

## EU-RUSSIA ENERGY RELATIONS FROM A REALIST POINT OF VIEW

Ana-Maria Ghimi□

**National School of Political and Administrative Studies**

### Abstract

The paper aims to develop a critical approach to one of the most important EU policies of the last five decades, the energy policy. It will follow its development over time and the repercussions which it had over European energy security. The Russian Federation is the European Union's top energy partner, which makes the relationship with this state very difficult in terms of energy security maintenance. The overall objective is to prove that oil or gas, two resources that should be considered purely economic factors, have, on the contrary, become purely political ones (e.g. Georgia, Ukraine). In order to achieve this objective I used: forecasts of energy demand for global energy supply, forecasts of energetic recourses decline, official statistics provided by the ministries or agencies and official treaties.

**Keywords:** EU, the Russian Federation, energy security, importer, exporter, Ukraine, Georgia, Nabucco

### Introduction

Currently we can identify, at international level, preferences for functionalism and constructivism precisely because they promote cooperation between states. However the EU's main energy partner, the Russian Federation, seems to follow a distinct path, bringing back into question the remainder of the Cold War (national and state interests). Scholars of realism believe that states are the main elements of the international system. Morgenthau's opinion is that each state has its own set of interests which is unilaterally, rationally and selfishly established. These interests are defined in terms of power. The objective of each country is, according to this narrative, to maximize its power and security (Miroiu, Soare 2006, 99-100).

The premise of this analysis is that the Russian Federation's actions are understandable and even predictable if they are analysed within a realist framework. Russia is using its energy resources, namely its natural gas, as a political tool and not as an economical factor. Also it is appealing to the use

of force in a system which is driven by the founding principles of the United Nations. The 2006 Ukrainian gas crisis and the Georgian war were not a couple of mistakes or accidents, but actions of a rational state trying to regain its previous international status of a great power, which has access in establishing/influencing other actors' policies.

The paper relies on experts' opinion regarding the development of these events and official documents (public statements, strategies, directives) analysis. On this basis, I present an analytical view over the four parties' relationship (Russia, Ukraine, Georgia and EU - the producer\the exporter, the transit country, the possible future transit country and the consumer\the importer) in order to identify the causes and the effects of certain actions.

As for the theoretical approach, I rely on realism. Some argue that the realism is a war paradigm; students of realism want to limit this perception. They accept, however, that sometimes war is seen by states as a means for achieving goals, as an undesirable but necessary instrument of foreign policy (Guzzini 2000, 52).

Raymond Aron, in *Peace and War*, differentiates between *homogeneous systems* and *heterogeneous systems*. The first consists of states which are likely to cooperate. The symmetry and the vision of each state are important in these systems because they enable them to create a space of cooperation. The second notion refers to a system of countries that adopt different principles. They develop *contradictory value systems*. The members of these systems are unable to create a common space because their approaches are different. In this case, cooperation can occur, but in specific areas, such as economy, agriculture, education (Guzzini 2000, 91).

Realists assume that states are rational actors in an anarchic system, which constrains them to behave as such. They must be aware of themselves and the environment surrounding them (Guzzini 2000, 87). But, given the current system, can we say that a state, even if it is the Russian Federation, has the capacities to follow a purely realistic policy? Is the EU ready to accept such a policy in its own neighbourhood?

Energy resources are becoming increasingly important factors especially against the backdrop of increasing energy dependence of most developed countries in the world. EU's dependence expected for the next 20-30 years

will reach nearly 90% for oil, 76% for natural gas and 100% for coal. Europe is the largest natural gas importer in the world and it seems that it will remain so until 2030, according to forecasts made by experts from the International Energy Agency. Today almost half of the required gas is imported from Russia (23%), Norway (14%) and Algeria (10%). In the next 25 years, imports could increase by up to 80%. In 2030, Europe will have to import 488 billions of cubic meters (bcm) (Umbach 2010, 1236).

Formal negotiations concerning gas between the European Union and the Russian Federation are not recent. Although many agreements have been signed, the different visions of the two have generated failures (Drăgan 2005, 23). It soon became clear to the EU that it was negotiating with a state that has a different perspective over the international environment. This is noticeable in the statement of Javier Solana: *"To develop a partnership with Russia [was] the most important, urgent and challenging task which the EU had to face at the beginning of twenty-first century"* (Abellan 2004, 227).

Although it would be desirable, Russia and EU member states are not parts of a homogeneous system, but rather parts of a heterogeneous one (Guzzini 2000, 91). All the agreements that were made, instead of being based on common values, were rather based on questions of common interests (Schuette 2004). An example can be identified in the security of the region. This issue is of concern for both players, but the question arises when we talk about how it should be provided. EU promotes cooperation, understood as an instrument of soft security (for example, the European Neighbourhood Policy and the Eastern Partnership). By contrast, Russia acts in a non-cooperative way, as part of a foreign policy usually based on the principles of hard security. After the Georgian War, EU and Russia signed a six-point plan which seemed to place the two in a system of common values, but Russia did not fulfil the fifth point (troops' withdrawal) (Ians 2008). It is more like the EU speaks about partnership and Russia talks about its right to develop beyond its traditional role of exporting energy resources power (Hadfield 2008, 237).

The European Union is an example of integrated regional organization, but it seems that the energy policy does not rally to this course. Although at European level, an Energy Strategy and a Directive to reduce greenhouse gas emissions and to increase the use of renewable resources with 20% by 2020 were developed, EU's energy policy has not achieved internal integration because, despite the efforts, there is a clear state monopoly in

the field (Hadfield 2008, 233). Possible explanations? (1) The strategy and the directive listed above are not part of the hard law segment, as regulations and treaties. Such agreements immediately bound states, which must act precisely according to them. The Directives are rather part of the soft law segment (they are seen as standards or recommendations, which states are not bound to follow immediately). This is the reason why they are not given crucial importance by the Member States. Therefore, states tried to ensure their access to resources unilaterally or bilaterally (Griffiths 2003, 62).

