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ENERGY FACTOR IN ITALY'S POLICY IN THE MEDITERRANEAN AND IN THE MIDDLE EAST

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The article examines Italy's attempts to implement a number of tasks of its energy strategy through foreign policy tools in the traditionally important for this country the Mediterranean and the Middle East region. It has been predicted that the importance of this region (including the South Caucasus) for Italian geopolitical interests in the coming years will increase even more because of the taken governmental course to diminish coal consumption, as well as the need to diversify the channels of natural gas supply to the country, taking into account the reduction in gas production by the Netherlands and interruptions in gas supplies from Russia.

Keywords: Italy; Italian foreign policy; Mediterranean; energy; Transadriatic gas pipeline; Eastern Mediterranean gas pipeline; Poseidon; Libya; "Iranian dossier"; South Caucasus.

ЭНЕРГЕТИЧЕСКИЙ ФАКТОР В ПОЛИТИКЕ ИТАЛИИ В СРЕДИЗЕМНОМОРЬЕ И НА СРЕДНЕМ ВОСТОКЕ

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Рассматриваются попытки Италии реализовать ряд задач своей энергетической стратегии посредством инструментария внешней политики в традиционно значимом для нее регионе Средиземноморья и Среднего Востока. Прогнозируется, что значение данного региона (включая Закавказье) для итальянских геополитических интересов в ближайшие годы возрастет в связи с курсом на отказ от каменного угля как источника энергии, а также необходимостью диверсификации каналов поставок природного газа в страну с учетом сокращения добычи газа Нидерландами и перебоев с поставками газа из России.

Ключевые слова: Италия; внешняя политика Италии; Средиземноморье; энергетика; Трансадриатический газопровод; Восточно-средиземноморский трубопровод; Посейдон; Ливия; "иранское досье"; Закавказье.

Introduction

Globalization associated with deepening of the economic interdependence of the countries, of course not excluding the fuel and energy sector, gives additional weight to such factors within international relations as energy security, search for stable and reliable channels of energy supplies and building of strategic cooperation in the mentioned fields (where purely economic interaction often predetermines interests in other dimensions of cooperation, even those of military sector). In this context, the example of Italy is very relevant and interesting for analysis.

The aim of the present article is to examine Italy's attempts to implement a number of tasks of its energy strategy through foreign policy tools in the tradi-

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tionally important for this country Mediterranean and Middle East region[1]. 2017–2020 are chosen to be the chronological frames of the present work: from the adoption of the National energy strategy of Italy[2] to a significant slowdown of diplomatic activity of the 2nd government of G. Conte (the so-called Conte-2) due to the COVID-19 pandemic in the spring of 2020.

Some researchers have already examined the economic aspect (including the energy sector) of Italy's relations with the countries of the mentioned region regarding more distant periods: in particular, this was done by A. Farrar-Wellman in the article "Italy – Iran foreign relations" [1], by M. Colombo in the article "Italy – Egypt. Risks and opportunities of strategic partnership" [2], by L. Ruggiero in the report "Renewable energy sources and the European-Mediterranean partnership after the "Arab spring"" [3], by M. Villa in the essay "In for the long haul: Italy's energy interests in Northern Africa" [4].

Certain aspects of the research subject relatively to the period which corresponds to the chronological framework of the present article have been analyzed by Italian energy experts G. Zapponini, G. Mancini, A. Belotto and L. Vita, some of whose research results are cited below by the author.

When writing the work, the author has also used data from the open media sources in Italian and in English – first of all, such as the newspapers La Repubblica, Il Sole Ventiquattro Ore, as well as RAI News Channel, the Reuters News Agency, AGI, and besides, the websites of Bloomberg, Corriere Quotidiano, Intercept and some others.

As a valuable help to the research, I should mention the information released at the official websites of the Ministry of economic development of Italy, of the Italian small and medium enterprises confederation "Confartigianato", as well as references and analytical materials from the current archive of the Embassy of the Republic of Belarus to Italian Republic, which usually summarize the information obtained from the open sources (mainly the media of the host country).

