



Project-No. 513416

EU – CONSENT

Wider Europe, Deeper Integration? Constructing Europe Network

Network of Excellence

Priority 7 – Citizens and Governance in the Knowledge-based Society

Drafting of a paper on the impact of Energy Security on EU External Action and Defence Policy, namely in terms of a possible revision of the ESS, by Team 24

“Securing Energy for Europe: Challenges and Policies”

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Deliverable No. D166

Due date of deliverable: 30/04/09

Actual submission date: 31/05/09

Start date of project: 01/06/2005

Duration: 48 months

Organisation name of lead contractor for this deliverable:

Istituto Affari Internazionali [Institut Partner No.5]

Project co-funded by the European Commission within the Sixth Framework Programme (2002-2006)		
Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission Services)	
RE	Restricted to a group specified by the consortium (including the Commission Services)	
CO	Confidential, only for members of the consortium (including the Commission Services)	

Securing Energy for Europe

Challenges and Policies

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This paper aims to evaluate how the EU is responding to a global context where securing energy resources is one of the major concerns in international economy and politics. Its focus is on the security dimension of energy issues and its linkage with deepening of ESDP and enlargement policies of the EU.

The notion of *energy security* is a good example of a concept being given different meanings depending on where you stand. For major importers energy security is usually understood in terms of guaranteeing an abundant, predictable, sustainable supply of energy resources at an acceptable price to meet their internal demand. The EU is a major energy importer and security of supply is therefore what is usually meant when the expression energy security is used in Europe. Still, it is important to underline that exporting countries have a different perspective, given their usually very large dependency from energy exports, energy security for them is normally understood in terms of an abundant, predictable, sustainable demand of energy resources at an acceptable price to meet the needs of their State budget and internal economy. Naturally, in a perfect world of perfect trust and absence of conflict, perfect transparency and reliability of information, in an economy in perfect equilibrium, these different concerns of importers and exporters of energy would just be the two sides of the same coin – both would like secure flows of energy. This is, however, not necessarily the case as we will see. Namely major changes in the world economy have created a significant degree of unpredictability in markets in general and energy markets in particular. Areas rich in energy resources are also among some of the most unstable and conflict prone in the world.

Concerns with securing energy resources for Europe are the result of a number of factors. First and foremost is the large dependence of the EU from imports of energy. The EU

currently imports 50% of its energy needs – and the number is, of course, significantly higher in the case of oil and natural gas – and estimates are that this may grow up to 70% as do most other developed economies of Western countries.¹ Then there is the enormous increase in demand since the end of Twentieth Century as the result of the exponential growth of emerging economies – the double digit economic growth of China, for instance, has meant that since the beginning of the new century it alone has accounted for half of the growth in energy demand in the world.

Terrorism, civil wars, piracy and political unrest are also threatening disruption of major producing or transit areas of oil and natural gas from West Africa, the Somali coast, from the post-Soviet States to the Middle East. This growing concern with European energy security is reflected in a number of official EU documents. This paper will analyze EU energy security policy in view of the soundness of the analysis upon which it is based, adequacy of the policies adopted in view of present and likely future challenges, how effective has been their implementation, but also how far deepening of integration in this vital policy area has been affected by the big 2004/2007 enlargement.

Integrating energy policies was, very wisely, present at the creation of European integration with the setting up of Euro-Atom and ECCS. More than five decades later energy produced by (cleaner) coal and (safer more effective) nuclear energy are again at the heart of a larger debate about how the EU can secure its future in terms of energy as well as the sustainability of its economic, social and even political model of integration. Oil and natural gas were naturally excluded from these initial 1950s projects of European integration because their abundance and cheapness made them seem not a cause of major concern. This has now structurally changed.

This paper will be divided in three sections. The first will discuss the current state of affairs in this area. The second will analyze the development of EU policies in this vital area. The third sections will look at how well the latter respond to the former, and how effectively they have been applied, it will also formulate some policy recommendations.

¹ European Commission (2007), “Energy corridors: European Union and neighbouring countries”, http://ec.europa.eu/research/energy/pdf/energy_corridors_en.pdf

1. Europe and Global Energy Changes

In the last two decades, changes in offer and demand in energy resources have increased global competition for increasingly scarce energy sources. The double digit growth of China and India has been the major driving force in changes in the global demand for fossil fuels. Globalization is an increasing reality in the field of energy, but this has not meant Americanization or Westernization. On the contrary control of the global energy market can now be seen to have obeyed to a continuous trend towards loss of control of global energy markets by Western States and Western Companies from North America and Europe. The huge volatility in prices, as well as in supply and demand of energy resources in this first decade of the Twentieth century is the result of these major changes. They have led to a growing awareness and debate about the importance of energy security and how best to achieve it. This is particularly obvious in the case of oil and gas – which alone accounts for more than half of global energy consumption, but is far from limited to it. It is with oil, however, that this section starts.

