

COLLEGE OF EUROPE
BRUGES CAMPUS
DEPARTMENT OF POLITICAL
AND ADMINISTRATIVE STUDIES



College of Europe
Collège d'Europe



The Emergence of Energy Security as Dimension of European Foreign Policy

The External Energy Policy of the European Union
and the Case of the EU-Russia Energy Dialogue

Supervisor: **Prof. Dr. Stephan Keukeleire**

Thesis presented by
Richard Anton Fuchs
for the
Degree of Master of European Studies

Academic Year 2005-2006

Statutory Declaration

“I hereby declare that the thesis has been written by myself without any external unauthorized help, that it has been neither presented to any institution for evaluation nor previously published in its entirety or in parts. Any parts, words or ideas, of the thesis, however limited, and including tables, graphs, maps etc. which are quoted from or based on other sources have been acknowledged as such without exception.”

“I hereby agree that my Master’s thesis can be placed in the Library of the College of Europe. I hereby agree that the abstract of my Master’s thesis can be placed on the College of Europe website.”

The thesis comprises 23 247 words.

Keywords

Energy Security

European Foreign Policy

Common External Energy Policy

EU-Russia Energy Dialogue

Relationship between First and Second Pillar Foreign Policy

Internal and External Energy Policy instruments

Energy Charter Treaty

Energy Community Treaty

Abstract

Energy security has emerged as one of the key topics of the political agenda across the globe. Violent conflicts in producers regions, the oil price shock, the Russian-Ukrainian Gas Crisis in 2006 and the terror threat to energy installations and personnel have built up the awareness that in the long-run, the risk associated to fossil fuels might be the running out of reserves, in the interim, the real risk to energy security is however *geopolitics*. Also the European Union has been called upon to meet the challenge, and therefore the question arises whether the EU has both the necessary institutional structures and the appropriate instruments to provide 'energy security'. The European Council in March 2006 launched a new package of measures called 'Energy Policy for Europe' (EPE), and especially with respect to the external dimension of the package, the contribution of European Foreign Policy (EFP) to manage the EU's increasing import dependency will be essential.

The paper at hand stresses at first the complex nature of energy security itself, and investigates subsequently the multi-level and multi-layer actors in the field. The relationship between the three distinct strands of EFP, *National, Community and Union Foreign Policy*, plays a particular role in the way, the EU as a whole perceives the energy security threat. Moreover, it has implications also in the approach of how the Internal and External Energy Policy instruments are organized. On the external dimension, a dominance of the instrument of *Political Dialogues* is evident, which often results in the lack of legally enforceable results for transit, investment and cooperation questions. The few attempts to transfer these diplomatic activities in arrangements with legally-binding regulatory impact are highlighted.

An examination of the contribution of European Foreign Policy to the EU's energy security comes to the conclusion that a revised External Energy Policy should understand that internal and external energy security are essentially the same, and act according to this paradigm. This means that instruments have to inherit at the same time a strong diplomatic notion of political dialogue with third countries *and* binding legal agreements that establish a common regulatory regime providing the energy market with a level-playing field for all participants. The EU-Russia Energy Dialogue, which is studied in more detail in a case study, does not share this hybrid nature at the moment because the complementary Energy Charter Treaty is not part of the core negotiations of the Dialogue. Yet, an emerging instrument, the Energy Community Treaty with South-East Europe, shares exactly the characteristics described above, and should therefore be envisaged as a role model not only for the Balkans, but also for the EU-Russia energy relations, at least in a medium-term perspective.

Table of contents

| | | |
|-------------|--|-----------|
| I. | Introduction: the Puzzle of Energy Security | 01 |
| II. | Energy Security in Foreign Policy: Conceptualization | 03 |
| II.1 | Methodology for a cross-cutting problem of the future..... | 03 |
| II.2 | Security Dimension: Defining (Energy) Security..... | 04 |
| II.3 | Energy Dimension: World Energy Trends and Implications..... | 06 |
| II.4 | Foreign Policy Dimension: the link to Energy Security..... | 09 |
| II.5 | A multifaceted Typology of Energy Security..... | 11 |
| III. | EU External Energy Policy: Energy Security in evolution? | 13 |
| III.1 | EU Internal Energy Market, legislation and policies – a survey..... | 13 |
| | III.1.1 Energy – shared competence with unclear legal base..... | 13 |
| | III.1.2 Internal Energy Market: liberalization and long-term security..... | 15 |
| III.2 | Actors and Policy-Making..... | 17 |
| | III.2.1 National Foreign Policy Actors and Private Actors..... | 19 |
| | III.2.2 Community Foreign Policy Actors..... | 21 |
| | III.2.3 Union Foreign Policy Actors..... | 23 |
| | III.2.4 Taking stock: pulling on one string for energy security?..... | 25 |
| III.3 | Policy Instruments..... | 27 |
| | III.3.1 Internal Energy Security: National and Community initiatives..... | 27 |
| | III.3.2 External Energy Security: Community and Union initiatives..... | 29 |
| | III.3.3 Taking stock: a monolithic toolbox?..... | 35 |
| IV. | Case Study: The EU-Russia Energy Dialogue | 37 |
| IV.1 | The question of (inter)dependence..... | 38 |
| IV.2 | The present institutional frame..... | 41 |
| IV.3 | Critical Evaluation of the Dialogue..... | 43 |
| V. | Emerging futures: March 2006 Council Proposals | 49 |
| V.I | Debate and Proposed Changes..... | 50 |
| V.II | Critical Evaluation of the Proposals..... | 51 |
| VI. | Conclusions | 53 |
| | Bibliography | 56 |
| | Annex | 62 |

List of Abbreviations

| | |
|---------|---|
| Acquis | Acquis communautaire (Community legislation) |
| b/d | Barrels a day |
| mb/d | Million barrels a day |
| bcm | Billion cubic meters |
| CEES | EU/Russia Common Economic Space initiative |
| CFSP | Common Foreign and Security Policy |
| CIEP | Clingendael International Energy Programme |
| COREPER | Committee of Permanent Representatives |
| DG | Directorate General of the European Commission |
| EBRD | European Bank for Reconstruction and Development |
| EEA | European Economic Area |
| EC | European Community |
| ECJ | European Court of Justice |
| ECSC | European Coal and Steel Community |
| ECT | Energy Charter Treaty |
| EFP | European Foreign Policy |
| EIB | European Investment Bank |
| EP | European Parliament |
| EPC | European Political Cooperation |
| EPE | Energy Policy for Europe |
| ENP | European Neighborhood Policy |
| ESDP | European Security and Defense Policy |
| EU | European Union |
| GDP | Gross Domestic Product |
| IAEA | International Atomic Energy Agency |
| IEA | International Energy Agency |
| IEF | International Energy Forum |
| IRT | Industrialist's Round Table |
| LNG | Liquefied Natural gas |
| NEGP | North-European Gas Pipeline |
| OEEC | Organization of European Economic Cooperation |
| OECD | Organization for Economic Cooperation and Development |
| OJ | Official Journal of the European Communities |
| OPEC | Organization of Petroleum Exporting Countries |

| | |
|-------|---|
| QMV | Qualified Majority Voting |
| PCA | Partnership and Cooperation Agreement |
| PPC | EU-Russia Permanent Partnership Council |
| PSC | Political and Security Committee |
| PSO | Public Service Obligations |
| PU | Policy Unit |
| TACIS | Community Assistance program Commonwealth of Independent States |
| TC | Treaty establishing a Constitution for Europe |
| TEN | Trans-European Energy networks |
| TEU | Treaty on the European Union / Maastricht Treaty |
| TOE | Tonnes of Oil Equivalent |

List of Tables and Figures

Tables

| | |
|--|----|
| Table 1: EU-25 Energy Dependence Rate..... | 08 |
| Table 2: The Energy Security Matrix..... | 11 |
| Table 3: (National) 'Energy Champions' in the EU Internal Gas Market..... | 20 |
| Table 4: Percentage of total European Gas Imports..... | 38 |
| Table 5: Imports of Natural Gas from Russia in 2004..... | 38 |
| Table 6: Prices for Gazprom gas supplies (In US\$/1000 m ³)..... | 41 |

Figure

| | |
|--|----|
| Figure 1: Ideal Type layers of Division EU-25 and EU Commission..... | 21 |
|--|----|

I. Introduction: the Puzzle of Energy Security

Energy security has emerged as one of the key topics of the political agenda across the globe. Already during the last Iraq war in 2003, the prices of oil and gas have increased to levels of high concern. In 2004, the price of crude oil peaked for the first time with nearly \$50 a barrel¹, and reached in 2006 in the wake of the Iran nuclear program crisis an all time high of more than \$70 Dollars per barrel². Observers are eager to speak of a 'new energy insecurity', referring back to the first world energy crisis (the so-called 'Oil Shock') after the Arab-Israeli War in 1973-74.³ In 2005, New Orleans devastating Hurricane Katrina caused tremendous disruptions in energy supplies of the Gulf of Mexico, forcing the International Energy Agency (IEA) and its 26 member countries to open up emergency oil stocks.⁴ Another straw in this troublesome state of international energy markets appeared at the turn of the year 2005/2006, when the Russian-Ukrainian gas dispute escalated. Public anxiety about the question of secure and reliable supplies reached its height when Russian natural gas monopolist Gazprom cut off gas supplies to the neighboring country Ukraine. By that, also the stable supply of Russian clients in Europe was endangered as one of the main pipelines serving the European market leads through Ukrainian territory. Newspapers around the continent spoke of a "guerre du gaz"⁵, or referred to the energy quarrel as "Putin's cold war", by which the Kremlin leader was accused of using energy as a "political weapon".⁶ Though longer term risks lie doubtlessly in the running out of fossil fuels within expected 40 to 60 years, in the interim, the real risk to the security of energy supplies is to be found amongst others in *geopolitics*, and therefore also into the *foreign policy* domain. To the widespread surprise of international observers, George W. Bush acknowledged this geopolitical link within his State of the Union Address 2006, stating: "America is addicted to oil, which is often imported from unstable parts of the world".⁷

Also the European Union (EU) has been called upon to meet the challenge of secure energy supplies to its territory. Violent conflicts in producers regions, the oil price shock, the climate change agenda and the Russian-Ukrainian gas crisis have been building blocks for establishing a sense of urgency. A recent *Eurobarometer*

¹ D. Helm, The assessment: The New Energy Paradigm, in: *Oxford Review of Economic Policy*, 2005, Vol. 21, No.1, p. 2.

² Ch. Wernicke, USA fordern Sanktionen gegen Iran, *Süddeutsche Zeitung*, 15.4.2006, p.1.

³ B. Barton *et al*, 'Introduction', in: B. Barton *et al* (eds.), *Energy Security*, 2005, Oxford, OUP, pp. 3-5.

⁴ IEA, *IEA Announcement of Emergency Stock Release*, Press (05)14, Paris, 2.9.2005, p.1.

⁵ A. Denis, Guerre du gaz Russie-Ukraine: l'Europe se mobilize, *Les Echos*, 2.1.2006, p.1.

⁶ W. Mayr, Using Russian Energy as a Political Weapon, *Der Spiegel*, 9.1.2006.

⁷ G. W. Bush, *State of the Union Address by the President*, Washington D.C., 31.1.2006, p.5.

survey suggests that 47% of the respondents are in favor of EU level solutions to Europe's energy problems, against 37% backing national approaches.⁸ The idea that the EU must in one way or another act collectively through tightening security measures within its Internal Energy Market and externally through active foreign energy diplomacy has made its way into the contemporary political discourse. Or, as Javier Solana, the High Representative for Common Foreign and Security Policy (CFSP) puts it: "*The time has come to forge European energy diplomacy, based on common interests and shared principles*".⁹

On the European Council of 23/24 March 2006 in Brussels, the Heads of State and Government of the EU-25 confirmed this general idea, calling for the establishment of a Common European Energy Policy, with a strong impetus also on external energy diplomacy. The growing import dependency of Europe, especially on gas supplies from Russia and oil reserves from the Persian Gulf are seen as major threats that have to be addressed. So far, the working assumption had been however that the EU was responsible for liberalizing energy markets, and the national governments were there to ensure adequate levels of energy supply to their citizens. *In the light of expected EU action in order to ensure security of supply, the question can be raised whether the Union can really face this challenge. Are the existing EU instruments able to guarantee the energy security of its member states? And does the EU really speak with one voice in its external energy policy, based on shared principles?*

To find answers to this set of questions, the present paper looks through the conceptual lens of 'energy security' at the 'actor EU'. The paper's hypothesis states that while the EU has managed to build up a variety of credible external energy instruments for political dialogue, it still lacks to combine these diplomatic instruments more thoroughly with regulatory tools for energy security available in the Internal Market and in combination with multi-lateral agreements. Yet, only the strengthening of these ties between the EU's various energy policy tools will be able to transform political agreements into legally-binding commitments, and by that, ensure long-term energy partnerships that truly enhance the security of supply. The paper suggests that a revised EU external energy policy should understand internal and external energy security as essentially the same, and act according to this paradigm. The coordination between its actors, instruments and policy objectives should live up to this conclusion.

⁸ Eurobarometer, *Attitudes towards energy*, EB 64, January 2006, p. 3.

⁹ J. Solana, *Europeans must act collectively on energy strategy*, *FT Europe*, 9.3.2006, p. 7.

To start with, the study develops a typology covering the various, multiple faces of the phenomenon 'energy security' in Chapter II. The main analysis in Chapter III of the present actors, mechanisms and instruments on the EU level in the field of energy security gives answer to the question, how the EU at the moment tries to contribute to the security of supply of its member states, especially in its external action. The strong emphasis of the EU level to engage in political dialogue is stressed, and the few attempts to transfer this diplomatic action in arrangements with legally-binding regulatory impact are highlighted. Subsequently, the case study in Chapter IV exemplifies the strengths and weaknesses of the present EU external energy policy by looking at the EU-Russia Energy Dialogue. Examining in-depth the EU-Russia relations on gas, the case study confirms the paper's assumption that only the combination of regulatory and diplomatic instruments can improve long-term security of supply. Lastly, the proposal of the European Council in March 2006 for a future 'Energy Policy for Europe' (EPE) is analyzed in Chapter V in the light of the above mentioned conclusions.

II. Energy Security in Foreign Policy: Conceptualization

The purpose of this chapter will be to set up a conceptual framework for the analysis of 'energy security'. Starting with a brief look at the methodological approach, the paper will provide a discussion of the conceptual roots of the idea of 'security'. How does 'energy security' fit into the wider picture of current security concerns? 'Energy security' is then put into the broader perspective of global energy trends and their geopolitical implications. A glance will also be thrown at the conceptual link between 'energy security' and its (European) foreign policy dimension, before a typology is established showing the different facets of the concept.

II.1 Methodology for a cross-cutting problem of the future

The emergence of energy security as a subject of scientific research poses particular problems when it comes to the question of how this 'hot topic' can be conceptualized. Which methodological approach can be used for a subject that refuses to fit into one academic discipline, but rather impresses scholars by its cross-cutting and multifaceted nature? *Manning* rightly argues that only studies that take into account this cross-cutting nature will be able to produce valid explanations of the phenomenon and can produce sustainable policy recommendations.

The question of energy unavoidable connects otherwise disparate issues – economics, national security, and increasingly, the environment. However, these concerns tend to be perceived and addressed quite separately and independently of each other in terms of both intellectual categories and in the shaping of public policies. There is rarely any dialogue, let alone cross-fertilization, between specialists working on these distinct topics. Indeed, those focused on issues to traditional security, geopolitics, and military affairs seldom have a good grasp of the functioning of world energy markets or of global environmental issues. Similarly, energy economists seldom focus on how regional security questions may have a profound impact approaching on energy flows. Like the proverbial blind men and the elephant, it is as if different specialists approaching energy-related questions from different perspectives arrive at very different assessments of the problem.¹⁰

The present paper will explain ‘energy security’ at the crossroads of its *security, energy and foreign policy dimension*. The study has made the deliberate choice to limit the *environmental dimension* of the concept to a minimum in order to reduce complexity and enhance understanding of the other dimensions. The argumentation pursued will certainly not neglect the huge challenges of the climate change agenda and the Kyoto Protocol process for the energy sector, but it will capture them indirectly through the economic dimension of the concept.

II.2 Security Dimension: Defining (energy) security

Ever since, ‘security’ has been one of the key concepts of International Relations theory. Especially during the time of the Cold War, the concept was strongly linked to the early Realist writings of Hans Morgenthau, namely *Politics Among Nations*, who connected the anarchic state-centered world scene to the need for each and every nation to protect its territory and its citizens from other, seemingly aggressive states. Together with the other two main ideas of Realism, “interests” and “power”, security constituted therefore a major component of one of the main theories of International Relations.¹¹ This Realist understanding linked security inseparably to the possession and the use of military capabilities and power of state actors. It described the relations between those as mainly driven by self-help.¹² The national concept of security was complemented by the idea of collective security, which roots firmly in Realist tradition of Alliance theory. In this respect, Western European security was mainly characterized by the quest of two intergovernmental alliances for power-balancing, namely the North Atlantic Treaty Organization (NATO) and the military forces of the Warsaw Pact.¹³

¹⁰ R. Manning, *The Asian Energy Factor - Myths and Dilemmas of Energy, Security and the Pacific Future*, Council of Foreign Relations Book, New York, 2000, p. 7.

¹¹ R. Keohane, Ideas part-way down, in: *Review of International Studies*, 2000, Vol. 26, p. 127.

¹² A. M. Dorman, A. Treacher, *European Security*, Aldershot, Dartmouth, 1995, p.3.

¹³ K. N. Waltz, Structural Realism, in: *International Security*, June 2000, Vol. 25, Nr. 1, pp. 5-6.

Since then however, the concept of 'security' was subject to significant change in the Western world, especially due to the end of the East-West confrontation in 1989. Within the academic debate of the 1990s, the military-based understanding of security was labeled as the 'narrow' definition of security, while subsequently scholars tried to 'widen' the scope of the concept considerably. *Buzan* took the lead, exploring new dimensions of security concerns. He identified five dimensions of a new post-cold war concept of security, namely *military, political, economic, societal and environmental security*, and described them as follows:

[M]ilitary security concerns the two-level interplay of the armed offensive and defensive capabilities of states, and states' perceptions of each other's intentions. *Political security* concerns the organizational stability of states, systems of government, and the ideologies that give the legitimacy. *Economic security* concerns access to the resources, finance and markets necessary to sustain acceptable levels of welfare and state power. *Societal security* concerns sustainability, within acceptable conditions of evolution, of traditional patterns of language, culture, and both religious and national identity and custom. *Environmental security* concerns the maintenance of the planetary biosphere as the essential support system on which all other human enterprises depend. It is well understood that these dimensions do not operate in isolation from each other. They interact in myriad complex and often contradictory ways.¹⁴

This approach by *Buzan* inspired new research by the authors of the so-called Copenhagen School who elaborated and built-on the idea of the diversification of security threats. The Copenhagen authors¹⁵ continue, in Realist tradition, to consider anarchy as the foundation of International Relations, yet, they combine this with the Constructivist notion of perceived threats, based on the broad dimensions by *Buzan*. With a more Constructivist understanding of International Relations, scholars argued that security was no longer seen as a "direct consequence of threat, but is rather defined as a result of the political interpretation of the threat, a process called 'securisation'". Security therefore constitutes a "non-linear reaction" to a given threat.¹⁶ The process of 'securisation' is complemented by the idea of 'desecurisation', incorporating the subsequent attempt to change the context of a security concern or vulnerability in a way that the threat either disappears (development of friendly international relations) or that the threat is manageable (establishment of International Organizations or Regimes). *Belyi* criticized this Copenhagen approach to define the concept of 'security' only with a military, political, economic, societal and environmental dimension, arguing that these security dimensions have to take into account also the

¹⁴ B. Buzan, *Is international security possible?*, in: Ken Booth (ed.), *New thinking about strategy and international security*, London, Harper Collins, 1991, pp. 34-35.

¹⁵ A. V. Belyi, *New Dimensions of Energy Security of the Enlarging EU and their impact on relations with Russia*, in: *European Integration*, December 2005, Vol. 25(4), p. 354.