Parameters of the fuel and energy balance and the hydrocarbon logistics of Italy as a prerequisite for developing a strategy for regional energy interaction

Due to obvious geographical reasons, Italy is a country which, first, is exclusively dependent on external energy sources, and second, has got one of the highest energy cost rates in Europe.

In recent years, the balance of energy consumption in Italy is as follows: about 75 % is accounted for hydrocarbons (35 % for oil, 32 % for natural gas, 8 % for coal), 19 % – for renewable sources, 6 % – for imported electricity. At the same time, Italy imports 94 % of consumed oil and 70 % of natural gas. 76 % of the gross energy consumption in Italy comes from imports[3].

At the end of 2019, the main exporters of crude *oil* to Italy were Iraq (19.3 %), Azerbaijan (16.8 %), Russia (14.1 %), Libya (12.2 %), Saudi Arabia (8.1 %), Kazakhstan (7.5 %), Nigeria (6.5 %), Angola (2.4 %), USA (2.1 %) and Egypt (1.9 %). Thus, over 58 % of imported oil comes from the countries of the Mediterranean and the Middle East, and in 2018 this share was even higher due to supplies from Iran, Kuwait and Mauritania, which were later discontinued [5].

Italy is one of the largest importers of natural *gas* in Europe (about 70 bln m^3 annually)[4]. Its main gas suppliers are Russia (39.5 %), Algeria (28 %), Qatar (10 %), Libya (6.7 %), Norway (4 %) and the Netherlands (about 2 %). Thus, the Mediterranean and Middle East region provides over 44 % of Italian gas imports [6].

Foreign dimension of Italy energy strategy nowadays

In November 2017, the Italian Council of Ministers, after a lengthy analytical work and discussions within ministries, scientific centers and industrial agencies, adopted the key document called "National energy strategy" (hereinafter – the Strategy)[5], in which an attempt was made to identify main forecasts and vectors of development of the country's energy sector until 2030.

The tasks formulated by the Strategy appear to be vectors of foreign policy and foreign economic tactics of both official Rome and Italian business (primarily public, but indirectly also private) in the researched region.

Thus, by 2030, it is planned to bring the share of renewable energy sources to 28 % in the fuel and energy balance of Italy. To ensure energy security, the task is to manage the variability of flows and peak demand for gas by means of diversification of sources and supply routes, taking into account the complicated geopolitical situation in the countries from which it is imported, as well as the growing integration of European markets[6].

[1]Italian researchers often refer South Caucasus area to the named region as well.
[2]Strategia Energetica Nazionale [Electronic resource]. URL: https://www.mise.gov.it/images/stories/documenti/Testo-integrale-SEN-2017.pdf (date of access: 18.06.2020).
[3]Ibid.
[4]Ibid.
[5]Ibid.
[6] Ibid.

Worldwide, natural gas consumption is expected to grow by 1.5 % by 2030 (due to a reduction in oil and coal consumption); the global liquefied natural gas (LNG) market will become increasingly liquid with a doubling of trade by 2040 and a possible decline in prices[7].

As a political task, it is specified the ambition of abandoning the use of coal for electricity production in Italy before 2025[8].

Since 2018, the reorganization of the Italian electricity market system has been launched with a goal to create the most profitable channels for the supply of natural gas, also by imposing new schemes of cooperation with foreign states. This considers the forecast that gas will continue to play a key role in the country's energy balance, in parallel with the increase in the share of renewable sources, but at the same time, it is necessary to deal with a more predictable and flexible market.

For this, it is necessary to significantly diversify procurement by optimizing the use of existing and the development of new elements of connecting infrastructure, as well as improving the flexibility of sources, upgrading the routes safety limits, coordinating national emergency plans and including the measures of solidarity with other EU countries[9].