The earliest sign of the trend towards the loss of Western control of Energy resources came in oil fields in the 1920s and 1930s. It was the result of the nationalization of the Russian and Mexican oil industry during the nationalist revolutions in those countries. Then came the creation of Aramco in the 1930s, as the first joint venture between a producer country, Saudi Arabia, and Western capital and know-how. Another turning point was the 1953 nationalization of the oil industry in Iran, an expression of the eventual effective decolonization of energy resources some time after formal decolonization. This led to the gradual but unrelenting move towards a loss of control by Western interests of most of global oil and gas production. Still the West retained some control of the global markets because they still controlled most of the technical know-how, refining and demand of oil.

The impact on the West of the oil embargo of 1973 marked a turning point in global perceptions. Still as the years after that showed, Western control of the end stage of production – refining and know-how – as well as of most of the global demand meant it had an import hard power tool to negotiate with producing countries.

Now in the early 2000s Western control of the global oil market is being further eroded by the gradual emergence of double digit growth of emerging economies like China and India in the last two decades marked another turning point. Until 2030, the IEA predicts an over 50% rise in global demand for energy and “China and India together account for 45% of the

increase in demand”². OPEC statistics show a very small elasticity in supply in oil and natural gas in response to this sharp rise in global demand. This is the result of the slow growth in oil production infrastructure both in the Middle East and elsewhere, where as a rule requirements for production are even more demanding. This low elasticity in oil production is matched by even less elasticity in refining capabilities, namely to respond to increases in supply outside of Middle East mostly in the shape of heavier oil, more difficult to refine.

Diversification of supply away from Middle East oil seems the obvious answer for better securing energy for the EU. But if this was indeed the easy way out of the current energy problems, then there would be no need for so much academic and policy debate on the EU and globally.

In fact reliance on oil as a major source of energy in the EU and other developed and emerging economies still means, even more so in the future if we look at known reserves, a great deal of reliance upon the Middle East. The most significant discoveries of oil reserves have been in the Caspian Sea and the Santos Basin, offshore of Brazil. But they cannot be compared in scale and ability to explore them rapidly and inexpensively – because of their remoteness and geological characteristics – with the major discoveries in the Middle East in the 1950s and 1970s, which are still and will likely remain the major sources of global oil production in future decades.

Moreover, diversification of supply of oil and gas, away from the Middle East does not necessarily mean that the new areas of production will have less security problems. Often new sources of oil and alternative fossil fuels like natural gas come with new threats. For instance supply of oil and gas from West Africa, Central Asia, Venezuela or Russia is at least as vulnerable if not more in production and supply routes to terrorism, civil war, chronic political instability and nationalist populism. There is a stubborn for concentration of energy resources in regions marked by political instability and geopolitical tensions, not by accident often enhanced by the resource trap for poor producing countries rather than solved by oil wealth.

This trend towards growing de-Westernization of energy markets associated with new and old threats to security production and supply, understandably generate in Western consumers and decision-makers growing concerns regarding security of energy supplies.

² International Energy Agency (2007), “World Energy Outlook – China and India Insights”, www.iea.org/Textbase/npsum/WEO2007SUM.pdf

However, problems of energy security are not limited to oil and gas supplies, very important as these remain. Nor are they limited to producing countries alone. Therefore they cannot be solved by diversification of supply alone.

Internal factors to the EU in particular deserve to be highlighted. Internal production of energy in the EU has been falling in the last few years. According to the EC, the EU now imports 54% of its energy³. From this, 60% are imports of oil, and 26% are imports from natural gas⁴. Europe therefore produces less than half of the energy it needs. The often talked about renewable sources of energy currently account for only 9% of EU energy demand⁵. The future looks even darker if current trends remain the EC predicts an increase energy dependence of the EU with imports accounting for 65% total energy demand by 2030.⁶

Still there are important differences within the EU, and this was the case even before the big enlargements of 2004/2007. In this as in other areas, the integration of new Eastern European countries into the EU, like the Baltic States highlighted what appeared as a new energy security vulnerability. But in fact there are new members with a relatively low level of energy dependence and there are older members almost totally dependant from energy imports. In fact, Denmark “is the sole country which is completely energy independent, while for some countries, like Poland and the United Kingdom, import dependency ratios are quite low (close to 20%)”⁷. Then “at the other extreme, Ireland, Italy, Portugal and Spain

³ Commission of the European Communities (2008), “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF>

⁴ Commission of the European Communities (2008), “Working Document accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan”, http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_wd_future_position2.pdf

⁵ Commission of the European Communities (2008), “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF>

⁶ Commission of the European Communities (2007), “Communication from the Commission to the European Council and the European Parliament – An Energy Policy for Europe” <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0001:FIN:EN:PDF>

⁷ Commission of the European Communities (2008), “Working Document accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan”, http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_wd_future_position2.pdf

have import dependency ratios exceeding 80%”⁸. The most energy dependant new member states are “small island countries like Malta and Cyprus (due to their geographical situation)” but they share the characteristic that they “are fully dependent on energy imports” along with “old” Luxembourg⁹. Particularly worrying is the “very high import dependency on one supplier for certain countries”¹⁰. There are a number of countries “completely dependent on one supplier for gas imports”, but this includes new Member States like Estonia, Latvia, Lithuania, Bulgaria, Slovakia, as well as older Member States like Ireland, Sweden and Finland; and “Greece, Hungary, Austria are more than 80% dependent on the same (monopoly) supplier. Moreover, Lithuania, Hungary, Slovakia and Poland are nearly fully dependent on one oil supplier (more than 95%)”¹¹.

