

# EUROPEAN UNION'S ENERGY (IN)SECURITY – DEPENDENCY ON RUSSIA

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### Abstract

As the title suggests the article deals with the concept of energy security of the EU member states in respect to their dependency on oil and natural gas supplies from the Russian Federation. The aim of this paper is to explain why are the EU Member States so unwilling to give up their sovereignty in the sphere of energy and why is it so difficult to promote and carry out the Common Energy Policy of the EU in order to increase their energy security. And on the other hand, to show, what progress in the Common Energy Policy has already been achieved, mainly due to the presence of the “Russian threat”. The basic assumption of the paper is, that it is the dependence on foreign energy that influences, to what extent a country is willing to transfer control over its energy policy to the EU level. To be able to confirm or disprove this assumption, partial questions have to be answered: Why is it important to discuss the energy security of the EU? Why are the Russian Federation’s current policies being considered as a threat to energy security of the EU? To what extent do the EU/ its member states depend on the imports of oil and natural gas from Russia? What are the differences in the levels of energy dependency among the member states? Can different levels of energy dependency on Russia influence the attitude of the member states towards the Common Energy Policy of the EU? Why do the conflicts among the member states about securing the energy supplies arise (despite the Common Energy Policy)?

## INTRODUCTION

The European Union’s growing dependency on the imported oil and mainly natural gas from the Russian Federation and its impact on the EU’s energy security are currently being discussed more with the threat posed by international terrorism. As Dr John Gault puts it in his study – “European energy security requires, first, that the incremental resources be delivered in a timely manner along with the adequate transportation systems to deliver the energy to European markets. European security then requires that the likelihood of interruptions to such supplies is minimized, and, in the event of an interruption, the consequences for European consumers are moderated.”<sup>1</sup>

As energy security is a common problem of all the European countries, it sounds very reasonable, that the EU countries should have a common approach towards it, and hence a common energy policy. If all member countries acted collectively, under the EU trade mark, they would definitely have much bigger negotiating power. However, every initiative aimed at transferring part of the member states’ sovereign-

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<sup>1</sup> Gault, John. The European Union: Energy Security and the Periphery p. 3

ty on the EU institutions to enable the realization of the Common Energy Policy, and mainly the Common External Energy Policy, has to face hostile reactions of several member states.

The aim of this paper is to explain this seemingly irrational behavior by finding out, why are the EU Member States so unwilling to give up their sovereignty in the sphere of energy and why is it so difficult to promote and carry out the Common Energy Policy of the European Union. The basic assumption of the paper is, that it is the dependence on foreign energy that influences, to what extent a country is willing to transfer control over its energy policy to the EU level. To be able to confirm or disprove this assumption, partial questions have to be answered – Why is it important to discuss the energy security of the EU? Why are the Russian Federation's current policies being considered as a threat to energy security of the EU? To what extent do the EU/ its member states depend on the imports from Russia? What are the differences in the energy dependency among the member states? Can different levels of energy dependency on Russia influence the attitude of the member states towards the Common Energy Policy of the EU? Why do the conflicts among the member states about securing the energy supplies arise (despite the Common Energy Policy)?

The first part of the paper will define the term “energy security” and explain why the energy self-sufficiency is being considered a crucial element of national security. Then, the development of the Common Energy Policy of the EU will be described. The biggest emphasis will be given on the new principles introduced by the Finland's Presidency in the second half of the year 2006 and its impacts on further evolution of the Common Energy Policy of the EU. In the second part of the paper, the credibility of Russian threat to the energy security of the EU will be discussed. Thirdly, the sources of energy supplies of selected EU Member States will be examined. The aim of this part is to show that the structure of energy supplies varies a lot among the EU Member States – some are almost self-sufficient, and some almost entirely depend on supplies from Russia. In the final part, using the analysis made in the previous part, combined with the explanation of the vital interest of every state to keep control over its energy supplies, it will be explained, why it is so difficult for the EU and its Member States to promote common tactics (anchored in the Common Energy Policy) when dealing with the Russian Federation.

## THE CONCEPT OF ENERGY SECURITY

The term ‘energy security’ is relatively new. It was brought to the theory of international relations and security studies by the so called Copenhagen School, represented mainly by Barry Buzzan, at the beginning of the 1990s. The Copenhagen School mo-

diffies and extends the traditional frame of security analysis.<sup>2</sup> Besides military threats this school recognises four other kinds of threats – political, economic, societal and environmental. Sufficient and stable energy supplies are crucial for the economic well-being of every state which is a “part of the essential values of the state”<sup>3</sup>.

