to build new storage capacities that would be one hundred per cent owned by the Republic of Serbia. By not doing so, those responsible for supplying Serbia with gas exposed the Republic of Serbia to unnecessary risk and raised the scale of dependence on the Russian partner, but also caused financial damage. Namely, according to the report of the Fiscal Council of the Republic of Serbia, although last winter we had gas available at favourable prices from the Russian Federation for 60 per cent of the required amount, Serbia had to import gas through Srbijagas at extremely high prices during the winter season itself to compensate the remaining 40 per cent of needs. The purchase of gas in the epicentre of the season at high prices could have been avoided if, in previous years, those responsible at Srbijagas had worked on building national storage capacities that could be filled with cheaper gas in the summer months. All this led to a loss of 450-500 million euros in the business of Srbijagas, which the Government of the Republic of Serbia covered<sup>168</sup>. Therefore, realising the current Turkish Stream energy project gives the Republic of Serbia the opportunity for better energy connection and eliminating mistakes from the past when energy corridors bypassed our area (Štrbac K., Milosavljević B., 2019). Moreover, energy security was considered one of the key factors shaping interstate relations and was reviewed within the political context (Amirova-Mammadova S. 2018).

### **3. ENERGY SECURITY INDEXES**

When discussing the methodology by which international scientific and professional organisations assess a country's vulnerability concerning the supply of energy and the level of energy security, some of the so-called indexes. One of the most popular is undoubtedly the Herfindahl-Hirschmann Index. Herfindahl – Hirschmann Index determines the degree of a specific country's dependence on a particular supplier and can be used as an indicator that indirectly points to a country's energy security. It is wholly supply-oriented and is the sum of the

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<sup>168</sup> Republika Srbija, Fiskalni Savet(2022) Strukturni problemi Srpske energetike u svetlu globalne krize : uzroci, troškovi i moguća rešenja-rezime, str.9-11 [https://www.fiskalnisavet.rs/doc/analize-stavovi-predlozi/2022/FS\\_Rezime\\_Strukturni\\_problemi\\_srpske\\_energetike\\_u\\_svetlu\\_globalne\\_krize\\_jul\\_2022.pdf](https://www.fiskalnisavet.rs/doc/analize-stavovi-predlozi/2022/FS_Rezime_Strukturni_problemi_srpske_energetike_u_svetlu_globalne_krize_jul_2022.pdf)

squares of the market shares of the countries of import for any given country (Radovanović M., et al. 2016). Energy security is a specific parameter influenced by numerous factors, thus, the position to a particular part of the scientific and expert public, according to which the defining of a unique methodology for measuring energy security is not possible, but is neither essentially necessary, become more pronounced. Each country has its own peculiarities and approach to development, which change over time, so defining the method for determining energy security at each country's level individually can be considered more meaningful (Golusin M., et al. 2014) . If the data presented by the authors in the previous chapter is used when using this index, the result is an actual alarm for decision-makers in the Republic of Serbia regarding energy security and gas supply. The Shannon-Wiener index is a simple and reliable quantitative indicator for measuring diversity. At that juncture, the calculation of the diversity index helps to decide the regulation of the share of each type of fuel in the structure of fuel and energy balance of the country. The index value can range from zero to five (Kharlamova, G., et al. 2018). The Shannon-Wiener Index is the simplest method for calculating the degree of energy security. The basis of this method is calculating the ratio of the degree of diversification of the energy market, the share of energy on the market and the market share occupied by a specific supplier. In practice, we can apply this method specifically to the district heating system in Serbia because it is a well-known fact that the citizens of Serbia react very impulsively when it comes to any disturbances in the heating system. In Serbia, 60 per cent of heating plants use gas for energy production and 35 per cent of fuel oil. The rests are coal and biomass, and the level of energy security in Serbia is shallow because all natural gas comes exclusively from one source, i.e. Russian Federation, while part of the fuel oil used by heating plants for the district heating system also originates from the Russian partner. Currently, the aggravating circumstance is that 16 out of 36 heating plants do not have an alternative way of producing energy except using gas<sup>169</sup>. The particular importance of this index is that it directly indicates a country's dependence on certain external suppliers and thus indicates the need for diversification to resist changes in the external environment.