Still it is undeniable that particularly worrying has been the degree of dependence for energy supplies by in particular Eastern and Central European EU countries from Russia as a supplier of natural gas, in light of its recent recurrent retaliatory actions against the Ukraine with in Russian gas supply in 2006, 2008 e 2009 resulting in a sudden unpredictable drop in supplies in a number of EU countries. But those significantly affected included countries part of the EU 15 like Austria, Italy, and Germany.¹² These dramatic recent episodes have exposed “Europe’s energy security vulnerability” and they “raised the dual questions of Russia’s reliability as an energy partner and Moscow’s willingness to use its energy power as a political weapon”¹³.

But what can the case that originated this alarm and was instrumental in creating the political momentum for this new EU activism in energy security tell us? Have the repeated Russia-Ukraine energy crisis been caused by the failure of the latter to honour its commercial agreements with Russia and pay an adequate market price? Or is it also or perhaps even predominantly a way of Moscow punishing the will of Kiev after the Orange Revolution to show its autonomy vis-à-vis Russia? A conjunction of the two factors is the most likely explanation. What this case clearly shows is that international political conflicts,

⁸ Commission of the European Communities (2008), *op. cit.*, http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_wd_future_position2.pdf

⁹ *Idem, ibidem*

¹⁰ *Idem, ibidem*

¹¹ *Idem, ibidem*

¹² Belkin, Paul (2008), “The European Union’s Energy Security Challenges”, *CRS Report for the Congress*, <http://www.fas.org/sgp/crs/row/RL33636.pdf>

¹³ Belkin, Paul (2008), “The European Union’s Energy Security Challenges”, *CRS Report for the Congress*, <http://www.fas.org/sgp/crs/row/RL33636.pdf>

even bilateral ones not involving EU States, can have a large impact across the Union as a result of the interconnectedness of the global energy supply system as well as of the deep integration of the EU economic system. One crucial mistake in terms of energy security would indeed be to consider this as primarily a problem for new Eastern Member countries to solve. A recurrent theme of this paper is that full integration of European energy markets is one crucial aspect of any solution for the problem of energy security.

In any case it is evident that “Europe’s growing dependence on Russian energy, and long-term energy agreements between Russian firms and some European governments have fuelled speculation that Moscow is using the “energy weapon” to try to influence European foreign and economic policy.”¹⁴ This may well be an exaggerated concern, after all Western Europe imported energy resources from the Soviet Union during the Cold War and they were never disrupted.

Still, it can be argued that Moscow then had a guaranteed status of superpower and, paradoxically, because of the high level of tension was also more constraints – a cut in energy supplies to Western Europe could be misread as a declaration of eminent war. The new Russia is possibly both less respected and less respectable in its international politics, and it is legitimate to feel that an increasing reassertion of State control over Russia’s strategic resources can well precede a more political use of the latter. And yet the Kremlin can hardly ignore the fundamental lesson of the 1973 oil boycott – pressure by the producers over consumers can only go so far without fundamentally hurting their own interests. Nevertheless a spectre does haunt the EU, that in a serious international political clash with Russia, Putin’s Kremlin will use energy as a hard power tool to coerce Europe.

Dependence on Russian gas is just part of a wider picture of excessive and growing EU energy dependence that needs to be put in an historical context. The growing loss of Western control over of the global energy market is in part a natural consequence of a process of decolonization and the fall of Western imperialism and of the economic growth in the rest of the world. But while this may be normatively desirable to most liberal democratic-minded European, what is welcomed in principle may have in practice costly and unwelcome consequences for the European economic and social model. After all, supplying cheap energy to the West may not always seem the priority to new democratically elected leaders of traditional non-Western suppliers of energy. Often non-Western autocratic elites have been more willing to accommodate Western interests, because they welcome and

¹⁴ Belkin, Paul (2008), “The European Union’s Energy Security Challenges”, *CRS Report for the Congress*, <http://www.fas.org/sgp/crs/row/RL33636.pdf>

need outside support. Putin as well as Chávez have clearly benefited from significant popular support in their resource nationalism, in using gas and oil as political tools – and it is worth remembering that it was the political turmoil in Venezuela that initiated the anxiety over security of supply that led to the recent peak in prices.¹⁵ What will happen in terms of energy policies by producer countries if a more democratic Middle East does become a reality, something which the EU and the US have been strongly advocating for so long? Is resource nationalism the way of the future in a more democratic global system, where most easily available traditional fossil fuel energy resources are concentrated? This may well be the case, at least for some time, causing serious difficulties to Western economic interests.

Or will future more democratically elected leaders of energy suppliers find, as their more autocratic predecessors did rather quickly and without any major concern for local popular feeling, that if they push prices of energy resources to high, if they make access to them too difficult, the economy of consumer countries will be pressed into a crisis – driving down the value of investment by sovereign funds – and demand for those precious resources will fall? Energy markets may be more strategic than others, but some minimally reliable balance between supply and demand is in the long term interest of both. This may well be the reassuring long term trend, but short term energy crisis can be hugely disruptive. They surely pose the greatest challenge to a EU energy security policy. Is it capable to deal with it?