Nowadays, there are many different definitions of energy security, capturing various aspects of this term. The European Commission defines it as “the ability to ensure that future essential energy needs can be met, both by means of adequate domestic resources worked under economically acceptable conditions or maintained as strategic reserves, and by calling upon accessible and stable external sources supplemented where appropriate by strategic stocks.”<sup>4</sup> Barton et al. define energy security as “a condition in which a nation and all, or most of its citizens and businesses have access to sufficient energy resources at reasonable prices for the foreseeable future free from serious risk of major disruption of service.”<sup>5</sup>

In this paper, Gawdat Bahgat’s definition of energy security will be used. Thus, energy security “refers to sustainable and reliable supplies at reasonable prices”<sup>6</sup>. In his perspective energy security depends on sufficient levels of investments in resource development, generation capacity and infrastructure to meet demand as it grows; and achieving a state where the risk of rapid and severe fluctuation of prices is reduced or eliminated.<sup>7</sup>

## COMMON ENERGY POLICY OF THE EUROPEAN UNION

### Evolution of the Common Energy Policy

The two oil shocks of 1973 and 1979 represented the biggest incentives for the rejuvenation of the Energy Policy of the EEC. Both were caused by restrictions in oil supplies as a reaction to international political crises. The reaction of the EEC followed in three parallel steps:

- 1/ diversification of the oil supplies (pipeline from the north Africa to Spain, northern pipeline, interest in the oil from the Caspian Sea).

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<sup>2</sup> Buzzan, Barry; Wæver, Ole, de Wilde, Jaap. *Security: New Framework for Analysis*.

<sup>3</sup> TerriF, Terry, et al. *Security Studies Today*. p. 137

<sup>4</sup> Bahgad, Gadwat. Europe’s Energy Security: Challenges and Opportunities. p. 965, Originally stated in: Skinner, Robert and Arnott, Robert. EUROGULF: an EU-GCC dialogue for energy stability and sustainability [online]. Accessible from WWW: [http://Europa.eu.int/comm/energy/index\\_en.html](http://Europa.eu.int/comm/energy/index_en.html) [cit. 2005-06-04]

<sup>5</sup> Ibid., p. 965, Originally stated in: Barton, Barry, et al. *Energy security: managing risk in a dynamic and regulatory environment*. Oxford: Oxford University Press, 2004

<sup>6</sup> Ibid., p. 965

<sup>7</sup> Ibid., p. 965–966

- 2/ diversification of energy sources (increase in the black and brown coal mining, re-opening of the already mothballed mines, research and development of alternative sources of energy).
- 3/ development of oil and gas exploitation and to it related industries in the EEC countries (Great Britain, the Netherlands, Denmark).

As a result of these measures, the proportion of oil dependency sank to 45 % at the end of 1980s.

In 1983, ten years after the first oil shock, the Council of Ministers entrusted the European Commission to prepare the principles of coordinated energy policy. In 1986 the Council presented the goals of the Energy Policy: restructuralization, rationalization of the consumption, stabilization of gas proportions in the total energy consumption and increase in security of nuclear power plants.

Later on, in 1991, the European Energetic Chart, as a founding document of the future European Energetic Community, was signed. However, this Chart was intended not only for the European Communities Member States, but for the whole Europe. It proposed the liberalization of national energy markets. In 1994 The Convention on the European Energetic Chart followed.

In 2001 during the Swedish Presidency the Lisbon Strategy was enriched by the third pillar, which contains energetics questions. The main emphasis was put on alternative sources of energy and the environmental protection in connection to energy consumption.

The break-points that definitely shifted the attention of the European policy-makers towards energy security were the cuts in Russian gas exports to Belarus in 2002 and 2003, to Ukraine in December 2005 – January 2006, and only quite recently – in December 2006 – when the Russia threatened by closing the gas tap for Belarus unless Belarus agreed to pay market price for Russian gas and to sell a part of its dominant gas concern – Beltransgaz – to Russia's giant Gazprom.

The Operational Programme of the Council for 2005 submitted by the Incoming Luxembourg and United Kingdom Presidencies was the first one to be really focused on securing the energy supplies. The inspiration for the following Finnish presidency represented two initiatives – suggested re-invigorating the EU-Russia Energy Dialogue and convocation of EU-Russia Energy Permanent Partnership Council. This programme also planned to extend the internal energy market to Balkans and Mediterranean countries – a step to multilateral cooperation towards ensuring energy supplies that was advocated by Finland.