The Risky External Energy Supply index pays the most attention to the distance between the country of the supplier and the country of the buyer of energy, whereby it is assumed that the

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<sup>169</sup> <https://www.b92.net/biz/vesti/srbija/toplane-se-spremaju-za-sezonu-odlaganje-grejanja-povecava-potrosnju-struje-2215970>

transport of energy from a greater distance is riskier for the buyer's country. In this sense, procuring gas from the Russian Federation is significantly more dangerous for Serbia than procuring gas via the Niš-Dimitrovgrad gas connector to the Greek port of Alexandroupolis, where ships with liquid petroleum gas will dock. According to this index, the route by which Bulgaria is supplied with USA gas from the Turkish port of Marmara Ereğlisi is a safer procurement.

In the context of the Russian aggression against Ukraine and the political decisions that followed on the part of the EU countries, the most authoritative is the Energy Security Index. This method of calculating the degree of energy security, market share, and availability of specific energy sources pays special attention to the security of supply through the prism of political conditions in the energy supplier country( Radovanović M., 2019). As the authors in this paper have argued that the only supplier of gas is currently the Russian Federation and that it is widely known that it is under EU sanctions due to its military aggression against Ukraine and that it has suffered condemnation from the UN because of it, the conclusion is that without gas diversification not only of the supply route but above all of the gas supplying country, Serbia's energy security is at a deficient level and that it represents the basis of the vulnerability of the national security of the Republic of Serbia.

#### **4. POLITICAL IMPLICATIONS DUE TO ENERGY DEPENDENCE**

The critical energy supply is one of the determining activities when creating foreign policy. Necessary supply represents a continuous activity that, following disruptions, would produce wider consequences for the functioning of the state and the economy. When creating their policy, states primarily consider critical supply as one of the factors in the decision-making process. A key question for understanding the political implications of energy dependence is related to the position of energy policy and how it reflects on foreign policy. First, the whole thing can be brought under adaptability concerning external changes. When talking about energy dependence, it is not a condition that is easy to adapt to new circumstances. First of all, due to the lack of specific infrastructure, which often takes years to build. And secondly, energy security refers to timely strategic planning. It is essential to highlight the importance of timely, precise and

comprehensive predictions of international relations and their consequences for the country. The role of science, as a combination of theory and practice, is of inestimable importance to adequately perceive energy security. Through the long-term application of science in predicting international developments and their related security and economic consequences, it is possible to implement practical policy measures on time. To the extent that communication with international partners is added through readiness to strengthen energy security, it is likely to have beneficial effects on reducing energy dependence. The possibility that a conventional and destructive war would spread to the rest of Europe seems unlikely, but the fact that Russia uses energy as a form of pressure to implement foreign policy is more than a well-known fact. Energetics does not have a market consensus regarding supply and demand because global suppliers are not guided only by market interests. It is worth recalling that the 2009 gas supply was used as a mechanism for Russia's pressure on Ukraine<sup>170</sup>. Considering hybrid actions are characteristic of Russian foreign policy, energy issues cannot be viewed outside those frameworks. Is it possible to separate these two, economic relations and political relations? Do political relations have to be economic as well? That is, can economic relations dictate political decisions? In the case of China's "Belt and Road" initiative, the link between loans and the implementation of political decisions is unequivocal. Most beneficiaries of Chinese loans avoid international engagement on universal issues such as the ongoing human rights abuses against the Uighurs or the development of political-economic ties with Taiwan. For a better understanding of the behaviour of Russian energy companies, let's look at the relationship between Gazprom and the Russian Government. The question is often asked whether there are differences between the views of Gazprom and the Russian government. Since the latter has a controlling interest in the company and, directly or indirectly, appoints and approves all primary personnel appointments, some believe that Gazprom acts as the economic and political arm of the government (Pirani S., et al. 2009). The Oxford Institute for Energy Studies characterised Gazprom's behaviour as monopolistic. And for this reason, as they state, Gazprom forms prices by assessing whether certain countries have alternative options. In practice, this means that a higher price is formed due to the absence of choice. This example is best seen with gas prices from 2014. It turns out that the same gas costs more than \$600, depending on the presence of