Nowadays, Italy imports over 60 mln tons of crude oil per year[10]. The Strategy notes that the demand for petroleum products gradually decreased in 2005–2015 due to the transformation of a number of oil refineries into biorefineries and storage facilities. The goal by 2030 is to reduce the consumption of petroleum products by 13.5 mln tons of oil equivalent compared to 2015[11].

The increase of productions at large refineries in the Middle East and Central Asia (often located near production sites) makes large volumes of medium distillates available in the Mediterranean at very competitive prices, which causes an increase in imports from these regions while displacing European petroleum products[12].

It is also taken into account that oil markets remain extremely volatile and, as a rule, sensitive to geopolitical tensions in the Middle East, also due to constant confrontation between Saudi Arabia and Iran (the latter fully returned to the market in 2016, but then was again removed from it by the US sanctions in 2019) amid the seen recovery of the US crude oil exports.

Having analyzed the moments of concern arising from the interruption of oil supplies by traditional Italian exporting countries due to past arrests or restrictions on oil imports from Libya (previously this country had been the first crude oil supplier to Italy, with more than 20 % of total imports) and Iran, the Strategy states that the Italian crude oil import system has proved to be flexible enough to respond even to sudden interruptions in imports from different countries. This suggests that in terms of crude oil imports in the near and medium terms, there would be no serious threats to the national energy security[13].

Oil and petroleum products, although being subject to a progressive decrease in demand by 2030 (an expected decrease in gross consumption between 2015 and 2030 by is about 12 mln standard tons), will still continue to play a fundamental role as a source of energy in Italy in the coming decades[14].

A balanced approach that takes into account environmental goals, competitiveness and security factors is even of more drastic need when considering the changing international context which requires an energy strategy that is resilient to geopolitical changes and allows Italy to improve its own competitiveness at the international level, as well as to keep going along the path of gradual decarbonisation[15].

The issues of safety and sustainability of the gas supply system will also remain a priority for Italy in the coming years. To this end, Rome is being actively involved in the EU's evaluation of the construction of new gas pipelines, which would make it possible to be connected to new sources, as well as to reduce the share of Russian gas imports – one of the instruments of the implementation of the above-mentioned goals is the introduction of the Southern gas corridor in order to import Azerbaijan gas through the Transadriatic pipeline (TAP), as well as through the Eastern-Mediterranean gas pipeline (EastMed) – Poseidon project[16].

As for LNG, this type of import can be increased in case of emergency, albeit with limited residual capacity. Moreover, it is recognized that it is important to search for alternative channels of LNG supplies to Italy and not only from Qatar as at present. Algeria, Egypt, as well as Mozambique, the USA, Angola and Trinidad and Tobago are named as alternative countries-suppliers of LNG[17].

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[7]Strategia Energetica Nazionale [Electronic resource]. URL: https://www.mise.gov.it/images/stories/documenti/Testo-integrale-SEN-2017.pdf (date of access: 18.06.2020).
[8]Ibid.
[9]Ibid.
[10]Ibid.
[11]Ibid.
[12]Ibid.
[13]Ibid.
[14]Ibid.
[15]Ibid.
[16]Ibid.
[17]Ibid.

The Strategy also notes some positive elements that are expected to help in improving the general security of energy supplies for Italy:

• opening of the Southern corridor in 2020, for the flow of Azerbaijani gas along a route completely independent of the current supply routes to Italy;

• discovery by Eni Company of the important gas field Zohr on the Egyptian shelf, where production began in 2017. Soon, gas production at Zohr reached 2.7 bln m^3 per year – this volume is able to cover Egypt's gas demand for the next decades, leaving some limited but still sufficient potential to export LNG to other Mediterranean countries;

• development of gas fields in the Eastern Mediterranean (Levant basin), which can be carried out through the joint use of Egypt transport and export infrastructure, with potentially new connections with two liquefaction terminals in Damietta and Idku (total capacity of about 18 bln m^3 per year) within the framework of the EastMed project. This project, which has demonstrated its economic viability, can become a reliable and independent way to develop these gas sources to ensure further diversification of imports[18];

• the beginning of the development of the Turkish Stream project in combination with the IT Governance Instituted – Poseidon project, which would allow diversifying the routes of Russian gas supplies to Italy, balancing the possible doubling of the Nord Stream route and allowing the European system to improve the reliability of supplies, as well as to support the development of the Italian hub[19].