¹⁶ *Ibid.*

cross-cutting concept of 'energy security. By that, a link between the two concepts of 'security' and 'energy security' is established. Firstly, the access to energy constitutes indirectly a major component of military capabilities, and therefore military security. Secondly, the anarchic structure of international relations shapes political security in a way that states aim, for the sake of their survival, to become as much energy self-sufficient as possible. Thirdly, economic security is based on the unpredictability of the fragmented capitalist world markets. Facing a lack of information in respect to energy markets, market participants tend to securitize this economic sector. Fourthly, *Belyi* acknowledges that the Copenhagen School does not sufficiently take into account societal security towards technological development, such as nuclear safety and environmental concerns. And finally, environmental security inherits the dilemma between rapid economic growth and the sustainable use of energy resources.¹⁷ Bringing these different approaches together, the question of the securitisation and desecurisation of energy as a cross-cutting subject of a wider conceptualization of 'security' is crucial.

II.3 Energy Dimension: World Energy Trends and Implications

The energy dimension of the concept is dominated by the question, how dependent an energy consumer is from external energy supplies. The higher the dependency on external supplies is, the more likely it is that in case of a major supply disruption, the economic growth of the consumer country could be seriously endangered. Current world energy trends have therefore significant implications for the threat perception especially of individual consumer countries, but also amongst producers themselves. In its *World Energy Outlook 2004*, the IEA has developed scenarios¹⁸ for future developments of world energy markets up to 2030. According to the IEA, the energy market is currently undergoing tremendous structural shifts which affect both the demand as well as the supply side.

On the demand side, the IEA projects a sharp increase in global primary energy demand – and CO₂ emissions – at around 60% between 2002 and 2030.¹⁹ An average increase of 1.7 % per year is expected to peak with a world primary energy demand in 2030 of around “16.5 billion toe compared to 10.3 billion toe in 2002”.²⁰ Two-thirds of this increase is, however, largely due to the economic catch-up process

¹⁷ *Ibid.*

¹⁸ The IEA World Energy Outlook follows a rather conservative approach of modeling, based on an oil price in 2030 of around 33\$/barrel in 2005 prices. Other world energy projections, such as the International Energy Outlook from the US Department of Energy have projected based on other assumptions, a higher growth rate for world energy demand.

¹⁹ IEA, *World Energy Outlook 2004*, Paris, p. 31.

and high growth rates of some developing countries such as China and India. In already highly industrialized nations, for instance the EU-25, the energy intensity²¹ has gradually declined indicating that there has been “a break of the link between economic growth and energy demand”.²²

In regard to the primary fuel mix, fossil fuels will continue to constitute the main energy resource of the world economy, accounting for roughly 85% of the increase in world primary demand between 2002 and 2030. Moreover, the IEA estimates that the share of fossil fuels with respect to the total demand will even rise marginally from 80% in 2002 to 82% in 2030. Other energy sources such as renewable energy are expected to account for 14% of total demand share, while nuclear power will be over time less and less important (5% in 2030). Oil is anticipated to vindicate its position “as single largest in the global primary energy mix, even though its share will fall marginally, from 36% in 2002 to 35% in 2030”. A continuous increase in the demand for oil by 1.6% a year will raise the figures from 77 million barrels per day in 2002 to 121 million barrels per day in 2030. Second in global primary demand will be natural gas, growing at a steady rate of 2.3% per year until 2030. By then, the share of gas in total primary energy use will climb from 21% in 2002 to 25% in 2030.²³

On the supply side, the dominating trend will be the concentration of fossil fuels in a small number of producer countries. Over time, this concentration will accelerate leaving the energy supplies in the hands of a few countries, with significant implications for the security of supply for energy importing countries. Looking at this global trend from a European perspective, the European Commission has outlined that the effect of this trend will be *a sharp increase in the import dependency of the European Union*:

Unless we can make domestic energy more competitive, in the next 20 to 30 years around 70% of the Union's energy requirements, compared to 50% today, will be met by imported products – some from regions threatened by insecurity.²⁴

Latest figures from *EUROSTAT* support this assumption of the Commission outlining that the energy import dependency of the EU-25 as a whole is increasing. In 2004, the EU-25 net energy imports were 4.3 % higher than in the previous year, reaching a total of 908 million toe. Consequently, the energy dependency, which is defined as the net imports of energy as a percentage of the gross consumption has also been on the rise. While in 2003, the Union was 52.4% dependent on foreign energy supplies, this

²⁰ *Ibid.*, p. 58.

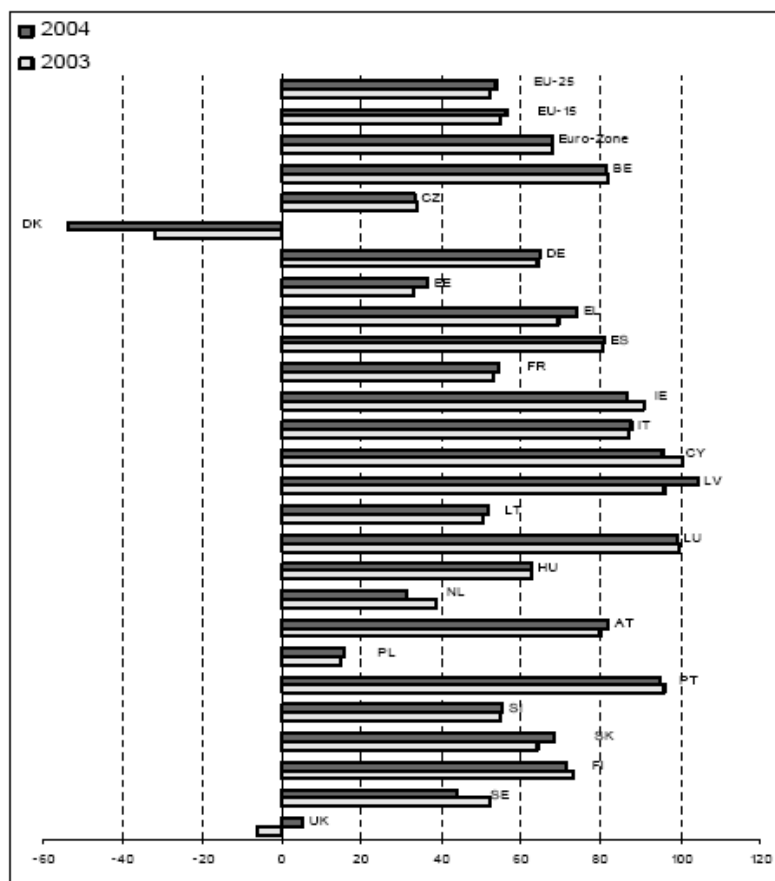
²¹ Def: Gross Inland Consumption divided by the Gross Domestic Product.

²² E.g. Helm, *op.cit.*, p. 4.

²³ E.g. IEA, WEO 2004, *op.cit.*, pp. 58-59.

dependency has increased to 53.8 % in 2004²⁵. *Table 1* shows this increase and adds the development for the individual member states.

Table 1: EU-25 Energy Dependence Rate



Source: EUROSTAT, Environment and Energy, 5/2006, p.1
 Figures above 100% indicate countries that lack strategic reserves, negative figures highlight oil and gas exporting countries

The increase in the EU energy dependency rate is accelerated especially through the United Kingdom that turned in 2004 for the first time from being a net exporter to being a net importer of energy. But also other major EU oil and gas suppliers, such as Norway and the Netherlands, have often peaked in their production.²⁶ Looking for example at the total EU oil production, the IEA projects the production “to fall from 3.2

²⁴ European Commission, *Green paper on a European Strategy for Sustainable, Competitive and Secure Energy*, COM(2006)105, Brussels, 8.3.2006, p. 3.

²⁵ EUROSTAT, *Statistical aspects of the energy economy in 2004*, Brussels, 05/2006, p. 1.

²⁶ While the output of Norway according to BP estimates of Nick Butler, BP General Vice President Strategy & Development is still growing; the Dutch gas production based in Groningen has peaked in 1996. Finally, also the UK oil production is assumed to have peaked in 1999, which makes the UK gradually become an energy net importer. See: Nick Butler, BP General Vice President Strategy, *Speech at the International Institute for Strategic Studies*, Geneva, 17.09.2005, p. 2.

million barrels a day in 2002 to 2.2 million barrels per day in 2010 and to 1 million barrels a day in 2030".²⁷

In principle, a sharp increase in import dependency would not constitute a danger per se, as the natural resources in the world for crude oil and natural gas are adequate at least in the medium-term. Known global reserves are expected to last 40 years for oil and more than 60 years for natural gas, undiscovered resources not taken into account.²⁸ What constitutes however the real immediate danger to the security of supply is the unequal distribution of oil and natural gas reserves across the globe, with a limited number of countries possessing the majority of reserves. IEA forecasts assign for 2020 that more than 65% of daily primary energy demand will be subject to international trade. Main importers, such as the US, Japan, China and Europe, will be acquiring 40 million barrels of oil per day. They will do so from a few countries, namely Nigeria, Angola, Russia and the five Persian Gulf States Abu Dhabi, Kuwait, Iran, Iraq and Saudi Arabia.²⁹ *The asymmetric concentration of fossil resources in mostly politically unstable regions will therefore constitute the bottleneck of the current security of supply questions. Or, as Butler rightly concludes, the "access to those resources could become an issue of strategic competition".*³⁰

II.4 Foreign Policy Dimension: the link to Energy Security

Having looked at the security and energy dimension of the concept, it is time to establish the link between the concept of 'energy security' and the analysis of (European) foreign policy. What is foreign policy, and why is security of supply a topic of it?

In order to approach this question, it is helpful to recall what we understand when colloquially talking about national 'foreign policy'. *Webber and Smith* argue that "foreign policy is composed of the goals sought, values set, decisions made and actions taken by states, and national governments acting on their behalf, in the context of the external relations of national societies". And they are adding that foreign policy "constitutes an attempt to design, manage and control the foreign relations of national societies".³¹ The concept of foreign policy has subsequently been subject to fundamental changes and in particular in the context of the *sui generis* actor EU, neither a state, nor an International Organization, the conceptualization of European

²⁷ E.g. IEA, WEO 2004, *op.cit.*, p. 252.

²⁸ E.g. Butler, *op.cit.* p. 3.

²⁹ E.g. IEA, WEO 2004, *op.cit.*, p. 252.

³⁰ E.g. Butler, *op. cit.*, p. 3.

³¹ M. Webber; M. Smith (eds.), *Foreign Policy in a transformed world*, Harlow, Prentice Hall, 2002, p. 2.

Foreign Policy (EFP) turns out to be difficult.³² *Smith* rhetorically asked ‘Does the European Union have a foreign policy?’³³, and concluded that “it is much the same as a nation state”.³⁴ For her, the Union has the “capacity to make and implement policies abroad which promote domestic values, interests and policies”, which in return constitutes for her the basis of a distinct foreign policy.³⁵ *Ginsberg* warns though that “comparing and assessing EFP as if the EU were a state” is a slippery slope”.³⁶ He assumes that the EU “lacks the attributes of cohesion, purpose and continuity normally [...] associated with national foreign policies”.³⁷ Already this brief sketch suggests that the notion of a distinct EFP is complicated to define, in particular because the EU is an actor in constant transition. *Jorgensen* acknowledges this state of permanent transition and argues that “we have to accept the ‘messy’ state of European foreign affairs in which we find an erosion of the domestic-foreign policy and where the boundary of the European Union remains blurred”.³⁸

While it will be subject of this paper how this actor in transition deals with ‘energy security’, some remarks about the way how nation-states traditionally deal with the subject matter are put forward. In fact, dealing with security of supply questions in national foreign policy has a longstanding tradition, as the saying of Winston Churchill in the course of the Second World War exemplifies. Churchill argued that “safety and certainty in oil lie in variety and variety alone”³⁹. He connected this need for diversification in energy resources and producers explicitly with the external action of a nation, and until now, Churchill's saying lies at the heart of any debate of energy security in the foreign policy domain. The question, however, how foreign policy can contribute in making energy supplies more secure, depends largely on the actors and instruments that are involved. Given the fact that most, if not all, energy producers regard their energy resources as ‘strategic’ and sensitive goods, to be safe-guarded besides the usual market forces also through a framework of national security instruments, trade negotiations including producers and consumers of energy have always been ‘politicized’ to a certain degree. Very often, official political delegations between producer and consumer countries are used as a platform for negotiations on behalf of major energy companies situated on the territory, be they nationally- or privately-controlled.

³² Chapter 2, C. Bretherton, J. Vogler, *The European Union as a Global Actor*, London, Routledge, 2006.

³³ H. Smith, *European Union Foreign Policy*, London, Pluto Press, 2002, p.7.

³⁴ E.g. Smith, *European Union Foreign Policy*, *op.cit.*, p.7.

³⁵ E.g. Smith, *European Union Foreign Policy*, *op.cit.*, p.7-8.

³⁶ R. Ginsberg, *The European Union in International Politics*, Lanham, Rowman&Littlefield, 2001, p.12.

³⁷ E.g. Ginsberg, *op.cit.*, p.9.

³⁸ K. Joergensen, The European Union's Performance in World Politics: How should we measure success?, in: Jan Zielonka (ed.), *Paradoxes of European Foreign Policy*, The Hague, Kluwer, 1998, p. 98.

³⁹ Quoted in: D. Yergin, Ensuring Energy Security, in: *Foreign Affairs*, 2006, Vol. 85, No. 2, p. 69.

A plethora of international economic or political events have gradually conveyed this ‘natural politicization’ into a status where energy constitutes a major security concern of the foreign policy agenda. The events of the September 11th attacks, the war in Iraq in 2003 and the major tensions between producers in the Persian Gulf and the United States were amplifiers of this development, extending the agenda of security preoccupations almost indefinitely. Some consumer countries have been frontrunners in developing foreign policy initiatives that engage pro-actively into energy dialogues with producer countries. The United States and Britain for example developed both national energy strategies mapping out the strategic choices for their national energy security. Interestingly enough, there seems to be a transatlantic divide on emphasis, as the US in its 2001 *National Energy Policy Report* focalizes still around the increase of domestic fossil fuel production, whereas the 2004 issued *British Energy strategy* is more focused on the idea of searching alternative sources in energy production.⁴⁰

II.5 A multifaceted Typology of Energy Security

Bringing together the three dimensions of energy security, a multifaceted typology will be established that allows subsequently the focused analysis of the EU level activities in the field of external energy policy.

*The present study will use a typology developed by the research project of Barton et al, defining the concept of ‘energy security’ broadly speaking 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”.⁴¹ This broad idea is translated into a matrix of four different facets of energy security sub-categories, namely *the security of supply, the security of demand, the reliability of energy supply* as well as *the physical security of energy installations and personnel*.⁴² Table 2 visualizes the concept.*

| Table 2: The Energy Security Matrix | | | |
|---|--------------------|------------------------------|--|
| Energy Security | | | |
| Security of Supply | Security of Demand | Reliability of Energy Supply | Physical Security of installations and personnel |
| Source: Author, based on Barton et al, <i>op.cit.</i> , pp.459-460. | | | |

⁴⁰ See National Energy Development Group, *The National Energy Policy Report*, Washington, May 2001 and UK Foreign & Commonwealth Office, *UK International Priorities - The Energy Strategy*, London, 28.10.2004.

⁴¹ Barton et al., (eds), *Energy Security – Managing Risk in a Dynamic Legal and Regulatory Environment*, Oxford, OUP, 2005, p 5.

⁴² *Ibid.*, pp. 459-460.

The security of supply facet addresses the consumer countries' wish to have at all times an adequate level of fuel supplies. A threat to this stable supply levels can be the deliberate reduction of output by the energy producer, intended to raise prices on the world market. One or more export nations can however also decide not only to reduce production, but to disrupt exports to certain consumer countries fully for geopolitical reasons. A major threat to energy supplies poses also the event of an embargo used by a group of importing countries in order to isolate internationally a certain energy producing country, with the problematic side effect that possibly one of their major energy suppliers drops out. The current tendency of a nationalist backlash in countries such as Russia and the full re-nationalization of Gazprom pose additional threats.⁴³

The security of demand facet stresses the interdependence between energy consumer and producer country, suggesting that also the producer has a vital interest in ensuring steady sales of its oil and gas reserves. From the perspective of an energy producing country, the sudden deterioration of bilateral relations with one of the main international energy costumers constitutes therefore also a severe security concern. Long-term contracts and a close bilateral relationship with energy consumers can therefore also meet the national interest of the producer country.

The reliability of energy supply facet captures the notion that the functioning of energy markets heavily depends on future expectations and that in case of uncertainty, the price volatility is high. Civil unrest, war, transit route blockades or intransparent market behavior of an energy monopolist can considerably increase uncertainty in the market. But also the spectacular power blackouts as experienced at the American West Coast and in Russia and the enormous electricity shortages in China are threats that have to be tackled.⁴⁴

And finally, the sub-category *physical security of installations and personnel* stresses that the unhindered flow of energy is an essential component of security of supply. Accidents along oil and gas pipelines, terrorist attacks on oil platforms or problems with the shipping of Liquefied Natural Gas (LNG) are examples of major physical security concerns.⁴⁵ How real these kind of threats are, was exemplified by an Osama bin Laden call to destroy the "hinges" of the world economy, its energy infrastructure.⁴⁶

At several stages of the analysis, the present paper will return to this concept of energy security using it as a reference point for its explanations.

⁴³ P. Andrews-Speed et al., *The Strategic Implications of China's Energy Needs*, in: *IISS-Adelphi Paper* 346, 2002, OUP, p. 14.

⁴⁴ E.g. Yergin, *op.cit.*, p. 70.

⁴⁵ E.g. Barton et al, *op. cit.*, pp. 459-460.

⁴⁶ E.g. Yergin, *op.cit.*, p. 70.

III. EU External Energy Policy: Energy Security in evolution?

After establishing a concept of energy security, this chapter will look in detail on the EU dimension of security of supply, analyzing existing actors, policy instruments and their interplay. As indicated in the introduction, the guiding question will be whether EU instruments can contribute to enhance the energy security of its member states, and if so, how? A survey of the relevant actors will provide the necessary grounds to evaluate the current energy security toolbox of the EU, formally granted to the EU or in daily practice acquired. To begin with, it is however indispensable to take a brief look at the Internal Energy Market of the European Union and the respective competences that the EU holds in energy matters.

III.1 EU Internal Energy Market, legislation and policies – a survey

III.1.1 Energy – shared competence with unclear legal basis

It has been already stated that the EC Treaty in all its evolutionary stages did not provide any legal basis for a truly common energy policy. To date, the legal basis in terms of energy policy is highly unclear. In the initial EC Treaty, energy matters – beyond the European Atomic Energy Community (EURATOM)⁴⁷ – did not play a particular role. It was only in the Treaty of Nice (2000) that Article 3(u) described formally a specific energy-related objective, however, in a rather ambiguous way: to achieve Community goals, the activities of the Community shall include “measures in the sphere of energy”.⁴⁸ Article 95 EC includes a particular competence for measures of harmonization in order to achieve a complete Internal Market, as outlined in Article 14 EC. If necessary for the functioning of this Internal Market, the Community has also competences in the field of energy. As legal base for Community action regarding the established Energy Market, Article 308 EC has served, indicating that in cases where the Community does not hold specific competences, but the treaty provisions do at the same time not exclude them, the Community can act in a supplementary manner to achieve the objectives stated in Article 2 and 3 EC. As acknowledged before, measures related to energy are one of these objectives. Though, action through Article 308 EC requires a unanimous Council agreement on the basis of a Commission proposal, after the consultation of the European Parliament.

⁴⁷ The EURATOM Treaty, one of the 1957 founding Treaties of the EC, addresses only the sector of nuclear energy, establishing a framework of cooperation in research and safety standards.

⁴⁸ As quoted in: L. Hancher; S. Janssen, European legal framework for the Security of Supply, in: B. Barton et al (eds.), *Energy Security – Managing Risk in a Dynamic Legal and Regulatory Environment*, OUP, Oxford, 2005, p. 89.

