RESEARCH PAPER 12/2007

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

Lenka Kovačovská

June 2007

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 is 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 markerts. European security than 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."[1] 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 transfering part of the member states´ sovereignty on the EU institutions to enable the persormation 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 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 aasumption, 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 does the EU/ it´s 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

[1] Gault, John. The European Union: Energy Security and the Periphery, Geneva Centre for Security Policy. Occasional Paper Series, No. 40, August 2002, p. 3

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. 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.

1. 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 Buzan, at the beginning of the 1990s. The Copenhagen School modifies and extends the traditional frame of security analysis.[2] 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"[3].

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."[4] 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."[5]

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"[6]. In his perspective energy security depends on sufficient levels of investments in resource development, generation capacity and

[2] Buzzan, Barry; Wæver, Ole and de Wilde, Jaap. Security: New Framework for Analysis. Lynne Rienner Publishers, London 1998

[3] TerriF, Terry; Drift, Start; James, Lucy and Morgan, Patrick M. Security Studies Today. Polity Press, Cambridge 1999, p. 137

[4] Bahgad, Gadwat. "Europe's Energy Security: Challenges and Opportunities." International Affaires, 2006, Vol. 82, Issue 5, p. 965, Originally stated in: Skinner, Robert and Arnott, Robert. EUROGULF: an EU-GCC dialogue for energy stability and sustainability. http://Europa.eu.int/comm/energy/index_en.html, accessed 4 June 2005

[5] Ibid., p. 965, Originally stated in: Barton, Barry; Redqwell, Catherine; Ronne, Anita and Zillman, Donald N. "Energy security: managing risk in a dynamic and regulatory environment." Oxford: Oxford University Press, 2004

[6] Ibid., p. 965

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.[7]

In terms of energy security, the whole world, and especially the European Union have become extremely vulnerable in the last couple of years. On the demand side of the energy equation, the skyrocketing demand of booming economies - China and India – together with persistently high demand of the United States are pushing the prices high and lead to an increased international competition. On the supply side of the equation, several factors contribute to the concerns about stability and sustainability of oil and natural gas supplies. First of all, it is the continuing civil war in Iraq, where sabotage of oil fields and pipelines in considered to be a part of a warfare, which, together with tensions around Iran's nuclear ambitions, cause cornerns about the Persion Gulf supplies stability. Other factors influencing the supply side are US hurricanes in America, and, more recently, Hugo Chavez's policy of nationalization of resources. Furthermore, stability of supplies is threatened by the civil unrest in Nigeria. Deliveries are also threatened by the piracy in the Strait of Malacca. Finally, it was the Rusian-Ukrainian controversy over gas supplies erupting in early 2006, that moved the Eastern European energy scenarios and problems associated with dependency on the natural gas supplies to the forefront of the political agenda of European states.

[7] Ibid., p. 965-966

2. COMMON ENERGY POLICY OF THE EUROPEAN UNION

2.1 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:

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

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.

2.2 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. Moreover, for the first time, the phrase “Europe energy security” appears in these documents.

The Strategy argues for a common external energy policy - "In order to react to the challenges of high and volatile energy prices, increasing import dependency, strongly growing global energy demand and global warming, the EU needs to have a clearly defined external energy policy and to pursue it, at the same time at both national and Community level, with a single voice." 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 affaires level, energy cooperation with major producers, transit countries and consumers and integration within the energy comminity and finally, reacting effectively to external crisis situations according to the principle of solidarity.[8] The questions stated in the external policy sections - "Should there be a common external policy on energy, to enable the EU to speak with a common voice? How can the Community and Member States promote diversity of supply, especially for gas? Should the EU develop new partnerships with its neighbors, including Russia, and with the other main producer and consumer nations of the world?" – are the questions which the Finnish Presidency tried to answer.

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.

[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. *German Institute for International and Security Affaires.* Berlin, December 2006

2.3 NEW APPROACH TOWARDS ENERGY SECURITY PROMOTED BY THE FINLAND'S PRESIDENTY

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 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.