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<sup>170</sup> <https://www.reuters.com/article/us-russia-ukraine-gas-timeline-sb-idUSTRE50A1A720090111>

other alternatives<sup>171</sup>. It is worth recalling the announcement of the European Commission<sup>172</sup> from 2015 under the title "Statement of Objections to Gazprom - report with facts". This detailed report states that Gazprom has a share of over 50% and, in some cases, 100% in Central and Eastern European countries. Then it is noted that Gazprom hinders competition in the gas market in eight Central and Eastern European countries. Two fundamental objections are essential for our analysis, Gazprom may be hindering cross-border sales and unfair commercial policy (price fixing). In the previous lines, we have provided enough facts to support the claim that the price of gas is a political category in the Russian case. The allegation of obstructing cross-border gas sales is much more severe because it states very precisely that Gazprom is using gas export bans and the destination (state) clause. Based on these two clauses, we see that the focus is not on market principles but on establishing an individual lever of pressure and influence on states due to energy dependence. With such "business" rules, Russia tries to do business with each EU member state as if it were a separate state deprived of the collective capacity of EU membership. In this regard, one critical category - the energy supply has become a lever of broader influence on the creation of EU policy. That is, due to the principle of consensus, the price and supply of gas can affect the denial of support for measures not in Russia's interest. It is unnecessary to state that Gazprom's commercial performance is calculated to degrade the basic principle of the EU - the single market. EC reports against Gazprom also refer to earlier years, for example, in 2012<sup>173</sup>. We see that Gazprom's operations were predominantly viewed from the perspective of EU market rules, while there was no extensive analysis that would include applying the methods of security science, international relations, geopolitics and, ultimately, national security. The artificial gas shortage in 2021 is interpreted today as a "gas" preparation for conflict with the EU and aggression against Ukraine. Market and economic justification are not logical for a company whose business decisions should primarily be profit-driven. The drop in gas supply to Europe in the second half of 2021 is supported by the daily EU gas supply statistics published by Gazprom on its website. According to these data, Gazprom reduced deliveries to the EU by 13.6 billion

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<sup>171</sup> <https://www.eacs.rs/vesti/21/evropska-gasna-kriza-jos-jedna-vestacka-kriza-sa-stvarnim-posledicama-i-izglednim-alternativama>

<sup>172</sup> [https://ec.europa.eu/commission/presscorner/detail/el/MEMO\\_15\\_4829](https://ec.europa.eu/commission/presscorner/detail/el/MEMO_15_4829)

<sup>173</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_12\\_937](https://ec.europa.eu/commission/presscorner/detail/en/IP_12_937)

cubic meters in the period September-December 2021 alone, and gas deliveries via the Ukrainian transit network and the Yamal-Europe gas pipeline through Belarus and Poland were reduced by 58% and 51%, respectively in that period<sup>174</sup>. Energy sources can themselves become a *casus belli*, or they can be seen as alternatives to the use of force by governments, which are convinced that they possess "energy weapons" that will somehow avoid or replace the use of real ones (Moran D., Russell A.J. 2009). If energy is seen as a weapon, it tries to maintain a position that guarantees such a scenario. The primary opponent of such a scenario is the diversification of supply sources, i.e. suppliers, which eliminates the risk of vulnerability in the long term. The procedures warned by the European Commission are more reminiscent of the application of the principle of "divide and rule" by Russia than of trade between equal players on the world market. Moscow's intention to form and manage the European energy market is about more than profit. That gas is a "weapon" in the hands of the regime in the Kremlin is also confirmed by very aggressive influence operations on the following topics:

- the "freezing" of Europe,
- the "collapse" of the European economy without Russian gas,
- increase in the cost of living.