In 2006, the European message consisted of a continuous denial that the energy aspect was an issue of national interest, thus rejecting the foreign policy implications of energy security (Hadfield 2008, 241). This message was neglecting the reality of the global energy market, which was undoubtedly governed by national interest. Russia, especially, counts on it in its *divide and conquer* policy (Guzzini 2000, 68)

The Russian Federation managed to create a division between EU member states by using bilateral treaties and by making use of its historical link with these states – the existing energy infrastructure, possible affinities etc. Five different groups of states that adopt different attitudes towards Kremlin can be identified. The first group is called the *Trojan Horses* (Greece and Cyprus). These countries oftentimes stand in for Russia whenever the EU shows the slightest disagreement with the former. The second group goes for *Strategic Partners* (Germany, Italy, France and Spain). These countries have a special bilateral relationship with Moscow. This fact makes them not to be truly interested in developing a common energy policy towards Moscow within the EU. The third group is called the *Friendly Pragmatics* (Bulgaria, Austria, Belgium, Finland, Hungary, Luxembourg, Malta, Portugal and Slovakia). Although they do not promote policies which are favourable to Russia, they tend to prevent those decisions that might irritate it, because most of these countries (Hungary, Austria, Belgium and Bulgaria) hope to become hubs for Gazprom in Europe (Leonard, Popescu 2007, 30, 36-37). In the absence of a truly common European policy on energy, they are not willing to abandon their bilateral agreements with Russia. The fourth group is named the *Frozen Pragmatics* (Czech Republic, Denmark, Ireland, Latvia, Estonia, Netherlands, Romania, Sweden, and United Kingdom). In their case the economic interests prevail, but, if they have the chance, they are not afraid to criticize the Kremlin administration on issues such as human rights. This

group is mostly passive and therefore it cannot be said that they are supporters of Russia in EU policies. The last group is called the *New Cold Warriors* (Lithuania and its Baltic fellows). This group is known for leading a hostile policy towards Moscow. These states are using their veto power in order to block negotiations with Russia. Overall, there are two major trends: the first consists of European countries which see in Russia a potential partner, whereas the second includes member states which intend to exclude Russia from all possible forums of energy negotiations, including international bodies, such as the G8 (or G20 more recently) (Leonard, Popescu 2007, 36-37).

Russia's strategy may be declared a success given that EU has proved to be weak in solving the security crisis even within Europe (Georgia, Ukraine). The main reasons rely on the differences that existed within the EU regarding a common attitude towards the Russian Federation (Guzzini 2000, 68).

### **European Security Crisis- Ukraine**

The main transit countries for the Russian gas towards Europe are Belarus and Ukraine. Thus, these states can be used as tools of external policy by Russia. This is the case of Ukraine, which, due to a rapprochement to the EU, had to face a total cut of gas on various occasions (2009-2010). The 2006 crisis was a defining moment for the EU, whose countries have understood that Moscow is not a partner that follows the principles of a fair play, nor does it wish a common good.

Although it is a net importer, the EU has not shown a growing interest in its energy policy. Indeed the energy market is one of the most regulated, but until now this policy was made by companies, which sought an immediate profit. Hence, energy resources were seen strictly as economic resources (Umbach 2010, 1230). These interests have not been a major part of the states' agenda until 2005-2006, when Europe was affected by a major crisis without being a directly involved player. The gas crisis arose following the commercial conflict between the Russian Federation and Ukraine (Umbach 2010, 1230). The gas crisis of January 2006 was the wakeup call for the Europeans; on January 4<sup>th</sup>, 2006, the EU stated that it needs a more cohesively and clearly defined energy policy, in terms of security of energy supply. Although there have been several negotiations, member states still have the monopoly over the energy market. Starting with March 2010 the European Commission founded the Agency for the

Cooperation of Energy Regulators (ACER). *“ACER's mission is to assist National Regulatory Authorities in exercising, at Community level, the regulatory tasks that they perform in the Member States and, where necessary, to coordinate their action”*. As it can be seen, this EU institutional body has only advisory attributions on a restricted field (only regarding the natural gas resources and electricity), so we cannot talk about a truly cohesive and clearly defined European energy policy.

In 2005, Gazprom started negotiations with the Ukrainian officials on an increase of gas prices. Ukraine refused a settlement claiming the validity of the former agreement until 2009. This agreement enabled them to purchase gas with \$ 50 for 1,000 cubic meters, whereas Gazprom demanded \$ 160 for the same amount of gas. Later that year, Gazprom claimed \$ 230. In late 2005, Putin offered to credit the Ukrainian Government with the amount needed to pay the imposed liabilities. Given the fact that the Ukrainian officials have denied the proposal on 31 December, Putin announced that the gas exports to Ukraine will be barred. Ukraine supposedly solved the lack of gas by importing the volumes that had to take the European route, which drew accusations that it would steal Gazprom's gas and would not be a reliable partner as expected for a transit country. Whether or not Ukraine stole European gas is not clear. What is however certain is that the Russian accusations made the European countries doubt the ability of Ukraine to be a reliable partner.

Thus, Russia has achieved two goals: First, it pushed Ukraine away from the EU, defending its area of influence. Second, it created the perfect opportunity to launch negotiations on the development of two additional Russian pipelines to Europe (namely, Nord Stream and South Stream). The gas interruption had a major impact on the ultimate player, the importer. Given the Europeans' protests, Gazprom exports resumed on January 2nd. On January 4<sup>th</sup>, the Ukrainians have reached an agreement with Russia regarding the gas imports, which was valid until April 2006 (Nichol, Woehrel, Gelb 2006, 1).

#### Direct implications:

For Russia, the interruption of gas supplies revealed that the Russian state and Gazprom use their resources as an instrument of foreign policy and that it is far from being a poor negotiator. Gazprom's actions were rather dictated by the strategic implications of Putin's government than by economical reasons. The disagreement, which was announced to be a

commercial one, did not keep strictly to the price level of the exported gas to Ukraine (Nichol et al 2006, 3), but had a political connotation given the recent elections (which translates into the interest of a state to maximize its political power) (Griffiths 2003, 67). This reality overlaps with Kissinger's theory, which is based on two assumptions: firstly we can speak about *raison d'Etat* or reason/interest of the state for which any mean can be used to obtain certain benefits, even if that could seem inconceivable in an orderly internal political system. Regarding the second assumption, Kissinger believes that one state has a duty to handle the "*balance of power in order to maintain an international order that no member should dominate the other*" (Griffiths 2003, 56-57).

