

EU'S DEPENDENCE ON RUSSIAN ENERGY RESOURCES AND THE NEW ALTERNATIVE OF OIL AND GAS EXPORTING COUNTRIES

Sabina STRIMBOVSCHI*

Abstract: *In this paper the author tackles the EU-Russia energy relations from the beginning of their cooperation in this field until now. Likewise, the disputes that emerged, along the time, at the EU's border and vicinity are presented and analyzed, by trying to explain how Russia uses its energy resources as a tool of hard power in its foreign policy. However, taking into consideration the previous gas crises and the policy of Russia toward the Eastern Partnership (EaP) states that aim to follow Euro-Atlantic integration, the author treats and highlights the EU's strategic interest to establish new partnerships with other energy exporting states. In this regard, one of the EaP states that present a huge interest for the EU in order to develop a bilateral energy relation is Azerbaijan, a Caspian state with great oil and gas resources.*

Keywords: Energy security; gas crises; renewable resources; EU; Russia; the shared neighbourhood; Caspian Basin; Azerbaijan

INTRODUCTION

The recent social, political and economic challenges on the international arena in general, and at the Eastern border of the EU especially might be perceived as the beginning of a new era, where EU and Russia are the key actors, while the countries from the shared neighborhood represent the “battleground between the great powers”, between West and East. Despite that the EU and Russia have tried to bound strategic and credible partnerships aiming to bring prosperity and mutual benefits, the recent decisions of the EU towards the countries from the Eastern Partnership (EaP) and the steps taken by the states which intend to follow the European way, disturbed Russian Federation giving that it continues to consider this region its sphere of influence. Nevertheless, maybe it's time to realize that both, the EU and the Russian Federation had incompatible and somehow competitive strategies in the common neighborhood, which is why the EaP was considered by many political analysts a failure. However, a common area of interest and cooperation for Russia and the EU has been and will remain the energy sector. At the same time, considering how Russia uses its resources not only for economic purposes, but mainly for political ones and as a tool of coercion, the EU is put in the position of looking for alternatives to Russian resources in order to act

* PhD Candidate in Political Sciences and International Relations at the National School of Political and Administrative Studies, Romania, e-mail: sabina.strimbovschi@gmail.com.

objectively and independently in the future, without being conditioned in a certain way by Russian Federation .

1. THE CHALLENGING EVOLUTION OF THE EU-RUSSIA ENERGY RELATION

Russian Federation and the European Union started to cooperate in 1994, when the *Partnership and Cooperation Agreement* (PCA) was concluded. In this context, the primary goal was to establish constructive economic relations, yet the development of political dialogue within multilevel institutional framework was one of the hidden objectives (Busighina, 2012, p. 17). Nevertheless, there is no surprise that the respect for human rights and democracy represent the main ingredients for the EU. As a normative power, the EU is trying to spread and implement its fundamental values and ideas, even in the former USSR. However, since the 1960s was admitted that one of the most important area of cooperation, mutually beneficial for the EU and Russia is related to the energy resources. Thus, few years later after the launch of PCA, in 2000 during the EU-Russia Summit, Vladimir Putin, Jacques Chirac and Romano Prodi decided to create an Energy Dialogue, which was seen as a real platform for further development between both parties in the energy sector where the promotion of trust and transparency were considered the key objectives (Piebalgs, 2009, p. 6). As a result, now Russia is the EU's most important supplier of energy products, accounting for 29% of EU consumption of oil and gas. Howbeit, Russia needs the EU as its economy is based on the export of energy raw materials and the EU is its most important destination at this point. (*EU-Russia summit*, 2014) In this regard, the Energy Charter Treaty, a framework for multilateral cooperation in energy sector between the EU and Russia is vital for the EU, in order to create a framework for global energy governance. However, Russia views the Energy Charter as the main tool of the EU's energy policy, mainly because the EU has given the impression that Russia should accept the Treaty as it is (Belyi, 2012, p. 2). For that, Russia refuses to sign the Energy Charter, where the provisions that should separate production companies from networks represent as well an important negative aspect that would weaken Gazprom. Howbeit, Russian authorities proposed an alternative Draft Convention for Energy Security to ensure future global energy security, but so far failed to create and implement a common EU-Russia energy charter.