Furthermore, measures related to energy can be taken on the basis of Article 155, 156 EC (TEN) and Article 175(2c) EC (Environment). Article 166 EC is the foundation of the EC's multi-annual Research & Development Framework program which assists also Community based investment on energy projects. Important for Community action with respect to foreign policy are Articles 300 and 310 EC that give the EC the right to conclude international agreements, either bilaterally or multi-laterally. The Community has legal personality that can enter into legally binding international agreements, a fact that was confirmed by the famous ERTA decision of the European Court of Justice (ECJ)⁴⁹. Through this ruling, the Court established the so-called 'Theory of implied external powers', which basically argues that there needs to be a parallelism between the internal and the external competences of the Community. Taking this as the basis for Community action in the field of energy security, one could argue that the measures taken in the Internal Market could also be followed up in principle by the equivalent action on the external dimension. Yet, looking at the legal basis in general, it is apparent that much of what is done (and has been done) on the Community level in energy policy is based predominantly on implied powers, rather than a solid legal basis.

The Constitutional Treaty would formally acknowledge energy as a shared competence in Article I-14 TC, whereas Article I-12 (2) TC specifies that both Community and member state "shall have the power to legislate and adopt legally binding acts in that area".⁵⁰ While energy security is no formal objective itself in the current treaty provisions, Article III-256 TC would have named it, yet, without identifying means how to achieve this security of supply. A declaration annexed to Article III-256 TC would express that all actions in the energy sector must be in line with the principle of subsidiarity.⁵¹ This declaration visualizes what can be called an underlying ambiguity in the member states' behaviour towards Community action in the context of energy policy: while so-called 'common' action is desired in principle, the recourse to the principle of subsidiarity ensures that in last resort, each member state can maintain its exclusive national sovereignty over sensitive questions such as the energy mix. In how much this contradicts however the establishment of a genuine EU external energy policy, is subject to a heated discussion.

These developments in mind, *Hancher* and *Janssen* draw some important preliminary conclusions: "Community legislation will be limited to 'framework laws' in order to give national authorities the opportunity to further their own policies.

⁴⁹ *European Road Transport Agreement case*, Case 22/70 Commission v Council [1971] ECR 263.

⁵⁰ E.g. *Hancher*; *Janssen*, *op.cit.*, p. 89.

⁵¹ K. H. Fischer, *Der Europäische Verfassungsvertrag*, Nomos, Baden-Baden, 2005, p. 358.

Community legislation on security of supply will, [...] in all probability remain vague and general".⁵²

III.1.2. Internal Energy Market between liberalization and long-term security

The emerging EU Internal Energy market is shaped by this 'vague and general' legislation. It is an ongoing evolutionary process and the internal market for electricity and gas has become more and more reality over the last few years, albeit with considerable reservations to the degree of liberalization and openness within the member states. There has been extensive Community action towards liberalizing the energy market through the promotion of short term-contracting. Contrary to that, a large number of market participants have refused to follow this approach maintaining their firm belief in long-term security of supply through long-term contracts for extraction and distribution of gas and oil. This contradiction between the Commission's objective of full market liberalization, and the factual behavior of major market players, has been captured by a recent survey of *The Economist*:

On the one hand is a longstanding project for lower prices led by the European Commission designed to liberalize the market and enable producers and distributors to compete freely within and across national borders. On the other is a camp that argues with growing confidence against further freeing the market. In this view, long-term security and stable prices can best be preserved in managed national markets that are dominated by strong quasi-monopolistic companies which can withstand bullying producers and sudden shifts in demand and supply.⁵³

Especially since the first directives on electricity and gas in 1996⁵⁴ and 1998⁵⁵, the EU pursues a policy of gradual market opening and liberalization with the objective to create also for energy a functioning single European market with common rules and no internal frontiers.⁵⁶ Through the step by step introduction of competition in the energy sector, the Commission attempted to increase efficiency and competitiveness of European companies.⁵⁷ The cornerstone of both directives was the trade-off between the gradual liberalization of markets on the one hand, and the incremental implementation of so-called 'public service obligations' (PSO) to ensure security of supply on the other. These PSO's were obligatory and have been set in place to guarantee minimal standards of service at affordable prices to energy customers.

⁵² E.g. Hancher; Jansen, *op. cit.*, p. 90.

⁵³ The Economist, *Special Report European Energy Markets – The Politics of Power*, 11.2.2006, p. 72.

⁵⁴ Council; Parliament, *Directive 1996/92/EC of 19 December 1996 on common rules for the internal market in electricity*, 1997, OJ L2720.

⁵⁵ Council; Parliament, *Directive 1998/30/EC of 22 June 1998 on common rules for the internal market in natural gas*, 1998, OJ L204/1.

⁵⁶ EurActiv.com, *Liberalisation of EU electricity and gas markets*, Brussels, 24.3.2006, p.1.

Member states' reservations in complying with full market liberalization, partially rooted in their national energy traditions, lead to a second generation of electricity and gas directives, adopted in June 2003⁵⁸, entering into force on the 4 August 2003. A major objective of these revised electricity and gas directives was "a full opening of the markets while maintaining high standards of public service and a universal service obligation".⁵⁹ Both 2003 directives set out a deadline for transposing these regulations into national law by 1 July 2004. By then, all non-household customers of electricity and gas had – at least on paper – the right to choose their suppliers freely amongst the most competitive private actor in the European market. In practice, the absence of interconnections between still nationally organized electricity grids and long-term contracts in gas supplies with (former) state-monopoly energy companies often contradicted these liberalization attempts however. By July 2007, the formal right of free supplier choice will be extended to all customers, including private households. The directives focus on the unbundling of energy transmission networks and energy production, so that competition especially for energy production can develop without energy monopolists having preferential access to electricity grids or gas pipelines.⁶⁰

In 2002, the Barcelona European Council agreed upon the headline goal that all European electricity grids should be interconnected at a level at least covering 10 per cent of the total production capacity by 2005. In a recent report on the status of the EU's internal energy market, *The Economist* outlines however the discrepancy between vision and reality: "Despite this, the reality is that the supposedly open market will remain a collection of national markets with relatively few of the interconnections needed for a competitive flow of energy".⁶¹ While the analysis of the reasons for this resistance to further market liberalization are left to other studies⁶², the two implications of this condition of the internal energy market on external action with regard to energy are to be mentioned for the purpose of this analysis.

First, the reluctance which most of the EU-25 member state governments have shown in the market opening process in the energy sector indicates that any further action that might affect the composition of national energy portfolios and the set-up of often 'national' energy companies will meet fierce opposition from various sides, even if there is consensus in principle. Second, the asymmetric way of development of the Internal Energy Market poses particular constraints to an extension of EU regulatory

⁵⁷ These first electricity and gas directives were implemented by most member states by 2000.

⁵⁸ Council; Parliament, *Directive 2003/54/EC of 26 June 2003 on common rules for the internal market in electricity*, 2003, OJ176/37; Council; Parliament, *Directive 2003/55/EC of 26 June 2003 on common rules for the internal market in natural gas*, 2003, OJ176/57.

⁵⁹ E.g. EurActiv.com, *Liberalisation*, *op. cit.*, p.2.

⁶⁰ *Idid*, p.2.

⁶¹ E.g. *The Economist*, *The Politics of Power*, *op.cit.*, p. 73.

schemes to third countries. As there is currently amongst the member states no shared strategic outlook with respect to future developments, actors differ extensively in their situation analysis and in the subsequent policy proposals. This will be subject to the following introduction to the main actors and their policy-making.

III.2 Actors and policy-making

Who is now and possibly in the future in charge of EU external energy policy? And what position are these actors taking with respect to energy security matters? While the questions seem at first hand straight forward and relatively easy to handle, the context of the complex system of multi-level and multi-layer governance in the EU complicates the question of competence and action. Moreover, as we have also indicated in the introduction, the horizontal nature of energy security implies that institutional entities usually not necessarily connected to each other have to develop networks of cooperation such as, on the national level, a Ministry of Foreign Affairs and a Ministry for Economy or Energy. Recalling that the Treaty of Maastricht (1992), the founding Treaty of the European Union (TEU), has created an institutional structure of three pillars (Article 1 (3) TEU), we can identify the first pillar (“European Community Pillar”) and the second pillar (“Common Foreign and Security Pillar”) as the relevant institutional frames for EU foreign policy-making. This assumption is based on an understanding of European Foreign Policy (EFP), represented (amongst other scholars) by *White* who has introduced a useful division of three strands of a particular EFP. These three strands are *Community* foreign policy, *Union* foreign policy and *national* foreign policy.⁶³ As Community foreign policy, he subsumes the 1957 established European Community (EC) foreign policy, “which today can be said to constitute the foreign economic policy dimension of the European Foreign policy”. As Union foreign policy, he considers the former European Political Cooperation (EPC), which later on became with the Treaty of Maastricht the second, intergovernmental pillar, namely Common Foreign and Security Policy (CFSP). The third strand, national foreign policy, has in particular in a field like energy significant influence.⁶⁴

The main difference between the first two pillars, the Community and the Union, is their particular mode of policy-making. While in the first case, the so-called ‘*community method*’ applies, the second pillar policy-making is predominantly the ‘*intergovernmental method*’. With the community method, the supranational Commission has the sole right to initiate legislation, and either the Council of Ministers

⁶² E.g. EurActiv.com, *Liberalisation*, *op. cit.*, p.2.

⁶³ B. White, *Understanding European Foreign Policy*, London, Palgrave, 2001, pp. 40-41.

alone, or in co-decision with the European Parliament, adopts legislative acts ultimately. The Committee of the Permanent Representatives (COREPER), a sub-entity of the Council comprising member states officials, plays a crucial role in this policy mode finding compromises for day-to-day business and less controversial issues. More contentious decisions are taken by the Council itself, in the first pillar, most often on the basis of qualified majority voting (QMV). The intergovernmental approach of the CFSP pillar on the contrary relies on the systematic cooperation of the respective member states within the Council of Ministers. The Commission lacks its monopoly to initiate legislative acts and is therefore by member states thought of to be “associated” with the CFSP-making, rather than being involved. While the Council of Ministers finally decides CFSP matters as a community institution, each member state maintains within this institutional frame its national competences, as unanimity usually applies and therefore all member states can block decisions with their final veto. This blocking veto is ‘lost’ for member states in first pillar policy fields such as trade, development, humanitarian assistance and environment, where QMV mostly applies. Even more, the Community pillar is characterized by the fact that the Council cannot act in most cases when the consent of the Parliament is missing. Resulting from this distinctly different mode of policy-making, the two frameworks of EU foreign policy-making inherit a distinctly different institutional logic, involve partially different actors and can also result in different policy instruments and outputs.⁶⁵

At the basis of this conceptualization of EFP lies the assumption that external action is not bound to the institutionally determined framework of CFSP, the systematic political cooperation or second pillar, as the main domain of foreign policy-making, but on the contrary can be thought of as pillar-transcending and multiple-layer encompassing form of governance. Therefore, also the national-level as well as the first Community pillar contribute in practice to the foreign policy objectives of the Union as a whole. For *White*, EU foreign policy actions take place at the same time in all three strands (national, Community and Union level) of this foreign policy spectrum.⁶⁶ Actions can be at the same time mutually reinforcing or contradictory and they are shaped enormously by their contexts. He draws the conclusion that within the EU frame a gradual increase in linkages between the three strands can be observed, and, “the more extensive the interrelationships between them, the more justified we are in using the label European Foreign Policy.”⁶⁷

⁶⁴ W. Carlsnaes, Where is the analysis of European Foreign Policy going? in: *European Union Politics*, 2004, Vol. 5, No. 4, p. 499.

⁶⁵ E.g. Bretherton; Vogler, *op.cit.*, pp. 6-8.

⁶⁶ E.g. White, *op. cit.*, p. 39.

⁶⁷ E.g. White, *op. cit.*, p. 39.

III.2.1 National Foreign Policy Actors and Private Actors

As energy security is to date still a mainly national domain, an analysis of the actors in the field must take into account also the member states. In the present study, this focus on the 'national' level will also include a brief analysis of the private actors, due to the fact that they are mostly still operating along the lines of national boundaries. While the diversity of the actors is staggering, it is possible to identify division lines between them.

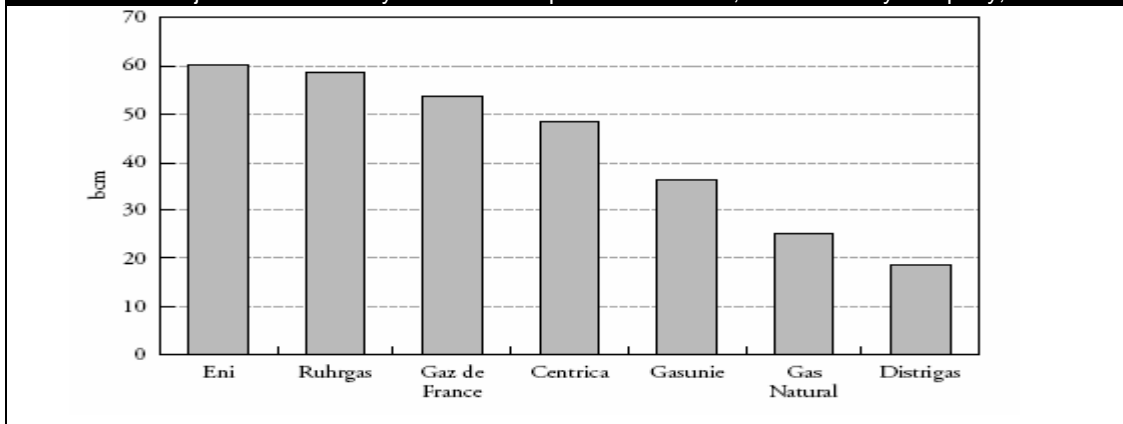
First, *the primary energy mix of the EU-25 member states features a fundamentally different combination of primary energy resources*, which results in different approaches to the question of national security of supply. While all EU-25 member states are dependent upon oil and gas imports, the degree to which this dependency is burdening the security of each member states is different. Connected to the national energy mix, there is an ongoing debate about the future of nuclear energy in Europe. While France for example produces 30% of its total energy needs out of nuclear energy, which is roughly 80% of its total electricity generation, Germany uses 13% nuclear energy within its energy mix, which corresponds to around 30% of its electricity generation.⁶⁸ Two camps have formed: On the one hand, Austria that is fundamentally opposing any form of nuclear power generation and finds itself inline with the legally-binding German 'Atomausstieg' Act⁶⁹, which provides for the shut down of German nuclear plants after they have reached their politically-agreed maximum age of operation. On the other hand, Finland, that has decided in a recent move to build a new nuclear power station in full private ownership, and finds itself in line with other EU states considering the revive of their nuclear capacity, among them the UK, France, the Czech Republic, Slovakia, the Baltic States, Bulgaria and Romania.⁷⁰ Front-runners for a different energy mix based on renewable energy resources are Denmark, partially Germany and Spain.

Second, *the Internal Energy Market is characterized by a high degree of concentration*, whereby a dominant share of the gas and electricity market is, despite two waves of liberalization, still in the hands of a few '(national) energy champions'. *Table 3* visualizes this state of the energy market, taking the example of major gas wholesale companies and their respective market sales in 2002.

⁶⁸ G. Kühne, *Energy Security and Conflict with other values: The case of Germany*, in: Barton et al, *op.cit*, p. 342.

⁶⁹ E.g. Kühne, *op.cit*, p. 342.

Table 3: (National) 'Energy Champions' in the Internal Gas Market of the EU
Major Wholesale Players in the European Gas Market, 2002 sales by company, in bcm



Source: IEA, Security of Gas Supply in open Markets, Paris, 2004, p.289.

A majority of these gas wholesale companies are still characterized by the fact that the state constitutes a major shareholder, and that the position within their national home market continues to be strong or even dominant.⁷¹ As indicated in *Table 3*, “[t]he first seven players account for 61% of European gas sales”.⁷² While these so-called ‘downstream energy companies’ show already strong monopolist tendencies, the ‘upstream producers’ (gas extraction and distribution) are even more concentrated. As a IEA report indicates, “10 producers total 84% of European supplies, Gazprom alone accounts for 25%”.⁷³

Thirdly, *the Internal Energy Market is split between two opposing paradigms of how to achieve security of supply best*. On the one hand, one can observe the market-driven approach to energy security, on the other, actors engage in a more strategically-oriented interventionist manner to safeguard their energy interests. As a Council Secretariat official indicates, the British approach can be associated with the first one, favoring the market interplay, whereby the energy market functions, as any other market, through proper market forces in a framework provided by the national regulatory authorities. The latter model can be related to the French approach, focusing on the state-controlled obligation to guarantee security of supply through long-term contracts and a highly regulated market.⁷⁴

Fourthly, *and equally essential, is the respective relationship between the EU-25 member state and Russia*, a determining factor for all internal and external policy-making approaches. There is one camp opposing further expansion of close ties to Russia (mainly Central and Eastern Europe), driven in part by the historic experience

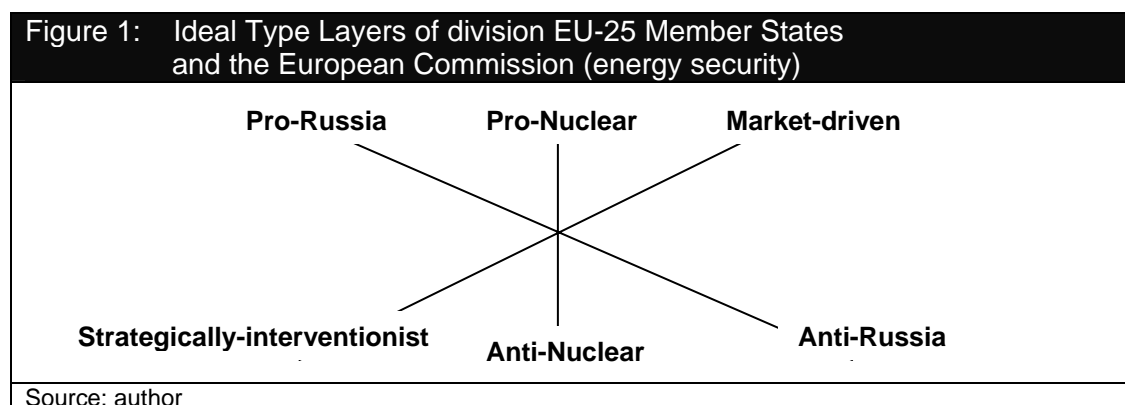
⁷⁰ A. Rettman, *Europeanization of Russia needed for energy security*, EuObserver, 28.3.2006, p.2.

⁷¹ IEA, Security of Gas Supply in open Markets, Paris, 2004, p.288.

⁷² E.g. IEA, Security of Gas, *op.cit.*, p.288.

⁷³ E.g. IEA, Security of Gas, *op.cit.*, p.288.

of being part of the Soviet system.⁷⁵ Opposed to this, several member states have repeatedly stressed the need for further 'strategic partnership' with Russia (mainly Germany), if only for self-interested security of supply reasons. *Figure 1* outlines the above mentioned ideal type division layers graphically.



III.2.2 Community Foreign Policy Actors

Turning to the EU level, the two main supranational institutions of the first Community pillar, the European Commission and the European Parliament, play a particular role in the *Community Foreign Policy*. The external economic policy role of the *European Commission* mirrors its general tasks, namely initiating legislative acts, providing information and strategic guidance, representing the Community in bilateral and multilateral negotiations and managing Community cooperation and association agreements.⁷⁶ The Common Commercial Policy sets the basis for the trade agreements of the EC. As the European Community, in contrast to the European Union, disposes of a formal legal personality, it can also enter into binding international contracts on behalf of the member states.⁷⁷

In respect to questions of the long-term security of supply, the Commission has shown to be the most strategically-oriented institutional actor within the EU framework. With the first publication of its *Green Paper 'Towards a European strategy for the security of Energy Supply'*⁷⁸ in 2000, the Commission has succeeded in this case to steer the political discourse. Subsequent Commission Communications on energy

⁷⁴ S. O'Reagan, Council General Secretariat, Policy Unit, Horizontal Security, Brussels, 19.4.2006.