3. THREATS TO THE EU'S ENERGY SECURITY POSED BY DEPENDENCY ON RUSSIA

The EU's dependency on imports of oil and gas has been growing over the last decade, despite numerous efforts for rationalization of energy consumption. The EU25 energy consumption between 1995 and 2004 rose by 11%, production fell by 2%, and net imports rose by 29%.[9] In 2004, the average Dependency Rate of the EU25 was 56,2%, while for example the energy Dependency Rate of Portugal was 99,4% and of Luxembourg 99% (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. EU's oil supplies are by more than 50% covered by the Middle East and North Africa, not aways the most reliable suppliers (Figure 4). Russia's share is little less than 30% (Figure 2). However, Russia dominates EU's natural gas supplies (Figure 2). EU gas reserves are limited (14 years at current production rate) and, gas dependency could increaswe to 80% by 2020. In 2001, 39% of EU gas imports came from Russia, 26% from Norway, 25% from Algeria and 10% from other sources.[10] 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 liquified natural gas capabilities--by 2020 the Middle Eastern and North African Countries could together provide more natural gas supplies to Europe than Russia.[11] (Figure 6)

One of the threats posed by the dependency on Russian energy supplies is the uncertainity 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

[9] Energy in the EU:first estimates 2005. Eurostat News Release 126/2006. 21 September 2006 (seen on 2 May 2007) http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_09/8-21092006-EN-AP1.PDF

[10] Johnson, Debra. EU-Russian Energy Links: A Marriage of Convenience? *Government and Opposition Ltd.* Blackwell Publishing, Oxford 2005, p. 265

[11] Götz, Roland. Rußlands Energiestrategie und die Energieversorgung Europas. *Deutsches Institut für Internationale Politik und Sicherheit.* Berlin, March 2004

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.[12] The export of Russia's crude oil via pipeline is controled 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. 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.[13] Moreover, Gazprom is planning only a slight increase in it 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.[14] Roland Götz determines the success or failure of Russian export plans by the ability to permanently interlink the Turkmen gas economy with Russia.[15]

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 uncertainity causes big

[12] Bahgad, Gadwat. "Europe's Energy Security: Challenges and Opportunities." International Affaires, 2006, Vol. 82, Issue 5, p. 970

[13] Johnson, Debra. EU-Russian Energy Links: A Marriage of Convenience? *Government and Opposition Ltd.* Blackwell Publishing, Oxford 2005, p. 268

[14] Harks, Enno. The Conundrum on Energy Security – Gas in Estern and Western Europe. *The International Spectator.* 3/2006

[15] Götz, Roland. Rußlands Energiestrategie und die Energieversorgung Europas. *Deutsches Institut für Internationale Politik und Sicherheit.* Berlin, March 2004

price fluctuations. Moreover, many experts warn that Russsian oil fields are being depleted and that the present level of production simply cannot be sustained over the long run.

Thirdly, the Gazprom's and Transneft's control of transportation routes does not allowe 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 monopol 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 unfavourable for Gazprom's revenues. However, the biggest threat arrising from the state-controlled monopolisation of pipelines systems is the fear, that Russia may "turn off the taps" in order to pursue 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. 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."[16] 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".[17] "Oil is for Putin what nuclear warheads were to the the USSR."[18] Undoubtedly, the pursuing of Russian geo-political interests strongly influenced the disputes with Ukraine, 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 legitimite. Moreover, the fact that Ukraine had subsequently diverted pipeline gas for domestic use without paying the demanded pride in January

[16] Monaghan, Andrew. Russian Oil and EU Energy Security. Conflict Studies Research Centre, Russian Series 05/65, November 2005, p.5

[17] Monaghan, Andrew. Russian Oil and EU Energy Security. Conflict Studies Research Centre, Russian Series 05/65, November 2005, 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

[18] Monaghan, Andrew. Russian Oil and EU Energy Security. Conflict Studies Research Centre, Russian Series 05/65, November 2005, p. 2, Originally stated in: "Meet the Chief Executive of Kremlin Inc.", *The Guardian*, 06/07/2005

2006 – and as was the case regularly during the 1990s – has certainly influenced Russian determination to build the North European Pipeline and to by-pass the unreliable transit countries.