Given that the energy field is connected to the economy, in order to enhance the EU-Russia relations, in 2003 during the Saint-Petersburg Summit, was established the strategic partnership between both parties, that covers four so-called "Common Spaces" on: economic issues and the environment; freedom, security and justice; external security; research and education in the framework of the PCA. Furthermore, in order to strengthen the EU-Russia relations, in 2008, during *Khanty-Mansiysk Summit*, started the negotiations on a New Agreement that has the aim to replace the current PCA. A New Agreement is designed to become the legal basis for EU-Russia relations. In that framework, the parties will be able to have also political dialogue and will treat various aspects on economic, trade,

energy, justice and security issues (*EU-Russia summit*, 2014). However, this partnership based on the common values and shared interests was challenged due to differences with regard to the Trade and Investment provisions as well as to the economic interdependence and political competition over the shared neighborhood (Busighina, 2012, p. 20). Since Brussels and Moscow have failed to complete negotiations on the New Agreement, some scholars consider this strategic partnership a failure because of the different perspectives upon their interests but also because of the lack of those basic common values, which are, actually, essential in a strategic partnership. Moreover, Russia perceived this partnership as a tool of the EU's soft power in Russia, as the Eastern Partnership is seen in its near abroad. In this context, the EU should understand that Russia doesn't intend to adopt the European model and, consequently, should change its approach, by reviewing its conditions and requests upon Russian domestic affairs and democracy. At the same time, the EU should be aware that Russia now is different than it was in the period of Mikhail Gorbachev, when it was a weak and helpless country. Now Russia is trying to build its relations with the EU on the economic and strategic interests acting through various geopolitical tools.

1.1. Energy security - a common concern

One of the common issues that concern both Russia and the EU is on the one side, the security of supply for the European Union and on the other, the security of demand for Russian Federation. These issues were planned to be tackled in the Energy Charter Treaty, but considering that Russia rejected this one, the cooperation in this field has hampered. To Russia, energy security is guaranteed by state control of the energy sector, where the companies prefer a governance structure that restricts competition (Belyi, 2012, p. 3). From the EU's perspective, it is guaranteed by an impartial and effective regulatory framework and by diversity with regard to source, supply, transport and sales (Cameron, 2009, p.23). Thus, the EU seeks a governance regime to ensure competition on the market. The gas crises of 2006 and 2009, when Gazprom cut off its supplies to Ukraine as a result of natural gas pricing disputes, had serious repercussions on the European Union, and consequently EU-Russia gas trade became extremely politicized (Belyi, 2012, p. 3). Furthermore, the Member States which are dependent on Russian gas have been directly affected because almost 80% of European natural gas imports from Russia ran through Ukrainian pipelines at that time. Following the gas disputes in 2009, the EU and Russia set up an Early Warning Mechanism in order to ensure the stability of existing transport network and to guarantee an early evaluation of potential risks related to energy supply (Tarradellas Espuny, 2009, p.14). Thus, it is clear that both parties are looking for security and a clear understanding of what demand and supply will be in the future is of great importance.

Since then, both Europe and Russia have implemented limited measures to diversify the energy supply and markets. However, certain decisions have been taken regarding this issue. In this respect, Russia has already expressed its intention

to reduce its dependence on EU demand and turn to Asia (C. Chow and Hudson, 2013). Thus, the recent energy deal that will send natural gas from Russia to China beginning in 2018 is considered a first important step for Russia. However, it is clear that Gazprom will not abandon European market and will not give up at some of the most important pipelines projects like North Stream or South Stream. At the same time, the EU as well proclaimed that seeks new gas and oil exporting countries (Medlock, 2014). The EU already receives gas from a number of different suppliers including Norway, Algeria, Nigeria and Qatar. But with the exception of Norway there are few stable areas from which to import gas. In this context, the Liquefied Natural Gas (LNG) could be an efficient energy alternative that has also the potential to contribute to security of gas supply. Likewise, the exploitation of alternatives to fossil fuels: nuclear energy and renewable energy sources, such as solar cells, wind turbines and other sources, (Spagnol, 2013) are taken into consideration by the EU as it will reduce the dependence on imported energy and will enable the EU to cut greenhouse emissions. In this respect, Sweden could be an example as it seeks to invest in renewable energy technologies and energy conservation, while Iceland intends to become energy-independent by 2050 through deploying 100% renewable energy (Spagnol, 2013).