Italy natural gas import routes of relevance in the region

At the end of 2018, the main routes for the delivery of "blue gold" to Italy were the Transaustrian gas pipeline (30.3 bln m^3 of import), the Transmed gas pipeline which leads from Algeria through Tunisia and then through the Mediterranean to Sicily (18.8 bln m^3), the Greenstream gas pipeline from Libya (4.6 bln m^3), and the Transitgas pipeline from the North through Switzerland (7.2 bln m^3) [6].

The total volume of natural gas imported by Italy in 2018 from *Algeria* was estimated by the Ministry of economic development at 17.1 bln m^3, i. e. 9.5 % lower than in 2017. This is despite the fact that in 2010 Algeria sold almost 26 bln m^3 to Italy, being in those years the number one supplier and bypassing even Russia [7].

Qatar accounts for over 9 % of Italian gas imports[20]. This explains the stable foreign policy line of almost all Italian governments to support active cooperation with Doha, despite the latter's muddy reputation as a sponsor of Islamic terrorism. In addition to the gas industry, billions of dollars in contracts are being implemented between Italian and Qatari businesses in other industries, although it is the import of "blue gold" (more specifically, liquefied methane) to be a strategic axis of Italy– Qatar bilateral dialogue. Qatar Terminal Company owns 22 % of the shares in the Adriatic Terminal for LPG Transshipment in the province of Rovigo [8], 49 % of shares in the Italian airline Meridiana Fly. Qatari capital in Italy also runs a number of hotel chains, the Valentino fashion house and 2.3 thsd hectares of beaches on the Emerald Coast [6].

"*Iranian* dossier" remains a problematic factor for the energy sector of Italy's economy. The US-initiated sanctions against Iran practically put an end to the possibility of Italy's unhampered import of crude oil from this country, although in 2018 Iranian supplies provided 12.3 % of Italian oil purchases abroad[21]. Italy de facto was the first country to take advantage of the period of lifting the sanctions, acting as a priority economic partner of Iran. In April 2019, when Washington unveiled a plan to impose a full embargo on oil purchases in Iran, Italy had to replace the Iranian oil with that from Iraq. Herewith, the price of a barrel of Brent oil in that month reached a six-month high of 74.3 US dollars, which put an additional burden on the economy of Italy[22].

Italian experts, including those of Confindustria industrial confederation, called the blocking of the passage of oil tankers through the Strait of Hormuz an extremely dangerous scenario for Italy: in case of paralysis of this crucial for Italy's logistics "hub", the country would hypothetically lose up to 27 % of its oil imports [5].

This context gives ground to consider the "Iranian dossier" as an important indirect factor in the active rapprochement between Rome and Beijing in 2019, symbolically expressed in the visit of President of the People's Republic of China Xi Jinping to Italy on 21–24 March of the same year. The visit resulted in the signing of an extensive series of agreements on cross-sectoral cooperation with a particular focus on transport and logistics[23]. Thus, the government

[18]Strategia Energetica Nazionale [Electronic resource]. URL: https://www.mise.gov.it/images/stories/documenti/Testo-integrale-SEN-2017.pdf (date of access: 18.06.2020).

[19]Ibid.

[20]Ibid.

[21]Studi – da Iraq e Libia il 31.4 % dell'import di petrolio. Con +20 $/barile petrolio il PIL cala di 7,1 miliardi € (-0,4 punti) [Electronic resource]. URL: https://www.confartigianato.it/2020/01/studi-da-iraq-e-libia-il-314-dellimport-di-petrolio-con-20-barile-petrolio-il-pil-cala-di-71-miliardi-e-04-punti/ (date of access: 18.06.2020).