On 22 December 2005 the Operational Programme of the Council for 2006 submitted by the Incoming Austrian and Finnish Presidency was presented. The crucial element of this programme was the Commission's Green Paper: "A European

Strategy for Sustainable, Competitive and Secure Energy”, published on 8 March 2006, which was to suggest steps towards enhancing security of supply. In enhancing security of supplies the biggest emphasis was put on the international dimension. The signature of the EU-South East Europe Agreement was planned on 25 October 2006, the EU-Russia Energy Dialogue and EU-OPEC Dialogue were to continue. Newly mentioned was the Northern Dimension. Energy and nuclear safety chapters would be reviewed and updated and that was supposed to be adopted in a new political document.

#### **A European Strategy for Sustainable, Competitive and Secure Energy**

The real importance of this strategy lies in the fact, that it stresses the risks represented by the gas and oil insufficiency of the European states. It addresses important questions on competitiveness and the internal energy market, diversification of the energy mix, solidarity, sustainable development, innovation and technology and finally, external policy

The Strategy argues for a common external energy policy. The basic principles of the Common External Energy Policy are – EU speaking with one voice, dialogue with Russia, diversification both on domestic and on foreign affairs level, energy cooperation with major producers, transit countries and consumers and integration within the energy community and finally, reacting effectively to external crisis situations according to the principle of solidarity.<sup>8</sup>

A focus on the multilateral negotiations with EU Member States acting in unanimity is the core of the Strategy. Beside EU-OPEC and EU-Russia dialogues, the Strategy suggests using the G8 summit to secure rapid ratification of the Energy Charter Treaty by Russia and conclusion of the negotiations on the Transit Protocol.

#### **New Approach towards Energy Security Promoted by the Finland’s Presidency**

First of all, it was the Finland’s ambition to make Energy Policy a real common policy of the EU. It means promoting a bigger role of the Council in shaping of the Energy Policy, since the Energy Policy had been viewed as a purely national policy deeply connected with the national security.

The second point worth mentioning is the promotion of the common external energy policy – organizing of both bilateral and multilateral debates on energy security. The most important ones are the EU-Russia dialogues (Summit in Lahti and the G8 Summit), dialogues with OPEC etc. Nevertheless, other states and regional

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8 Geden, Oliver; Marcelis, Clémence; Maurer, Andreas. Perspectives for the European Union’s External Energy Policy: Discourse, Ideas and Interests in Germany, the UK, Poland and France.

groupings are gaining on importance (for example states of Maghreb and Mashrek). Furthermore, higher attention is paid to global energy players, such as the USA, China, Japan and India. An endeavor to enhance the security of energy supplies is now reflected also in the relations to transit countries as Belarus, Ukraine, and Turkey etc.

#### **An Energy Policy for Europe**

Based on the discussion about the new form of the Energy Policy of the EU commenced by the Finnish Presidency, An Energy Policy for Europe was presented by the European Commission on the January 10, 2007. Climate change, increasing dependency on imports of supplies and rising energy prices are among the biggest threats the unified Energy Policy has to face. Strategic goals for a new Energy Policy lie in three parallel steps – combating climate change, decreasing vulnerabilities to the EU posed by the dependency on imports of oil and natural gas and promoting growth and employment – and thus provide secure and affordable energy for consumers.

## **THREATS TO THE EU'S ENERGY SECURITY POSED BY DEPENDENCY ON RUSSIA**

#### **Territorial Structure of Oil and Natural Gas Imports into the EU**

The oil and natural gas reserves are allocated very unequally around the world. According to the BP Statistical Review of the World Energy from June 2007, at the end of the year 2006 only 0,6 % of the world proved oil reserves (representing 7,1 thousand million barrels) was allocated in the 27 Member States of the EU and only 1,3 % of natural gas proven reserves (2,43 trillion cubic meters) was allocated in the EU25.<sup>9</sup> The 25 Member States of the EU had to import in 2004 50,5 % of its total consumption of fuels, e.g. 38,5 % of its solid fuels, 80,2 % of oil and 54,5 % of natural gas.<sup>10</sup> (Figure 1) The extraction of oil from the North Sea has already reached its peak and neither can we expect increasing extraction of natural gas from this region. Hence, there are no “internal” sources to cover the growing energy demand of the EU, which means, that the EU will have to rely ever more on the external sources of oil and natural gas.