The interdependent and sometimes vulnerable relationship between the EU and Russia was created specifically by the diversified Western markets and the lack of unity within the EU. While some of the EU Member States are almost dependent on Russian supplies, some of them even do not need to import energy products from Russia. This phenomenon has emerged because of the divergent national interests which some of the Member States prioritize and which often do not correspond with those promoted by the EU. At the same time, the different attitude of Member States towards Russia is related, as well, to their particularly historical past. However, dependence on Russian energy resources is one of the most severe factors that condition countries like Latvia, Slovakia, Hungary or Bulgaria that are almost completely dependent on Russian energy supplies. On the opposite side, is Spain or Ireland that doesn't import energy from Russia, while countries like Germany, Italy or France have strong relations with Russia in the industrial, commercial and energy sector. From this point of view, it is obvious that a common strategy on Russian energy products cannot be achieved because some of the important Member States don't want to jeopardize their strategic relations with Russia. However, only the gas cut-offs of 2006 and 2009 prompted the Member States to act collectively and to condemn Russia because it affected millions of EU citizens (Cameron, 2009, p.21). For all that, in order to prevent a divided union it is necessary to establish an integrated and competitive European gas market that would create the maximum possible degree of solidarity between European gas consumers and would improve collective supply security. Thus, Europe would be a single export market for Gazprom, making bilateral relations with Moscow that will be much less critical to accessing Russian gas (Noel, 2008, pp.3-9). However, it is arguing that this solution has been proposed yet a while ago, but some of the key Member States, especially Germany and to some extent France, continue to have reservations about a truly integrated, competitive European gas market (Noel,

2008, p.12) because their strategic and bilateral economic relations with Russia have priority over the common interests promoted by the EU.

However, for the medium term the future cooperation in the energy sector is necessary and evident as the EU and Russia are interdependent on energy resources, considering that 29% of the EU's consumption of oil and gas are imported from Russia, while the Russian economy continue to be largely dependent on the export of hydrocarbons (Cameron, 2009, p.20). Furthermore, European Parliament stressed in a study that “EU-sponsored efforts to build pipelines bypassing Russia are not a complete solution; on the contrary a strategy is needed to make interdependence work, establishing the rules of the game and a long-term trilateral agreement on transit via Ukraine” (*EU-Russia Relations and the shared neighbourhood: An overview*, 2011, p.12.).

2. ENERGY RESOURCES – AN INSTRUMENT OF RUSSIAN FOREIGN POLICY IN THE SHARED NEIGHBORHOOD

It is well known that Russia is using its energy resources not only with the aim of bringing economic profit but above all are used for political and geopolitical purposes. This fact has been communicated in written form since 2003 in the “Energy Strategy of Russia to 2020”, where was emphasized that the energy sector is “an instrument for the conduct of internal and external policy” and that “the role of the country in world energy markets to a large extent determines its geopolitical influence” (Cameron, 2009, p.23). Despite that both, Russia and the EU, are trying to consolidate their relation by cooperating in various fields, there are several areas where the principle of cooperation was replaced by that of competition. In this regard, the shared neighborhood between the EU and Russia represents one of the sensitive subjects. This area of common interest became more tense and unstable in the fall of 2013, before and especially after the Eastern Partnership Summit in Vilnius, when Ukraine had to sign the Association Agreement (AA) and the Deep and Comprehensive Free Trade Agreement (DCFTA), while Armenia, Georgia and Moldova had to initial the AA and DCFTA. In this respect, the situation started to worsen with Armenia’s decision to abandon the initialling of the Association Agreement before the EaP Summit and to join the Customs Union. Likewise, the decision taken by the former president of Ukraine, Victor Yanukovich to postpone the signing of the Association Agreement led to the outbreak of mass protests and, in the end, to the weakening of Ukraine as nation and state. In this context, was obvious that Russian Federation acted by various means in order to prevent these states to build strong relationship with the EU as it has acted in Georgia in 2008 and in Ukraine in 2009 due to the intentions of these countries to integrate into the Euro-Atlantic community at that time. Nevertheless, the Eastern Partnership from the beginning was perceived by Russian authorities as a threat to the Russia’s near abroad. From a retrospective approach, it should be reminded that in 2009 Serghey Lavrov stated that this policy represents an instrument by which EU is trying to create a new sphere of influence in the Eastern region. At the same time, EaP was considered a real challenge to the Russian integration projects like Customs Union