Ukraine is one of the least efficient countries in the world with respect to energy consumption. Key elements of Ukrainian industry, metal and steel production, are dependent on the purchase of cheap energy. The control this state is holding over the gas pipelines that are linking Europe with Russia was often counterbalanced by the country's energy dependence on the Russian Federation. The bilateral relationship between these two players is interdependent: if the Russians demand a higher price on the gas which is purchased by Ukrainians, Ukraine may require a higher price for the gas that is passing through its territory. The gas crisis, from the perspective of the upcoming elections in March 2006, was particularly important in terms of future reforms. Gas supply interruption was a direct hit to the government led by Yushchenko. He was accused by the Ukrainian press that he did not negotiate the gas agreement signed with Gazprom on January 4th in Ukraine's benefit. That contract did not provide clear information regarding the price level of gas imported by the Ukrainian state. It was not clearly stipulated that the price for a 1000 cubic metres of natural gas will remain at the level of \$ 95 for five years (Nichol et al 2006, 4).

The changes that occurred at international level between EU and Ukraine, given the energy significance of Russia for the member states, have pushed Kiev's administration to return to a friendly policy toward Moscow. This resulted in changing Russia's position regarding Ukraine in terms of cheaper imported gas (Iorga 2010).

This episode attracted criticism from the U.S. Sean Macormack, spokesman for the U.S. State Department, accused Russia of using its energy for political purposes Secretary of State Condoleezza Rice said on January 5th,

2006 that "*Russia is a responsible actor in the international economy*", but it tried through "*politically motivated effort to constrain energy supply to Ukraine*" (The State Department, January 3 2006).

Hence the energy policy has become a major issue on the agenda of EU officials. This episode has questioned some assumptions that Europeans had adopted previously: Firstly, oil and gas are economic goods rather than strategic ones, so these resources are not tools of foreign policy. Secondly, security of supply is not an important factor and it can be left under the guardianship of private companies. Thirdly, gas supply interruptions can be replaced all the time. Fourthly, Russia under Putin's leadership give clear signs of orientation towards free market principles. Additionally, Russia will always prove to be a reliable partner and, lastly, Russia needs to export its energy resources to Europe, so their relationship is based on a mutually acceptable interdependence. All these assumptions have led European officials to ignore that Russia used its energy resources (as it holds a monopoly on the transport system of resources -pipelines) available as a strategic tool (Umbach 2010, 1230). Member states ignored Russia's actions and perceptions over the international system, although they were clearly announced through its National Security Concept (adopted in 2000). Here, threats are seen as "*attempts by other states to counteract [Russia's] strengthening as one of the centres of influence in a multipolar world, to hinder realization of its national interests and to weaken its positions in Europe, the Middle East, Transcaucasia, Central Asia and the Asia-Pacific Region*". (Presidential Decree 10 January 2000, No. 24) In this light, the rapprochement of Ukraine to Europe was perceived by the Russian part as a threat to its near abroad territory, therefore to its national interest.

Additionally, energy is a very important sector in the Russian national economy, hence it is natural for this country to try to protect and to ensure its existing monopoly over certain markets. This increased level of interest can also be seen in the *National Security Strategy of the Russian Federation until 2020*. One of the main objectives announced here is the transformation of Russia into '*one of the five leading countries in terms of GDP*' until 2015. The energy sector is an important part of Russian GDP. It accounts for as much as 20-25 percent of its GDP. "*In recent years the share of the federation's oil and gas revenues has come as high as 50 percent of GDP. Of this figure, 37 percent was drawn from specific oil and gas taxes and 13 percent from corporate income tax drawn from the oil and gas industry*" (Kurlyandskaya, Pokatovich, Subbotin 2010).

The Europeans had too much confidence in the EU's capacity to guarantee peace at least at a regional level. The outbreak of the crisis threatened the security of Europe in terms of supply and it established the political power that Russians have through their gas resources (Miroiu, Soare 2006, 86)

### **European Security Crisis - Georgia**

The war in Georgia (August 2008) was another warning given to Europeans, who until then believed that the EU is able to ensure security in its neighbourhood (Hafkin 2010, 221). This war revealed the boundaries of the international principle of neutrality in international relations, which led to the collapse of the peacemaking process in South Ossetia and Abkhazia. The effectiveness of UN structures, policies and capabilities (which supposed to be the guarantee of the collective security principle) were put into question (Nitu 2010, 11).

In May 2004, Georgian president Mikheil Saakashvili, tried, without success, to restore a high level of control on South Ossetia after several violent demonstrations. Regarding the events of August 2008, we cannot say precisely who started the first attack. The fact is that both players blame the opposing party (the Georgians argue that Russia sent its army in Georgia before August 7th offering to the separatist troops military aid, including tanks, from North Ossetia to South Ossetia (Chicky 2009, 3), while Russia says it acted under the "responsibility to protect" (adopted by UN in 2005 when situations like genocide or crime against humanity appear) (Nitu 2010, 13). They also claim that the Russian troops belonged to the peacekeeping forces which were present in the region and that these units entered South Ossetia only after President Saakashvili ordered the attack over the capital of this region. Given the speed of the Russian response (hours) they *"were expecting the Georgian attack and were themselves at their jumping-off points. The counterattack was carefully planned and competently executed, and over the next 48 hours, the Russians succeeded in defeating the main Georgian force and forcing a retreat"* (Friedman 2008).

As aforementioned, the realists believe that there is no perpetual state of conflict, but there can be states that want to change the balance of power towards their national interest (Guzzini 2000, 90-91). The Russian Federation still sees the international relations in terms of power. After the collapse of USSR, Russia lost the privilege of being part of 'the great powers' group. In present terms, Russia is the state that holds the largest

natural gas reserves in the world and many hard security elements (Nichol et al 2006, 1), so it is naturally for it to try to regain its previous status. At a press conference, he announced: *“Russia is a country with a history that stretches for over 1000 years and practically always used the privilege of having an independent foreign policy. We have no intention in changing that”* (Rasizade 2008, 17). Therefore we can hardly say that Russia tried to change the balance of power by attacking Georgia, the balance had already been changed; the Russians simply used this war as an announcement. It was an official shift to which Europe and United States failed to answer properly.

