

BARGAINING POWER IN THE EUROPEAN GAS NETWORK

László Á. Kóczy^a, Dávid Csercsik^b and Balázs Sziklai^{a,c}

^aCentre for Economic and Regional Studies, Hungarian Academy of Sciences

koczy@krtk.mta.hu

^bPázmány Péter Catholic University, Hungary

csercsik@itk.ppke.hu

^cCorvinus University of Budapest, Hungary

sziklai.balazs@krtk.mta.hu

We model the European gas network as a cooperative game between countries as players over the pipeline network. We focus on the change of influence of the players in three different scenarios. We investigate how the power of the agents shift when the Nordstream pipeline is expanded, when the Ukrainian pipeline is shut down and finally when both of these happen. Although some of our findings are intuitive, there are a few slightly surprising results. One of these is that Germany is the main beneficiary of all three scenarios.

This line of research was pioneered by Hubert and Ikonnikova (2011), and Hubert and Coblani (2016). The latter analyzed the possible impact of the Nabucco and South Stream pipelines. Nothing illustrates the volatility of the gas market better than both of these projects have been abandoned since then. The latest candidate to ease Europe's dependency on Russian gas is the Southern Corridor, which aims to connect the Shah Deniz gas field of Azerbaijan to southern Europe. The success of such projects depend on many factors: how the huge costs of a new pipeline is shared, approval and legal coordination with the EU and permission of the countries whose territory is affected, to say a few. Our analysis helps to understand why the expansion of the Nordstream was pushed through by Germany and which new projects could be successful in the future.

References

- [1] F. Hubert, and S. Ikonnikova: Investment Options and Bargaining Power: The Eurasian Supply Chain for Natural Gas, *The Journal of Industrial Economics*, Vol. LIX 2011 No. 1
- [2] F. Hubert, and O. Coblani: Pipeline Power: A Case Study of Strategic Network Investments *Review of Network Economics*, 2015; 14(2): 75110