[22]USA, stop a import petrolio Iran per Italia e altri sette paesi. Prezzi ai massimi da 6 mesi [Electronic resource]. URL: https://www.repubblica.it/economia/2019/04/22/news/trump_iran_esenzioni_petrolio_italia-224627010/ (date of access: 18.06.2020).

[23]Data from the analytical report by the Embassy of the Republic of Belarus in the Italian Republic addressed to the Ministry of Foreign Affairs of the Republic of Belarus, dated 22.03.2019 No. 01-16/253.

of G. Conte apparently sought to compensate for the "energy hunger" of the Italian economy with profitable infrastructure projects with China.

The importance of *Libya* as a gas supplier and as a whole strategically important partner of Italy is a subject of a particular article.

Ambitious projects of Italy gas infrastructures: EastMed – Poseidon and TAP

The agreement on the construction of the EastMed was signed on 2 January 2020, in Athens by the leaders of Greece, Cyprus and Israel. In addition to the three countries mentioned, the gas pipeline, according to the plan, should pass from Greece by Poseidon branch through the Adriatic Sea to Italy and further North [9]. The Italian concern Eni, to which the Italian government has delegated the relevant powers, intends to invest in the construction of Poseidon [10]. This project, which is currently still under development, is designed to provide Italy with an opportunity to import up to 20 bln m^3 of gas annually starting approximately from 2025 (approximately the same volume of supplies is planned through the second branch of TurkStream)[24].

The National energy strategy specifies as follows: "In case of a complete and longstanding suspension of imports from our main suppliers (for example, a blockage or a major accident of the gas pipelines that deliver Russian gas to Italy via Ukraine, Slovakia and Austria), it would be extremely difficult to compensate this loss to the energy balance of Italy. At the same time, it should be taken into account that other European countries are also likely to find themselves in a similar situation (more than 30 % of European demand is met by Russia). In this regard, the alternative import channels are of great demand, such as Algeria (both via the gas pipeline across the sea or through the territory of Spain), Libya (taking into account, however, its unstable state), Norway, the Netherlands and Azerbaijan". It is said about Azerbaijan that the latter "is intended to become the new leading supplier of gas to Italy, thereby increasing the level of energy security of the country". By means of TAP, Italy is expecting to be able to import an additional minimum of 8.8 bln m^3 annually within a period of at least 25 years[25].

The TAP is the final element of the Southern gas corridor, which would allow natural gas to be transported from the Caspian Sea to Western Europe, bypassing Russia. According to the project, TAP will connect the terminals in the Italian region of Apulia with Albania via the Adriatic Sea.

The multilateral agreement on the construction of TAP was signed by the Italian government of E. Letta (Democratic party) in 2013. However, its practical implementation on the territory of Italy has not been started due to the negative reaction of the regions in which the construction plan should go (including the protests of municipalities, environmental and other public entities).

From June 2018 to August 2019, the government of the "yellow-green" coalition (the right-wing nationalist league and the centrist-populist 5 Star Movement) was in power in Italy, at first declaring a program of an anti-globalist and Eurosceptic nature. So, after taking office, the then Minister of environmental protection of Italy, S. Costa, called the TAP project "meaningless" arguing that it was subject to revision in reference to the global trend of falling natural gas prices [11].

In this context, there were fears in European political circles that Italy would withdraw from the project of TAP.

In August 2018, during the talks with Italy president S. Mattarella in Baku, the leader of Azerbaijan I. Aliyev expressed his concern about the delay in the construction work by the Italian side, calling on Rome to give a clear answer about its readiness to participate in the implementation of the project, whether to pay a penalty for withdrawing from it (according to lawyers, the amount of penalties that could be imposed on Italy, in this case, is from 40 to 70 bln euro)[26].