USA reaction:

Immediately after the outburst of the conflict, Russia confronted a lack of response. Taking into consideration that the US were Georgia’s ally (civilian advisers, 130 military advisers in Georgia) (Chicky 2009, 4), it is hard to believe that Washington did not know about the events in South Ossetia. This leads us to two assumptions: they did not know how Russia would answer or, more likely, they did not expect Russia to answer for two reasons, in fact the same reasons that made Russia react.

The first one concerns Ukraine. NATO expansions in Poland, the Czech Republic, Hungary, Romania and especially in the Baltic States did not cause any response from Russia, but when Ukraine began to develop special relations with the West, Russia perceived this as a threat to its own security. This behaviour can be explained by the realist view - Russia felt threatened by America’s growing power in near abroad territory (one’s security in term of power can generate another’s insecurity) (Friedman 2008).

The second reason regards Kosovo. After World War II, the general principle followed by all states was that national borders cannot be changed. This was a possible solution for ethnical conflicts. Kosovo has been seen as a precedent. Russia felt its borders threatened by such conflicts. Hence, Russia refuses to acknowledge Kosovo as an independent state (Friedman 2008).

Thus, the Americans were not prepared for an answer. Their perception was that Russia would not risk the outcome of an invasion. But being a rational state, Russia made a cost-benefit analysis. The benefit was the balance of power shift recognized by all states, while the costs or the consequences of the invasion would be rather minor. Russia did not expect

a reaction from the West and it anticipated correctly. Additionally, the US were involved in Afghanistan, Iraq and Iran. Therefore we can assume that the Caucasus region was not the most important region in geostrategic terms (Friedman 2008).

The European reaction:

This event did not affect only the parties directly involved, but reverberated worldwide, attracting various reactions, especially by Westerners, whose ability to ensure their regional security was damaged (9am 2008, International). This conflict appeared to take by surprise European states. But Russia's previous actions suggested that a conflict with Georgia was inevitable. Starting with the first half of 2008, Russia started to develop closer official relations with the two separatist regions; on March 21, 2008, the State Duma recommended Kremlin to recognise the independence of Abkhazia and South Ossetia; Russia also increased the number of its troops in these regions (e.g. in Abkhazia from 458 soldiers to 3000, the maximum limit) and it kept its troops very close to South Ossetia (Kavkaz 2008; Nitu 2010, 15-17).

Only France, which at that time held the presidency of the European Council, negotiated with Russia on a six point plan immediately after the conflict. The six points are the following:

1. Force must not be used;
2. All military actions will stop;
3. There will be free access for humanitarian aid;
4. Georgian Armed Forces should return to their bases;
5. Russian armed forces should withdraw to positions occupied before the crisis;
6. International discussions will begin on the future status of South Ossetia and Abkhazia and on ways to ensure their safety (Ians 2008).

The 27 EU member states have decided to suspend talks on the re-entry into force of the Partnership and Cooperation Agreement (PCA) which expired in September 2007 (9am 2008, International) and expressed their complaint regarding Russia's unilateral decision to recognise the independence of Abkhazia and South Ossetia, but no compulsory actions regarding Russia were taken. The EU announced the suspension of the agreement until Russian troops would withdraw to the position held prior to August 7th, 2008, which did not happen (currently Russian troops are stationed in Akhalkalaki, Georgia). In 2011 the negotiation regarding a new

PCA restarted, although the fifth point was not accomplished by Moscow. (EU Council 2008, PFUE)

From the standpoint of the Europeans, this conflict was a violation of the principles of independence, sovereignty and territorial integrity recognized by international law and UN Security Council. Even in this particular case, the Europeans have been unable to give a common response: Countries of the former soviet space, which now are members of EU, the so-called 'New Cold Warriors' (Lithuania, Estonia, Latvia) took an extreme stance, accusing Russia of imperialism. The 'Strategic Partners' (Germany and Italy) adopted a more tempered tone: Angela Merkel stated that *"it has never been questioned that Russia will suffer sanctions, the freeze of discussions for a new partnership was bound only by Section 5 of the agreement made by Sarkozy, that requires complete withdrawal of Russian troops"*. Additionally, Silvio Berlusconi declared that EU must respect Russian sensitivity on certain issues and emphasized that Kremlin offered more guarantees that would withdraw its troops (Euractiv 2008, Enlargement). The 'Frozen Pragmatics' (namely, the Czech Republic, Sweden, United Kingdom) had a negative reaction, accusing Russia that it did not comply with international principles (Euractiv 2008, Enlargement). The 'Trojan Horses', namely, Greece, through its Foreign Minister, Dora Bakoyannis, claimed the accomplishment of four objectives: confirmation of operations' ending; returning to the previous status-quo; observance of the ceasefire and beginning of substantive dialogue. She noted that Greece would not side with any party of the conflict (Papers of FM Bakoyannis 2011). As for a member of the 'Friendly Pragmatics' group of states, Slovakia's Prime Minister, Robert Fico, declared that all parties must stop and lay down their weapons. He declared: *"I do not see the situation as all black or white as some do, because one side provoked (Georgia). Then a reaction came, therefore we must..... sit down at the negotiation table and solve things"*(Slovakia's Prime Minister Robert Fico, 2011).

The lack of unity at European level is a success example of the "divide and conquer" method in influencing the balance of power. Russia has managed to divide the EU economic unit block in a number of states that adopt different political positions as individual parts (Guzzini 2000, 63).

The conflict confirmed Russia's military strength and complicated EU's efforts to diversify its sources of supply, given the monopoly that Kremlin has over Europe with the help of state-controlled energy giant Gazprom.

This conflict can be seen as an obstacle created by the Russians in order to stop or delay the implementation of the European project, Nabucco, which passes close to the two separatist provinces of Georgia. Nabucco's advocates are counting on the natural gas from the region of Caucasus and Central Asia. It is also possible for Gazprom to supply the necessary gas through the Blue Stream pipeline (White 2008).