The narratives mentioned earlier are the most dominant standard content of Russian influence operations, like disinformation<sup>175</sup> identified by the EUvsDiSiNFO project of the European External Action Service. Therefore, implementing influence operations through Cold War active measures relates to Russian foreign policy goals. We have a glaring example of hybrid action at work. At this point, it is vital to devote space to defining the hybrid effect to see "energy dependence clearly" and its implications for the foreign policy decisions of the Republic of Serbia. The Cambridge Dictionary defines hybrid warfare as using different methods to attack an enemy, for example, by spreading false information or attacking essential computer systems, which is different from traditional military action. In one of their earlier works, the authors defined hybrid action as a planned, organised, pre-prepared, the coordinated economic activity of

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<sup>174</sup> <https://www.martenscentre.eu/blog/how-gazprom-manipulated-the-eu-gas-market/>

<sup>175</sup> <https://euvsdisinfo.eu/disinformation-cases/?text=energy&date>

state actors against the civilian population, institutions and interests of sovereign states, with the integral use of the principles of military tactics and intelligence work, primarily subversive actions with the ultimate goal of paralysing society, the state system calculated in coercion to achieve certain concessions and the desired behaviour of the state as a whole (Životić I., Obradović D. 2022). Looking at Gazprom's market activity closely linked to the Kremlin's foreign policy interests, the use of disinformation regarding the supply of gas from Russia, as well as the continuous period of such activity before the aggression against Ukraine, leads to the conclusion that such activity is not market-oriented. The character of hybrid action is reflected in the continuous period of combined use of gas delivery, information operations and political demands. The list formation of "enemy" countries<sup>176</sup> and the change in payment methods due to the introduction of sanctions against Russia is another confirmation of the concept. Where do influence operations come from in all this activity, and why are they important? The same application of disinformation through an organised campaign in the media and social networks finds its reasons in the beneficial mobilisation of public opinion as a lever of pressure on decision-makers—apocalyptic scenarios about an imminent existential threat trigger action that can result in demonstrations, riots and strikes. Without a doubt, the gas supply can affect economic disruptions. Sudden supply interruptions or deviations from "favourable" prices can create an unsustainable fiscal situation. However, the concept of energy security varies with respect to demographic conditions but commutatively emphasises an uninterrupted, secure and clean energy supply at an affordable price (Billah T., et al. 2020). At its core, it is about using energy as a "weapon". The question is what kind of weapon and why the mentioned actions have the outline of a "weapon". By defining hybrid action, we tried to provide a theoretical lever for understanding this complex, multidisciplinary intertwined and economically important foreign policy factor that determines these activities. Energetics as "weapons" do not have a precise definition. In most cases, we have descriptive statements from politicians that can guide us to the content of this term. If we are in the field of national security, then the energy "weapon" could be defined as a form of foreign political blackmail in the context of the price and delivery of energy from a foreign supplier. To fulfil this, we have to use the method of description again. For a particular condition to be treated as a "weapon", it must be narrowly recognised as a security

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<sup>176</sup> <https://www.reuters.com/business/energy/putin-says-russia-will-start-selling-gas-unfriendly-countries-roubles-2022-03-23/>