or the future Eurasian Union and was seen as a direct threat to the energy security and to the energy projects, especially to North Stream and South Stream. (Arbatova, *n.d*) These two pipeline projects were very important for Russia from the geopolitical point of view. They were meant to bypass Ukraine and undermine Ukraine's domination of pipelines to Europe, which was one of the biggest obstacles to Russian domination of the European gas market (Cameron, 2009, p.24). However, Russia succeeded to build North Stream, being supported by Germany that backed the construction of this pipeline. For all that, Germany's actions have been criticized by Poland and Baltic States because North Stream that started to operate in 2011 led to increased energy dependence on Russia and raised concerns regarding the environmental pollution. Likewise, South Stream that is expected to be completed in 2018 would bring Russian natural gas through the Black Sea to Bulgaria and further to Greece, Italy and Austria. This pipeline is considered as well a threat to reducing energy dependence on Russia but also a challenge to Nabucco project that was backed by the EU and had to transport gas from the Caspian Sea to Europe, in order to bypass Russia. Unfortunately, this pipeline project was cancelled, being declared "dead". In this framework, where Russia uses energy as a political weapon abroad, especially in its near abroad, Europe intends to depoliticize the EU-Russia gas relationship with the aim to integrate Russian gas imports into a competitive pan-European gas market. (Noel, 2008, p.2) Besides this, a solution in the context of depoliticizing the energy dialogue between the EU and Russia would be to increase the use of green technologies and new renewable energy. Nevertheless, for Russia a depoliticized EU-Russia gas relationship would place it into a neutral position, as a weak power in the shared neighborhood, a fact that will hardly be accepted by Russia.

Despite all the challenges and disputes that have emerged between the EU and Russia, the strategic target by 2050 is to achieve a "Pan-European Energy Space, with a functioning integrated network infrastructure, with open, transparent, efficient and competitive markets, making the necessary contribution to ensuring energy security and reaching the sustainable development goals of the EU and Russia" (*Roadmap EU-Russia Energy Cooperation until 2050*, 2013, p. 5). Such a result would have vast economic and political consequences. It would improve the energy security of the EU and Russia, and strengthen their positions on the global energy market. This is an optimistic scenario, but meanwhile the EU must look for other new alternatives and opportunities other than Russian.

3. AZERBAIJAN – A STRATEGIC PARTNER IN THE CASPIAN REGION TO THE EU

The actual competition between the EU and Russia over the shared neighborhood and the disputes in the energy sector determined the EU to look at the Caspian Basin which represents a new opportunity for the EU in the energy field. However, and other important international actors got involved in the region. Thus, the United States, together with the United Kingdom and Turkey, has strongly contributed to the Caspian's re-emergence on the global scene by

enhancing engagement and complement established Russian supplies to the EU from Caspian sources. Therefore, the Euro Atlantic is the major beneficiary of Caspian trade and investment opportunities while the EU and Turkey, together with Russia and China in the Asian Pacific, are the principle parties interested in energy and security (Van Agt, 2014, pp.22-44).

The European Union has become involved in the Caspian region especially since the supply cut of Ukraine in 2006. Consequently, on November 2006 the EU and Azerbaijan signed a Memorandum of Understanding on the strategic energy partnership, where the diversification and security of energy supplies, the development and modernization of energy infrastructures and the use of renewable energy resources became the key priorities for both parties. (Memorandum of Understanding, 2006, p. 5) In time, Azerbaijan became a strategic partner in this region to the EU due to the large and accessible hydrocarbon resources that it has, and because in the future will become an important transit country for natural resources from Central Asia to Europe. On the other hand, Baku is also interested to establish strategic partnerships with EU, as it considers the EU the most attractive market, after Russia and the CIS countries.

In this region, the Southern Gas Corridor is seen as an important point for diversifying energy resources that is hoped to supply 10-20% of EU gas demand by 2020. The Southern Corridor would be – after the Northern Corridor from Norway, the Eastern corridor from Russia, the Mediterranean Corridor from Africa and besides LNG – the fourth big axis for diversification of gas supplies in Europe (Studies: Energy infrastructure). In fact, diversification of sources will improve competition and thus will contribute to market development and energy security. Furthermore, the Caspian gas that is planned to be exported to the EU by 2018 via the Trans-Anatolian and Trans-Adriatic Pipelines represent a new opportunity for both parties. On the one hand for the countries bordering the Caspian Sea because the investment in strategic gas and oil infrastructure will increase and on the other, the EU can benefit from new energy partners.

However, Trans-Caspian pipeline which is a proposed submarine pipeline between Turkmenistan and Azerbaijan that would transport natural gas from Kazakhstan and Turkmenistan to Central Europe remains constrained because of the competing interests in the region. Caspian crude oil, gas and products are exported mostly to Russian and Turkish markets. Oil and gas flows to other markets and ports in Central, South-eastern and North-western Europe. The Caspian Sea and the South Caucasus represents, as well, a transit corridor for exporting petroleum and gas to Europe, reducing dependence on Persian Gulf oil and Russian gas supplies. Thus, taking into consideration the European interests in the Caspian basin to preserve the security of European energy supplies and prevent the monopolisation of oil resources by any one powerful country, (Nuriyev, 2007, p. 8) the EU should change its soft approach towards Russia and should find common solutions in order to achieve its goals. Considering that actors like Russia, Iran or Turkey are involved in the Caspian basin, the EU doesn't intend to become a key security actor in this region. On the contrary, is trying to build positive and constructive relations with all the involved countries, in order to have a ring of well