Adding to the complexity of energy markets and security today is the growing importance of transit countries. Traditionally discussion of these matters focused on producer and consumer countries. With the expansion and growing importance of the global network of *pipelines*, particularly for gas, transit countries – like the Ukraine or Turkey or Bulgaria, have an increasingly visible importance for securing energy supplies.

Last but not least is the growing public awareness to the environmental costs of contemporary economies, which acquired a dramatic edge with the emergence of the climate change problem. Intensive use of fossil fuel resources has clearly become one of the major sources of these problems, as one of the main causes of atmospheric pollution. Environmental protection and sustainable development have therefore become part of any politically appealing solution for Europe's energy challenges.

Both environmental concerns and dramatic cuts in supplies such as the one resulting from Russia-Ukraine disputes have become an important factor if a major structural change is

¹⁵ Daniel Yergin (March/April 2006), "Ensuring Energy Security", *Foreign Affairs*, Volume 85, N°2, p.73.

going to take place, both in terms of energy policy in general and energy security in particular.

But are these twin concerns strong enough to promote major and eventually costly changes? Or this pressure to be environmentally friendly will only work in creating a political and market pressure for less environmentally costly energy technologies? These billion euros questions are addressed as far as it is possible in the following section.

2. EU Energy Security Policy

It is very clear that concerns for the environment and for security of energy supply have been incorporated in the new energy policy adopted by the EU in March 2007. It aims by the next decade and until 2020, to achieve a 20% cut in emissions of greenhouse gas, and to increase to 20% the share of energy from renewable sources and an equal increase in energy efficiency – this has been labeled the 20/20/20 policy.¹⁶ The core strategic aims of this policy were to guarantee a safe, sustainable and economically competitive energy supply to the EU. Who could oppose this? The problem of course is if these aims are indeed mutually reinforcing or mutually exclusive.

Also as a more practical follow-up to the 20/20/20 adopted by the European Council in 2007, the EC proposed in November 2008 an action plan, the *Second Strategic Energy Review: An energy security and solidarity action plan*, centred upon; first, diversification of suppliers with greater control over production and transport – this is aimed primarily at promoting security of supply; second, promotion of energy efficiency – serving the objectives of competitiveness and sustainability by making more with less expenditure of energy, reducing or at least stabilizing dependence from outside suppliers – and promoting home-grown renewable energy – serving the objectives of sustainability.¹⁷

Regarding natural gas the EU is largely dependent from Rússia, but there is already some diversity of suppliers: 61% of EU needs in natural gas does come from Rússia, but 24% come from Norway, 18% from Algeria and 16% from other countries mostly in the shape of liquefied gas. But of course in practice *and in the absence of a truly integrated EU-wide energy market* some Eastern countries are totally dependant of natural gas from Russia, and some Southern countries are equally almost totally dependent from Algerian gas. The case of natural gas – which has been particularly in evidence in the news – shows how a crucial

¹⁶ Commission of the European Communities (2007), “Communication from the Commission to the European Council and the European Parliament – An energy Policy for Europe”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0001:FIN:EN:PDF>

¹⁷ O plano de acção apresentado pela Comissão Europeia em Novembro de 2008 intitula-se “Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan” e tem cinco pontos fundamentais: 1 - promover a construção de infra-estruturas de transporte; 2 - conferir maior importância à energia nas relações externas da União; 3 - aumentar as reservas estratégicas de petróleo e gás natural e promover a concertação dos mecanismos de resposta a crises energéticas; 4 - promover a eficiência energética; 5 - melhorar o uso dos recursos energéticos da União.

part of the solution would be a truly integrated EU-wide energy infrastructure and market, with a truly integrated management strategy. This is something that depends solely upon the political will to do so of EU Member countries. Still the focus of EU policy has concentrated on the external dimension.

Energy security is a growing concern in the external action of the EU. In its 2008 report the EC states categorically that “energy must be given the political priority it merits in the EU's international relations, including its trade policy and agreements, its bilateral partnerships, cooperation and association agreements and political dialogues”¹⁸. This is clear in the priority given by the EU in pursuing this aim to increasing substantially imports from different producers. The EU is currently planning to do so in particular by increasing the ability to import natural gas from the Middle East, Caucasus and Caspian regions, through new pipelines like Nabucco. The EU in the person of its ESDP High Representative, Javier Solana, calls for “genuine diversification, both in terms of sources and transit routes. (...) We all know that excessive dependence on one source, one export route, or one company creates vulnerabilities. And vulnerabilities are a source for instability”¹⁹.

The 2008 EC action plan advances with the need to build transport infrastructures in the Baltic, Caspian and Mediterranean Sea. The creation of a network of pipelines will allow securer supply from the Middle East and the Caspian region is “one of the security priorities of the Union”²⁰. Nabucco in particular became a symbol of the new EU policy to ensure greater energy security. It would transport gas from the Caspian region to Austria, through Turkey, Bulgaria, Romania and Hungary. Beginning of construction is due in 2011 through an international consortium created in 2004²¹. It would have 3,300 km, and cost 7.9 billion euros. Also the ITGI would link Turkey to Greece and Italy, while the Trans-Caspian would go under the Caspian sea between Baku and Turkmenbasy. The latter would be particularly important to ensure EU access to Central Asian resources.