On the other hand, many analysts – such as Andrew Monaghan and Robert R. Larsson - are rather sceptical 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 supplies 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 into liquified 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[19] 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 theRussian 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.[20] The rise in natural gas production is not extpected in West Siberia; yet, it is expected in East Siberia and i the Far East. Hence, it could be exported either terrestrially to China or liquified to South Asia and to the United States easier than to Europe.

And lastly, Russia has an interest on stable and paying customers, which may not always be true in case of China. In favour of this attitute towards the credibility of the Russian threat, Andrew Monaghan

[19] Götz, Roland. Rußlands Energiestrategie und die Energieversorgung Europas. *Deutsches Institut für Internationale Politik und Sicherheit.* Berlin, March 2004
[20] Ibid., p. 10

points out 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.[21] 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 be high. However, lack of consensus gives Russia much more room for manoeuvre in negotiations.[22] Moreover, it may have unfavourable consequences for some of the EU's Member States.

[21] Monaghan, Andrew. Russian Oil and EU Energy Security. Conflict Studies Research Centre, Russian Series 05/65, November 2005

[22] Monaghan, Andrew. Russia and Security of Europe's Energy Supplies: Supplies Security in Diversity? Defene Academy of the United Kingdom. Conflict Studies Research Centre, Special Series 07/01, January 2007

4. 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. 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 Netherlandss, 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. Of these, only Finland and France have decided to build new nuclear powerplats.[23] 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 Monaghen 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."[24]

Furthermore, countries importing oil and natural gas use different pipelines. The Trans-Mediterranean Gas Pipeline is used for the transport of liquified natural gas to Italy from Algeria, the Maghreb gas pipeline to Spain and Portugal and Egypt is transporting liquified natural gas to France and in future possibly to Spain. Spain also imports natural gas from Algeria. An Libya is exporting its natural gas to Sicily in Italy. Thus, West-European EU Memebr 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

[23] 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. German Institute for International and Security Affaires. Berlin, December 2006, p. 5

[24] Monaghan, Andrew. Russia and Security of Europe's Energy Supplies: Supplies Security in Diversity? Defene Academy of the United Kingdom. Conflict Studies Research Centre, Special Series 07/01, January 2007, p. 8

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, excludind 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.[25]

Hence, the percentage of oil imports from Russia to EU Member States varies distincly 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%.[26]

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 Extrenal Energy Policy that the states, that are selfsufficient. 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 Gas Pipeline directly linking Vyborg in Russia and

[25] Bahgad, Gadwat. "Europe's Energy Security: Challenges and Opportunities." International Affaires, 2006, Vol. 82, Issue 5, p. 969
[26] Monaghan, Andrew. Russia and Security of Europe's Energy Supplies: Supplies Security in Diversity? Defene Academy of the United Kingdom. Conflict Studies Research Centre, Special Series 07/01, January 2007, p. 8

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 reducing Russia's dependency for gas transit on Poland and Ukraine.[27] 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 Russia 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 depenent on Russian supplies and have 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. Thiss plan includes bulding 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. 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.[28] Thus, energy security is an inseparable part of state's sovereignty and states are willing to give their sovereignty up only in case it furthers their national interests and only to an the minimum extent needed.

[27] Hughes,J. EU relations with Russia: partnership or asymmetric interdependency? LSE Research Online, London 2006, p. 10, 17

[28] 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. German Institute for International and Security Affaires. Berlin, December 2006, p. 20

Hughes shows the display of national interests in the state's attitude towards the Common Energy Policy on a case stude 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.[29]

[29] Hughes,J. EU relations with Russia: partnership or asymmetric interdependency? LSE Research Online, London 2006, p. 10

5. CONCLUSIONS

Since the beginning of the 21st 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 redominantly caused by the Member States' unwilligness to transfer part of their control over energy security on supranational EU institutions. This unwilligness 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 imacts 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 imputs, 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.