governed and stable countries in southern Europe (Nuriyev, 2007, p. 20) However, this neutral attitude doesn't place the EU in a good position. In order to become a reliable partner, the EU should get involved more in this troubled region in order to solve the conflict between Armenia and Azerbaijan, as the conflict resolution over Nagorno-Karabakh represents one of the country's most important foreign policy concerns. The EU is trying to maintain positive relation with Russia which still perceives the South Caucasus region as its sphere of influence, but the EU should be aware that the internal political stability in Azerbaijan is a precondition for securing energy export routes and for developing energy and infrastructure projects.

CONCLUSIONS

In the actual context, each actor pursues its interests and, consequently, the fight for power and influence is becoming increasingly fierce. However, I tend to believe that the maintaining of peace and stability in the world still remains a major goal. In fact, this is one of the reasons the European Union was set up. As the energy security represent a policy priority for the EU and because energy resources are no longer an instrument for social-economic integration but have become for Russian Federation policy goals and instruments of coercion, the EU is obliged to change its energy policy. Thus, the EU should speak with one voice and implement a smart energy strategy in order to reduce the dependence on the imported energy resources. In this regard, the EU should support the pipeline projects that can bypass Russia, like Nabucco and should rely more on renewable energy resources that will help the EU to establish constructive relations with Russian Federation, as the dependence on its resources will be reduced. A more optimistic scenario for the EU-Russia energy relations would be the integration of Russian gas imports into a competitive pan-European gas market, but this solution is not an option, at least for medium term, due to the fact that the current Russian leaders seeks to keep the politics in the gas relationship, since it is the most powerful weapon in its foreign policy.

REFERENCES

- Arbatova, N. A. (n.d.) *Eastern Partnership: A view from Russia*, The Bridge, Issue 1, accessed on March 2014 at http://www.bridge-mag.com/index.php?option=com_content&view=article&id=539:eastern-partnership-a-view-from-russia&catid=34:cover-story-2009&Itemid=39.
- Belyi, A. (2012) *Russia's position on the Energy Charter*, Chatham House.
- Busighina, I. (2012) *Analysis of EU-Russia Relations*, MGIMO University, Russia, pp. 17-22.
- Chow, E. and Hudson, A. (2013) *The Russia-EU Gas Relationship: A partnership of necessity*, Center for Strategic and International Studies.
- Cameron, F. (2009) *EU-Russia Energy Relations: The Politics of EU-Russia Energy Relations*, EU-Russia Centre Review, pp. 20-22.

- Directorate-General for External Policies, (2011) *EU-Russia Relations and the shared neighbourhood: An overview*, European Parliament, AFET.
- European Commission (2013) *Roadmap EU-Russia Energy Cooperation until 2050*.
- European Commission MEMO, *EU-Russia summit*, (24 January 2014) Brussels, accessed on April 2014 at http://europa.eu/rapid/press-release_MEMO-14-58_en.htm.
- European Commission (2010) *Studies: Energy infrastructure*, accessed on April 2014 at http://ec.europa.eu/energy/infrastructure/studies/cdc_report_2010_en.htm.
- Medlock, K. B. (2014) *Russia to China: A Gas Deal We All Should Have Seen Coming*, accessed on May 2014 <http://www.forbes.com/sites/thebakersinstitute/2014/05/21/russia-to-china-a-gas-deal-we-all-should-have-seen-coming/>.
- Memorandum of Understanding on a Strategic Partnership between the European Union and the Republic of Azerbaijan in the field of energy*, (2006).
- Noel, P. (2008) *Beyond dependence: How to deal with Russian gas*, European Council on Foreign Relations, pp. 5-12.
- Nuriyev, E. (2007) *EU policy in the South Caucasus. A view from Azerbaijan*, CEPS Working Document No.272, pp. 3-20.
- Piebalgs, A. (2009) *EU-Russia Energy Relations: EU-Russia Energy Relations: Common Goals and Concerns*, EU-Russia Centre Review.
- Spagnol, G. (2013) *IERI: Energy Security*, Natural Gas Europe, accessed on April 2014 <http://www.naturalgaseurope.com/ieri-energy-security>.
- Tarradellas E. F. (2009) *EU-Russia Energy Relations: EU-Russia Energy Dialogue at the Origins of the European Foreign Energy Policy*, EU-Russia Centre Review.
- Van Agt, C.(2014) *Caspian Oil&Gas: New perspectives beyond projects and pipelines*, Clingendael International Energy Programme, pp. 22-44.