¹⁸ Commission of the European Communities (2008), “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF>

¹⁹ Javier Solana (2009), “Remarks at the Southern Corridor – New Silk Road Summit” at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/discours/107599.pdf (last access: 16.05.2009).

²⁰ Commission of the European Communities (2008), “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF>

²¹ <http://www.nabucco-pipeline.com/>

All these pipelines, as well as the existing one from Baku-Tbilisi to Ceyhan clearly represent an attempt to reduce dependence from Russia by going round it. Moscow naturally opposes this both for economic and power political reasons.

Energy security would seem to be directly and un-problematically correlated with an increasing number of gas pipelines coming to the EU. However, diversity of supply routes may not be economically sustainable and, even more importantly, it may not significantly increase EU political room for maneuver.

More pipelines do not automatically mean more energy security in the kind of linear logic that the EU seems to be adapting in promoting these projects – perhaps it is another case of policy-makers trying to make things clearer than truth to gain political support. Instability in an increased number of transit countries adds to existing energy security concerns. Additional measures and costs to secure these new routes have to be taken into the energy security equation.

More importantly, the proposition that an EU more dependant upon gas export from Turkmenistan and Uzbekistan as supply countries, and of Turkey as a transit country – all these new pipelines that carefully go around Russia, *all* go through Turkey – would be any less vulnerable to outside political pressure using European energy dependency seems very questionable.

Turkmenistan and Uzbekistan are to a large degree under Moscow's economic, political and military clout as is shown by the fact that these two countries have not been able to make a clear commitment in the Prague summit of 2004 to the Nabucco project. Would this fundamentally change if the latter was built? There are strong reasons to doubt it. Security concerns for the local regimes in Central Asia will make a great deal of dependence from Moscow very likely in the foreseeable future, regardless of what the EU does, and at least as long as post-Soviet authoritarianism remains in place there.

This is evidently not an argument for an unconcerned attitude towards greater coherence of EU energy security policy. It is however, an argument for conceiving it in a more realistically diversified way and with less of an obsession on Russia, not least because the alternatives to it look geopolitically very fragile.

Furthermore, in this discussion it is important to bear in mind that transit countries have less economic incentives to keep consumer countries happier than do producing countries – as the example of the Ukraine shows. Naturally, the latter share of the profit is much smaller than that of export countries. Turkey's and the Caucasus dependency from the EU in other

areas may make this an unrealistic scenario. But fear of cuts in supply as a result of tensions in relations with the EU may well be enough to cause some concern in Europe.

The big alternative to the Nabucco project – the South Stream pipeline, as well as its northern brother aptly called North Stream pipeline. highlight a key aspect of the current state of affairs in EU energy security policy. Despite repeated calls for solidarity and coherence in energy policy, they both signal the absence of any mandatory principle in this area, at least until the ratification of the Lisbon Treaty, as well as an absence of a consensus among some of the more important EU countries regarding the best way to achieve energy security.²²

The EU is clearly seeking alternatives to excessive dependence on one potentially unreliable and politically unsafe supplier of natural gas, i.e. Russia. However, some countries within the EU – like Germany – are primarily seeking to avoid excessive dependence on a problematic transit country, namely the Ukraine. At the same time Russia is trying to also do the latter, i.e. avoid Ukraine as a problematic transit country for its gas exports. This is the reason why there was common ground between Moscow and Berlin to go ahead jointly with the North Stream Project now led by the former German Chancellor Gerhard Schröder as Chairman of the Shareholders' Committee. From the German and Russian point of view, reflected in the opening statement of the official website of the North Stream company this is a way of “linking Russia and the European Union via the Baltic Sea”, therefore this “new pipeline will be an important factor of energy security in Europe.”²³

The South Stream Project is equally led by Russian Gazprom, in this case, in partnership with Italian ENI (naturally absent from the Nabucco consortium). South Stream aims to build a gas pipeline from the Russian Black Sea coast under water to Bulgaria then through Serbia to Hungary and through Greece to Italy²⁴. Bulgaria has also sign-on to the project, but Italian involvement was as essential as German involvement in North Stream.

This shows that it is not widening that has prevented deepening of a joint EU energy policy, if that is indeed the result of these gas pipeline projects. A point this paper finds needs to be at least properly debated. What is clear is that there is no clear-cut new, old EU divide in energy policy. Older EU member states, big founding members like Italy and Germany may feel more comfortable negotiating with Russia than some new Eastern member states, but

²² Cf. specific references in Article 176a TFEU.

²³ <http://www.nord-stream.com/en/> (last access: 12.01.2009).

²⁴ <http://www.gazprom.ru/eng/articles/article27150.shtml>

this in not a general rule, as the case of Bulgaria shows.

For the future energy security of Europe new pipelines as part of a more sustainable and more diversified gas pipelines network is of great important. The problem is that it is not entirely clear that all these projects can co-exist, and not all of them – most notably the North and South Stream projects – are consensually seen as enhancing EU energy security.