Notwithstanding the initial statements of the "yellow-green" government and minister S. Costa, in particular, the growing demand for blue fuel in Italy continued. In addition, external threats to energy security have significantly increased in 2019, both in terms of the escalation of the situation in Libya as in the context of the US' new punitive measures against Iran. This ground inevitably prompted the Italian side to resume practical steps towards joining itself to the route of the Southern gas transport corridor, which would provide large-scale gas supplies from Azerbaijan. An additional impetus to the decision was given by the plans of the Netherlands to wind down its gas production site in Groeningen by 2030. An alternative option, in theory, could be the TurkStream, lobbied by Russia, but it would mean no less environmental and financial costs than in the case of the TAP. Switching to the import of liquefied gas would be too expensive for Italy. The Transcaspian route of delivery of the gas attracted Rome by the promise of using it for the import of the "blue gold" not only from Azerbaijan but

[24]Strategia Energetica Nazionale [Electronic resource]. URL: https://www.mise.gov.it/images/stories/documenti/Testo-integrale-SEN-2017.pdf (date of access: 18.06.2020).
[25]Ibid.
[26]Data of the analytical report by the Embassy of the Republic of Belarus in the Italian Republic addressed to the Ministry of Foreign Affairs of the Republic of Belarus, dated 16.08.2018 No. 02-04/579.

also from Iran – a country that Italy has been traditionally including into the field of its geopolitical interest.

All this prompted Italian authorities to confirm thereafter, despite the initial skepticism – the readiness to implement the Transadriatic corridor project. The Conte-2 cabinet that came to power in September 2019 formed with a coalition of the 5-Star Movement and center-left parties, finally confirmed Italy's engagement in this project.

On 20 February 2020, president of Azerbaijan I. Aliyev has paid a state visit to Italy. The parties agreed to strengthen the strategic partnership between the two countries, focusing not only on energy but also on political, cultural and humanitarian cooperation. Agreements were confirmed on the construction of the Italian section of the Transatlantic gas pipeline, which I. Aliyev called "a symbol of cooperation between the seven states"[27].

Italy's diplomatic efforts in the Mediterranean region in 2018–2020 (Conte-1 and Conte-2 governments)

Italy's obvious energy interests in the Mediterranean region predetermine its fundamental meaning to diplomatic activity towards potential gas and oil donor countries.

Thus, the President of the Council of Ministers of Italy, G. Conte during his time in the office paid two visits to *Algeria* (in November 2018 and January 2020). As a result of the 2018 visit, an agreement was reached to extend the contract for the supply of gas by Edison Company for another 8 year period – until 2027 (the previous contract expired in the autumn of 2019; the minimum guarantee for the supply of the blue fuel was fixed at the level of 1 bln m^3 annually – earlier, in the period of 2008–2019, the contractual volume was 2 bln m^3). Similar contracts with Algeria were extended by the largest Italian hydrocarbon concerns Eni (until 2027, with the condition of deliveries of 9–10 bln m^3 per year) and Enel (3 bln m^3 annually until 2030, instead of the previous 7 bln m^3 per year) [7]. The visit also resulted in the agreement between Rome and Algiers on close cooperation in migrants' traffic regulating[28]. During the 2020 visit, the head of the Italian government also tried to convince the Algerian leadership (so far – to no avail) to abandon the implementation of the concept of an "exclusive economic zone", announced in 2018 by Algeria on the maritime territory within 180 miles from the Algerian coast [12].

In September 2018, vice Prime Minister and Interior minister of Italy M. Salvini met with the leader of *Tunisia* B. Essebsi, stating that the success of Italy's cooperation with Tunisia (including on security issues and the fight against illegal migration) is designed to "awaken the European Union"[29].

On 4 July 2019, Eni signed a new agreement with the Tunisian Ministry of industry on the transit of natural gas of Algerian origin through Tunisian territory. With this agreement, Eni, by means of its subsidiary Transtunisian Pipeline Company, committed to operate the pipeline until 2029, providing the necessary investment to upgrade the infrastructure and using the exclusive right to the entire transit. The agreement embodies the agreements reached in May 2018. The agreement with the company Sonatrach regarding the purchase of gas and transportation via the Sicilian route and completed the formation of a contract package that ensures the import of Algerian gas to Italy for the coming years[30].