According to the statistics, 4,13 billion barrels of oil from 29 countries were imported into the EU in 2005.<sup>11</sup> The biggest share came from the Russian Federation

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9 BP Statistical Review of World Energy June 2007

10 Energy and Transport in Figures 2006.

11 Registration of Crude Oil Imports and Deliveries in the Community, 2005. [online], [cit. 2007-10-03], Accessible at WWW: <[http://ec.europa.eu/energy/oil/crude/index\\_en.html](http://ec.europa.eu/energy/oil/crude/index_en.html)>

(30,11 % of the total imports), then from Norway (17,07 %), Saudi Arabia (10,63 %), Libya (9,01 %), Iran (6,11 %), Kazakhstan (4,63 %), Algeria (3,85 %), Nigeria (3,49 %) and Iraq (2,21 %). The share of the remaining 20 countries was lower than 2 %.<sup>12</sup> So according to the regions, the biggest share came from the former Soviet Union countries (37,4 %), then from the Middle East (21,9 %) and Africa (19,7 %). (Figure 4) With natural gas, the situation is slightly different. Approximately 80 % of all the imports of natural gas into the EU come from three biggest suppliers – the Russian Federation (36,7 %), Norway (24,5 %) and Algeria (19,1 %).<sup>13</sup> (Figure 5) The majority of the prognosis state that the share of the natural gas imports from the Russian Federation will inevitably rise in the years to come.

Yet, the EU's dependency on Russian energy supplies in future may not be as high as some prognoses state. As Robert Götz's study shows, thanks to the huge investments into transport infrastructure – pipelines and liquefied natural gas capabilities – by 2020 the Middle Eastern and North African Countries could together provide more natural gas supplies to Europe than Russia.<sup>14</sup> (Figure 6) The trouble is that these countries are often politically unstable and the fossil fuels deliveries from them may be threatened by regional conflicts escalation or by terrorist attacks. Moreover, the rivalry posed by the United States, China and India is – up to now – much bigger there than in case of deliveries from Russia.

## IDENTIFYING RUSSIAN THREATS TO EU ENERGY SECURITY

### Consequences of the Monopolization of the Russian Energy Sector

One of the threats posed by the dependency on Russian energy supplies is the uncertainty about the future of political and economic reforms in Russia. Under the current president Vladimir Putin, the state-ownership of the companies related to energy exports has been reinforced. Gazprom, Russia's state-supported natural gas monopoly, holds nearly one-third of the world's natural gas reserves and produces nearly 90 % of Russia's natural gas and operates the country's natural gas pipeline grid.<sup>15</sup>

The export of Russia's crude oil via pipeline is controlled by Transneft, a Russia's state-owned pipeline monopoly. Independent gas producers and oil companies with associated gas production have basically no access to export infrastructure and have reportedly been forced to flare or sell it to Gazprom far below market price.

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<sup>12</sup> Ibid.

<sup>13</sup> Energy and Transport in Figures 2006

<sup>14</sup> Götz, Roland. Rußlands Energiestrategie und die Energieversorgung Europas.

<sup>15</sup> Bahgad, Gadwat. Europe's Energy Security: Challenges and Opportunities. p. 970



First of all, this monopolization of energy sector leads is one of the causes of diminishing investments into the exploitation facilities and the pipeline system. The Russian Ministry of Energy has estimated that 5 % of crude oil output is lost through leakages, whereas the Washington-based Centre for Strategic and International Studies places the figure at almost 7 %. This implies that the amount of Russian oil lost through faulty infrastructure is equivalent to almost twice the output of Azerbaijan and only slightly below current production levels in Kazakhstan.<sup>16</sup> Moreover, Gazprom is planning only a slight increase in its own production – even if the exploitation of the newly discovered deposits in the Barents Sea and on Yamal Peninsula is started without delay – which may harm Russian capability to supply growing demand for its natural gas.

Plus, currently, Russia is facing extremely high domestic demand for natural gas that Gazprom is obliged to satisfy – at the prices below the production costs. This fact also decreases its capacity to invest in new expensive gas fields. Nowadays, Gazprom relies more and more on imports of cheap Turkmen gas.<sup>17</sup> Roland Götz determines the success or failure of Russian export plans by the ability to permanently interlink the Turkmen gas economy with Russia.<sup>18</sup>

Secondly, in the monopolistic situation on Russian energy market enabled president Putin to pass the law, which declared the amount of Russian oil and natural gas reserves to be the state secret. This could be viewed as highly threatening in respect to the energy security, where uncertainty causes big price fluctuations. Moreover, many experts warn that Russian oil fields are being depleted and that the present level of production simply cannot be sustained over the long run. Yet, we can observe signals from Kremlin, that this law may be changed in the months to come.

Thirdly, the Gazprom's and Transneft's control of transportation routes does not allow the EU to diversify its imports through the supplies from other former USSR states and from the Caspian Sea. Mainly countries like Turkmenistan and Kazakhstan cannot challenge the Gazprom transport monopoly on natural gas supplies to the EU, as their access to pipelines would lead to a sharp decrease in its prices, which would be highly unfavorable for Gazprom's revenues.