BIBLIOGRAPHY

Bahgad, Gadwat. "Europe's Energy Security: Challenges and Opportunities." International Affaires, 2006, Vol. 82, Issue 5, Pp. 961-975

Buzzan, Barry; Wæver, Ole and de Wilde, Jaap. Security: New Framework for Analysis. Lynne Rienner Publishers, London 1998

Hughes,J. "EU relations with Russia: partnership or asymmetric interdependency?" *LSE Research Online*, London 2006, Available at: http://eprints.lse.ac.uk/archive/00000651 (seen on 26th April 2007)

Gault, John. The European Union: Energy Security and the Periphery, Geneva Centre for Security Policy. Occasional Paper Series, No. 40, August 2002, Available at: http://www.gcsp.ch/e/publications/Issues_Institutions/Int_Organisations/Occ_Papers/40-Gault.pdf (seen on 2 May 2007)

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. *German Institute for International and Security Affaires.* Berlin, December 2006, Available at: http://www.swp-berlin.org/de/common/get_document.php?asset_id=3521 (seen on 10 May 2007)

Green Paper, Towards a European Strategy for the Security of Energy Supply, 29 November 2000, Available at: http://eurpa.eu.int/comm/energy_transport/doc-principal/pubfinal.en.pdf

Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy, Brussels, 8th March 2006, Available at: http://ec.europa.eu/energy/green-paper-energy/index_en.htm

Götz, Roland. Rußlands Energiestrategie und die Energieversorgung Europas. *Deutsches Institut für Internationale Politik und Sicherheit.* Berlin, March 2004, Available at: http://www.swp-berlin.org/de/common/get_document.php?asset_id=1106 (seen on 9 May 2007)

Götz, Roland. Russian Gasand Alternatives for Europe. *German Institute for International and Security Affaires.* Berlin, June 2006, Available at: http://www.swp-berlin.org/de/common/get_document.php?asset_id=3070 (seen on 9 May 2007)

Harks, Enno. The Conundrum on Energy Security – Gas in Estern and Western Europe. *The International Spectator.* 3/2006, p. 47- 58, Available at: http://www.swp-berlin.org/de/common/get_document.php?asset_id=3308 (seen on 9 May 2007)

Johnson, Debra. EU-Russian Energy Links: A Marriage of Convenience? *Government and Opposition Ltd.* Blackwell Publishing, Oxford 2005

Larsson, Robert L. Russia's Energy Policy: Security Dimensions and Russia's Realibility as an Energy Supplier. *Swedish Defence Research Agency.* Stockholm, March 2006, Available at: http://www2.foi.se/rapp/foir1934.pdf (seen on 10 May 2007)

Monaghan, Andrew. Russia and Security of Europe's Energy Supplies: Supplies Security in Diversity? Defene Academy of the United Kingdom. Conflict Studies Research Centre, Special Series 07/01, January 2007

Monaghan, Andrew. Russian Oil and EU Energy Security. Defence Academy of the United Kingdom. Conflict Studies Research Centre, Russian Series 05/65, November 2005

Operational Programme of the Council for 2005 submitted by the Incoming Luxembourg and United Kingdom Presidencies, Brussels, 22th December 2004, Available at: http://www.fco.gov.uk/Files/kfile/UK-Lux%20prog.pdf (seen on 29th April 2007)

Operational Programme of the Council for 2006 submitted by the Incoming Austrian and Finnish Presidency, Brussels, 22nd December 2005, Available at: http://www.eu2006.fi/the_presidency/en_GB/work_programme (seen on 29th April 2007)

Preliminary agenda for Finland's Presidency of the EU. Government Secretariat for EU Affairs, Finland, 24 May 2006, Available at: http://www.eu2006.fi/the_presidency/en_GB/presidency_agenda/ (seen on 28th April 2007)