Russia's actions can be identified as the national interests of a state that will resort even to violence to achieve its goals. War is not desirable, but it is a necessary tool of foreign policy (Guzzini 2000, 52, 91)

The fact that Russia wants to be a player not to be ignored (and not the largest or the most powerful country) shows it is not a revolutionary power that wants to change the system as a whole, but rather a state that wants adjust the current international system to its advantage.

This war was a very well played card, used by Russia for the areas of Central Eurasia and Eastern Europe. The Kremlin administration made things perfectly clear: the Russian Federation is prepared to use force in order to meet its goals and ensured the EU that it cannot ensure Europe's energy security alone (Tsereteli 2008, 6).

### **EU as a Net Importer:**

A study made in January 2009 by a group of European experts showed that the quantities of Russian gas that were transported to European consumer countries are about 300 billion cubic meters (34% of EU imports of gas), with 80% used Ukraine as a country of transit. Of this amount: Germany uses 96 million cubic meters, Italy - 60.5 million, France - 27.4 million, Hungary - 38 million, United Kingdom - 23.8 million, Poland - 21 million, Czech Republic - 18 million, Austria - 11 million, Romania - 15 million, Greece - 7.4 million, Bulgaria - 9.7 million, Serbia - 10 million, Macedonia - 0.3 million, Croatia - 3 million, Belgium - 8.8 million, Sweden - 1.1 million, Finland - 13.4 million, Slovenia - 1.9 million, Slovakia - 19 million, Moldova - 3.8 million etc (RT 2009).

In 2009, EU import dependency reached a level of 64,2% for natural gas. For example, Italy is dependent in proportion of 80%, importing 32% from Russia (Market Observatory for Energy 2010, Italy). Germany is dependent in proportion of 60% (Annexe 1), importing 46% of Russian natural gas (Market Observatory for Energy 2010, Germany). This explains the

behaviour of these states, all trying to protect their own interests and only after the common ones, in this case the EU's or the entire region's (if we talk about the energy security of Europe).

In the coming years, Norway is expected to increase its gas exports to the EU, given the augmentation of imports in major centres such as Germany and Britain, while the southern market (Italy, Spain and Portugal) will be supplied by the African countries. But after 2020 there will remain just two large exporters for the European market, namely Middle East countries and Russia. On the short term, Russia is unlikely to increase its exports to the EU, for several reasons:

- a) The rapid decline of the production process in areas as: Urengoi, Yamburg and Medvezh'e;
- b) The need for major investments to open new production areas, such as Yamal;
- c) The investments needed for the implementation of new pipelines, increasing the already high costs of Gazprom (e.g. it bought, in 2005, the fifth Russian oil company at a price of \$ 13 billion);
- d) The high costs necessary to restore the existing infrastructure;
- e) Insufficient incentives for independent gas producers (Kjarstad, Johnsson 2007, 881).

Global demand for gas and oil is rising. This causes instability which leads to large disequilibrium in the balance of power between producing states and consuming ones.

During Putin's official visit to Austria in May 2007, Gazprom signed a long term contract with the Austrian OMV gas importer (Cohen 2007, 3). This agreement virtually integrated the Austrian transit and storage networks, both existing as well as those scheduled, in Gazprom's network. Given the geographical position of Austria, Russia intends to build a corridor to enter the EU market. The second step is followed by assuring the European energy dependence by providing control over the critical infrastructure, namely the pipelines in Europe and Eurasia. Thus, the Russian Federation wants to control the source (energy, gas that already belongs to it), distribution (pipelines that are owned by Gazprom) and the market, buying refineries, ports, gas from other countries (Cohen 2007, 4).

As for 2004, Gazprom has invested in 23 multinational companies - \$ 2.6 billion buying 50% of Slovrusgaz in Slovakia, 48% of Europol Gaz in Poland, 30.6% of Estonia's Eesti Gaas. Also it bought strategic infrastructure companies in Georgia, Hungary and Ukraine. Gazprom holds 51% in North European Pipeline, which was selected to build the underwater part of the Nord Stream pipeline (Cohen 2007, 5).

All of Gazprom's actions should be seen by EU as three lessons to be kept in mind: Kremlin will have control over any major energy project; Russia will achieve its purpose by absolutely all means, be they political, legal, etc.; Russia can play very aggressively in relationship with Europe (Umbach 2010, 1239).

It is obvious that the EU needs to diversify its gas supply locations. In this direction, the discussions with Norway, Algeria, but also with other countries in the Middle East, could be resumed. Russia tried to prevent European access to all potential exporters that could have reduced the energy dependence. Thus, it did not only seek to maintain its monopoly on gas pipelines from Central Asia (Turkmenistan, Kazakhstan, Azerbaijan), but it offered to buy gas of Iran, Qatar and several North African countries. The Russian Federation is acting as any other rational state that tries to maximize its own benefits. It buys gas from other countries in order to resell it at a higher price and to ensure itself that it will not have future competitors over the European market. The real problem lies in the fact that EU is still responding very slowly to this active dynamism of Russia (Umbach 2010, 1237).

Given the recent events that took place in 2010 (the most recent Ukrainian gas crisis), Russia's realism can be put into perspective if we analyze the political line of the incumbent president, Dimitri Medvedev. One example is the agreement signed with Poland in November 2010. Even if it is a bilateral deal, according to Guenther Oettinger, the Energy Commissioner: *"We managed to ensure that the intergovernmental agreement between Russia and Poland was brought into line with EU law"* (UPI, 2010, Science News). Apparently this is not a big achievement, but from a diplomatic point of view, EU has succeeded in partially breaking the *divide and conquer* method. It cannot stop the bilateral agreements from implementation, so it tries to negotiate using its own rules (Guzzini 2000, 68).