#### **(Ab)using EU's Energy Dependency for Geopolitical Goals**

However, the biggest threat arising from the state-controlled monopolisation of pipelines systems is the fear, that Russia may “turn off the taps” in order to pursue

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16 Johnson, Debra. EU-Russian Energy Links: A Marriage of Convenience? p. 268

17 Harks, Enno. The Conundrum on Energy Security – Gas in Eastern and Western Europe.

18 Götz, Roland. Rußlands Energiestrategie und die Energieversorgung Europas.

its geopolitical strategic interests in its so called “New Neighbourhood”, as was the case in Ukraine after the pro-western Orange Revolution of Viktor Yushchenko in January 2006 or one year later in case Belarus.

Nevertheless, the credibility of this threat is disputatious. The main arguments of those who view it as a credible threat are following – “Russia has systematically attempted to use energy means as a lever to limit the autonomy and shape the foreign policies and particularly change the western orientations of Newly Independent States, or as a means of undermining the new political and economic systems in Eastern and Central Europe. Russia does not hesitate to use its economic power and in the energy field, especially with respect to the new EU members, and directs cut-offs at states, using oil and gas to pressurise the policies of Belarus, Ukraine and Moldova.”<sup>19</sup>

Some of them are even more radical in stressing the real danger posed by Russia – “The hallmark of President Putin’s power are the curtailment of liberty and pluralism at home and the single minded pursuit of Realpolitik by energy blackmail abroad”.<sup>20</sup> “Oil is for Putin what nuclear warheads were to the USSR.”<sup>21</sup>

Undoubtedly, the pursuing of Russian geo-political interests strongly influenced the disputes with Ukraine, Belarus, Georgia and Moldova. Yet, Russia’s request demanding that they pay market prices for gas imports (based on a motion ratified by the Duma in July 2005) was fully legitimate. Moreover, the fact that Ukraine had subsequently diverted pipeline gas for domestic use without paying the demanded price in January 2006 – and as was the case regularly during the 1990s – has certainly influenced Russian determination to build – in cooperation with Germany – the North European Pipeline (Nord Stream) and to by-pass the unreliable transit countries.

#### **Mutual EU-Russia Interdependence?**

Many analysts – such as Andrew Monaghan and Robert R. Larsson – are rather skeptical about the credibility of Russia “blackmailing” European Union with oil and natural gas blockades. They state, that between EU and Russia there is a mutual dependency in regards to energy supplies. As Figure 2 shows, 78 % of Russian oil exports is flowing to Europe, while EU’s dependency on Russian supplies is only 29 %. The biggest source of worries is EU’s growing dependency on natural gas sup-

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19 Monaghan, Andrew. Russian Oil and EU Energy Security. p. 5

20 Monaghan, Andrew. Russian Oil and EU Energy Security. p. 1, Originally stated in: Prins, G. “Lord Castlereagh’s Return: the Significance of Kofi Annan’s High Level Panel on Threats, Challenges & Change”, *International Affaires*, Vol. 81, No. 2, 2005. p. 378

21 Monaghan, Andrew. Russian Oil and EU Energy Security. p. 2, Originally stated in: “Meet the Chief Executive of Kremlin Inc.”, *The Guardian*, 06/07/2005

plies from Russia (currently 66 % as shown in Figure 2). Yet, Russian dependency on exports to the EU constitutes 98 %. It is true, that Russian gas pipelines are in many ways inflexible and restrict the EU's supply options and the potential for supply diversity. Yet, this inflexibility restricts Russian options to diversify their exports. Moreover, Russia is not investing enough into liquefied natural gas facilities, which would enable them to diversify their exports by markedly decreasing the transportation costs.

Analysts dealing with Russia – like Monaghan – claim that Russia is currently more dependent on the EU than vice versa – to cut off oil exports to the EU would cut off a major source of income, in consequence posing a major problem for the Russian economy. This is largely because Russia does not yet have a diversified market for exports. However, as Götz<sup>22</sup> points out, the Russian Energy Strategy Until 2020, published in 2003, calls for increase of the natural gas exports to non-European markets. Nowadays, three fourths of the Russian crude oil reserves are in the northern West Siberia. Three biggest oil fields there situated – Urengoj, Jamburg and Medveshje, from which in 2000 85 % of Russian natural gas outcome came, are from 50 %, 26 % and 68 % depleted.<sup>23</sup> The rise in natural gas production is not expected in West Siberia; yet, it is expected in East Siberia and in the Far East. Hence, it could be exported either terrestrially to China or liquefied to South Asia and to the United States easier than to Europe.