threat. Dependence on energy sources in every sense is considered a threat to the functioning of the state if there are disruptions in the supply or exploitation of the necessary energy sources. As explained in the previous part, one of the effective countermeasures is the diversification of supply sources. The George Marshall Center for European Security Studies, in its 2008 publication "European Dependence on Russian Natural Gas: Perspectives and Long-Term Strategy Recommendations", addresses interdependence theories advocated by European politicians and also fails to take into account Russia's use of hydrocarbon revenues; Russia has accumulated a large part of them in the oil stabilisation fund. Since these revenues do not go into non-discretionary funding, this strongly suggests that Russia could show more persistence if these revenue streams were cut off than their European consumers could tolerate disruptions to energy supplies<sup>177</sup>. In conclusion, European Commission states a double urgency to reduce Europe's energy dependence: the climate crisis, seriously aggravated by Russia's aggression against Ukraine, and the EU's dependence on fossil fuels, which Russia uses as an economic and political weapon<sup>178</sup>. The book "War by Other Means" looks at the use of the economy as a form of pressure to make foreign policy decisions and shape the foreign policy arena in favour of those who use economic pressure. The geopolitical analysis highlights how certain states can seek control of critical energy infrastructures abroad—usually through state-owned enterprises (SOEs)—to influence foreign policy, host state decisions, and retaliation for hostile acts (Blackwill D.R., Harris M. J. 2016). Energy as a "weapon" represents the exploitation of the absence of diversification through the use of a monopoly position in combination with decisions that are not market-oriented to achieve the strictly defined interests of the state that is the dominant or sole energy supplier. A dominant position in supply can be preserved by the state through ownership of critical transport infrastructure (natural gas), giving subsidies to its companies to maintain a dominant position, increasing export capacity, interstate agreements, obstruction in the implementation of competing projects, lack of capital, commercial policy in terms of prices. As a result, the energy importer acquires a lever of pressure with the earlier actions and a real possibility to harm the state importing energy products. In terms of economic

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<sup>177</sup> <https://www.marshallcenter.org/en/publications/occasional-papers/europes-dependence-russian-natural-gas-perspectives-and-recommendations-long-term-strategy-0>

<sup>178</sup> [https://eur-lex.europa.eu/resource.html?uri=cellar:fc930f14-d7ac-11ec-a95f-01aa75ed71a1.0001.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:fc930f14-d7ac-11ec-a95f-01aa75ed71a1.0001.02/DOC_1&format=PDF)

and social importance, any disruption in supply can lead to economic and social problems, including civil unrest. In these new geopolitical realities, international energy, trade and investment law must be reformed to allow states to adequately respond to using energy as a weapon without neutralising the contribution of liberal trade and investment instruments in cost-effective energy supply (Boute A., 2022). In maintaining a dominant market position, most professional and scientific literature analyses the case of the Russian Gazprom, which is also covered by official reports of state and international bodies. The report of the European Parliament entitled "energy as a tool of the foreign policy of authoritarian states"<sup>179</sup> indicates that Russian energy policy is not always motivated by geopolitical interests. However, when it is used for political pressure, it is achieved:

- manipulation of price policy,
- control of energy assets, such as gas pipelines and gas operators,
- interruption and disruption in gas supply,
- entering into restrictive supply contracts,
- developing alternative supply routes to divert gas flows.

Moreover, the claim is made that Gazprom is an expert in conducting Moscow's foreign policy agenda under commercial conditions, claiming that Moscow has a history of granting discounts but denying them depending on political circumstances. However, as documented in the literature on Russia's foreign energy relations, promises of discounted gas, combined with the threat of price increases and supply disruptions, have pressured Russia's energy-poor neighbours to concede control of their gas infrastructure (Balmaceda MM, 2021). In the period before the aggression, the Ukrainian parliament labelled as "national treason" the possibility of handing over the entire gas infrastructure to Gazprom. Well-known extreme examples of energy dependence, such as the case of Armenia, Kyrgyzstan and Belarus, show that Gazprom has a so-called vertical monopoly. And that means that it controls energy product import, processing and sale. If we look at the example of Serbia, we will not be mistaken that Serbia is in a similar