The Transtunisian gas pipeline, built in the early 1980s and subsequently reconstructed in several stages, consists of two lines about 370 km long (from the Algeria – Tunisia border in the Oued – Safsaf area to Cape Bon) and five compressor stations. Its capacity is about 34 bln m^3 per year. This route will continue to play a key role in the energy supply of both Tunisia and Italy, contributing to the diversification of sources of supply to the Italy market[31].

According to Italian analysts, the agreement between Eni and Tunisia is another confirmation of the long-term commitment of the concern and the Italian authorities behind it to strengthen its position in the North African countries not only in the exploration and production of hydrocarbons but also in the management of transport infrastructure and in the segments of sales of petroleum products, chemicals and energy production from renewable sources.

In addition to Algerian gas, the pipeline has also been filled with Tunisian fuel since 2020, due to the start in February 2020 of the natural gas production in Navara field (which is in the Southern part of Tunisia) [13].

[27]Data of the analytical report by the Embassy of the Republic of Belarus in the Italian Republic addressed to the Ministry of Foreign Affairs of the Republic of Belarus, dated 17.03.2020 No. 02-04/276.

[28]Conte: con Algeria sforzo per migliorare su rimpatri [Electronic resource]. URL: http://www.rainews.it/dl/rainews/media/Conte-con-Algeria-sforzo-per-migliorare-su-rimpatri-b9506ead-e521-4872-8999-701a39e1203a.html (date of access: 18.06.2020).

[29] Data of the analytical report by the Embassy of the Republic of Belarus in the Italian Republic addressed to the Ministry of Foreign Affairs of the Republic of Belarus, dated 16.10.2018 No. 02-04/718.

[30]Eni estende al 2029 l'accordo con la Tunisia sul trasporto del gas naturale algerino [Electronic resource]. URL: https://www.agi.it/economia/energia/eni_gas_naturale_tunisia-5760556/news/2019-07-04/ (date of access: 18.06.2020).

[31]Ibid.

Conclusion

1. In the coming decades, despite a deliberate strategy of the reduction of the dependence on hydrocarbons, Italy's economy will continue to be tied to the imports of oil and natural gas from abroad. Moreover, the gas share in the volume of imports will gradually push back that of the oil.

2. Key importance of the Mediterranean and Middle East region (including the South Caucasus) for Italy's geopolitical ambitions will increase even more in the coming years due to the policy of abandoning coal as an energy source, as well as the need to diversify the natural gas supply channels to the country, taking into account the reduction in gas production by the Netherlands and the interruptions in gas supplies from Russia (because of the Ukrainian factor).

3. The increasing geopolitical risks associated with Italy energy security factor – both in terms of the escalation of the situation in Libya as in the context of US punitive measures against Iran – prompted Rome to resume practical steps towards joining itself to the route of the Southern gas transport corridor which would provide large-scale gas supplies from Azerbaijan. This was also facilitated by the strict terms of previously signed contracts, the refusal of which would have threatened Italy with unaffordable multi-billion-dollar fines.

4. The Transadriatic gas pipeline project is a landmark element of Italy's intensified efforts over the past decade to diversify its sources of natural gas supplies, on the one hand, diminishing the dependence from the traditional dominator in this sector (who is Russia) and thus following the consolidated line of the EU, and on the other hand, offsetting the risky share of conflict-ridden Libya. The fact that Azerbaijani gas will flow directly to Italy and then to other EU countries, is intended to increase the transit importance of Italy for the pan-European energy market and, as a result, to provide additional leverage for profitable bargaining on energy prices, which are currently among the highest in Italy among all EU members. At the same time, TurkStream project is also not discounted by Italy.

5. Almost all energy supply projects have active political support and counter-economic interests. Embedding of the leading Italian energy companies Eni and Enel into the production and transportation projects, as well as the counter-lobbying of Italy's exports and investment projects in the supplier countries, is obviously aimed on compensating of significant energy costs.

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