Especially the Asian countries – China, South Korea and Japan – represent a threat for the future Russian fossil fuels supplies into the EU. First of all, these countries are willing to co-finance the expensive construction of new pipelines leading to their boundaries, which Russia has an eminent interest in. In May 2006, the construction of a pipeline from the South Siberian city Tayshet to the port of Makhorka or Vladivostok on the Pacific Ocean coast, was started and is supposed to lead up to the Chinese borders. This pipeline could in the future replace the current costly railway transportation of oil to China. Moreover, Russia is already planning a construction of two natural gas pipelines to China – one from the West Siberia (due until 2011) and the other from Sakhalin.<sup>24</sup> Yet, Andrew Monaghan denounced the threat posed by increasing China's rising thirst for oil and natural gas by saying that Russia has an interest on stable and paying customers, which may not always be true in case of China. However, the ongoing growth of the Chinese GDP makes this objection less credible.

In favour of the mutual interdependence theory, Andrew Monaghan points out

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22 Götz, Roland. Rußlands Energiestrategie und die Energieversorgung Europas.

23 Ibid., p. 10

24 Rožkanin, M. Rusko jako energetická mocnost. p. 2

that energy security is often about perceptions – if Russia perceives the EU to be wary of and therefore diversifying away from it, Russia too will have to diversify its markets for its own economic security.<sup>25</sup> Hence, if Russia is negotiating new supply treaties with Asian states and the United States, its main purpose is not to cut off Europe, but to secure itself from European declining interest in Russian supplies.

To conclude, if the EU acts in unison when dealing with Russia, the threat posed by Russia to its Member States does not seem to as imminent as it is often presented in the media and speeches of our policy-makers. However, lack of consensus gives Russia much more room for manoeuvre in negotiations.<sup>26</sup> Moreover, it may have, in the medium term period, unfavourable consequences for some of the EU's Member States.

## **EU MEMBER STATES' DEPENDENCY ON RUSSIA'S SUPPLIES AND ITS REFLECTION IN THE APPROACH TOWARDS COMMON ENERGY POLICY**

Even though the EU25 dependence on energy imports is relatively high – 56 % (Figure 1) – the level of dependency among the Member States varies significantly. While countries as Great Britain and Denmark are almost self-sufficient and energy exporters, countries as Cyprus, Ireland and Luxembourg are highly dependent on energy imports. Furthermore, the energy mixes of EU Member States are different, too. Differences in energy mixes of the EU Member States are shown in Figure 7 on an example of Germany, France, the United Kingdom and Poland. As Monaghan puts it – “If the EU was less diverse than it currently is, it might be easier to create a unified strategy: at present, the agenda of every state varies significantly.”<sup>27</sup>

On average, 15 % of energy in the EU is supplied by nuclear power but there is no consensus about its use among the EU Member States. Of the EU-25, ten have never used nuclear energy. Austria and Italy have phased out nuclear energy. Belgium, Germany, the Netherlands, Sweden and Spain have decided to stop using nuclear energy. This leaves eight Member States – France, the United Kingdom, Finland, Lithuania, the Czech Republic, Slovakia, Hungary and Slovenia – as nuclear supporting countries. Yet, as will be shown in the fifth chapter, the attitude towards nuclear energy has been changing currently.

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25 Monaghan, Andrew. Russian Oil and EU Energy Security.

26 Monaghan, Andrew. Russia and Security of Europe's Energy Supplies: Supplies Security in Diversity?

27 Monaghan, Andrew. Russia and Security of Europe's Energy Supplies: Supplies Security in Diversity?  
p. 8

Furthermore, countries importing oil and natural gas use different pipelines. The Trans-Mediterranean Gas Pipeline is used for the transport of liquefied natural gas to Italy from Algeria, the Maghreb gas pipeline to Spain and Portugal and Egypt is transporting liquefied natural gas to France and in future possibly to Spain. Spain also imports natural gas from Algeria. And Libya is exporting its natural gas to Sicily in Italy. Thus, West-European EU Member States are primarily dependent on the imports of oil and natural gas from the Middle East and North Africa (and from the North Sea too). On the other hand, Central and East European EU Member States, together with Germany, rely on imports from Russia and former USSR countries. This is mainly due to the construction of Russian pipelines during the Cold War, when they were designed to supply the Warsaw Pact countries. Druzba Pipeline is the largest export pipeline to Europe. One of its sections runs through Belarus, Poland and Germany, the other through Belarus, Ukraine, Slovakia, The Czech Republic and Hungary. The Baltic Pipeline System gives Russia direct access to European markets, excluding Estonia, Latvia and Lithuania transit outs. The last pipeline directed to Europe for now is the Adria Pipeline, which is running from Croatia to Hungary.<sup>28</sup>