Terrif, Terry; Croft, Stuart; James, Lucy and Morgan, Patrick M. Security Studies Today. Polity Press, Cambridge 1999, ISBN 0-7456-1773-5

APPENDIX

FIGURE 1: ENERGY NET IMPORTS AND CONSUMPTION IN EU25, 2005

Energy net imports and consumption, 2005

	Gross inland energy consumption			Net imports		Energy dependence rate* (%)
	mio. toe	% change 2005/2004	toe/capita	mio. toe	% change 2005/2004	
EU25	**1637.2**	**0.0**	**3.6**	**949.7**	**4.5**	**56.2**
Belgium	52.0	-2.0	5.0	48.4	-2.7	80.7
Czech Republic	34.2	0.4	3.3	12.9	11.5	37.6
Denmark	16.9	-3.9	3.1	-10.4	-6.1	-58.8
Germany	324.2	-1.1	3.9	212.6	-0.4	65.1
Estonia	4.6	-1.4	3.4	1.5	-9.5	33.9
Greece	30.2	1.1	2.7	23.5	-4.9	70.8
Spain	139.5	2.1	3.2	125.7	7.7	85.1
France	257.3	-0.6	4.2	141.9	-0.3	54.5
Ireland	15.4	2.6	3.7	14.0	3.9	90.2
Italy	181.9	2.4	3.1	160.9	1.4	86.8
Cyprus	2.2	-4.5	2.9	2.6	16.2	105.5
Latvia	3.5	7.5	1.5	3.3	-3.0	94.0
Lithuania	7.8	-6.3	2.3	5.0	15.3	63.1
Luxembourg	4.6	1.3	10.1	4.6	1.1	99.0
Hungary	26.3	5.9	2.6	17.2	10.2	65.3
Malta	:	:	:	:	:	:
Netherlands	79.6	1.2	4.9	37.8	24.4	38.9
Austria	29.2	2.4	3.6	24.1	4.9	82.6
Poland	86.2	0.7	2.3	15.9	28.1	18.4
Portugal	24.3	3.1	2.3	24.6	7.6	99.4
Slovenia	6.3	3.1	3.1	3.5	4.8	55.9
Slovakia	18.5	2.2	3.4	12.5	1.4	67.8
Finland	27	-4.9	5.2	18.7	-8.9	69.3
Sweden	41.3	-3.8	4.6	19.4	-0.6	45.0
United Kingdom	224.1	-1.3	3.7	29.4	148.2	13.0

: Data not available

* The energy dependence rate is defined as net imports divided by gross consumption, expressed as a percentage. Gross consumption is equal to gross inland consumption plus the energy (oil) supplied to international marine bunkers. A negative dependency rate indicates a net exporter of energy. Values greater than 100% occur when net imports exceed gross consumption. In this case, energy products are placed in stocks and not used in the year of import.

Source: Energy in the EU:first estimates 2005. Eurostat News Release 126/2006. 21 September 2006 (seen on 2 May 2007)
http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_09/8-21092006-EN-AP1.PDF

FIGURE 2: MUTUAL ENERGY INTERDEPENDENCE 2000

	Europe' dependence on Supplier		Supplier's dependence on Europe	
Supplier	**Oil**	**Gas**	**Oil**	**Gas**
(Former Soviet Union)FSU	29%	66%	78%	98%
North Africa	19%	31%	77%	96%

Source: Gault, John. The European Union: Energy Security and the Periphery,Geneva Centre for Security Policy. Occasional Paper Series, No. 40, August 2002, p.11