⁷⁵ E. Smith, Energy Green Paper faces Baltic backlash, *European Voice*, 9.3.2006, p. 2.

⁷⁶ S. Hix, *The Political System of the EU*, 2nd Ed., Basingstoke, Palgrave, 2005, p. 40.

⁷⁷ E.g. Bretherton; Vogler, *op.cit*, p. 6.

⁷⁸ European Commission, *Green Paper: Towards a European strategy for the security of Energy supply*, COM(2000) 769 final, 29.11.2000, p.1-111.

policy and its implications for the *European Neighborhood* (2003)⁷⁹ and the *Wider-Europe Initiative* (2003)⁸⁰ contributed to build up awareness for the risks to European supply, especially through instable producer regions, such as the Caspian Basin, Central Asia or even Russia. In March 2006, the Commission published a renewed *Green Paper 'A European Strategy for Sustainable, Competitive and Secure Energy'*⁸¹, proposing the immediate adoption of a European Energy Security Strategy and following up measures on the community level.

Looking at the institutional set-up of the Commission and tracing back the responsible sub-entities engaged in monitoring external energy issues, causes particular difficulties. This can be ascribed to the horizontal nature of the energy security question that touches various organizational units, called Directorates-Generals (DG's), at the same time. The intra-institutional fragmentation results often in a grey zone of cognizances. While the internal organization of the current Barroso Commission⁸² (since 2004) has necessarily split up portfolios into "External Relations and European Neighborhood Policy", "External Trade", "Humanitarian Aid and Development Policy", "Science and Research" and "Energy", all portfolios have to be taken into account at the same time when assistance instruments for pipeline security, the GALILEO satellite navigation system or special cooperation agreements with producer countries are designed and implemented.

The *European Parliament (EP)* has to date a marginalized role when it comes to EFP in general and also to first pillar external economic policy in particular. It has no influence on the negotiation of international agreements, and also trade arrangements are concluded without the Parliament's consent. However, the Parliament has certain influence as part of its budgetary authority in order to release or uphold financial contributions to foreign policy projects, and moreover, it needs to approve all association agreements and to a certain extent also cooperation agreements between the EU and third parties (see Article 300 [3] EC). Besides, the Parliament has engaged in a wide range of political dialogue and is sending out numerous parliamentary delegations to third countries and other regions.⁸³ Security of supply questions with strong linkages to other world regions can be discussed in the Committee on Foreign

⁷⁹ European Commission, *Communication from the Commission to the Council and the European Parliament on the development of energy policy for the enlarged European Union, its neighbors and partner countries*, COM(2003) 262 final/2, pp. 1-54.

⁸⁰ European Commission, *Communication from the Commission to the Council and the European Parliament on Wider Europe-Neighborhood: a Framework for Relations with Our Eastern and Southern Neighbors*, COM(2003) 140, pp. 1-26.

⁸¹ European Commission, *Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy*, COM(2006)105, 8.3.2006, pp.1-20.

⁸² Barroso Commission: http://europa.eu.int/comm/commission_barroso/index_en.htm, 13.4.2006.

⁸³ K. Smith, *EU Foreign Policy in a Changing World*, Cambridge, Polity, 2003, pp. 54-55.

Affairs (AFET), other more technically-oriented questions of the Internal Market (trans-European energy networks) in the Committee on Industry, Research and Energy (ITER). While the leverage for action in respect to external energy policy is rather limited for the Parliament, for most questions of the Internal Market the often applied co-decision method gives the Parliament the same room for manoeuvre as the Council.

III.2.3 Union Foreign Policy Actors

The picture of actors becomes even more fragmented when looking at the traditional Union Foreign Policy or CFSP. Here, the European Council, the Council of Ministers, the General Secretariat and in particular the High Representative/Secretary General and sub-entities are coming into play.

The *European Council* plays a crucial role in the development of the European Union as such, and in the definition of the Union's foreign policy objectives (Art. 13 TEU) in particular. Together with the Council of Ministers, the European Council lies at the heart of the second pillar. Consisting of the Heads of State and Government of the current EU-25, the President of the Commission, the Ministers for Foreign Affairs and the High Representative for the CFSP, the European Council unites for at least two times a year the political leadership of the EU (see Article 4 TEU). Especially with respect to strategic partnerships with other world regions and regarding the general principles of EU foreign and security policy, the European Council is the decisive EU institution. While the summits are in most cases not the formal decision-making body, the compromises reached constitute later-on in the Union's decision-making procedures political and strategic guidelines.⁸⁴

In recent times, the Council's Presidencies have put aspects of energy security more frequently on the meeting agendas, such as on the 'informal meeting of Heads of State and Government' in Hampton Court on the 27th October 2005 (UK Presidency), the Council meeting on the 15/16 December 2005 in Brussels (UK Presidency) and the European Council of 23/24 March 2006 in Brussels (Austrian Presidency). The March 2006 summit culminated this increasing agenda-setting of the European Council putting in place a "Energy Policy for Europe (EPE)" plan, a nucleus of what could become a truly Common Energy Policy for the EU.⁸⁵

The *Council of Ministers*, integral part of the EU's decision-making, brings together the ministers from the current EU-25 member states, divided up in nine

⁸⁴ E.g. Hix, *op.cit.*, p. 35.

⁸⁵ *Energy Policy for Europe (EPE)*, European Council, Brussels Presidency *Conclusions*, 23 and 24 March 2006, pp. 13-17.

different formations along the lines of policy fields. Questions of energy security are dealt with in the course of the General Affairs and External Relations Council (GAERC) and the Transport, Telecommunications and Energy Council. The GAERC-Council addresses the main questions of foreign policy in the sector of international trade, development policy, cooperation agreements and CFSP. It unites member states' Foreign Ministers, the High Representative for CFSP and individual Commission officials. As the main decision-making body of EFP, the GAERC-Council fulfills functions for the first and the second pillar foreign policy-making. In both pillars, the GAERC is the main decision-maker, but in the community pillar, the Commission proposal is mandatory for its legislative decisions, and in some cases, the assent of the EP is asked. The other energy security relevant Council formation, the Transport and Energy Council, traditionally has dealt with questions of the Internal Market liberalization scheme and the Kyoto climate change agenda. Even as a joint meeting between both formations from time to time would be beneficial for the policy objective, so far, there has been little attempt to reform this artificial division.⁸⁶

Yet, while the Council of Ministers in its various formations reunites much more often than the European Council, both institutional bodies have neither the technical expertise nor the continuity in order to develop permanent structures of cooperation. Consequently, the sub-entities of the Council including the *Committee of Permanent Representatives (COREPER)* and the *Political and Security Committee (PSC)* gain importance. The weekly COREPER II meetings function as a "transit and filtering agency"⁸⁷ for CFSP issues, whereas the PSC, created in 2000/01 deals with the arrangements for the European Security and Defense Policy (ESDP) and oversees the military missions of the EU. However, the relationship between COREPER II and the PSC is open for debate and causes from time to time inter-institutional turf wars for competences.

Furthermore, the General Secretariat of the Council, comprising the Secretary-General/High Representative for CFSP, the Policy Unit (PU) and the DG E 'External Economic Relations – CFSP' are essential for the internal coordination and policy briefings, also in horizontal security issues. With the Amsterdam Treaty (1997), the Secretary General of the Council Secretariat was transformed into the High Representative of the CFSP, giving the Union foreign policy making for the first time a common face in political dialogues with third countries (Art. 26 TEU). Since 1999, former Secretary General of NATO, Javier Solana fills in the post. Solana has been repeatedly referring to energy security matters when addressing policy issues

⁸⁶ N. Nugent, *The Government and Politics of the EU*, Durham, Duke, 2003, pp. 425-6.

connected to the Caspian Basin, Russia or in the relations between the EU and China, but he expressed for the first time in March 2006 publicly his support for a robust EU energy diplomacy.⁸⁸ He is assisted by the subordinated Policy Unit, a mixture of think tank and administrative entity, and the Directorate E providing also for policy assessments.⁸⁹ In the EU's external appearance, the current Council Presidency will often use the format of the Troika in order to engage in negotiations with third parties, also energy dialogues. The Troika consists of the current and the following Presidency, together with the High Representative. It is this constellation that enacts most often the Union Foreign Policy vis-à-vis third parties. Unlike the Commission with its Green Paper process, some of the permanent Council structures have just recently caught up and started working in the field of energy security. As far as the internal structures of the Policy Unit and the Directorate E are concerned, this was as late as summer 2005.⁹⁰

III.2.4 Taking stock: pulling on one string for energy security?

Summing up the 'who is who' in European energy security, it becomes evident that there is no 'single voice' in what is today the beginning of a potential full-fledged external energy policy of the EU. From an analytic point of view, it is also hard to imagine, based on the institutional path-dependency of the current political system of the EU, that there could be something like the famous 'one telephone number' for questions of energy security. Rather on the contrary, the actorness remains fragmented and will do so in the near future. In the author's view, three observations can be made, namely the (i) *asymmetric strategic culture among the actors*, (ii) the *inter-institutional and intra-institutional competence quarrels* and (iii) *the missing horizontal links*.

(i) *Among the actors, there are significant asymmetries in their strategic culture.*

This means that on the one hand, there are Community actors such as the EU Commission, developing long-term strategic approaches covering all facets of the 'energy security' matrix, including the security of demand, the security of supply, the reliability of supply and the physical security of infrastructure and personnel (*Table 2*); on the other hand, this overarching approach continues to conflict with the member states' priority to focus on their national security of supply, rather than balancing the own energy needs by taking into account also other interests, as for example the different needs of other member states or the interests of the producer-country . A

⁸⁷ E.g. Nugent, *op.cit.*, p. 426.

⁸⁸ J. Solana, Europeans must act collectively on energy strategy, *FT Europe*, 9.3.2006, p. 7.

⁸⁹ E.g. Nugent, *op.cit.*, pp. 426-428.

good example, where diverging strategic cultures between several players cumulate is the North-European Gas Pipeline (NEGP)⁹¹, operated by the German companies E.On, BASF and the Russian partner Gazprom. This direct pipeline between Russia and Germany takes into account only the security of supply and demand interests of the two respective partners, raises however questions of reliability of supply for other EU member states that are bypassed, such as Poland. Community actors like the EU Commission would have preferred alternative solutions to the set-up of the NEGP project that would have balanced intra-EU security of supply interests more consistently and would have also taken into account more thoroughly open questions of environmental security for the Baltic Sea, arising due to the underwater-pipeline.⁹²

(ii) As energy security is a multifaceted concept, it almost naturally causes problems for institutional structures to adapt, and therefore *competence quarrels are frequent*. The complex political system of the EU is, with its pillar-divided competences, susceptible to inter-institutional as well as intra-institutional conflicts, especially when setting up meetings, joint delegations to third countries and dividing up administrative tasks. The proverbial 'turf wars' between respective DG's within the Commission can serve here as an illustrative example. These intra-institutional competence disputes can also influence the Commission's role as external 'strategic leader' in energy security questions because such guidance remains only credible when the institution appears unified behind the common project.

(iii) *Although there is a considerable amount of day-to-day cross-pillar work between the EU level actors, there are still crucial horizontal links missing*. This is mainly due to the fact that institutional adaptation processes and administrative reforms are considerably delayed in comparison to the arising of the problem. As a colorful example, one can put forward the rather handicapped exchange of expertise, personnel and contacts between the responsible Commission actors and the Council's permanent sub-bodies such as the Policy Unit or the DG E. As an official from the Council Secretariat's Policy Unit put it, "there is largely no cross-pillar cooperation in Brussels, the horizontal structures are still lacking".⁹³ Though, in order to develop a comprehensive approach to energy security that captures all facets of the energy security matrix, the development of these horizontal links are crucial.

⁹⁰ S. O'Reagan, Council General Secretariat, Policy Unit, Horizontal Security, Brussels, 19.4.2006.

⁹¹ See: <http://www.negpp.info>, 5.5.2006.

⁹² Michael Gahler, MEP (EPP/ED), Committee on Foreign Affairs, Brussels, 27.3.2006: „The Baltic Sea Pipeline has been, from a Russian perspective, politically instrumentalized in a very thoughtful way. From an EU Perspective however, I think the engaged partners have not captured the unintended consequences of the project. It symbolizes the old, national way of securing energy supply, causing unnecessary political problems with the EU members from Central and Eastern Europe, and moreover unpredictable problems for the environment in case of a under water pipeline leak.”

⁹³ S. O'Reagan, Council General Secretariat, Policy Unit, Horizontal Security, Brussels, 19.4.2006.

III.3 Policy Instruments

Having looked at the landscape of actors, the attention will shift to the instruments at hand. Governments around the world have developed several policy instruments in order to manage the risks linked to *the security of supply, the security of demand, the reliability of supply and the physical security of infrastructure and personnel*. To specify these instruments they can be grouped into *internal and external policy tools*. But which of these tools can be used by the various EU actors?

III.3.1 Internal Energy Security: National and Community initiatives

Internal Energy Security tools aim either to increase the share of *domestic supplies*, to *diversify sources and producers*, to enhance the *energy system flexibility* or/and to build a robust system of *crisis management*.⁹⁴

In the first case, the policy to increase the share of *domestic energy supplies*, the consumer country tries to overcome dependency on third countries by raising the output of remaining fossil fuels resources within its territory. This would also imply that often fossil fuel resources within the own national territory will be exploited although they might not be competitive in a cost-benefit analysis with the resources usually available on the world market.⁹⁵ Policies geared towards reaching greater *diversification* of the respective national energy mix will minimize supply risks either by purchasing its fossil fuel supplies from as many producing countries as possible (dispersion) or by investing substantially into alternative energy sources, such as nuclear or renewable energy (dependency avoidance). A direct measure of diversification constitutes, for example, the increased use of new processing techniques for natural gas such as LNG, which reduces the dependency on gas pipeline and transit routes and opens up new markets that are geographically further apart.⁹⁶

Other policy instruments have been developed in response to the need for more *energy system flexibility*. This means that in the case of major disruptions, the energy system (resources and network infrastructure) needs to be able to balance out the failures of supply of one energy resource through spare capacities, increased efficiency, alternative infrastructural solutions or immediately deployable renewable energy resources. The most leeway for enhancing this kind of flexibility lies in the generation of electricity, as one can choose here between several kinds of sources

⁹⁴ CIEP, *Study on Energy Supply Security and Geopolitics*, Report for DG-Tren, The Hague, Jan 2004, p.67

⁹⁵ E.g. CIEP, *op. cit.*, p.67.

⁹⁶ *Ibid.*

and multiple ways of generation.⁹⁷ The above mentioned policy goals and instruments are employed in a medium to long-term prospective, while the tools for *crisis management* must explicitly provide security of supply in the immediate aftermath of a major energy disruption. Most prominently used instruments are *strategic stocks in oil and gas*. These strategic reserves must be complemented by credible capabilities to process the stocks in case of emergency effectively throughout the market.⁹⁸ The most notable example constitutes the US Strategic Petroleum Reserve, the largest public oil stock with a capacity of one billion barrel crude oil.⁹⁹

Looking at the EU-25, the scope for a potential increase in *domestic fossil fuel production* in Europe is rather limited, and even traditional energy producing countries as Britain have become in recent years energy-importing nations. Moreover, the attempts to *diversify sources and producers* have been largely contradicted by a tendency of several downstream market players to engage in long-term contracts with only a few upstream players such as Gazprom. A prominent example of this was the merger of German E.On and Ruhrgas and the subsequent tightening of contractual ties with Gazprom on a long-term basis. This move which predominantly served German national security of supply interests, annulled at the same time alternative solutions which, in a more market-driven manner, could have lead to a more diverse producer portfolio of E.On/Ruhrgas.¹⁰⁰ A mixture between *crisis management tool and a mechanism for energy system flexibility* has been the joint Polish and Spanish proposal to set up an 'Energy Security Treaty', in analogy to the Washington Treaty of NATO. Similar to the Article 5 safeguard clause of NATO, the Polish government suggested a solidarity clause in major cases of supply disruption, having in mind mainly unreliable gas supply disruptions caused by Russia.¹⁰¹ As the proposal would have far-reaching implications for the national sovereignty, the prospects of member states' support for this initiative are limited.

In how far the EU already has a credible *system of emergency stocks* for oil and gas, is up for question. So far, the handling of emergency stocks across Europe showed significant differences. Looking for example at the gas stocks, one can observe countries such as Austria piling up gas supplies for around four months' supply, while others such as Ireland, Sweden or Finland do not have significant gas stocks at all.¹⁰² This lack of harmonization of emergency gas stocks has however severe consequences for members of the same Internal Energy Market, outlines *The*

⁹⁷ E.g. CIEP, *op. cit.*, p.67.

⁹⁸ E.g. CIEP, *op. cit.*, p.68.

⁹⁹ See: <http://www.fe.doe.gov/programs/reserves/index.html>, 28.4.2006.

¹⁰⁰ E.g. Helm, *op. cit.*, p.11.

¹⁰¹ EuBusiness, *Poland, Spain adopt joint position on EU energy security*, 20.3.2006, p.1.

Economist: “You might say that this is their business: if countries do not want to pay insurance, they must face the consequences. But these consequences affect others: in a single European energy market, they will ripple through the grid.”¹⁰³

In 2004, this problem has been addressed by the *Council Directive of the Security of Natural Gas Supply*.¹⁰⁴ The objective of the Directive was to establish “a common framework within which Member States shall define general, transparent and non-discriminatory security of supply policies compatible with the requirements of a competitive internal gas market; clarify general roles and responsibilities of different market players and implement specific non-discriminatory procedures to safeguard security of gas supply” (Article 1). More detailed the Directive sets in place minimum standards for the gas supply to specific customers (Article 4) and establishes a Gas Coordination Group that brings together responsible member state representatives, industry, large-scale consumers and Commission officials (Article 7). Whether or not specific emergency gas stocks belong to this minimum standard of gas supply in Article 4, or whether this can be reached through other means, was left open to the decision of the individual member state. As the IEA notes, there is still considerable debate among its member states whether this was appropriate, in particular because of the specificities of the gas market.¹⁰⁵ The ten-fold costs of gas storage compared to oil stocks and the unequal dependency of member states on natural gas make a uniform crisis management system for gas an extremely difficult task. The IEA argues that “the design of a response is therefore best left to individual countries and their market players”.¹⁰⁶ The author thinks though that a heterogeneous internal crisis management involves high indirect costs: a patchwork of emergency measures weakens the EU’s position in political negotiations with producer-countries considerably, as the impact of supply disruptions are immediate.

III.3.2 External Energy Security: Community and Union initiatives

External energy security tools on the other hand are instruments employed in order to change international actors’ behavior, in a way favorable to one’s own policy objectives.¹⁰⁷ They are used in order to stabilize the political relations between consumer and producer countries, between producers or consumers themselves or they are employed indirectly through the implementation of an international

¹⁰² The Economist, *Energetic Debate*, London, 9.3.2006, p. 2.

¹⁰³ *Ibid.*

¹⁰⁴ Council, Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply, 2004, OJ L 127.

¹⁰⁵ IEA, *Security of Gas Supply in open Markets*, Paris, 2004, p. 293.

¹⁰⁶ E.g., IEA, *Security of Gas Supply*, *op.cit.*, pp. 295-6.

¹⁰⁷ E.g. K. Smith, *op.cit.* p. 52.

organization or a regime. In short: foreign policy tools can help to shape the context differently.

At hand, there are diplomatic, economic or military means. In historic perspective, the option of military force has been envisaged or employed as an instrument for energy security only rarely. Known as the so-called 'Carter Doctrine', military force was threatened by the former US President in order to secure the steady flow of Persian Gulf oil.¹⁰⁸ In the Suez Crisis in 1956, France and the United Kingdom attempted with military means to hinder the Egyptian's strife for nationalization of the Suez Canal, which constituted a major threat to the security of oil supply to Europe, as the Suez Canal was and still is one of the major oil transit routes.