Naturally a significant change in the future balance of energy sources driven by endogenous change in energy technology within the EU would be even more decisive. In particular what role will different sources of energy play in a future EU energy mix will be crucial to know. What will be the role that renewable energies will be able to play? Will new and more efficient ways of exploring traditional energy resources like “clean” coal be found and, quite possibly, a new generation of nuclear power plants be built?

The 2008 action plan does give particular importance to renewable sources of energy and greater energy efficiency. However, the fact that the 20/20/20 plan sounds ambitious to energy specialists, does tell us that the EU will have to rely very substantially on energy imports for the foreseeable future unless there are dramatic unforeseen improvements in technology from these new sources, or if there is a brave and robust investment in a new generation of nuclear power plants.

Currently, renewable sources of energy in the EU correspond to 9% of the total. To reach 20% by 2020 would require more than doubling that. To do this a policy of subsidies and direct public investment will be needed to make the transition to a more sustainable energy paradigm economically manageable. According to the 2008 EU energy action plan “in order to establish appropriate financing mechanisms for the massive development of renewable energy at EU level, the Commission is working with the European Investment Bank, the European Bank for Reconstruction and Development and other financial institutions to set up the above-mentioned EU Sustainable Energy Financing Initiative to mobilize large-scale funding from capital markets for investments in energy efficiency, renewable energies, the clean use of fossil fuels and combined heat and power from renewables in Europe's cities”.²⁵

But in view of all of this, what then are the practical policy conclusions that can be reached regarding EU energy security? This is the them of the following section.

²⁵ Commission of the European Communities (2008), “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF>

3. Recommendations for EU energy security policies

A more coherent EU external energy policy would of course be desirable and safer. The problem for the EU is how to achieve, at what cost, who will pay, and perhaps most controversial of all, who are our best friends abroad in terms of energy security. This section will try to compete with the highly detailed, highly technical advice given in a number of studies and reports to the EU. Rather it will try to focus on the aspects most relevant for the issue of new/old EU division and the question of the deepening of ESDP and the future of enlargement and neighborhood policy.

Diversification not Concentration. The key aim of a EU diversification policy should not be to pick and choose one project over another, but to make sure that they all contribute to a collective EU pool of energy sources. Therefore it would be a major mistake to make the Nabucco project into as the make or break question for the deepening of EU energy security. This would not be diversification but concentration.

Above all because it is far from clear that such a project would fundamentally change the harsh political reality of EU natural gas dependence from unreliable and politically fragile suppliers and transit countries. Central Asia and the Caucasus can hardly be seen as reliable alternatives to a problematic Russia, because they are so evidently linked to it, good or bad, their relationship to Moscow in terms of energy security and others is essential. More importantly, reliance upon Turkey as a transit country or Middle Eastern oil or gas is hardly any more reassuring.

Engage and Enlarge to draw in Producing and Transit Countries. Energy security should be a major factor in promoting a credible ambitious policy of greater engagement through the neighborhood policy and the Union for the Mediterranean and Eastern Partnership for of the EU in its Eastern and Southern border countries. Because, of course, the other great source of gas and above all of oil for Europe in alternative to Russia is the Mediterranean and other Middle Eastern countries. Here European technological edge as well as attractive assets for sovereign investment funds may well provide an important bargaining chip.

A successful integration of Turkey into the EU, as well as a growing involvement of the EU through the neighborhood policy in the Caucasus and the strategic partnership with Russia, would be major factors in reducing European energy security risk.²⁶ The increasing strategic importance of Turkey for European energy security as a transit country shows that it is not primarily the 2004/2007 wave of enlargement, but possible or impossible future enlargements, in particular the EU-Turkey relationship that will be vital in the development of EU energy security policies.

If, however, Turkey feels its right to full EU membership is being unfairly denied, or even if negotiations for future integration stall significantly, then the possibility of an even more difficult EU relationship with Ankara than with Moscow may quickly become a worrying reality. This more pessimistic scenario seems quite possible given the current political context with the 7 June 2009 European elections showing the strength of Right and Far-Right parties often hostile to Turkish membership. Russia should also be seen as having legitimate commercial interests to defend, and an effort should be made to address them in a de-politicized manner.

Give markets a key a role in securing energy at an acceptable price. The question is to secure a sufficiently reliable supply of energy at an acceptable cost. Of course, this requires a continued effort to produce adequate regulation as to increase effective integration of the EU energy market and its efficiency. May be not all the pipeline projects now being proposed can be economically viable at the same time. Not all renewable energy sources will survive the test of economic viability, after an initial start-up period requiring some degree of State support. And it may well be the case, given growing demands that different projects can go ahead at the same time. But markets and particularly cost considerations

²⁶ This has, of course, not escaped experts. See e.g. Katinka Barysch, *Turkey's role in European energy security*. (London : CER, 2006).

cannot be completely excluded from energy security calculations.

However, it is essential to make sure that market considerations are also allowed by other State actors outside of the EU to indeed play a role. The EU needs to develop clear mandatory guidelines of reciprocity in particular in energy investment, so that the EU does not accede to a participation in decision-making and profits of energy companies in the EU to foreign national without the same being allowed in energy producing companies overseas. This should even be enlarged as far as possible to a EU directive making sure that foreign investment in the EU coming from energy producing countries, particularly from sovereign funds, has a corresponding effect in norms and practices in those countries regarding European co-ownership of local companies.