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<sup>179</sup> [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO\\_STU\(2018\)603868\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO_STU(2018)603868_EN.pdf)

situation. With a set of bilateral contracts, commercial contracts and the position that Gazprom enjoys, Russia establishes effective control in a strategically crucial sector. We conclude that if Russia achieved control of foreign policy in other countries through energy supply, then it is no different in the case of Serbia. Given the limited availability of alternative sources of gas supply in the region, which prohibits the re-export of Russian gas, it prevents the creation of a competitive market at the regional level, blocking market liberalisation policies promoted by the EU and the United States to counter Russia's energy influence in Eurasia<sup>180</sup>. We must not ignore that security is a matter of perception. For example, deciding on foreign investments in critical infrastructure is often not considered a security challenge if it comes from an "allied" country. Unfortunately, the so-called allied country is the trap that Serbia fell into. First, due to the relatively peaceful international relations between the Russian Federation and the EU, then the support of Russia concerning Kosovo, there was a wrong strategic assessment that the setup of both Russia and the EU is sustainable in the long term. Such a strategic mistake resulted in a very unfavourable situation in which Serbia is entirely dependent on the supply of Russian gas, under complete control of the energy sector and the threat of the ambassador of the Russian Federation that Serbia's alignment with the EU would result in social unrest<sup>181</sup>.

## 5. CONCLUSION

By implementing gas diversification strategies, such as sourcing gas from a more significant number of producers and utilising multiple transportation routes, Serbia has the potential to achieve a high level of energy security in the medium and long term. Moreover, the impact can be even more substantial by concurrently focusing on energy efficiency improvements and increasing capacities from renewable energy sources. This comprehensive approach contributes to national security and aligns Serbia's foreign and security policy with the European Union's. Gas diversification allows Serbia to avoid potential consequences for energy security when

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<sup>180</sup> Countering Russian Influence in Europe and Eurasia Act of 2017, S.1221, 115th Cong., 1st Sess., sec. 8(b) (2017); The Energy Community Treaty, July 20, 2006 OJ L198

<sup>181</sup> <https://www.danas.rs/vesti/politika/bocan-harcenko-uvodjenje-sankcija-rusiji-naskodilo-bi-ekonomiji-i-socijalnoj-sferi-srbije/>

aligning with the European Union's sanctions imposed on the Russian Federation in response to its unjustified aggression against Ukraine. Furthermore, it expedites Serbia's European integration process, facilitating the opening of negotiation chapters, particularly Chapter 31, Foreign, security and defence policy. Consequently, gas diversification reduces Serbia's dependence on Moscow and diminishes its political influence, thereby strengthening the national sovereignty of the Republic of Serbia. Considering the considerable efforts exerted by Moscow to influence Serbia through numerous citizens' associations bearing Russian and friendship in their names, as well as through frequent activities like conferences, awards, decorations at the Russian House, and sponsoring the football club Red Star, which has fans chanting Russia and Putin, it is anticipated that the Russian Federation will not idly watch its influence diminish. Hence, safeguarding the new gas supply routes from attacks is crucial to prevent Serbia from becoming dependent on Russian gas again and reopening the door to Moscow's political influence. Serbia's geographical position underscores the importance of aligning with broader European initiatives, particularly regarding energy connectivity. Russia's current gas sector monopoly is aggravating due to non-market principles in gas infrastructure, especially the main pipeline, and the lack of competition. Consequently, including a security review mechanism for projects involving non-European foreign investors, as practised by European countries, would significantly mitigate the risks associated with geoeconomics. Analysing the case of the Russian energy monopoly confirms that the perception of an "eternal alliance" cannot withstand conflicts of interest. To ensure energy security and long-term strategic planning, consider relevant parameters such as the EU's relationship with potential partners, EU policies toward these partners, and the alignment of Serbia's long-term interests with investments made by non-European countries in critical infrastructure. Lessons learned from gas diversification should inform green transition projects, where partner selection should be based on the earlier criteria. Unfortunately, the current arrangement with Russia has contradicted Serbia's strategic goal of EU membership, despite initially being intended as a sustainable and essential endeavour.

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