To date, most often diplomatic and economic instruments are used to pursue energy security objectives. Both can take the form of either *special bilateral cooperation* or various forms of *multi-lateral agreements*. The major objective of both instruments is to create "sound and meaningful political and economic relations between producing and consuming countries".¹⁰⁹ A prominent example of *special bilateral relations*, primarily subordinated to the security of supply rational is the US-Saudi bilateral relationship.¹¹⁰ Moreover, a variety of *multi-lateral cooperation regimes* have been created in order to enhance either the personal interest of energy-producing nations, of energy-consuming countries or to mediate between the both camps on an equal basis. A famous example of multi-lateral cooperation on the side of the energy-producing camp is the 1960 established Organization of Petroleum Exporting Countries¹¹¹ (OPEC).¹¹²

On the level of the EU, the Community and the Union foreign policy actors have developed various external energy instruments. The spectrum ranges from purely bilateral instruments in a regional context or in the framework of the European Neighborhood Policy (ENP), to purely multi-lateral tools like International Organizations and regimes. A wide grey zone can be sketched out in-between. To date, the EU engages into *energy cooperation with neighboring countries, bilateral energy dialogues, regional energy dialogues, EU grant and loan assistance and multi-lateral frameworks*.

The EU energy cooperation with neighboring countries focuses on both suppliers and transit countries and has mainly brought up two instruments: the *Treaty*

¹⁰⁸ E.g. Helm, *op. cit.*, p.12.

¹⁰⁹ E.g. CIEP, *op. cit.*, p.69.

¹¹⁰ E.g. CIEP, *op. cit.*, p.69-70.

¹¹¹ The rationale to set up the OPEC was bound to the idea that the governments of the respective producer countries wanted to get tighter control on their oil and gas industries and, through overarching agreements, gain control over prices and production capacities.

¹¹² E.g. CIEP, *op. cit.*, p. 71.

*establishing an Energy Community and the Action Plans in the framework of the Neighborhood Policy.*¹¹³

The *multi-lateral Energy Community Treaty*, signed on the 25 October 2005 between the European Community and all Balkan countries from South-East Europe¹¹⁴, will eventually extend the regulatory framework and the relevant EU *acquis* of the EU Internal Market to the Union's immediate neighborhood on the Balkans. It intends to build a regional electricity market through applying the same regulating schemes and stepping up interconnection between the European electricity grid and the South-East European networks. The initiative, inaugurated by the 2002 Athens Memorandum (the so-called 'Athens Process'), builds up an institutional frame of ministerial meetings once a year, a permanent high level working party and regulator groups for energy production and networks. While Turkey has been involved in the process as an observer, it has not yet been integrated into the Energy Community Treaty, notably due to its unclear status of accession to the EU. The integration of Turkey into a close regulatory framework such as the Energy Community Treaty is however of strategic importance for the EU, as the country is besides the Ukraine the major transit country for gas and oil pipelines from Russia, the Caspian Basin, the Middle East and North Africa.¹¹⁵ From a conceptual perspective, the Energy Community Treaty constitutes an innovative instrument of the EU's toolbox, as it combines the sphere of internal and external energy security. It is therefore addressed in the subsequent discussion as a 'hybrid instrument'.

The European Neighborhood Policy has through its bilateral energy partnership Action Plans an instrument in order to address the reliability of energy supplies. Major component of the energy-related sections of the Action Plans are an energy dialogue, the harmonization of local and EU Internal Energy Market regulations, trans-European energy networks, nuclear safety and regional cooperation. In an annual review process and a constant monitoring through the Commission, the implementation of the Action Plans is followed up. Currently, seven ENP Action Plans are in operation, but only one of them is pivotal in energy terms, namely the Action Plan for the Ukraine. A further Action Plan is envisaged with Algeria, a major EU gas supplier from Northern Africa.¹¹⁶

Another constituent of the EU toolbox are *bilateral energy dialogues*, which the Union has currently engaged with energy-producing (Russia, Norway, Algeria, Ukraine, Egypt, Syria, Libya, Iraq and Venezuela) and some major energy-consuming countries

¹¹³ E.g. COM(2003) 262, *op.cit.*, pp. 10-11 and European Commission, *Annex to the Green Paper: What is at stake – Background Document*, SEC(2006)317/2, Brussels, 8.3.2006, p. 37.

¹¹⁴ Croatia, Bosnia and Herzegovina, Serbia, Montenegro, the former Yugoslav Republic of Macedonia, Albania, Romania, Bulgaria and UNMIK on behalf of Kosovo.

¹¹⁵ E.g. COM(2003) 262, *op.cit.*, pp 10-11.

(China, Japan, India, USA and Canada).¹¹⁷ While these bilateral dialogues have all the same label, they vary considerably as to their set-up, their scope and intensity. Some, such as the EU-Norway Energy Dialogue, are highly institutionalized with numerous regulatory, legislative and operational agreements, others, such as the EU-Algeria Energy Dialogue still wait for their appropriate set-up and implementation in the framework of an association agreement. For Norway, as part of the European Economic Area (EEA), the EU acquis and Internal Energy Market regulations (competition, environment and research and development) already applies and the current form of the bilateral framework seems to be appropriate to maintain this status quo. The energy dialogue with Algeria has, however, although there is great potential with this key gas supplier for the Union, never left preliminary stages.¹¹⁸ The most important dialogue, which will be subject to a case study at a later stage, is the in October 2000 inaugurated *EU-Russia Energy Dialogue*.¹¹⁹

The EU's *regional energy dialogues* use often the vehicle of Partnership and Cooperation Agreements (PCA) in order to engage into bilateral energy relations. As for example with the Caspian Basin, a Ministerial Conference in 2004 in Baku between Community, and Union foreign policy actors on the one hand and a number of countries from the region¹²⁰ on the other, has initiated a regional dialogue. Caspian oil and gas fields are expected to contribute significantly to a diversification of European primary energy resources, with a prospect of major increases in output. Whereas the region currently delivers 1.4 million barrels a day in oil and 65 billion cubic meters in natural gas, analysts forecast that these numbers could rise to about 4 million barrels of oil a day and around 170 billion cubic meters of gas in 2010.¹²¹ The main objective for EU policies identified is therefore to "facilitate the transportation of Caspian resources to Europe, be it via transit through Russia or through other transport routes".¹²² So far, only minor agreements in respect to technical assistance in the frame of the TACIS program¹²³ have been concluded with Azerbaijan and Kazakhstan, and due to regional instability, even those agreements are endangered. Other regional energy dialogues have been established for example with the Baltic Sea region (Baltic

¹¹⁶E.g. SEC(2006)317/2, *op.cit.*, p. 37.

¹¹⁷ The EU-Iran Energy Dialogue in the framework of the Trade and Cooperation Agreement, dating back to 2002, has been suspended due to the 2006 nuclear program crisis.

¹¹⁸ The EU-Algeria Association Agreement has prompted cooperation in the mining sector, but so far there has been little progress.

¹¹⁹E.g. COM(2003) 262, *op.cit.*, p. 8.

¹²⁰ Azerbaijan, Armenia, Bulgaria, Georgia, Iran (observer), Kazakhstan, Kyrgyz Republic, Moldova, Russian Federation (observer), Romania, Tajikistan, Turkey, Ukraine and Uzbekistan.

¹²¹E.g. COM(2003) 262, *op.cit.*, p. 12.

¹²²*Ibid.*

¹²³Grant financed technical assistance program, launched in 1991, aimed to enhance transformation in Eastern Europe and Central Asia.

Sea Region Energy Cooperation), the Mediterranean EU neighbors from North Africa (Euro-Med Energy Dialogue) and some members of the Persian Gulf region (EU-Gulf Cooperation Council Energy Dialogue).¹²⁴

Additionally, *grant and loan programs* have been put in place and some assistance to *pipeline projects* has been directed from the EU level. Most noteworthy is the Eastern and Central Asia focused INOGATE program (Interstate Oil and Gas Transport to Europe) which finances oil and gas pipeline integration towards the EU market. While INOGATE primarily functions as financial aid instrument, its second use as an observation and monitoring system for pipeline projects of pan-European interest is an essential contribution to the strategic development of EU policies in general. In the ANNEXES I and II, the INOGATE maps for priority axes in oil and gas pipelines towards Europe are visualized. The European Investment Bank (EIB) provides for loans in the area of electricity generation and transmission and gas extraction and transportation. Between 1995 and 2003, the EIB gave out loans worth € 3.2 billion for both energy sectors. Most projects were located in the Mediterranean area. A recent debate about the extension of the EIB room of manoeuvre is under discussion in the Council, where for the financial period of 2007 and 2013, loans of up to €15 billion are considered for Central Asia, the Mediterranean area and the Neighborhood Policy. The European Bank for Reconstruction and Development (EBRD), in which the Community and the member states are principal shareholders, is another device to invest from a pan-European perspective into trans-European energy networks and local generation capacities. Mostly employed in Central and Eastern Europe and in the former Soviet-republics, the EBRD has to date invested in energy sector related projects of a total value of € 4.67 billion.¹²⁵

Political dialogue within multi-lateral frames forms another group of tools for the EU to pursue its energy objectives. Already in a long-standing tradition, consumer-countries around the world united in their desire to achieve better information about energy markets, production capacities and prices, and established in response to the OPEC built-up a network of monitoring and surveying institutions. Since the 1950s, the Organization of European Economic Cooperation (OEEC) and later-on the Organization of Economic Cooperation and Development (OECD) were closely following market developments through publications and statistical reviews. Linked to the oil shock in 1973/1974, the IEA was founded under the roof of the OECD in Paris, a major attempt of the highly industrialized energy-consumers of the world to establish

¹²⁴ E.g. SEC(2006)317/2, *op.cit.*, pp. 40-41.

¹²⁵ *Ibid*, pp. 44-45.

a “consumer cartel, as a counterweight to the producer cartel OPEC”.¹²⁶ Its member states established strategic stocks of oil and installed a coordination system for disruption management, amongst them all EU-15 member states plus Hungary and the Czech Republic. At the current state, IEA member states hold strategic oil stocks of over 4 billion barrels, and the membership statute requests from all 26 member states that they hold emergency oil stocks of at least 90 days the amount imported the previous year. Besides the emergency stocks, the “consultations in the IEA have become an important channel of information sharing and the co-ordination of policies”.¹²⁷ A relatively new attempt to bring consumers and producers closer together was the institutionalization of the International Energy Forum (IEF), with a Secretariat in Riyadh, Saudi Arabia. Two times a year, energy ministers of around 80 countries gather discussing mainly oil related investment, partnership and cooperation issues.¹²⁸ In diplomatic terms, another bit of the multi-lateral mosaic of International Relations is the United Nations frame, together with its IAEA (International Atomic Energy Agency) which provides as experienced in the Iran nuclear program crisis 2006 for a platform of debate and potentially sanctioning. Furthermore, energy issues have mounted the G8 agenda, an international forum of the Heads of State and Government of eight highly industrialized nations (Canada, France, Germany, Italy, Japan, the United Kingdom, the United States and Russia). Russia, the G8 Presidency in 2006 (annual rotation), has placed ‘energy security’ even in the spotlight of its Presidency agenda of the July 2006 St. Petersburg G8-meeting.¹²⁹

Finally, and amongst the most important multilateral instruments for the EU is to be mentioned the *Energy Charter Treaty* (ECT). The Charter Treaty represents a regulatory framework, mainly based on EU *acquis* and WTO principles that aims at guaranteeing “non-discriminatory and market based conditions for trade, transit and investment in energy products.”¹³⁰ Based on a *Declaration* that was adopted on 17 December 1991 in The Hague, the *ECT* was eventually signed in 1994 in Lisbon. As a result of the direct post-cold war era, the ECT represents the attempt to connect East and West within a mutually beneficial network of cooperation on energy matters. The multilateral framework of the ECT provides for basic legal rules in the interaction of energy-producing and energy consumer countries that ratified the Treaty. *Johnson* describes the basic rationale behind the ECT by stating: “The ECT was intended to offer inward investors an assurance, supported by international law, that host countries

¹²⁶ E.g. CIEP, *op. cit.*, p. 73.

¹²⁷ E.g. SEC(2006)317/2, *op.cit.*, pp. 44-45.

¹²⁸ E.g. CIEP, *op. cit.*, p. 75.

¹²⁹ See: *Russian G8 Presidency*, <http://en.g8russia.ru/agenda/>, 19.4.2006.

¹³⁰ E.g. SEC(2006)317/2, *op.cit.*, p. 43.

would honor commitments made to investors. Energy producers, for their part, gain access to export markets, technologies and know-how and consumers are ensured security of supply in competitive and efficient markets".¹³¹ Initially created as a European initiative in the broader sense, the framework extended to Australia and Japan that are signatories and to China, Korea and Nigeria (and others) that are observers. In total, the ECT has been ratified until now by 51 states, and, interestingly in the present context, also by the European Communities as a separate legal body.¹³²

III.3.3 Taking stock: a monolithic toolbox?

In analogy to the analysis of the actors in the last chapter, it appears that also the EU level instruments for energy security are far from having a uniform set-up. While scholars have repeatedly associated this fact with a 'lack of coherence' in the EU approach to energy security, it is also possible to discover therein the strength of the respective toolbox. Considering the many different facets of energy security, the instruments have to be manifold. Not the diversity of the instruments becomes the crucial aspect. It is rather essential whether the instruments complement or contradict each other. An example of two contradictory objectives: strong bilateral relations with Russia promise secure supplies from the state-controlled energy industry on the one hand, yet, they can come at the cost that the attempts to diversify the portfolio of alternative energy suppliers from the Caspian Basin have limited success, due to the troubled relations between the former Soviet-republics and Russia.

Two major observations can be made when looking at the respective toolbox. First, the most often used instrument on the EU level is the *Political Dialogue*. Second, there is a '*hybrid instrument*' emerging uniting the advantages of the political dialogue (external energy security) with the potential benefits of the regulatory scheme of the Internal Market (internal energy security).

Looking at the toolbox of the EU in general, *various forms of political dialogue on energy matters are clearly dominating*. They share the characteristic that a bilaterally or multilaterally organized framework with common rules is provided. But, as the legal force of the political dialogues even in the context of a PCA is rather limited, and at most constitutes a form of soft-law in the context of International Relations, lasting results and legal certainty are extremely difficult to achieve with this instrument. But why then has the political dialogue become the predominantly used instrument on

¹³¹ D. Johnson, EU-Russian energy links: a marriage of convenience?, in: *Government and Opposition*, Spring 2005, Vol. 40, No. 2, p. 273.

¹³² Full membership list, see: www.encharter.org, 27.4.2006.

the EU level? Various explanations are possible. *Monar*¹³³ argues that this tool offers several benefits. First of all, the diplomatic framework of an energy dialogue helps to reduce significantly the transaction costs of negotiations with third parties. Moreover, he attributes a “conveyor role”¹³⁴ to the dialogue, facilitating the exchange of information about the respective positions and the common interest. For each party itself, the dialogue can be used as a mechanism to affirm a “collective identity vis-à-vis the dialogue partners”.¹³⁵ And as it constitutes a policy instrument that is highly flexible in its usage, it can be employed in various contexts. This flexibility constitutes at the same time, however one of the major drawbacks. As it is always easy to change the conditions under which the dialogue operates, the certainty of a legally-binding treaty can never be reached. In the author’s view, a neo-functional interpretation offers additional insight. It can be argued that the Commission deliberately promoted an uncontested instrument for energy security purposes in order to avoid institutional quarrels with the member states in an emerging policy field. Interfering in questions of the national energy mix would have created immediate resistance from a number of member states. The Commission’s strategy to use an uncontested tool to build up trust between the various actors, can eventually lead to the gradual migration of energy security questions to the EU level, on the basis of ongoing ‘spillovers’. The self-interest of the Commission to gain competences in this new policy field could serve as catalyst for such a Commission strategy.

Second, the author identifies the Energy Community Treaty as a new kind of ‘hybrid tool’ that has not been employed on the EU level before. It encompasses the benefits of internal and external energy security at the same time and represents a promising role model, as it tries to combine the legal certainty of a formal treaty with the flexibility of a political dialogue process. With all the reservations due to its lacking implementation, it constitutes from a conceptual point of view a revolutionary approach. Framed by a multi-lateral process of institutionalized political dialogue, the aim is to transfer the regulatory scheme of the Internal Energy Market to a neighboring region, in this case to the Balkans. The potential of this instrument is vast, as it achieves regulatory certainty in the immediate neighborhood of Europe (best case scenario), which in return is crucial for the reliability of supply through secure transit routes and energy infrastructure. Moreover, the energy system flexibility of the Internal Market can benefit through the extension of the European electricity grid to South-East Europe. Finally, this hybrid instrument has the capacity to contribute to a gradual

¹³³ J. Monar, Political Dialogue with Third countries and Regional Political Groupings, in: E. Regelsberger et al (eds), *Foreign Policy of the European Union*, London, Rienner, 1997, pp. 266-7.

¹³⁴ *Ibid.*

'desecurisation' of energy, transferring the 'politicized' matter of energy security into a question of technical harmonization of different infrastructure standards, yet, framed by a secure regulatory scheme and high-level diplomacy. In practice, there are though obstacles to overcome in order to realize this vast potential. First of all, the asymmetric development of the Internal Energy Market itself and the reluctance of several member states to comply with common rules for the liberalized market pose constraints on the effectiveness of any transfer of regulatory schemes to third parties. A second obstacle is the unclear status of the internal energy security mechanisms of the Union. As outlined above, there has been Community action to establish besides the IEA oil stock requirements also emergency gas stocks. Due to reservations from various sides, the EU in effect still lacks however a coherent system of emergency stocks or equivalent measures, which in result, can be important when engaging in political dialogue with third countries. As such, an unreliable system of EU crisis management weakens the negotiation position confronted with an energy producer, a neighboring region or a transit country considerably.

In sum: the EU's toolbox is far from being monolithic, which constitutes strength and weakness at the same time.

IV. Case Study: The EU-Russia Energy Dialogue

The EU-Russia Energy Dialogue is among the external energy instruments of the EU one of the most prominent ones, for several reasons. Russia has been traditionally the largest energy supplier to Europe ¹³⁶, and therefore, almost naturally, energy constituted a major factor determining the relations between the Kremlin and Brussels, and the Kremlin and the national capitals.

The EU's increasing import dependency and the vast potential of Russia's gas and oil reserves in the European neighborhood have built-up the awareness, that Europe will not be able to sustain its current way of living without good relations to Russia, and that Russia will need Europe as a client for its reserves in order to fund a major part of its national public budget. However, EU-Russian relations, addressed from time to time as "the bearish relationship"¹³⁷, have also proven to be utmost

¹³⁵ E.g. Monar, *op.cit.*, pp. 266-7.

¹³⁶ See: T. Wöllert, *Presentation on The Gas Dimension*, retrieved from http://www.technologycentre.org/upload_files/Presentation_E_20.09.05.pdf, 8.5.2006.

¹³⁷ A. Beatty, The bearish relationship, *European Voice*, 23.2.2006, p. 17.

difficult, encompassing long-standing disputes such as “trade quotas, rules on visas, the Kaliningrad enclave or human rights in Chechnya.”¹³⁸

The present case study focuses therefore on the question, whether the EU-Russia Energy Dialogue constitutes a role model for EU external energy policy-making, or whether it rather exemplifies the problems that arise when the Union is operating only on the basis of a political dialogue with a third country. First, the context of the EU-Russia relations will be addressed, before an outline of the institutional system of the Energy Dialogue will be given. An evaluation will focus on the substance of the partnership, as well as the strengths and weakness of the instrument ‘political dialogue’.

IV.1 The question of (inter)dependence

The question of (inter)dependence constitutes a vital foundation of the EU-Russian relations in general. Is the relationship between Russia and the EU-25 a partnership amongst equals, or are we rather talking about a relation that benefits one of the partners more than the others? Searching an answer to this question, two aspects have to be addressed: (i) the importance of Russian reserves for Europe and (ii) Russia’s need for access to the Internal European Market, its foreign investments and the tax revenues gained from energy exports.