Further examples in this regard are the International Summits from November 21-22 and May 2009. Following these, the energy sector became a focal point in the European political agenda. EU and Russia have succeeded in establishing an Early Warning Mechanism that was proposed by the European Commission. It was adopted on May 15th and Russia ratified it on November 16, 2009 (Progress Report 2010, Common Spaces). This agreement includes very important provisions, such as a clear definition of the situation in which this Mechanism will come into force: a significant gas cut-off that may occur due to commercial disputes, infrastructure problems or accidents. In such cases the agreement allows a third party to interfere in trying to solve the dispute by peaceful means (Europa.eu 2009). This document was a very much needed European instrument that could allow them to avoid difficult situations as the one from 2006. It remains to be seen how effectively this instrument is used under similar future circumstances. Additionally, it must be said that this summit was a turning point for Russia's realism. Until then it usually negotiated concrete energy agreements with states that are part of the European Union and not with the international organisation as a whole (Drăgan 2005, 23) This can be interpreted as an European success over the Russian realism until proven otherwise. The simple fact that Russia has signed such an agreement is very different from the behaviour of this state until nowadays. Russia was playing the role of a difficult partner to deal with especially in its relation with EU. But we cannot neglect the fact that the Early Warning Mechanism is just an instrument through which the relationship between the two parties might advance to an unique homogenous system of values (Guzzini 2000, 91).

The second International Summit between Russia and EU took place on November 18, 2009. A central point of the negotiating process was energy security. Before the December 11-12, 2009 Summit, the International Energy Agency has published an analysis regarding the possible increase of energy consumption at European level until 2020. The analysts elaborated a possible energy scenario: if the new post-Kyoto Protocol was to be signed in Copenhagen, Russia would have to limit its gas export, due to the Protocol's demand, and it would stimulate the development of alternative technology in European states, reducing the energy imports from Russia. The downturn of the Protocol (Zahariu 2009) involved the increase of the gas demand with 67%, hence the supplies would reach 240 bcm (Rian 2009, Business). In the recent years, EU member states have shown great interest in developing alternative ways in order to meet their energy demand and

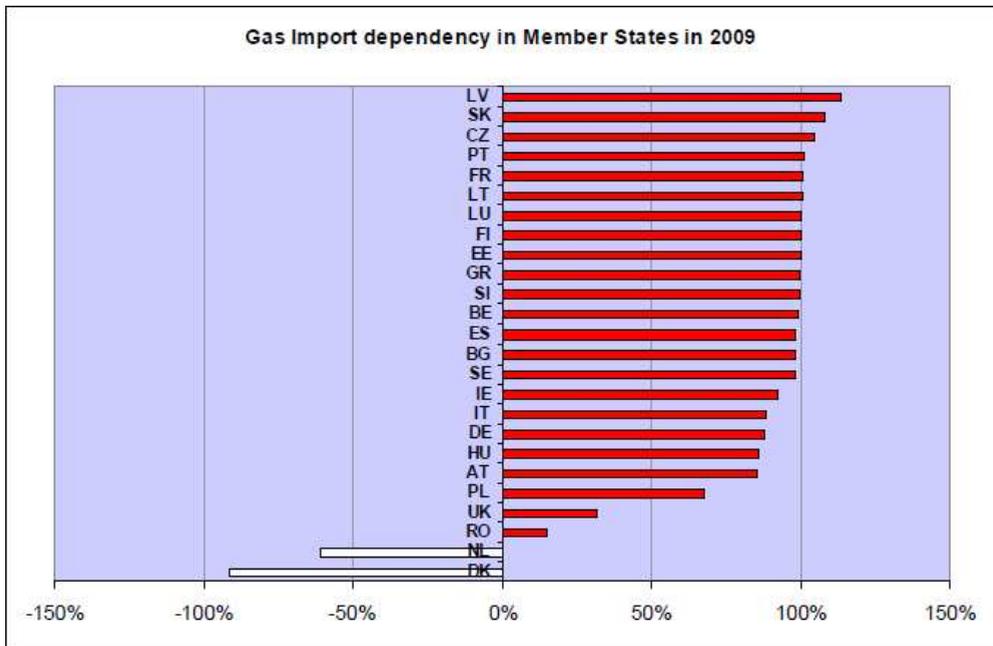
to protect the environment (renewable energy- see EU Strategy 2020). Even though such behaviour can be observed at European level, the level of technology development is not sufficient to support the industries of these developed states. A perfect example can be Germany, which occupies the first place worldwide regarding wind energy (20.000 turbine engines), assuring 6.4% from its national consumption (Hitechpedia 2009).

These two International Summits had numerous positive results. On December 28, 2009, a member of the European Commission declared that the Russian Federation has informed the Czech Republic, Hungary and Slovakia about a possible energy cut-off during that winter (RT 2009). Regardless if the situation was solved without having to cut down the gas supplies, Russia made that announcement in accordance with the Early Warning Mechanism and this behaviour shows that it is not necessarily a difficult partner to deal with. Also, it seems to show that realism cannot be used in an international system where organisations such as the EU gain more and more capabilities. The current system is allowing its players to build a trustworthy relationship between them; it is not always about a zero sum game (Griffiths 2003, 33-36). Therefore, an effective response to Russia's realism is represented by a deeper international cooperation based on a common vision, leading to a common decision, that will break the "divide and conquer" strategy. This vision will allow each state to promote its national interest within a larger international organism, hence gaining a better position at the negotiating table with Russia and creating a win-win situation.

### **Conclusion:**

*"The energy relations in the last 10 years lead us to consider Russia as a single state"* (Finona, Locatelli 2008, 441) which does not comply with current trends of liberalization. Instead it seems to choose to return to the past and to use part of the Cold War logic: that of messenger - Ukraine. Thus, relations between EU and Russia should be viewed in terms of "Realpolitik", where compromise solutions must be found. A plausible compromise that must be achieved within EU is cooperation between member states instead of numerous bilateral relations. Only then EU would be a credible regional actor, which will have the capabilities to be a political giant and not only an economical one.