FIGURE 3: ENERGY PRODUCTION, BY MAJOR PRODUCT, EU25, 2005

Energy production, by major product, 2005

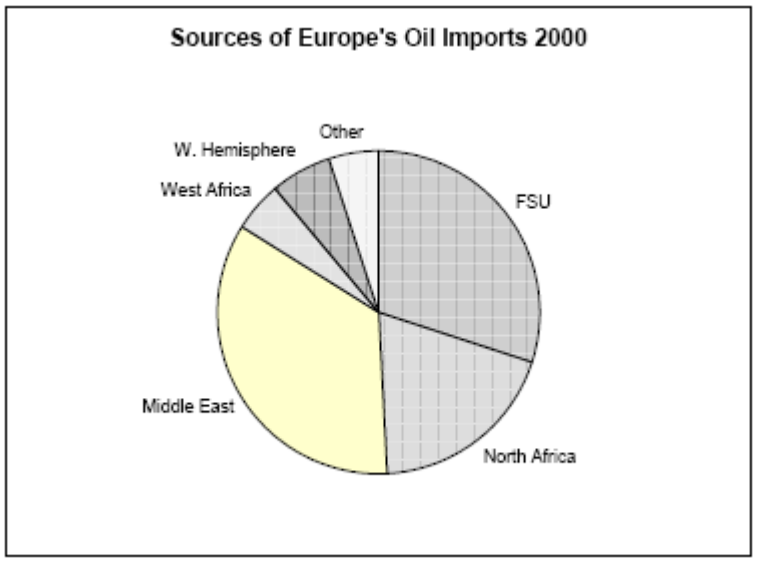
	Energy production 2005 (mio. toe)					Change 2005/2004 (%)				
	Total*	Crude oil	Gas	Coal	Nuclear	Total*	Crude oil	Gas	Coal	Nuclear
EU25	**745.6**	121.3	178.8	94.9	239.9	**-4.2**	-9.0	-5.8	-5.7	-1.3
Belgium	**12.0**	-	-	0.0	11.7	**6.7**	-	-	-38.9	6.9
Czech Republic	**21.7**	0.3	0.1	5.1	6.4	**-1.4**	3.7	-9.5	-0.2	-6.8
Denmark	**28.5**	18.5	9.4	-	-	**0.7**	-3.8	10.8	-	-
Germany	**115.2**	3.5	14.2	18.2	39.1	**-2.8**	0.2	-3.4	-3.9	-3.0
Estonia	**3.1**	-	-	-	-	**6.6**	-	-	-	-
Greece	**9.3**	0.1	0.0	-	-	**-3.6**	-24.8	-30.8	-	-
Spain	**23.2**	0.2	0.1	4.9	14.0	**-13.4**	-33.3	-53.7	-17.6	-9.6
France	**118.9**	1.7	1.1	0.2	111.4	**0.2**	-6.4	4.0	-36.5	0.9
Ireland	**1.5**	-	0.5	-	-	**-12.6**	-	-35.8	-	-
Italy	**23.0**	6.6	9.8	-	-	**2.7**	12.4	-4.0	-	-
Cyprus	**-**	-	-	-	-	**-**	-	-	-	-
Latvia	**0.3**	-	-	-	-	**6.1**	-	-	-	-
Lithuania	**3.0**	0.3	-	-	2.7	**-30.3**	-14.2	-	-	-32.3
Luxembourg	**0.0**	-	-	-	-	**1.3**	-	-	-	-
Hungary	**9.1**	1.4	2.3	-	3.6	**-0.9**	-11.3	-3.0	-	16.1
Malta	**:**	:	:	:	:	**:**	:	:	:	:
Netherlands	**60.1**	2.3	56.4	-	1.0	**-6.5**	-21.5	-5.9	-	-3.2
Austria	**5.2**	0.9	1.4	-	-	**-7.6**	-5.4	-16.7	-	-
Poland	**72.0**	0.9	3.9	54.4	-	**-1.6**	-2.5	-1.7	-2.1	-
Portugal	**0.5**	-	-	-	-	**-44.8**	-	-	-	-
Slovenia	**2.9**	-	-	-	1.4	**-0.9**	-	-	-	7.8
Slovakia	**6.2**	0.0	0.1	-	4.9	**1.0**	-20.0	-11.4	-	3.4
Finland	**8.4**	-	-	-	5.5	**9.1**	-	-	-	-2.9
Sweden	**24.4**	-	-	-	18.1	**-1.4**	-	-	-	-7.4
United Kingdom	**196.9**	84.5	79.4	12.0	20.2	**-9.1**	-11.4	-7.7	-17.9	2.0