(i) European dependency on Russia’s reserves is vast. While there are conflicting statistical data on how big Russian energy resources in fact are, the official estimates of the *Russian Energy Strategy to 2020* suggest that Russia is in possession of 13 % of the world’s known oil reserves and holds more than 32 % of global gas resources.¹³⁹ As the largest single supplier, Russia delivers 5.3 million barrels of oil per day to Europe, together with 2.2 million barrels of oil-equivalent a day in form of natural gas. Altogether, it is estimated that Russia possesses 70 billion barrels of proven crude oil and 1.700 trillion cubic feet of natural gas, excluding the vast new reservoirs that experts anticipate to be found in Eastern Siberia.¹⁴⁰ Not neglecting the importance of Russian oil and coal imports to the EU, the overall trend can be exemplified by looking at the Russian gas imports to Europe in *Table 4*.

¹³⁸ Ch. Grant; K. Barysch, The EU-Russia Energy Dialogue, in: *CER briefing note*, Nr. 1 , 2003, p. 1

¹³⁹ Ministry of Energy of Russian Federation, *Energy Strategy of Russia until the year 2020*, 2000, p.7.

¹⁴⁰ E.g. Butler, *op. cit.*, p. 3.

| From | 2000 | 2020 |
|---|------|------|
| Africa | 30 | 38 |
| Middle East/Caspian Region/Others | 1 | 22 |
| Russia | 69 | 40 |
| * refers to all European states west of the former USSR | | |
| Source: Roland Götz, After the Gas Conflict, <i>SWP Comments</i> , Nr. 8, March 2006, p. 4. | | |

In 2000, European states relied to 69 % on Russian gas, and alternatives were only to be found in a limited number of suppliers from North Africa. While projections suggest that this reliance will be decreasing over time, due to an experienced lack in investment, increased resource competition from China and India and alternative suppliers through LNG transports, the reliance on Russian reserves will remain also in the foreseeable future enormous (*Table 4*).

Table 5 underlines further the fact that, while the individual dependency of each member state on Russian gas imports may be divergent, the majority of the EU-25 and in particular the new members from Central and Eastern Europe dependent remarkably on Russian gas exports. Some of them, like Estonia or Finland, even obtain all their gas from Russian sources.

| | Imports from Russia (bn m ³) | Percentage of total imports (%) |
|---|--|---------------------------------|
| Estonia | 0.9 | 100 |
| Bulgaria | 3.1 | 100 |
| Finland | 4.3 | 100 |
| Latvia | 1.5 | 94 |
| Hungary | 9.3 | 85 |
| Turkey | 14.5 | 65 |
| Belarus* | 10.2 | 52 |
| Ukraine* | 34.3 | 50 |
| Germany | 37.3 | 41 |
| Italy | 21.6 | 35 |
| France | 13.3 | 30 |
| * Additionally substantial imports from Central Asia | | |
| Source: Roland Götz, After the Gas Conflict, <i>SWP Comments</i> , Nr. 8, March 2006, p. 3. (collective sources: Aleksey Krashkov in <i>Nezavisimaya gazeta</i>) | | |

(ii) *But the dependence seems to be no one-way street.* From the Russian perspective, the earnings from energy exports to Europe are vital. In 2002, “energy

accounted for 55 % of Russia's export revenues, 20 % of GDP and approximately 40 % of tax revenues."¹⁴¹ Taking hold of these figures, the lesson-learned suggests that Europe's dependence on reliable Russian delivery is overwhelming; Russia's dependence on Europe on the contrary is today significantly large, but this might change over time due to emerging new energy clients like China and India with their emerging economies. The High Representative of the EU nevertheless stresses his belief in the mutual interdependence between two partners, when saying:

Yes, 'we' need to buy from abroad. But exporters need to sell. That the EU imports 30 per cent of its energy needs from Russia is now familiar. Equally significant is that Russia gets 20 per cent of all export earnings from selling gas to Europe. This is a relationship of interdependence. To manage interdependence adroitly, you need partnership and trust.¹⁴²

Solana's idea of mutual interdependence is attacked, as the partnership seems to be endangered especially by developments ongoing in Russian domestic politics, and here in particular the gradual re-nationalization of strategic, economic sectors. As *Yergin* puts it: "For Russia, the aim is to reassert state control over 'strategic resources' and gain primacy over the main pipelines and market channels through which it ships its hydrocarbons to the international market".¹⁴³

This tendency of gradual re-integration of the Russian energy sector under state rule (and here especially gas monopolist Gazprom and oil monopolist Transneft) has reinforced the serious doubts about the trustworthiness of the Russian partner especially from the new Baltic¹⁴⁴ member states.¹⁴⁵ The threatening of *Alexei Miller*, chief executive of Gazprom, that "[a]ttempts to limit Gazprom's activities in the European market and politicize questions of gas supply, which in fact are of an entirely economic nature, will not lead to good results"¹⁴⁶, has confirmed these doubts impressively and causes severe uncertainties whether any 'strategic partnership' with Russia is not deemed to fail.

The Russian-Ukrainian gas dispute in January 2006 demonstrates in the eyes of many observers another major example of what possibly also the EU will be confronted one day, the total unreliability of supply due to Russian foreign policy objectives. The deteriorated bilateral relations between Putin's Russia on the one

¹⁴¹ E.g. Johnson, *op.cit.*, p. 266.

¹⁴² E.g. Solana, *op. cit.*, p. 7.

¹⁴³ E.g. Yergin, *op.cit.*, p. 71.

¹⁴⁴ The Baltic States are only connected to the Russian electricity grid, and not to the Western European, and rely therefore to a good extent on the good will of the Russian authorities.

¹⁴⁵ E. Smith, Energy Green Paper faces Baltic backlash, *European Voice*, 9.3.2006, p. 2.

hand, and the Ukraine since the 'Orange Revolution' on the other, has lead in this case to a situation where Gazprom was asking from the Ukraine a five-fold increase in price for the same amount of Russian gas. The crisis ended, after a temporary break-up of supplies, with an agreement on 4 January 2006 (*Table 6*), obliging the Ukraine to pay twice the amount for Russian gas than before, around \$95 per 1000 m³. While this remains still below the sharply increased price for Western Europe of around \$250 per 1000 m³, the politically motivated pricing-policy becomes evident when at the same time, Moscow abiding Belarus remains for its gas imports from Russia on the same preferential price agreement then before, paying only \$47 per 1000 m³.¹⁴⁷

The lesson-learned from the gas dispute is therefore that Russia is willing until now to employ its energy resources as 'political weapons' against assumingly weaker partners, with no guarantee that also economically more viable allies could not be the target one day. Russia's foreign energy policy can therefore be labeled a 'geopolitical risk' to Europe.

| To | 2005 | 2006 | To | 2005 | 2006 |
|--------------------|------|------|----------------------------|---------|-----------|
| Germany | 200 | | Estonia, Latvia, Lithuania | 85 – 95 | 120 – 125 |
| Poland | 120 | | Ukraine | 50 | 95 |
| Turkey | 75 | | Belarus | 47 | 47 |
| W. Europe, average | 174 | 250 | Russia | 38 | 46 |

Source: Roland Götz, After the Gas Conflict, *SWP Comments*, Nr. 8, March 2006, p. 1. (collective sources: Bofit Weekly and Gazprom)

IV.2 The present institutional frame

At first sight, the EU-Russia Energy Dialogue seems to have created nevertheless a dense and confiding network of institutionalized bilateral dialogue. Inaugurated in October 2000 by a *Joint Declaration*¹⁴⁸ issued on the EU-Russia Summit in Paris, the Energy Dialogue was embedded into the framework of the existing EU-Russia *Partnership and Cooperation Agreement (PCA)* that was signed in 1994, and entered into force on 1 December 1997. *Title II*¹⁴⁹ of the PCA already specifies the provisions under which the two parties can engage into political dialogue, and installs a Cooperation Council between the members of the Council, the Commission and the

¹⁴⁶ The Background of the Gazprom threat to EU leaders is the UK consideration to change national mergers & acquisition rules "to block a potential takeover of Centrica, Britain's biggest gas supplier" through Gazprom, see N. Buckley et al, Gazprom threat to supplies, *FT Europe*, 20.4.2006, p.1.

¹⁴⁷ R. Götz, After the Gas Conflict, *SWP Comments*, Nr. 8, March 2006, p. 1.

¹⁴⁸ EU-Russia Summit, *Joint Declaration*, 30.10.2000, p. 1-3.

¹⁴⁹ See: http://www.europa.eu.int/comm/external_relations/russia/pca_legal/title2.htm, 25.4.2006

Russian authorities. In 2007, this first PCA¹⁵⁰ will expire and will have to be replaced by a new framework.¹⁵¹

According to the Joint Declaration, the purpose of the Energy Dialogue was “to raise all the questions of common interest relating to the sector, including the introduction of cooperation on energy saving, rationalization of production and transport infrastructure, European investment possibilities, and relations between producer and consumer countries”.¹⁵² Four high level working groups (*Thematic Groups*) on energy efficiency, trade, investment and infrastructure were put in place and bring together more than 100 officials from Russia and the EU. While these meetings focus mainly on the technical aspects of cooperation, the Heads of State and Government of the EU and Russia meet twice a year on their *EU-Russia summit* to discuss the broad political objectives.¹⁵³ On the summits themselves, from the EU side usually also the Commission President, the High Representative, and the Commissioner for External Relations and Trade are present. The Russian delegation is represented by the Russian President and the Ministers for Foreign Affairs, Economic Development and Trade, Energy and Industry and Transport.¹⁵⁴ A monitoring process evaluates the Energy Dialogue’s output and produces annual *Progress Reports*.¹⁵⁵ Since the EU-Russia summit in November 2004 in The Hague, the Energy Dialogue has been placed additionally into an even broader cooperation framework, establishing the *four “common spaces”* between the EU and Russia. Over time, a common economic, a common external security, a common justice and home affairs and a common research, education and culture space should develop. The achievement of these objectives is to be monitored by a consensually agreed *Road Map*, yet, the character of the four common spaces remains non-binding.¹⁵⁶

On the 3 October 2005, the new body of the *EU-Russia Permanent Partnership Council (PPC) on Energy* united for the first time in order to coordinate and legitimize the work of the four ‘thematic groups’ of the Dialogue. The meeting assembled high-level political officials on the ministerial level, among them the Russian Energy Minister (Viktor Krishtenko), the EU Presidency (Alan Johnson, UK Secretary of State for Trade and Industry) as well as the incoming Presidency and the EU Commissioner for

¹⁵⁰ With Russia’s imminent accession to the World Trade Organization, Russian officials argue the PCA becomes to a certain extent redundant, see Beatty, *The bearish relationship*, *op.cit.*, p. 17.

¹⁵¹ See: http://europa.eu.int/comm/external_relations/russia/intro/, 25.4.2006.

¹⁵² E.g. EU-Russia Summit, *op.cit.*, p.2.

¹⁵³ EuroActiv.com, *EU-Russia Energy Dialogue*, Brussels, 20.3.2006, p. 1.

¹⁵⁴ EU Presidency, Joint Press Release with the *European Commission on the EU-Russia Permanent Partnership Council on Energy*, 3 October 2005, London.

¹⁵⁵ EU-Russia Energy Dialogue, *Fifth Progress Report*, Moscow/Brussels, November 2004.

¹⁵⁶ EU Commission, *EU-Russia – The four ‘Common Spaces’*, MEMO/04/268, 23.11.2004, pp. 1-3.

Energy (Andris Piebalgs).¹⁵⁷ An Industrialist's Round Table (IRT) complements the institutional setting, bringing together industrial stakeholders from both camps.

Emerging aspects discussed in the framework of the Dialogue are, according to the 5th Progress Report, a draft agreement on trade in nuclear materials, a feasibility study on the interconnection between Russian and European electricity grid, a cooperation between the EU GALILEO satellite navigation system and the Russian counterpart GLONASS and infrastructure projects of common interest. Both parties acknowledged therein the priority of the Northern Trans-European Gas Pipeline construction and the expansion of the Yamal-Europe pipeline.¹⁵⁸

IV.3 Critical evaluation of the Dialogue

Assessing the Energy Dialogue according to its (i) substance and (ii) as an instrument of the EU toolbox, the following observations and qualifications can be made. Some (iii) preliminary conclusions are drawn.

(i) Substance

A wide range of scholars have engaged in assessing the EU-Russia Energy Dialogue and its deliveries. Whilst the prevailing opinion draws a rather gloomy picture, such as *Grant/Barysch*¹⁵⁹ or *Smith*¹⁶⁰, some analysts consider, before targeting the Pro's and Con's of the bilateral cooperation, the great potential that is embedded in the Dialogue *in principle*. *Belyi*¹⁶¹ argues that the EU-Russia cooperation could constitute a primary solution to diminish European dependency on oil and gas from the crisis-ridden Middle East region, in particular in the light of the looming Iran crisis and the instable domestic developments in Iraq. He supports his argument in stressing the ongoing "regionalization of international oil geopolitics", due also to Islamic extremism.¹⁶² Besides, the gradual liberalization of the Internal Electricity Market and the opening up of the Russian market for competition offers in the long-term the possibility of daunting synergy effects (one large electricity regulation framework with one grid code and cross-border trade) and new possibilities for energy investments from European

¹⁵⁷ E.g. EU Presidency, Joint Press Release, *op.cit.*, p.3.

¹⁵⁸ EU-Russia Energy Dialogue, *Fifth Progress Report*, Moscow/Brussels, November 2004.

¹⁵⁹ E.g. Grant/Barysch, *op.cit.*, p. 1.

¹⁶⁰ K. Smith, Security Implications of Russian Energy Policies, in: *CEPS Policy Brief No.90*, Jan. 2006, pp.1-4.

¹⁶¹ A. Belyi, EU-Russia Energy Dialogue: towards a decline or a new breath? in: *Revue de l'Energie*, forthcoming in 2006, 7 pp.

¹⁶² E.g. Belyi, EU-Russia Energy Dialogue, *op.cit.*, p. 2.

companies (increase reserve capacity and the build-up of new infrastructure).¹⁶³ Eventually, also the entering into force of the Kyoto Protocol and the Russian ratification of it inherits the significant possibility of trading the so-called 'CO₂ pollution rights' under the emissions trading scheme between major European economies such as Germany, Britain and France (which have often exhausted their national allocation plans for CO₂ emissions) and Russia (that has due to its 1990s depression spare allocation rights to trade).¹⁶⁴

It has been generally acknowledged that the since 2001 continuously institutionalized Energy Dialogue has delivered a range of projects with added value. The in 2002 established and from both parties co-funded Energy Technology Cooperation Center, situated with 12 permanent staff in Moscow, can serve as an example. The Center covers a wide range of pilot projects with a vibrant research agenda, stretching also beyond fossil fuels into the field of energy saving and to a lesser extent renewable energy.¹⁶⁵ The Dialogue has been supportive in the establishment of the new Yamal-Europe gas pipeline connecting major North Russian gas fields via Poland with the Internal Market, with an ultimate capacity of 30 billion cubic meters of natural gas.¹⁶⁶ Great potential lies also in the cooperation on satellite navigation GALILEO-GLONASS to control the physical security of sensitive transport routes and pipelines. Already on their way are joint energy efficiency pilot projects in Arkhangelsk, Astrakhan and Kaliningrad, launched after the Russian Duma in October 2004 finally ratified the Kyoto Protocol. A recent cooperation on small scale hydro power is the latest effort in this line.¹⁶⁷

Yet, several contested questions remain. Especially in respect to the most essential cooperation objectives, disappointments have been rather frequent, such as the Russian strategy of postponement to ratify the *Energy Charter Treaty* and the persistence of the Russian *Gazprom monopoly*. Both aspects shall be discussed briefly.

The *Energy Charter Treaty* is between the EU and Russia a major bone of contention. While 51 states have already ratified the ECT, Russia has signed the Treaty, but postpones since January 2001 to ratify the binding multilateral framework. In a Duma hearing back then, in particularly Gazprom lobbied the Russian government not to obey to the obligations of a treaty that would allow competitor's gas from former soviet Republics in Central Asia to access the state-controlled Gazprom gas pipeline

¹⁶³ *Ibid.*

¹⁶⁴ *Ibid.*

¹⁶⁵ See: <http://www.technologycentre.org/>, 26.4.2006.

¹⁶⁶ E.g. COM(2003) 262, *op.cit.*, p.35.

¹⁶⁷ EuroActiv.com, *EU-Russia Energy Dialogue*, Brussels, 20.3.2006, p. 2.

network on an equal footing. Gazprom put forward the calculation that the increased competition would seriously endanger Russia's economic interests, and amount to annual losses of up to \$5 billion dollar in domestic profits and \$10 billion in lost export revenues by 2005.¹⁶⁸ It is since then that the Russian Duma decided to leave the process of ratification on hold, which in turn, causes severe problems between the EU and Russia. In contrast to the Energy Charter Treaty, the Energy Dialogue, already by its nature as a dialogue, has no overarching element of a legal binding force. Yet, the ECT and the Russian ratification of it would constitute such a legally enforceable instrument that could fundamentally reshape the relations with Russia. It would guarantee certain minimum standards for access rights to energy transport infrastructure, implement the rule of law into cross-border trade and could reduce the risks associated with large-scale energy investments, such as the extraction of new gas fields in Eastern Siberia. In concrete terms, five key provisions¹⁶⁹ are at the heart of the ECT, namely

- (1) Protection of foreign direct investment in energy projects, based on the applicable national treatment or most-favored nation treatment
- (2) Free trade for energy-related materials, products and equipment, based on WTO law
- (3) Freedom of access and transit through pipelines and grids
- (4) Promotion of energy efficiency
- (5) Conflict resolution mechanisms for disagreements between member states of the ECT and private investors versus member states.

None of the existing frameworks, in which the current Energy Dialogue operates (neither PCA nor Common Spaces Initiative), could provide the legal certainty that would be guaranteed by a Russian participation in the ECT process with the above stated provisions. In particular the conflict resolution mechanisms offered by the ECT would be of utmost importance for a level-playing field in the EU-Russia relations. Taking the energy security matrix from *Table 2* into consideration, it becomes obvious that the purpose of the instrument 'Energy Dialogue' would be to balance the security of supply and the security of demand of both partners. However, this seems impossible to achieve without binding rules that both partners agreed before.

The uncontested *monopoly of Gazprom on Russian gas exports* forms the second element in which the EU-Russia Energy Dialogue could not serve its purpose.

¹⁶⁸ E.g. Johnson, *op.cit.*, p. 273.

The Gazprom monopoly constitutes in itself about 20 % of the national revenues of Russia, with serious implications for the overall investment climate in Russia.¹⁷⁰

Implications of the Gazprom hyper dominance for the wider European gas market are two-fold: First, Gazprom has the leverage over the biggest part of Europe's gas extraction, and second, it also monopolizes the usage of the vast majority of trans-European gas pipelines leading to the Internal Market. Deriving from this dominant market position, several problems with the EU's Internal Market arise. In particular, the current Commission policy of liberalizing the gas and electricity market, which favors to have short-term contracts for gas pipeline usage as well as for gas booking, is clearly contradictory to the state-interventionist approach of Gazprom that favors long-term contracts with so-called destination clauses. These destination clauses, which are an effective instrument to limit arising competition in the market, are clearly clashing with the fundamental principles of the Internal Market. In detail, every contract given out by Gazprom (wholesale market) to an energy retailer (retail market) is accompanied by a destination clause, that means that gas which is booked for a particular destination cannot be resold in case that it is not needed, yet the conditions of the long-term contract still apply. While the Commission therefore clearly argues in favor of forcing Gazprom therefore to move to short-term contracting, which would in return allow more competition amongst competitors, a great number of large-scale private actors in the Internal Market do not necessarily follow the Commission's position. These reluctant market participants consider also the Gazprom approach of long-term contracts as in their best business interest.¹⁷¹ As *Belyi* argues: "Some officials proposed to move towards short term contracts, but the market practice demonstrated that long-term contracts are more used (and more secure for both sides also). Even in auctions in the UK, up to 80% of capacity booking is on long-term basis. Therefore, there is a clear problem of how to make new long-term contracts without destination clause."¹⁷²

Both the ratification of the Energy Charter Treaty and the Gazprom monopoly and its implications for the internal market have been repeatedly excluded from the bilateral consultations, which constitutes a major weakness in terms of the achievements of the Energy Dialogue.