Integrate and regulate markets within the EU and without. The EU should strive to increase the transparency, predictability, solid institutionalization and regulation of the global energy market. This should be done by building upon but also significantly improving and upgrading the linkages between the existing system of major Western energy consumers at IEA and major energy producers of oil in OPEC.

The EU because of its multilateral nature, traditional policy of engagement with the BRICs and Mediterranean and Middle Eastern countries, including Iran, and technological edge, could play a vital role in energizing this crucial aspect of global energy security. More integrated global institutions including consumers, producer and transit countries would have much to be desirable, particularly by including new major energy consumers like China, India or Brazil and new energy producers in Central Asia, or Africa and Latin America, as the best guarantee against temporary crisis and energy disruptions in any particular region.

Energy is a European but also a global challenge, that only a robust international energy regime and organizational structures can guarantee energy security at a global level, and this is the only normatively and realistically desirable solution in the longer term to avoid any specter of resource wars over energy.

Fund new solutions but review, revise and research in-depth. A lot of money is needed to fund this transition in energy technology that is beyond dispute. However, it is far from simple to guarantee that funding will go to the technologies and projects with the greatest potential. Periods of transition are inevitably periods of uncertainty.

What will be crucial is for the EU to promote high quality basic academic research in the generic field of energy without necessarily forcing immediate linkage to practical applications. Major innovations often do not come from projects which started with immediately obvious practical applications.

A European Energy Research Institute– with a central pole but affiliated institutions across the EU – could significantly increase the ability to continuously think in-depth in an integrated European way on all these problems.

Speak at one voice. No less essential would be an organ that would guarantee a good follow-up and critical reporting on energy research and technological developments, so it has to trace and diffuse best practices and avoid insistence upon failing initiatives because of political concerns. A stronger body than the current Energy Market Observatory would be needed, namely a European Energy Agency that would be able to act effectively and not just observe. It should also provide high quality projections of problems and possibilities to EU decision-makers.

Above all the Energy Commissioner should be, as is the case with the Trade Commissioner, the only voice speaking for EU in energy policy in international negotiations. Only by uniting and deepening institutionalization of its energy policy and of ESDP more generally can the EU hope to counter the continuous loss of control over vital energy resources in the last hundred years.

Do not pick an enemy, pick a solution. A serious crisis with Russia may well become an energy security problem, but growing tensions across the Middle East from Israel to Iran may prove more challenging and harder to solve. Transit countries like Turkey or the Ukraine may well prove as troublesome. The question of who will be the bad guy in the film of EU energy security should not be a matter of a prepared script. The main concern of the EU should be to ensure it responds in a collectively cohesive way, making sure that no one will be able to coerce any one country of the EU using energy dependency as a weapon. The EU also needs a robust rapid reaction force to deter any armed threat to vital security sources and routes. This can hardly be improvised. Deepening ESDP is therefore essential for EU energy security.

Real Energy Security starts within the EU. More gas pipeline are not a replacement for a real European energy security policy. This would require first and foremost a change within the EU, conditioned only by an absence of collective political will, for more investment in more infrastructures and better regulation and institutional frameworks in order to create a fully functional fully integrated European energy market. A truly integrated European energy market in terms of regulation and infrastructures will be a much more secure market.

This is also an argument for a significant increase in the ability of the EU to import liquefied gas and refine different types of oil from different parts of the world, and store significant amounts in increased strategic reserves managed in an integrated EU-wide way.

Policies aimed at significant gains in energy conservation and in diversifying sources of energy not just suppliers are vital. From this point of view the EU official 20/20/20 strategy may seem ambitious in practical terms, but it is absolutely indispensable.

Prepare for the worst case scenario. Resource wars should not be seen as unavoidable. Should the latter occur in some shape or form, the Middle East is the likely place for them to (again) take place, as arguably was at least partly true in, at least the first Gulf War of 1991. Then the US and its European and Arab allies guaranteed that Saddam Hussein would not control Kuwait and potentially the whole of Arabia and therefore by dominating the largest oil producing regions of the world excessive level of control over the global oil market.

Could the EU do the same with ESDP in 2009? Clearly not. Does it make sense to think of energy security without an EU ability to act robustly militarily, even if necessarily in conjunction with allies like the US, in such a vital region for its energy security? Probably not.

A serious EU energy security requires a credible robust ability for military action overseas. This is naturally not an argument for the EU to fight resource wars. But the EU may well not have the luxury of that choice. Moreover, the credible use of robust force may well be needed to deter aggressive action contrary to EU security interests for instance in the field of energy. Therefore energy security cannot be separated from ESDP. Containing and preventing threats is essential to avoid security crisis namely in the field of energy.

(ver notas em baixo – parte 3)

There is in security generally a state of denial by EU Member States regarding what would

be demanded from the EU in a major crisis requiring a robust autonomous European military intervention – and if one is to occur, then a conflict affecting vital energy supplies would be the most likely candidate. And yet there is an official aim of ESDP – far from being realized even in the relatively modest shape of the headline goal – of creating a European expeditionary rapid reaction force of 60.000 agreed upon in the Helsinki summit.