* Total production also includes production of lignite, hydroelectricity and other primary sources of electricity.
0.0 is used when the value is less than 0.05 but greater than zero

Source: Energy in the EU: first estimates 2005. Eurostat News Release 126/2006. 21 September 2006 (seen on 2 May 2007)

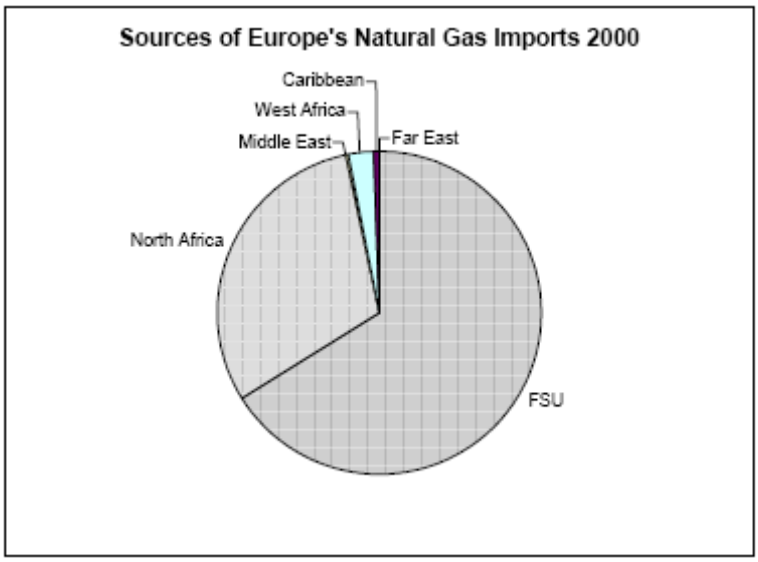
http://epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_09/8-21092006-EN-AP1.PDF

FIGURE 4: SOURCES OF EUROPE'S OIL IMPORTS 2000



Source: Gault, John. The European Union: Energy Security and the Periphery, Geneva Centre for Security Policy. Occasional Paper Series, No. 40, August 2002, p. 15, Originally from: *BP Statistical Review of World Economy*

FIGURE 5: SOURCES OF EUROPE'S NATURAL GAS IMPORTS 2000



Source: Gault, John. The European Union: Energy Security and the Periphery, Geneva Centre for Security Policy. Occasional Paper Series, No. 40, August 2002, p. 16, Originally from: *BP Statistical Review of World Economy*

FIGURE 6: EXPORTS OF NATURAL GAS IN EU FROM THE NORTH AFRICA, THE MIDLE EAST AND CASPIAN AREA, 2000 – 2020

Country	2000	2010	2020	Difference 2000-2020
Egypt	x	26	31	31
Algeria	60	85	120	60
Azerbaijan	X	15	30	30
Iraq	X	10	20	20
Iran	x	10	30	30
Qatar/Yemen	2	9	16	14
Libya	1	11	27	26
Nigeria	1	15	20	19
Trinidad	1	5	10	9
Turkmeistan	x	x	10	10
Together	65	186	314	249

Source: Götz, Roland. Rußlands Energiestrategie und die Energieversorgung Europas. *Deutsches Institut für Internationale Politik und Sicherheit.* Berlin, March 2004, p. 18

FIGURE 7: SHARE OF TOTAL PRIMARY ENERGY SUPPLY IN 2003 IN % (EXCLUDES ELECTRICITY TRADE)

Source	Germany	France	United Kingdom	Poland
Oil	36,4	32,9	35,1	21,4
Gas	22,8	14,2	37	11,9
Coal	24,5	5,2	16,5	60,9
Nuclear	12,4	41,5	10	N/A
Renewables	3,9-4,6 in 205	6,7	1,4	5,8

Source: 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. 6

■ ■ ■