(ii) Energy Dialogue instrument

However, looking at the instrument 'Energy Dialogue' from a more conceptual perspective, the sheer fact that the EU and Russia are engaged in energy-related

¹⁶⁹ See: <http://www.encharter.org/>, (Historical Review), 26.4.2006.

¹⁷⁰ E.g. *Belyi*, EU-Russia Energy Dialogue, *op.cit.*, p. 6.

¹⁷¹ *Ibid.*

negotiations since 2001 can be evaluated as a major success. Certainly, the institutionalized framework of cooperation, specialized on a sector of high common interest, has been beneficial to both sides as it brought a manifest reduction of transaction costs when engaging into bilateral negotiations. The Dialogue provides the basis for the political leadership and the chief executives of the respective energy businesses to get acquainted with each other over and over and form personal relationships, which helps in return to reduce existing trade and regulatory barriers in an informal way. As a Commission official put it: the “continuity of people” is one of the decisive aspects of a fruitful dialogue.¹⁷³ The wide range of participants, stretching from the level of technical expertise to the Heads of State and Government, suggests that both sides are conscious of the importance of the bilateral framework that was built-up with the Energy Dialogue.

Nevertheless, drawbacks remain. Often “working groups are preparing their reports at the last minute”, which contradicts the notion of a well-structured framework of negotiation.¹⁷⁴ Moreover, the set-up of the Energy Dialogue shows a technical bias, meaning that the permanent structures have been, until the recent inauguration of the EU-Russia PPC, of pure technical nature (thematic working groups). The diplomatic cooperation on the other hand tended so far to be rather sporadic. This unbalanced focus on technicality has in return caused a lack of political understanding between the participants. The Energy Dialogue could also not prevent EU member states from engaging in individual agreements with Russia that are beneficial for the national rather than the Community level. Special ties between Russian President Vladimir Putin and his German counterpart, former Chancellor Gerhard Schröder, bypassed the EU level in several incidents, including the above mentioned example of the NEGP.

Another weakness of the current Energy Dialogue set-up can be identified when looking at the involvement of first (Community foreign policy) and second pillar actors (Union foreign policy). It turns out that there is a discrepancy between cross-pillar cooperation on the political and on the technical level. While on the political level of EU delegations with the Russian partners, a coordinated approach between Commission and Presidency/High Representative is ensured through personal presence of all parties at the negotiations abroad, ‘back’ in Brussels, this ‘cross-pillar’ approach seems to vanish into thin air. A typical example in the eyes of the author represents the process of establishing the Green Paper on Energy Security in 2006 which did not take advantage of synergy effects that could have been achieved

¹⁷² A. Belyi, Researcher UCL-KUL (Brussels) on EU-Russia Relations, telephone, 5.4.2006.

¹⁷³ M. Lombardini, European Commission DG TREN, EU-Russia, Brussels, 21.4.2006.

¹⁷⁴ E.g. Belyi, EU-Russia Energy Dialogue, *op.cit.*, p. 5.

through dense cooperation between Commission and permanent structures of the Council Secretariat. When it comes to the preparatory work, first and second pillar are still separated to a major extent. As already indicated in the overview on external energy policy instruments, the cross-pillar work is gradually taking off, yet, especially in relatively new fields such as energy security, this process of tackling the topic in a coordinated manner between Community and CFSP actors has not yet reached all players and hierarchies.

(iii) Preliminary Conclusions on the EU-Russia Energy Dialogue

Can the EU-Russia Energy Dialogue then constitute a role model for EU external energy toolbox? As stated above, one of the major problems of the Energy Dialogue is that it did not manage to involve again negotiations on Russia's ratification to the ECT and the connected Transit regulations¹⁷⁵. This constitutes not only a major weakness, but is in the eyes of the author a structural deficit of the institutional set-up. While the Energy Dialogue and the ECT have been handled in the past as two parallel processes, they should be considered in the future as a functionally interdependent unity. In fact, they constitute complementary means to the same end. The Energy Dialogue and the ECT are two sides of the same 'energy security' coin.¹⁷⁶ While the Energy Dialogue represents the framework for negotiations, the ECT is the necessary legally-binding complement that assures that the results of the Political Dialogue can be transposed into a long-lasting relationship based on a common legal foundation with shared principles and norms, or as *Belyi* notes:

In my view, the energy dialogue cannot become functional as long as it is set-out as a substitute of the Energy Charter Treaty. At the beginning, the Commission tried to marginalize the Energy Charter and to promote instead the dialogue. The EU-Russia Energy Dialogue has to be covered however by another treaty, in order to give it binding force.¹⁷⁷

One of the underlying problems that can explain why Russia and the EU have so much problems uniting the diplomatic efforts of the Energy Dialogue with the regulatory framework of the ECT is *the contradictory economic paradigm under which both systems function*. The economic contradiction lies in the way the EU Internal Market and the current Russian energy business function. On the one hand, the EU has done considerable work on implementing the free-market approach of liberalizing the energy market, moving thereby gradually to a system with short-term contracts and more

¹⁷⁵ Further information on the so-called Transit Protocol; see www.encharter.org (Transit Protocol).

¹⁷⁶ A. Belyi, Researcher UCL-KUL (Brussels) on EU-Russia Relations, telephone, 5.4.2006.

¹⁷⁷ A. Belyi, Researcher UCL-KUL (Brussels) on EU-Russia Relations, telephone, 5.4.2006.

competition; On the other hand the Russian approach, that views energy as too much of a strategic reserve to leave this to the market, and recent attempts of Vladimir Putin to reflect about the set-up of a 'Gas-OPEC'¹⁷⁸ underline this policy objective. The Russian model is based on long-term contracts, strong monopolistic market structures and tight state-control. As these two different paradigms clash within the framework of the Energy Dialogue, it is unavoidable that conflicts arise.

Concluding on the EU-Russia Energy Dialogue, the further development should necessarily focus on reviving the ECT process again. The Dialogue should be a tool of the EU in order to engage into a further ECT process, where about the old Energy Charter Treaty is adapted to the current state of affairs, and the Dialogue is then transferred into a legally-binding cooperation agreement that surpasses the currently available PCA or Common Spaces Initiative. Only in case that the bilateral Energy Dialogue is merged in one way or another with the multi-lateral ECT process, the kind of beneficial situation arises that has been identified with the Energy Community Treaty above. Energy Dialogue and ECT together would unify the EU's external energy security tools on Russia into one framework and could link this effort to the internal energy security tools employed by the Community and the national level, including the Security of Natural Gas Supply Directive from 2004. A 'hybrid instrument' as currently experienced with the emerging Energy Community in South-East Europe could develop. The Energy Dialogue with Russia therefore does not constitute a role model in itself, but combined with the regulatory framework of the ECT (and the Russian participation in it), it could be one of the components of a successful instrument of the EU toolbox.

V. Emerging futures: March 2006 Council Proposals

After examining in detail the actors and instruments and looking more specific at the case of the EU-Russia Energy Dialogue, the paper will focus now on the conclusions that the Heads of State and Government of the EU-25 have drawn from the current state of the EU's external energy policy. Only two months after the January 2006 gas crisis between Russia and the Ukraine, an extraordinary Council of Ministers meeting¹⁷⁹ under Austrian Presidency agreed upon basic principles for a 'truly' common energy policy. The European Council following-up on the 23 and 24 March 2006 endorsed these principles and launched a whole package of new or revised

¹⁷⁸ R. Götz, *After the Gas Conflict*, *op.cit.*, p. 4.

¹⁷⁹ *Council, Energy*, Press 7009/06, 14.3.2006, pp. 1-10.

instruments, subsumed under the title “Energy Policy for Europe (EPE)”.¹⁸⁰ The Council opened the debate about the future of the EU’s External Energy Policy.

V.I Debate and Proposed Changes

At the heart of the debate lies the competence question in the field of energy policy. Are the member states willing to give the Community level more competences in energy policy? A stronger Common European Energy Policy would however entail further losses in national sovereignty, also in such sensitive questions as the composition of the national energy mix, which constitutes the crux of the matter. The Commission has been arguing strongly in favor of moving towards a stronger Community competence in energy policy. “Acting together”, the Commission stressed, the EU has “the weight to protect and assert its interests”.¹⁸¹ From this point of view, it was envisaged “that the new power could range from the Commission having the right to negotiate energy deals with international partners to the Council of Ministers having an energy representative, playing a similar role to Javier Solana in the area of foreign policy.”¹⁸² Although the European Council agreed in principle to the above stated formula, the consensus reached in March 2006 could be summarized as ‘coherence through further cooperation’, or as the Council Conclusions read, “enhanced cooperation”.¹⁸³ The fact, that no further competences are expected to be transferred to the Community level, has evoked harsh criticism, as becomes evident in the representative voice of a MEP: “I can live with this Council approach to tackle the energy problems with more coordination, but I have my personal doubts whether this approach can provide a solid basis for such common Energy Policy, as it would primarily have to be driven by changing Council Presidencies and not by a permanent Commission unit in Brussels”.¹⁸⁴ To conclude on this aspect, the author remains of the conviction that all future EU actions in the field of External Energy Policy will have one thing in common: they build on the same unclear legal base as in the present situation.

Two main priorities sketched out by the European Council are noteworthy in the present context: First, the EU-Russia Energy Dialogue should be altered and at the same time, the Energy Dialogue instrument should be developed into a *common framework for third party contact and in-between member states contact on energy questions*. Second, the scope of the Energy Community Treaty should be extensively enlarged, transferring it into a *Pan-European Energy Community Treaty*.

¹⁸⁰ European Council, *Brussels Presidency Conclusions*, 23/24.3.2006, pp. 1-35.

¹⁸¹ E.g. COM(2006)105 final, *op. cit.* p. 4.

¹⁸² A. Beatty, Energy policy could mirror trade, *European Voice*, 9.2.2006, p. 3.

¹⁸³ E.g. European Council, 23/24.3.2006, *op. cit.*, p. 13.

¹⁸⁴ M. Gahler, MEP (EPP/ED), Committee on Foreign Affairs, Brussels, 27.3.2006

In accordance with the Commission Green Paper of 8 March 2006, the Council agreed that the existing *Energy Dialogue instrument* will be transformed into a *Common Framework* applied to the political dialogue between both member states themselves and to main third countries, “be they producer, transit or consumer countries [...], in synergy with relevant international organizations”¹⁸⁵ The broadening of the scope should include deeper cooperation agreements with the OPEC and Gulf Cooperation Council and the Caspian Basin, while the main focus shall still be the EU-Russia Energy Dialogue. Yet, contrary to the current situation, the European Council stressed the need to expand the partnership on a more equal basis. Forcing the Russian partner to ratify the ECT and leading the way to a friendlier environment for foreign investors in the Russian energy market was set out to be prioritized.¹⁸⁶

The in 2005 started *Energy Community Treaty* with the countries from South-East Europe shall be enlarged to become a *Pan-European Energy Community Treaty* that could progressively include more countries, especially out of the pool of the European Neighbourhood Policy. The Commission pledged for using the ENP in order to expand the EU’s Internal Energy Market to its neighborhood.¹⁸⁷ But, in order to achieve this kind of wider European regulatory framework for energy, the Commission has also underlined the necessary prerequisite to complete the Internal Energy Market for gas and electricity beyond the current situation, which is mainly characterized by a general lack of implementation of common rules. Indeed, how can one credibly export a regulatory framework to third countries, if it is not functional within the single market? The Commission proposed a “Strategic EU Energy Review”, which will be provided annually and could outline the state of unity of the Internal Energy Market and its policies. The Review was promoted by the Commission as a “single reference point”, which gradually should lead the EU to “speak with the same voice” in external energy matters.¹⁸⁸

V.II Critical Evaluation of the Proposals

In the light of the above accomplished analysis, the proposals of the European Council appear like a logical step towards a greater role of the Community foreign policy, but not a very bold one.

The expansion of the scope and intensity of the Energy Dialogue instrument to other regions should be welcomed, as this can contribute to a gradual more diverse network of consumer-producer contacts of the EU. Especially the focus on the Caspian

¹⁸⁵ E.g. European Council 23/24.3.2005, *op. cit.*, pp. 14-15.

¹⁸⁶ E.g. European Council 23/24.3.2005, *op. cit.*, pp. 30-31.

¹⁸⁷ E.g. COM(2006)105 final, *op. cit.* pp. 15-17.

Basin is an important step to ensure reliability of supplies from Russia, as in return the negotiation position of the EU in the EU-Russia Energy Dialogue improves considerably when suddenly there are credible alternative suppliers at hand. Yet, the revamp of the EU-Russia Energy Dialogue with the ECT process still considered as a parallel process is prolonging the current unsatisfying situation into the future.

The focus on the Energy Community Treaty and the enlargement of it to the ENP is also a consistent step in the right direction. Energy Markets are at best regional, yet for the most part, they are global. In the light of this tendency, the expansion of the EU regulatory standards to neighboring regions assures that all players in the field are complying with the same regulatory rules, a prerequisite for a fair level-playing field for competition. Yet, in the author's view it would be more beneficial to envisage a gradual merger of the two policy instruments EU-Russia Energy Dialogue and Energy Community Treaty. This could eventually lead to a gradual integration of Russia into the framework of the emerging *Pan-European Energy Community Treaty*. It would constitute a bold step, with potentially significant impact on the security of supply for Europe and the security of demand for Russia.

The Council's invitation for the Commission and the High Representative to come up with a joint strategy¹⁸⁹ for the EU's External Energy Policy can be interpreted as a first move towards forcing the Community and the Union foreign policy actors also 'back in Brussels' to develop a close cross-pillar cooperation on external energy aspects. Due to the experienced lack of horizontal links, this move could accelerate the necessary network building between several institutional actors. In a best case scenario, a joint strategy could reduce competence quarrels between the various actors and could also harmonize their strategic outlook with respect to energy security.

¹⁸⁸ E.g. COM(2006)105 final, *op. cit.* p. 14.

¹⁸⁹ E.g. European Council 23/24.3.2005, *op. cit.*, p. 16.

VI. Conclusions

The present paper has addressed the role of European Foreign Policy in field of energy security. It has done so by looking at the available internal and external instruments at various levels of the EU's multi-level and multi-layer governance, outlining in more detail also the EU-Russia Energy Dialogue as an example of prospects and constraints of EU action in the field. While the ancient working assumption had been that the EU (through its Community pillar) is responsible for liberalization in the Internal Energy Market, and the member states are in charge of the energy security of its citizens, today's practice shows a far more complex system of overlapping actions of both levels. The hypothesis stated that the EU succeeded in building up a credible diplomatic toolbox based on Energy Dialogues with third countries, but it did not manage so far to combine these tools effectively with the complementary regulatory means from the Internal Market or other multi-lateral agreements.

It was analyzed in more detail in how far the EU can contribute through its two distinct modes of foreign policy-making (Community and Union foreign policy) to the energy security of its member states. An in-depth analysis underlined that there is 'no single voice' and 'no single competence' in order to address energy security questions on the EU level. The many facets that have to be taken into account when tackling the energy security concept (security of supply, security of demand, reliability of supply, physical security of installations and personnel) makes this oversimplification even impossible. On the contrary, it has become explicit that the formulation of objectives, the agenda-setting and the diplomatic action depends on a coordinated effort, which to date, still suffers drawbacks. At present, Community and national level actors do not share the same strategic outlook, which makes a policy based on shared principles difficult to achieve. While the national actors still focus on the security of supply of their own nationals, especially the European Commission tries to promote a broader vision of what energy security means, including also the question, what the implications are for the security of demand for the energy producing country. While *Stetter* is right to argue that European Foreign Policy in principle is "institutionally fragmented, yet functionally a unified policy-making framework"¹⁹⁰, the analysis of the horizontal security concern 'energy' suggests that in particular in this field, the actors did not yet develop this sense of cross-pillar cooperation on a large scale. There are still formal as

¹⁹⁰ Stephan Stetter, Cross-pillar politics: functional unity and institutional fragmentation of EU foreign politics, in: *Journal of European Public Policy* (2004), Vol.11, Nr. 4, p. 721.

well as mental divisions between the Community and CFSP actors and between EU institutions and member states.

The most often used instrument in order to pursue EU External Energy Policy is the *Political Dialogue*. While it does not guarantee security of supply per se, it represents nevertheless a single point of contact through which the EU can reach agreements with third parties. The Energy Dialogue helps therefore first and the second pillar actors to combine their efforts and be together “facilitators” that “can identify problems and provide technical assistance in surmounting these problems”.¹⁹¹ The particular contribution of EFP is thus the transparent and balanced framework that can assist in shaping the context differently. But the analysis could also provide evidence that the instrument ‘Energy Dialogue’ inherits a structural deficit, namely the lack of a binding legal-force. This results in the dim prospects for long-term sustainability of a bilateral relationship that is based on an Energy Dialogue. Without follow up measures that transform the diplomatic relations of the dialogue into a regulatory or treaty-based agreement, the strength of the dialogue, its flexibility, can also become its major problem. In particular, the lack of some kind of conflict resolution mechanism makes a bilateral energy partnership almost impossible within such a framework of operation.

The case study on the EU-Russia Energy Dialogue has outlined these structural deficits of the existing Energy Dialogue thoroughly. It was stressed that the instrument ‘Energy Dialogue’ was not the right platform to tackle important questions such as the Russian postponement of the ratification of the ECT and the Gazprom gas export monopoly and its implications. The lacking binding legal agreement was identified in the parallel process of the ECT (multi-lateral) that would constitute in combination with the Energy Dialogue (bilateral) an overarching cooperation framework encompassing both, high-level diplomacy and technical standardization of different energy markets that are legally enforceable. In respect thereof, the paper’s hypothesis that the EU still lacks a sort of hybrid instrument that combines strong political dialogue with a binding regulatory agreement for harmonizing the respective energy sector could be confirmed.

At the same time, it has been acknowledged that there are instruments evolving that might overcome this structural deficit of the current EU toolbox. This hybrid model, exemplified with the Energy Community Treaty from 2005, combines in a well organized way the benefits from internal and external energy security tools under one overarching framework. The Energy Community Treaty could serve as a role

¹⁹¹ E.g. Johnson, *op.cit.*, p. 276.

model to achieve a holistic approach to energy security. Yet there are several prerequisites for the proper functioning of such an EU instrument. Most importantly, the regulatory scheme that will be transferred to third parties has to be implemented first properly within the Internal Market itself. Looking however at the state of the Internal Energy Market of the EU, this fundamental prerequisite for the proper functioning of a hybrid instrument is open for debate. While an official from the Council Secretariat concluded that the quest for energy security in Europe “is not about energy, but about diplomacy”¹⁹², the author’s slightly different conclusion stresses that the right combination of both spheres is essential. Energy Security is made at the crossroads, and the instruments used must reflect this hybrid nature.

The March 2006 European Council had these prospects and constraints of the EU’s External Energy Policy in mind when developing new objectives. It concluded that the scope of the Energy Dialogue will be enlarged, and the Energy Community Treaty will be widened to become a Pan-European Energy Community Treaty. The Council acknowledged that this policy expansion should be accompanied by more competences for the Community foreign policy, but it failed to translate this insight into factual new competences for the Community actors. The approach of a systematic cooperation between the member states framed by the strategic guidance of the Commission is the current state of affairs, and will be also in the foreseeable future. How much ‘Common’ External Energy Policy this set-up will allow, remains however to be seen.

Summing up, any progress in the field of the EU’s External Energy Policy should be welcome, as the question of how to manage the increasing import dependency of Europe becomes more urgent and demands as *Yergin* puts it, to anticipate and assess the “what ifs”.¹⁹³ Yet, speaking in personal capacity, the management of import dependency via a well-functioning diplomatic network, with or without a regulatory scheme underlying, will always remain the second best answer. It constitutes a policy that tries to cure the consequences rather than tackling the problem at its root. In the author’s view, Europe should not only focus on how to manage its import dependency best, but rather give priority to the question on how to get rid of it. Only a substantial reduction of the geopolitical risk of import dependency through alternative energy resources can eventually lead to a ‘desecurisation’ of energy.