Annexe 1<sup>1</sup>



Values over 100% are possible due to changes in stocks. Source: Eurostat May 2011

Market Observatory for Energy

## Bibliography

### Books

- Abellan, M. 2004. Russia: towards a strategic partnership, in: D. Mahncke, A. Ambos and C. Reynolds (Eds) European Foreign Policy: From Rhetoric to Reality? (Brussels: P.I.E.-Peter Lang)
- Drăgan, Gabriela. 2005. Uniunea Europeană între federalism și interguvernamentalism: politici comune ale UE: [pentru uzul studenților]. Bucharest. Editura ASE
- Griffiths, Martin. 2003. Relații internaționale : scoli, curente, gânditori. Bucharest ; Ziua
- Guzzini, Stefano; Istratescu, Diana. 2000. Realism și relații internaționale : povestea fără sfârșit a unei morți anunțate : realismul în relațiile

<sup>1</sup> Key Figures, Market Observatory for Energy. June 2011. available at [http://ec.europa.eu/energy/observatory/eu\\_27\\_info/doc/key\\_figures.pdf#page=14](http://ec.europa.eu/energy/observatory/eu_27_info/doc/key_figures.pdf#page=14) accessed on 30 June 2011.p.6

- internationale si în economia politica internationala. Iasi ; European Institut
- Miroiu, Andrei ; Ungureanu, Radu Sebastian ; Biró, Daniel ; Todorean, Olivia; Apahideanu, Ionut-Octavian; Soare, Simona ; Secrieru, Stanislav ; Dîrdala, Lucian-Dumitru. 2006. Manual de relatii internationale, Iasi ; Polirom
- Morgenthau, Hans J., 1904-1980,(Hans Joachim). 2007. Politica între natiuni : lupta pentru putere si lupta pentru pace. Iasi ; Polirom
- Nitu,Ionel. Oct 2010. Provocari la adresa analizei strategice. Studiu de caz: Implicatiile razboiului ruso-georgian asupra echilibrului de putere in Eurasia. Revista Ramana de Studii de Intelligence.nr.3

### Journal Articles

- Chicky, Jon E. February 2009. The Russian-Georgian War: Political and Military Implications for US Policy. Central Asia-Caucasus Institute & Silk Road Studies Program, , available at: <http://www.silkroadstudies.org/new/docs/Silkroadpapers/0902Chicky.pdf> , accessed on 6 May 2010
- Cohen, Ariel. November 2007. Europe's Strategic Dependence on Russian Energy. The Heritage Foundation 2083. available at: <http://www.heritage.org/Research/Reports/2007/11/Europes-Strategic-Dependence-on-Russian-Energy> accessed on 13 Dec 2010
- Finona, Dominique; Locatelli, Catherine. 2008. Russian and European gas interdependence: Could contractual trade channel geopolitics. Energy Policy 36: 423-442. available at:<http://www.sciencedirect.com/science/article/B6V2W-4R2HKV91/2/02f6262ec9615ca508a46b3a9600d769> . accessed on: 6 Feb 2011
- Friedman, George. 12.08.2008. The Russo-Georgian War and the Balance of Power. available at [http://www.stratfor.com/weekly/russo\\_georgian\\_war\\_and\\_balance\\_power](http://www.stratfor.com/weekly/russo_georgian_war_and_balance_power) accessed on 27.12.2010
- Hadfield , Amelia. August 2008, EU-Russia Energy Relations: Aggregation and Aggravation. Journal of Contemporary European Studies Vol. 16, 2: 231-248. available at:<http://www.informaworld.com/smpp/content~content=a902117795~db=all~jumptype=rss> .accessed on 5 May 2010

- Hafkin, Gregory. 2010. The Russo-Georgian War Of 2008: Developing The Law Of Unauthorized Humanitarian Intervention After Kosovo. Boston University International Law Journal 28:219. Available at: <http://www.bu.edu/law/central/jd/organizations/journals/international/documents/219-240.pdf> accessed on 30 May 2010
- Kjarstad, Jan.2007. Prospects of the European gas market, Energy Policy 35: 869-888, available at: <http://www.sciencedirect.com/science/article/B6V2W-4JG5FNJ-1/2/7dfb25b6aeb9f0e8c2d05e414581287f> , accessed on 20 Dec 2010
- Kurlyandskaya, Galina; Pokatovich, Gleb; Subbotin, Mikhail. March 3-4, 2010. Oil and Gas in the Russian Federation .Conference on Oil and Gas In Federal Systems, available at: [http://siteresources.worldbank.org/EXTOGMC/Resources/336929-1266445624608/Framework\\_Paper\\_Russian\\_Federation2.pdf](http://siteresources.worldbank.org/EXTOGMC/Resources/336929-1266445624608/Framework_Paper_Russian_Federation2.pdf) accessed on 1 July 2011
- Leonard, Mark; Popescu, Nicu.2007.** A Power Audit of EU-Russia Relations. available at: [http://www.fride.org/uploads/file/A\\_power\\_audit\\_of\\_relations\\_eu-russia.pdf](http://www.fride.org/uploads/file/A_power_audit_of_relations_eu-russia.pdf) , accessed on 18 April 2010
- Nichol, Jim; Woehrel, Steven; Gelb, Bernard A. 15 Feb 2006. Russia's Cutoff of Natural Gas to Ukraine: Context and Implications. available at: <http://www.usembassy.it/pdf/other/RS22378.pdf> .accessed on: 6 May 2010
- Prange-Gstohl, Heiko.2009. Enlarging the EU's internal energy market: Why would third countries accept EU rule export?. Energy Policy 37: 5296-5303, available at: [http://www.sciencedirect.com/science?\\_ob=ArticleURL&\\_udi=B6V2W-4X3MRD2-3&\\_user=10&\\_coverDate=12%2F31%2F2009&\\_rdoc=1&\\_fmt=high&\\_orig=search&\\_sort=d&\\_docanchor=&view=c&\\_searchStrId=1366604217&\\_rerunOrigin=google&\\_acct=C000050221&\\_version=1&\\_urlVersion=0&\\_userid=10&md5=dd03b54d1e24945ded7a76ad52869c15](http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6V2W-4X3MRD2-3&_user=10&_coverDate=12%2F31%2F2009&_rdoc=1&_fmt=high&_orig=search&_sort=d&_docanchor=&view=c&_searchStrId=1366604217&_rerunOrigin=google&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=dd03b54d1e24945ded7a76ad52869c15) . accessed on 3 March 2011
- Schuetz, Rolf. December 2004. E.U.-Russia Relations: Interests and Values – A European Perspective, Russian and Eurasian Program: 54. available at: [www.CarnegieEndowment.org/pubs](http://www.CarnegieEndowment.org/pubs) accessed on 15 June 2010.
- Tsereteli, Mamuka. 2008.The Impact of the Russia-Georgia War on the South Caucasus Transportation Corridor. The Jamestown Foundation. available at:

[http://www.jamestown.org/uploads/media/Full\\_Mamuka\\_RussiaGeorgia.pdf](http://www.jamestown.org/uploads/media/Full_Mamuka_RussiaGeorgia.pdf) . accessed on: 5 Nov 2010

Umbach, Frank. 2010. Global energy security and the implications for the EU. *Energy Policy* 38: 1229–1240

### Press Articles

IANS, August 2008, Georgia, Russia agree to French-brokered peace plan, available at:

[http://www.thaindian.com/newsportal/uncategorized/83465\\_10083465.html](http://www.thaindian.com/newsportal/uncategorized/83465_10083465.html) accessed on 3 Jan 2010

IHS CERA: Energy Strategy, available at [www.cera.com/multimedia/details/1,7706,00.html](http://www.cera.com/multimedia/details/1,7706,00.html) accessed on 29 June 2011

Iorga, Răzvan. 16 April 2010. Moscova a scăzut pretul gazelor livrate Ucrainei. *Karadeniz Press*. available at: <http://karadenizpress.ro/kara/moscova-a-scazut-pretul-gazelor-livrate-ucrainei/>, accessed on 3 May 2010

Saakasvili îi cere lui Sarkozy să susțină Georgia, înainte de summitul UE-Rusia. 14 Nov 2008. 9am. Available at: <http://www.9am.ro/stiri-revista-presei/International/110571/Saakasvili-ii-cere-lui-Sarkozy-sa-sustina-Georgia-inainte-de-summitul-UE-Rusia.html> accessed on 20 Nov 2010

White, Jeffrey. 15 August 2008, Georgia-Russia conflict shows EU's energy vulnerability. *Csmonitor*. available at: <http://www.csmonitor.com/2008/0815/p01s03-woeu.html> accessed on 3 Dec 2010

EU freezes talks with Russia at summit. 2 Sept 2008. *Euractiv*. available at: <http://www.euractiv.com/en/enlargement/eu-freezes-talks-russia-summit/article-175031> accessed on 25 Nov 2011

Saakasvili îi cere lui Sarkozy să susțină Georgia, înainte de summitul UE-Rusia, 14 Nov 2008. 9am. available at: <http://www.9am.ro/stiri-revista-presei/International/110571/Saakasvili-ii-cere-lui-Sarkozy-sa-sustina-Georgia-inainte-de-summitul-UE-Rusia.html> accessed on 20 Nov 2010

“European dependence on Russian gas”. 14 Jan 2009. *RT*. available at: [http://rt.com/Top\\_News/2009-01-14/European\\_dependence\\_on\\_Russian\\_gas.html](http://rt.com/Top_News/2009-01-14/European_dependence_on_Russian_gas.html) , accessed on 17 Feb 2010

EU backs Poland, Russian gas deal. 5 Nov 2010. Upi.available at:  
[http://www.upi.com/Science\\_News/Resource-Wars/2010/11/05/EU-backs-Poland-Russian-gas-deal/UPI-49571288968469/](http://www.upi.com/Science_News/Resource-Wars/2010/11/05/EU-backs-Poland-Russian-gas-deal/UPI-49571288968469/) / accessed on 15 Feb 2011

Official documents:

- The State Department. Statement, January 1, 2006; Daily Press Briefing, January 3, 2006; Secretary Condoleezza Rice, Remarks at the State Department Correspondents Association's Breakfast, January 5, 2006.
- Conclusoins of the European Union's Council Presidency, 24 March 2006, available at:  
[http://www.mt.ro/domenii/integrare\\_europeana/Concluziile%20Presedintiei%20Consiliui.pdf](http://www.mt.ro/domenii/integrare_europeana/Concluziile%20Presedintiei%20Consiliui.pdf) accessed on 16 Nov 2010
- European Union's Council ,1 Sept 2008, Extraordinary European Council, available at:  
[http://www.ue2008.fr/webdav/site/PFUE/shared/import/09/0901\\_conseil\\_europeen\\_extraordinaire/Extraordinary%20European%20Council%20-%20Conclusions%20of%20the%20Presidency\\_EN.pdf](http://www.ue2008.fr/webdav/site/PFUE/shared/import/09/0901_conseil_europeen_extraordinaire/Extraordinary%20European%20Council%20-%20Conclusions%20of%20the%20Presidency_EN.pdf) accessed on 25 Nov 2010
- FM Bakoyannis on Caucasus crisis. 07 April 2011 available at:  
<http://www.ana-mpa.gr/anaweb/user/showplain?maindoc=6724583&maindocimg=5510375&service=6> accessed on 30 June 2011
- Slovak Prime Minister Knows Who Provoked this War in the Caucasus. Available at : <http://hnonline.sk/news/c1-26396000-slovak-prime-minister-knows-who-provoked-this-war-in-the-caucasus> accessed on 30 June 2011
- The National Security Concept Of The Russian Federation. Approved by Presidential Decree No. 24 of 10 January 2000. Available at <http://www.mid.ru/bdomp/ns-osndoc.nsf/1e5f0de28fe77fdcc32575d900298676/36aba64ac09f737fc32575d9002bbf31!OpenDocument> accessed on 1 July 2011

Market Observatory For Energy Studies:

Germany, Market Observatory for Energy. 29 June2010 available at:  
[http://ec.europa.eu/energy/observatory/eu\\_27\\_info/doc/germany\\_2010\\_d2008.pdf](http://ec.europa.eu/energy/observatory/eu_27_info/doc/germany_2010_d2008.pdf) accessed on 30 June 2011

Italy, Market Observatory for Energy, 29 June 2010 available at:  
[http://ec.europa.eu/energy/observatory/eu\\_27\\_info/doc/italy\\_2010\\_d2008.pdf](http://ec.europa.eu/energy/observatory/eu_27_info/doc/italy_2010_d2008.pdf) accessed on 30 June 2011

Key Figures, Market Observatory for Energy. June 2011. available at  
[http://ec.europa.eu/energy/observatory/eu\\_27\\_info/doc/key\\_figures.pdf#page=14](http://ec.europa.eu/energy/observatory/eu_27_info/doc/key_figures.pdf#page=14) accessed on 30 June 2011