Hence, the percentage of oil imports from Russia to EU Member States varies distinctly based on the energy mix of the Member State and its geographical location in Europe. While in case of Hungary it is 84 %, Slovakia 82 % and Poland 77 %, in case of Germany it is only 26 %, Italy 18 %, France 11 % and Denmark's dependency on Russian supplies is only 2 %.<sup>29</sup>

These differences among the EU Member States based both on different level of dependency on imports of energy and on the supplying countries, are the reason for varying approaches towards the Common Energy Policy of the EU. Naturally, states that are more dependent on foreign supplies push more for the establishment and realization of the Common External Energy Policy that the states, that are self-sufficient. Also the states with the possibility of diversification of their supplies are less willing to hand the part of their sovereignty to the supranational institutions of the EU. Energy sector in the EU Member States has traditionally been a subject to state monopolization and state protection as it is being seen as an inseparable part of state's security and well-being.

Traditionally states prefer to secure their energy supplies on bilateral basis, which was the case of an agreement between Russia's Gazprom and the German concerns BASF and Ruhrgaz that saw construction start on a 1200 km-long North European

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28 Bahgad, Gadwat. *Europe's Energy Security: Challenges and Opportunities* p. 969

29 Monaghan, Andrew. *Russia and Security of Europe's Energy Supplies: Supplies Security in Diversity?* p. 8

Gas Pipeline (Nord Stream) directly linking Vyborg in Russia and Greifswald in Germany via Baltic Sea. When completed in 2010 the pipeline will triple gas supplies to Europe. The pipeline will considerably strengthen Russian-German bilateral economic and political ties, and also significantly reduce Russia's dependency for gas transit on Poland and Ukraine.<sup>30</sup> This decision is justifiable from the German-Russian perspective, however, it was considered to be a big set-back in regards to the Common Energy Policy of the EU and it caused many tensions between Germany and Poland, Denmark, Sweden and the Baltic States subsequently. It is easier for a rich state to secure its energy supplies through bilateral negotiations, as it does not have to give up its sovereignty and also does not have to make compromises to appease other contractors.

Yet, these solutions are against the interests of smaller and more dependent Member States, such as Slovakia, Hungary or the Czech Republic. These countries are predominantly dependent on Russian supplies and have almost no diversification possibilities. When dealing with Russia, they need to rely on the EU, which gives them more negotiating power. That is also why at the end of January 2006, representatives of Poland, the Czech Republic, Slovakia, Austria, Hungary, Slovenia, Croatia and Romania agreed to consider working out a joint plan to reduce dependence on Russian natural gas.

This plan includes building storage facilities, constructing an intra-regional pipeline network, building terminals in Croatia and in Poland for storing LNG and accelerating work on the Nabucco pipeline. Currently, the Nabucco is being considered as a top priority project of the European interest. This 3 300 kilometer long natural gas pipeline would – once it is finished in 2012 – enable the transportation of natural gas from the Caspian region and from the Middle East through Turkey, Bulgaria, Rumania and Hungaria to Austria and then further to the West European markets. Yet, Russia is trying to diminish the impact of Nabucco pipeline and has started with the construction of a rival project – South Stream Pipeline – designed to transport natural gas from Russia to South Italy.

Another gas pipeline, the Sarmatian Gas Pipeline, is in the planning phase. It would ensure transport of gas from the Caspian Sea, from Kazakhstan and Azerbaijan and perhaps Iran via the Ukraine to Poland. The gas pipeline would run through Armenia and Georgia and it would bypass the territory of Russia, which should guarantee safe supplies from that source.<sup>31</sup> Thus, energy security is an inseparable part of state's sovereignty and states are willing to give their sovereignty

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30 Hughes, J. EU relations with Russia: partnership or asymmetric interdependency? p. 10, 17

31 Geden, Oliver; Marcelis, Clémence; Maurer, Andreas. Perspectives for the European Union's External Energy Policy: Discourse, Ideas and Interests in Germany, the UK, Poland and France. p. 20

up only in case it furthers their national interests and only to an the minimum extent needed.

Hughes shows the display of national interests in the state's attitude towards the Common Energy Policy on a case study of Great Britain. Declining North Sea gas output has shifted British national interests from opposing EU control on energy policy to a position where the UK presidency placed energy security high on agenda at the Hampton Court meetings of EU leaders in late September and late October 2005. It called for stronger European co-ordination of energy policy, including the formation of a single power grid and co-operation on gas storage. The British keenness for EU coordination of energy policy is also a result of underlying political tensions arising from the fact that some EU countries, particularly Germany, are proceeding quickly to strengthen their energy relationship with Russia on a bilateral basis.<sup>32</sup>

## **NEW WAYS OF DEALING WITH THE DEPENDENCY ON RUSSIA**

The perception of threat from dependency on Russia has over the last couple of years led to a change in the attitude not only towards the Common Energy Policy of the EU, but also towards European energy security as such. The EU Member States have undergone a series of parallel actions aimed at strengthening their energy security and lowering the threat arising from a dependency on supplies of fossil fuels from abroad.