¹⁹² S. O’Reagan, Council General Secretariat, Policy Unit, Horizontal Security, Brussels, 19.4.2006.

¹⁹³ E.g. Yergin, *op.cit.*, p. 82.

Bibliography

Expert Interviews

- BELYI, Andrei, Ass. Researcher UCL-KUL (Brussels) on EU-Russia Relations, telephone, 5.4.2006.
- GAHLER, Michael, MEP (EPP/ED), Committee on Foreign Affairs, Brussels, 27.3.2006.
- LOMBARDINI, Massimo, European Commission DG TREN, EU-Russia, Brussels, 21.4.2006.
- O'REAGAN, Sean, Council Secretariat, Policy Unit, Horizontal Security, Brussels, 19.4.2006.
- VAN DER LOO, Hans, Head EU Liaison Royal Dutch Shell, telephone, 3.3.2006.
- ZELTNER, Stefan, Representative EnBW Energie Baden-Württemberg AG, Brussels 8.3.2006.

Reports

- CLINGENDAEL INTERNATIONAL ENERGY PROGRAMME (CIEP), *Study on Energy Supply Security and Geopolitics*, Final Report prepared for EU DG-TREN, The Hague, Jan 2004, retrieved from http://europa.eu.int/comm/energy_transport/en/lpi_en1.html, 1.11.2005.
- CLINGENDAEL INTERNATIONAL ENERGY PROGRAMME (CIEP), *Tomorrow's Mores: The International System, Geopolitical Changes and Energy*, Study eds. by Femke Hoogeveen and Wilbur Perlot, The Hague, December 2005, p.1-160.
- CONGRESSIONAL RESEARCH SERVICE (CRS), *Nato and Energy Security*, by Paul Gallis, RS 22409, 21.3.2006, pp. 1-6, retrieved from www.usembassy.it/pdf/other/RS22409.pdf, 17.4.2006.
- EUROBAROMETER, Attitudes towards energy, EB 64, January 2006, pp. 1-12.
- EUROSTAT, *Statistical aspects of the energy economy in 2004*, Statistics in Focus – Environment and Energy, 05/2006, pp. 1-11, retrieved from www.europa.eu.int/comm/eurostat, 17.4.2006.
- INTERNATIONAL ENERGY AGENCY (IEA), *World Energy Outlook 2004*, Paris, 2004.
- INTERNATIONAL ENERGY AGENCY (IEA), *Security of Gas Supply in open Markets*, Paris, 2004.
- THE ECONOMIST INTELLIGENCE UNIT (EIU), *European Policy Analyst December 2005 – Legislative Watch list Energy*, London, December 2005, pp. 55-57.
- THE ECONOMIST, *Special Report European Energy Markets – The Politics of Power*, 11.2.2006, pp. 72-74.

Books

- BARTON, Barry.; REDGWELL, Catherine; RONNE, Anita; ZILLMAN, Donald N. (eds.), *Energy Security – Managing Risk in a Dynamic Legal and Regulatory Environment*, Oxford, OUP, 2005.
- BRETHERTON, Charlotte; VOGLER, John, *The European Union as a Global Actor*, 2nd Edition, London, Routledge, 2006.

- DORMAN, A.; Treacher, A., *An Introduction to Security Issues in Post-Cold War Europe*, Brookfield, Dartmouth Publications, 1995.
- FISCHER, Klemens H., *Der Europäische Verfassungsvertrag*, Baden-Baden, Nomos, 2005.
- GINSBERG, Roy, *The European Union in International Politics*, Lanham, MD, Rowman&Littlefield, 2001.
- HILL, Christopher, *The Changing Politics of Foreign Policy*, Basingstoke, Palgrave, 2002.
- HIX, Simon, *The Political System of the European Union*, 2nd Edition, Basingstoke, Palgrave, 2005.
- MANNING Robert, *The Asian Energy Factor. Myths and Dilemmas of Energy, Security and the Pacific Future*, New York, A Council of Foreign Relations Book, 2000.
- MATLARY, Janne Haaland, *Energy Policy in the European Union*, Basingstoke, Palgrave, 1997.
- NUGENT, Neill, *The Government and Politics of the EU*, 5th Edition, Durham, Duke University Press, 2003.
- SMITH, Karen, *European Union Foreign Policy in a Changing World*, Cambridge, Polity, 2003, in particular pp.52-96.
- SMITH, Hazel, *European Union Foreign Policy: What it is and What it does*, London, Pluto Press, 2002.
- UMBACH, Frank, *Globale Energiesicherheit – Strategische Herausforderungen für die europäische und deutsche Aussenpolitik*, München, Oldenbourg, 2003.
- WHITE, Brian, *Understanding European Foreign Policy*, Basingstoke, Palgrave, 2001.
- WEBBER, Mark; SMITH, Michael (eds.), *Foreign Policy in a transformed world*, Harlow, Prentice Hall, 2002.
- WYATT, Derrick (ed.), *Rudden & Wyatt's EU Treaties & Legislation*, 8th Edition, Oxford, OUP, 2002.

Articles

- ANDREWS-SPEED, Phillip; LIAO, Xuanli; DANNREUTHER, Roland, The Strategic Implications of China's Energy Needs, 2002, in: *IJSS-Adelphi Paper* 346, OUP.
- BELYI, Andrei, New Dimensions of Energy Security of the Enlarging EU and their impact on relations with Russia, in: *European Integration*, December 2005, Vol. 25(4), pp. 351-369.
- BELYI, Andrei, EU-Russia Energy Dialogue: towards a decline or a new breath?, in: *Revue de l'Energie*, forthcoming in 2006, 7 pp. (note: handed over by the author)
- BUZAN, Barry, Is international security possible?, in: Ken Booth, *New thinking about strategy and international security*, London, Harper Collins, 1991, pp. 1-40.
- CARLSNAES, Walter, Where is the analysis of European Foreign Policy going? in: *European Union Politics*, 2004, Vol. 5, No. 4, pp. 495-508.

- CEPS, Russia-EU relations – The present situation and prospects, in: *CEPS Working Document*, No. 225, July 2005, pp. 1-18, retrieved from www.ceps.be, 23.4.2006.
- GÖTZ, Roland, After the Gas Conflict – Economic Consequences for Russia, Ukraine, and Germany, in: *SWP Comments*, March 2006, Nr. 8, pp. 1-4, retrieved from <http://www.swp-berlin.org>, 24.4.2006.
- GRANT, Charles; BARYSCH, Katinka, The EU-Russia Energy Dialogue, in: *CER briefing note*, 2003, Nr. 1, pp. 1-5, retrieved from http://www.cer.org.uk/pdf/briefing_eu_russia.pdf, 10.3.2006.
- HANCHER, Leigh; JANSSEN, Sally, Shared Competences and Multi-faceted Concepts – European legal framework for the Security of Supply, in: B. Barton et al (eds.), *Energy Security – Managing Risk in a Dynamic Legal and Regulatory Environment*, OUP, Oxford, 2005, pp. 85-119.
- HELM, Dieter, The assessment: The New Energy Paradigm, in: *Oxford Review of Economic Policy*, 2005, Vol. 21, No.1, pp. 1-18.
- HUGHES, Christopher W., Reflections on Globalisation, Security and 9/11, in: *Cambridge Review of International Affairs*, 2002, Vol. 15, No. 3, pp. 421-433.
- JEORGENSON, K.E., The European Union's Performance in World Politics: How should we measure success?, in: Jan Zielonka (ed.), *Paradoxes of European Foreign Policy*, The Hague, Kluwer, 1998, pp. 87-101.
- JOHNSON, Debra, EU-Russian energy links: a marriage of convenience?, in: *Government and Opposition*, Spring 2005, Vol. 40, No. 2, pp. 256-277.
- KEOHANE, Robert, Ideas part-way down, in: *Review of International Studies*, 2000, Vol. 26, pp.125-130.
- MONAR, Jörg, Political Dialogue with Third countries and Regional Political Groupings: the Fifteen as an alternative Interlocutor, in: E. Regelsberger, P. de Schoutheete de Tervarant and W. Wessels (eds), *Foreign Policy of the European Union*, London, Rienner, 1997, pp. 263-74.
- MUELLER, Friedemann, Geopolitische Marktstörungen bei endlichen Ressourcen, in: *ZfE – Zeitschrift fuer Energiewirtschaft*, 2005, Vol. 29, No. 3, pp. 197-204.
- SMITH, Keith, Security Implications of Russian Energy Policies, in: *CEPS Policy Brief*, January 2006, No.90, pp.1-4.
- SMITH, Michael, The framing of European foreign and security policy: towards a post-modern policy framework, in: *Journal of European Public Policy*, Aug. 2003, Vol. 10, Nr. 4, pp. 556-575.
- SODUPE, Kepa; BENITO, Eduardo, Pan-European Energy Co-operation: Opportunities, Limitations and Security of Supply for the EU, in: *Journal of Common Market Studies*, March 2001, Vol. 39, No. 1, pp. 165-177.
- STETTER, Stephan, Cross-pillar politics: functional unity and institutional fragmentation of EU foreign policies, in: *Journal of European Public Policy*, Aug. 2004, Vol. 11, Nr. 4, pp. 720-739.

- WALTZ, Kenneth, Structural Realism, in: *International Security*, June 2000, Vol. 25, Nr. 1, pp. 5-41.
- YAKEMTCHOUK, Romain, L'Union européenne face à la crise de l'énergie, in: *Revue du Marché commun et de l'Union Européenne*, Octobre/Novembre 2005, No. 492, pp. 589-596.
- YERGIN, Daniel, Ensuring Energy Security, in: *Foreign Affairs*, 2006, Vol. 85, No. 2, pp. 69-82.
- ZHANG, Shu Yu, The proposed energy security package vis-à-vis EU law, in: *European Environmental Law Review*, June 2004, Vol. 13, No. 13, pp. 170-176.

Official Documents/Legislation

- EUROPEAN COMMISSION, Green Paper: *Towards a European strategy for the security of Energy supply*, COM(2000)769 final, Brussels, 29.1.2000, pp.1-111.
- EUROPEAN COMMISSION, *Communication from the Commission to the Council and the European Parliament on the development of energy policy for the enlarged European Union, its neighbors and partner countries*, COM(2003) 262 final/2, Brussels, 26.5.2003, 54pp.
- EUROPEAN COMMISSION, *Communication from the Commission to the Council and the European Parliament on Wider Europe-Neighborhood: a Framework for Relations with Our Eastern and Southern Neighbors*, COM(2003) 140 final, Brussels, 11.3.2003, pp. 1-26.
- EUROPEAN COMMISSION, *EU-Russia – The four 'Common Spaces*, MEMO/04/268, 23.11.2004, pp. 1-3.
- EUROPEAN COMMISSION, *Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy*, COM(2006)105 final, Brussels, 8.3.2006, 20 pp.
- EUROPEAN COMMISSION, *Annex to the Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy – What is at stake – Background Document*, SEC(2006)317/2, Brussels, 8.3.2006, 49 pp.
- COUNCIL OF MINISTERS for Transport, Telecommunications and Energy, *Press Release 7009/06*, 14.3.2006, retrieved from <http://ue.eu.int/Newsroom>, 13.4.2006.
- COUNCIL /PARLIAMENT, *Directive 1996/92/EC of 19 December 1996 concerning common rules for the internal market in electricity*, 1997, OJ L2720.
- COUNCIL /PARLIAMENT, *Directive 1998/30/EC of 22 June 1998 concerning common rules for the internal market in natural gas*, 1998, OJ L204/1.
- COUNCIL /PARLIAMENT, *Directive 2003/54/EC of 26 June 2003 concerning common rules for the internal market in electricity and repealing DIR 1996/92/EC*, 2003, OJ176/37.
- COUNCIL /PARLIAMENT, *Directive 2003/55/EC of 26 June 2003 concerning common rules for the internal market in natural gas repealing DIR 1998/30/EC*, 2003, OJ176/57.
- COUNCIL, *Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply*, 2004, OJ L 127.

EU-RUSSIA SUMMIT, *Joint Declaration*, 30.10.2000, retrieved from http://europa.eu.int/comm/external_relations/russia/summit_30_10_01/statement_en.html, 25.4.2006.

EU-RUSSIA ENERGY DIALOGUE, *Fifth Progress Report*, Moscow/Brussels, November 2004.

EUROPEAN COUNCIL, *A secure Europe in a Better World – a European Security and Defence Strategy*, Brussels, 12 December 2003, 14 pp., retrieved from <http://ue.eu.int/solana/docs/031208ES-SIEN.pdf>, 1.11.2005.

EUROPEAN COUNCIL, *Cologne Presidency Conclusions, 3 and 4 June 1999, Common Strategy of the European Union on Russia*, Annex II, pp. 14-31.

EUROPEAN COUNCIL, *Brussels Presidency Conclusions, 23 and 24 March 2006*, retrieved from <http://ue.eu.int/en/info/eurocouncil/index.html>, 13.4.2006.

MINISTRY OF ENERGY OF RUSSIAN FEDERATION, *Energy Strategy of Russia until the year 2020*, 2000.

UK FOREIGN & COMMONWEALTH OFFICE, *The Energy Strategy*, 2004, London, 36 pp., retrieved from http://www.fco.gov.uk/files/Energy_Report_281004.0.pdf, 1.11.2005.

Newspaper Articles / Press Releases / Speeches / Interviews

BEATTY, Andrew, Energy policy could mirror trade, *European Voice*, 9.2.2006, p. 3.

BEATTY, Andrew, The bearish relationship, *European Voice*, 23.2.2006, p. 17.

BELYI, Andrei, *EIS Interview - Expert on EU-Russian Energy Relations*, Europe Information Service, 27.5.2005, pp. 1-2, retrieved from <http://eisnet.eis.be>, 23.4.2006.

BUCKLEY, Neill; OSTROVSKY, Arkady; EAGLESHAM, Jean, Gazprom threat to supplies, *FT Europe*, 20.4.2006, p.1

BUSH, GEORGE W, *State of the Union Address by the President*, Washington D.C., 31.1.2006, pp. 1-9, retrieved from <http://www.whitehouse.gov/stateoftheunion/2006/index.html>, 22.3.2006.

BUTLER, Nick, BP General Vice President Strategy & Policy Development, *Speech at the International Institute for Strategic Studies on European Energy Security*, Geneva, 17.09.2005, pp. 1-9, retrieved from <http://www.bp.com/genericarticle.do?categoryId=98&contentId=7010497>, 24.3.2006.

CAMERON, Fraser, EU must switch on to energy risks, *European Voice*, 9.2.2006, p. 26.

EUBUSINESS, *Poland, Spain adopt joint position on EU energy security*, 20.3.2006, retrieved from <http://www.eubusiness.com/energy>, 13.4.2006..

EURACTIV.COM, Liberalization of EU electricity and gas markets, Brussels, 24.3.2006, pp. 1-6, retrieved from <http://www.euractiv.com/Article?tcmuri=tcm:29-145320-16&type=LinksDossier&textlg=EN>, 10.4.2006.

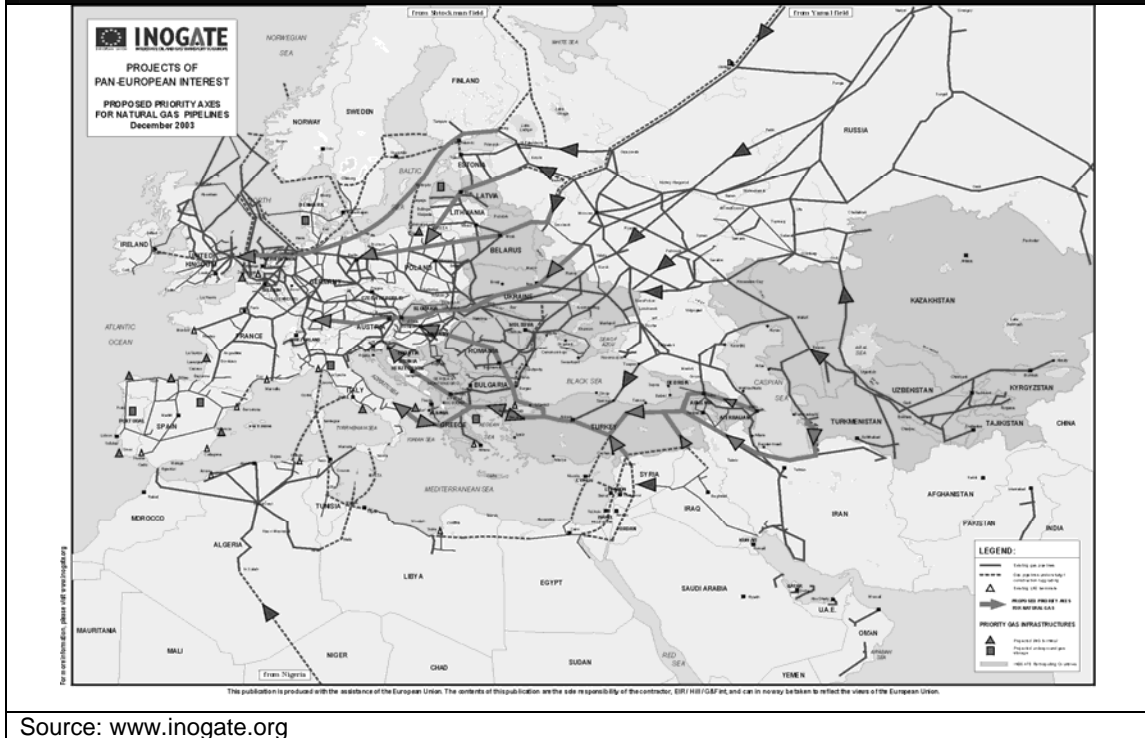
EURACTIV.COM, *EU-Russia Energy Dialogue*, Brussels, 20.3.2006, pp. 1-5, retrieved <http://www.euractiv.com/Article?tcmuri=tcm:29-150061-16&type=LinksDossier>, 10.4.2006.

EU PRESIDENCY, *Joint Press Release with European Commission on the EU - Russia Permanent Partnership Council on Energy*, 3.10.2005, London, retrieved from

- <http://www.eu2005.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1107293561746&a=KArticle&aid=1128331749219>, 25.4.2005.
- DENIS, Anne, Guerre du gaz Russie-Ukraine: l'Europe se mobilize, *Les Echos*, 2.1.2006, p.1.
- FECHTNER, Detlef, Europa steht unter Strom, *Frankfurter Rundschau*, 9.3.2006, p.2.
- INTERNATIONAL ENERGY AGENCY, Announcement of Emergency Stock Release, *Press Release (05)14*, Paris, 02.09.2005, retrieved from <http://www.iea.org>, 22.03.2006.
- MAYR, Walter, Using Russian Energy as a Political Weapon, *Der Spiegel*, 9.1.2006, retrieved from <http://www.spiegel.de/international/spiegel/0,1518,394345,00.html>, 24.4.2006.
- RETTMAN, Andrew, *Europeanization of Russia needed for EU energy security, Piebalgs says*, *EuObserver.Com*, 28.3.2006, retrieved from <http://euobserver.com/863/21252>, 23.4.2006.
- SOLANA, Javier, Europeans must act collectively on energy strategy, *Financial Times Europe*, 9.3.2006.
- SMITH, Emily, Energy Green Paper faces Baltic backlash, *European Voice*, 9.3.2006, p. 2.
- THE ECONOMIST, *Energetic Debate*, London, 9.3.2006, p. 2., retrieved from <http://economist.com/world/europe>, 23.4.2006.
- WERNICKE, Christian, USA fordern harte Sanktionen gegen Iran, *Süddeutsche Zeitung*, 15.4.2006, p.1.
- WÖLFERT, Thorsten, *Towards an EU-Russia Energy Partnership – The Gas Dimension*, Presentation AIPN Conference, Moscow, 20.9.2005, retrieved from http://www.technologycentre.org/upload_files/Presentation_E_20.09.05.pdf, 8.5.2006.

ANNEX

ANNEX 1: Trans-European Natural Gas Pipelines - Priority Routes



ANNEX 2: Trans-European Natural Oil Pipelines - Priority Routes

