Energy Policy in the Union’s Neighbourhood


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Introduction

• Research Context of Paper
• Critiques in Literature on EU energy security:
  • Imbalance between sustainable development, competitiveness and security of supply.
  • Imbalance between internal & external dimensions.
    • Critiques are based on hypothesis that attractiveness of ‘regulatory approach’ decreases as political assertiveness increases.
• Premise of Paper:
  • Test these hypotheses on the basis of EU bilateral approaches & initiatives with neighbouring countries.
Energy in the ENP. Some Statistics (1/2)

Neighbours with/without action plan & importance as oil supplier to EU.

[Bar chart showing crude oil imports into EU-27 for different importing countries (AZE, GEO, RUS, UKR, ALG, EGY, LIB, TUN, OPEC) for the years 2000, 2002, 2004, and 2006.]
Energy in the ENP. Some Statistics (2/2)

Azerbaijan & Egypt Gas Production 2000-2007

Azerbaijan & Egypt Oil Production 2000-2007
## Example of Methodology

<table>
<thead>
<tr>
<th>Energy Policy Convergence…</th>
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Energy in the ENP. Result of Quantitative Analyses.

Comparative Chart of ENP Action Plans' Energy Sections

- ENP Partner country
- Average Strength
- Weakest
- Normal Average x10
- Weighted Average x10
- Strongest
- Strong
- Weak
Energy in the ENP – EGY & AZE

Topical Breakdown of EU - AZE & EGY energy relations

- Renewable Energy
- Co-operation on nuclear energy
- Overall Statement on Cooperation
- Restructuring of Gas & Electricity markets
- Gradual convergence towards principles of the EU markets
- Energy Transit Networks
- Regional cooperation

Weighed Average Strength

Weighed Average Strength AZE

Weighed Average Strength EGY

Linear (Weighed Average Strength AZE)
Energy in the ENP.
Initial Conclusions.

• Initial Conclusions.
• Perspectives from recent developments?
  • Recalibrated stance of AZE? (Pres. Aliyev 01/2009)
  • MoU w/ Egypt; Eastern Partnership; 2nd Strategic Energy Review.

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EU Energy Security: the Case of Russia

‘No other country reveals our differences as does Russia’

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EUI
Introduction

- EU Energy dependency on Russian energy increasingly represents a source of risk that directly affect two intertwined issues within EU policies:

- Aim of Paper:
  - Assess how imminent the risk is in the two areas.
  - Find out better responses to this security threat.

- Summary: While Russian energy policies have been driven by economic as well as political gains, it can not be entirely blamed for EU’s energy dependency problem. The EU focused in the internal response while neglecting the external response. While the former was caused by a lack of political will, the latter was a consequence from it.
Gas dependency: a concern for the EU

- Regional commodity, not yet global.
- Increasing demand/dependency.
- Decreasing investment/extraction in energy fields and lack of transparency.
- Energy disruptions. Russia is not reliant anymore.
- Negative attitudes towards an EU Energy Market from some Member States.
- Some Member States (especially the new ones) are highly dependent on Russian gas.
Russia’s political and economic revival

- During the 90’s the oligarchs and the Yeltsin State were interdependent. Putin broke this interdependency to gain state autonomy in order to make Russia a global power.
- Gazprom and the selective use of the legal system were the main tools to put order in the Russia house.
- As a result Russian stability and political muscle heavily depend on the energy resources monopoly.
Russian external energy policies

- **Downstream access:**
  - Dominate gas routes to Europe:
    - Constructing the North stream (to DE) and South stream (to IT).
    - Showing interest in gas storage hubs in Austria and Hungary.
  - Profitable deals with alternative sources of supply (Caspian Countries).
EU’s internal response

- Pushing liberalisation, competition and interconnections:
  - 2nd Directive 2003
  - 3rd Directive (on its way?)
EU’s external response: Aiming at creating an ‘External EU policy on Energy’

- Jan. 2007: 1st Strategic energy Review.

Particularly towards Russia aiming at transparency:

- ECT ratification
- Energy Dialogue
- Early warning mechanism
- DG Competition
- New Agreement with Russia to include main energy principles.

Additionally – Yukos case - Permanent Court of Arbitration (article 45 ECT) [Nov. 2008] & ECHR ruled admissible Yukos case against Russia [Jan. 2009].
Conclusions

- (1) The Union’s energy vulnerability does not stem from the fact that Russia is such an important gas supplier, but from its own inability to achieve an integrated and flexible market.
- (2) As long as there is no common energy market there will be no common external energy policy.

**Next Step:** To go beyond solidarity (1) to be able to speak with one voice to Russia and to the World (2).