CONCLUSION

There can be no doubt that energy security is on top of the EU agenda, certainly because of great concerns with the matter in the new Eastern members of the EU, but no less certainly not exclusively in the new member states.²⁷ It is also clear that the EU does have very high quality documents and experts on energy security. But will the EU be able to contribute significantly towards a better, more effective and more secure way of obtaining energy for Europe? As all good questions, there is no simple and clear answer to it.

An energy secure solution for Europe would have to accommodate different concerns from different parts of the EU, all in the end pointing in the same direction of diversification of sources of energy and energy imports and growing efficiency and conservation but without sacrificing the comforts of the European social and economic model. Or will a future energy crisis force a more painful change? The EU 27 is certainly a difficult place to find a common vision, as the disputes over what new gas pipelines to build show.

Not denying these difficulties, one of the main contentions of this paper is that a truly integrated successful EU energy policy is again, as in the founding moment of the creation of the ECSC and EuroAtom in 1952, *the* fundamental area for the future of European integration. Energy will be vital in the future development and sustainability of the European economic and social model and may be even clean coal and safer better nuclear

²⁷ Energy security tops Czech Presidency agenda, *EurActiv.com* (last access: 7 January 2009).

energy will again prove vital energy solutions for the EU.

Energy was always at the heart of modern industrial economies from their very origins in the so-called Industrial Revolution. The Industrial Revolution was fundamentally an Energy Revolution using a fossil fuel – coal – to produce through new technology, namely steam engines, extremely cheap and enormously powerful energy. This and other methods of producing cheap, readily available, very efficient energy have been both literally and figuratively powering the continued sustained growth characteristic of contemporary economies since the early Nineteenth Century.

Two centuries later the question being faced globally is whether this model, of cheap abundant energy powering the economy is still sustainable via a new technology revolution providing effective energy solutions to maintain the Western way of living or at least allowing change in a gradual and relatively painless way. This problem is naturally felt with particular urgency by the EU, integrating some of the world's most developed and most energy demanding economies, in a region mostly devoid of significant energy resources – if we except coal, which will have to be the case until a clean solution for using is found.

The solutions proposed by specialists and EU policy documents have been both very detailed, technically informed, and fairly straightforward, with a particular emphasis on diversification of sources of energy by increasing investment in renewable energy as well as in diversifying suppliers of key energy resources like oil and natural gas. The countless billion euros question is – will this work, will this be enough?

This paper contends that in any case the EU widening to 27 in 2004/2007 has had no detrimental impact in energy policy deepening, rather the opposite. It is true that at EU of 27 has created in this, as in all policy areas this potential for additional difficulties in strategic coordination between so many States. Yet in this specific area of energy security, this paper claims that *EU enlargement has made deepening Europeanization in this crucial area of energy not less but rather more likely*. Newer member states, like the Baltic countries, or Poland, feel particularly vulnerable and have therefore been pressing with particular insistence for the need for integration of policies and greater European solidarity in securing energy supplies. The fact that Poland made its acceptance of the Lisbon Treaty conditional on inclusion of an explicit energy solidarity clause is the most evident example of this. Moreover, further EU enlargement to Turkey could significantly reduce EU energy security risks.

Despite this growing support for an EU energy security agenda as part of wider energy policy, and the fact that some important guidelines on European energy security have been

made clear in official documents, many perceive energy policy solidarity has not been adhered to by crucial Member States, both old and new. Is this the case?

Again the policy towards Russia as an energy supplier provides a crucial test, with “old” Germany and “new” Bulgaria providing clear examples of the willingness of EU states to put what they perceive as their national economic and energy interests above a principle of EU solidarity, at least one equated with support for the Nabucco project. For now the appeal to European solidarity in energy matters has its limits. Still it is not insignificant, and cannot be seen as simple hypocrisy, that both the North Stream and South Stream projects are presented by its EU promoters as in the wider interest of the Union.

There are also important institutional, strategic and capabilities gaps if the EU is serious about pursuing its energy security guidelines. The creation of new EU institutions that might provide greater continuity, coherence and actorness to Europe in vital strategic matters is partly dependent upon the ratification of the Lisbon Treaty. The Lisbon Treaty would moreover provide explicitly in its clauses for an obligation of energy policy solidarity, therefore creating a potentially successful challenge to policies that violate it by appeal to European courts. Still Lisbon would only partly solve – in the normative and institutional dimension – what is also a deeper problem of lack of political will.

Therefore the major problem regarding EU energy security is not that there is any disagreement about how vital the latter is for all members of the Union, old and new, post-2007 and pre-2007. The major problem is the absence of a clearly agreed upon plan to which all member States feel committed to. This is an important integration gap in European energy security that has to be solved.

If the EU proves unable to act together effectively in this area then a failed European energy policy – with or without the ratification of the Lisbon Treaty – will fundamentally weaken the credibility, autonomy and viability of the EU as an international actor; it will also fundamentally affect the European economy, the central pillar of European integration.

How to secure energy for the EU is therefore part of a wider problem of transforming the EU into a real international actor with the ability to think, plan, and act strategically. *The dangerously embryonic state of ESDP may very well become dramatically visible in securing European energy resources.*