The first of these actions to be mentioned is diversification of energy mixes of EU Member States. Even though the composition of energy mix is an exclusive decision of the Member State and is not coordinated on EU level, the shift towards other sources of energy – apart from fossil fuels – can be seen. There is a strong promotion of renewable sources of energy (corresponding with An Energy Policy for Europe), especially biomass and wind energy.

Furthermore, the traditional sources of energy – such as coal – are being used more often, mainly in the electricity production. This can be also seen in the Czech Republic in the current discussion about the reopening of the conserved mines. Newly, there are power plants operating with natural gas being built.

And lastly, there is the so called renaissance of nuclear power. After France and Finland, also other EU Member States are planning to start the construction of new nuclear power plants – mainly Slovakia and the Czech Republic. Even Germany is considering revision of its previous decision to abnegate on nuclear power in years

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32 Hughes, J. EU relations with Russia: partnership or asymmetric interdependency? p. 10

to come. Yet, given the fact that all the Central and East European states are dependent on deliveries of plutonium (or at least its enriching) from Russia, this will not decrease their dependency on Russia. Moreover, the pronuclear boom will be probably accompanied with the shortage on highly qualified labour force and on production capacities of companies producing nuclear power plant components.

Another way of decreasing dependency on fossil fuels supplies from Russia, is the strengthened international cooperation of the EU with other major energy producers and consumers – on bilateral and also multilateral basis. This is being developed mainly on the platform of the International Energy Agency (IEA). Over the last couple of years, the IEA is strongly cooperating with the presiding countries of the G-8 group, where the energy questions are gaining on importance – in the last two years the biggest priority of the G-8 Summits in St. Petersburg and in Heiligendamm were energy security and climate change.

Furthermore, EU has been also increasingly cooperating with the USA in the questions of energy security – besides IEA and G-8 – this issue is being discussed in the Transatlantic Energy Dialogue and newly, within the NATO structures. However, possible NATO's role in energy security should be restricted to securing the vital energy infrastructure, mainly from the terrorist attacks.

## CONCLUSIONS

Since the beginning of the 21<sup>st</sup> century, energy security and Common Energy Policy have been gaining on importance in the EU. Due to the growing gap between demand for and domestic supply of crude oil and natural gas, and hence increasing vulnerability of the EU Member States, the focus on Common Energy Policy will be even accelerated in the future. However, in the short term, its realization may, and with high probability will, face several set-backs. These will be predominantly caused by the Member States' unwillingness to transfer part of their control over energy security on supranational EU institutions. This unwillingness might be more persistent in case of liberalization of domestic energy markets than in case of Common External Energy Policy, as the negative impacts of failure to liberalize domestic energy markets are less visible and less abrupt than the impacts of missing Common External Energy Policy (see cut-offs in Belarus and Ukraine).

Energy security is traditionally viewed as an inseparable part of national well-being and is subject to national sovereignty. Given the presumption that the EU Member States act as rational actors in Westphalian system they would not be willing to give up their sovereignty, unless it furthered their national interests and only to the minimum extent needed for ensuring of national survival and well-being. In case of energy security, this would mean, that states would be willing to give the



EU authority to act on their behalf only in case, that it would secure them more stable supplies than could be reached individually. In case of Russia, the incentive for common approach comes mainly from the states with high rate of energy dependency on Russia. Yet, due to the fact that the majority of the EU Member States, and mainly all the big ones, have a chance of diversifying their energy inputs, and thus they do not feel Russia as an immense and acute threat, they are less willing to give up their sovereignty. Hence, with regards to energy, the EU has not yet moved to the Post Sovereign System.

However, we can expect the shift towards a more coordinated EU approach towards negotiations with Russia in the years to come. This will be caused mainly by the intensifying competition on the side of demands for energy on the world markets, which makes Russia an attractive supplier and a real global player. Hence, if the EU wants to succeed in this competition and wants to secure its supplies from Russia, it will be forced to speak with one voice. Moreover, the new Member States will push harder for implementations of the Common External Energy Policy of the EU, as the only viable way of securing their supplies. This has been visible mainly after the bilateral German – Russian agreement about the construction of the Nord Stream pipeline which caused a huge critique both from the other Member States and from the European Commission. Most recently, this project is being introduced as a European project by Germany.

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