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# Between Conflict and Convergence: The EU Member States and the Quest for a Common External Energy Policy

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## **Abstract**

Energy is one of the EU's most pressing recent challenges. While a plethora of policy instruments for competitiveness and sustainability already exists, energy security and especially the external dimension of the EU's energy policy are still underdeveloped. This paper will discuss several EU measures in the field of energy and analyse the variety of the strategies that the EU member states apply in external energy policy. Starting from the finding that these national approaches are highly path-dependent, regionally clustered, and therefore in most cases traditionally conflicting, two solutions for enhancing the Common External Energy Policy are derived. To overcome the inherent obstacles and to ensure a more convergent and sustainable development of the member states' external energy policies in the future, the finalization of the internal energy market is the priority but can only be successful if accompanied by progress in the external dimension. In this respect, prudently institutionalised regionalisation is identified as a rewarding organising principle for certain aspects of a Common External Energy Policy, if based on a joint definition of European energy interests.

## 1. Introduction

In the face of the EU's growing dependency on imported energy resources, rising competition over energy supplies with emerging economies, and the pressing threat of climate change, incentives for deeper coordination of external energy policies induced by external challenges is growing exponentially within the EU. Especially the consequences of the various gas disputes between Russia, the EU's most important energy supplier, and different transit countries have revealed the vulnerability of many member states to supply interruptions and the EU's lack of a truly common energy policy able to even out the impact of such external distortions. As a reaction to these developments the member states have regularly expressed their support<sup>1</sup> for a common external energy policy while the European Commission is constantly speeding up its output, as exemplified in the 2007 outline of an Energy Policy for Europe<sup>2</sup> and the 2008 Second Strategic Energy Review (SER-2)<sup>3</sup>, in order to push the project of a common energy policy forward. With the external challenges in mind, the "added value" of a common European response is also widely acknowledged and examined within academic literature.<sup>4</sup>

However, despite slow progress being made<sup>5</sup>, especially the development of the external dimension of a common energy policy is seriously hampered by member states' efforts to defend their sovereignty: Based on differing energy mixes, differing suppliers, and differing priorities the member states pursue national energy strategies that are only barely compatible with each other. Despite a perceived similarity of the challenges the member states face and the strategic objectives they ascribe to a common energy policy (security of supply, stable prices, and environmental protection), they nevertheless adhere to national strategies, which make them pull the common energy policy into opposite directions. This gap between articulated common goals and actual compatibility of the national energy strategies is the decisive obstacle for all efforts to forge a Common External Energy Policy (CEEP) on the EU level. Although the member states have the same gross objectives they differ considerably with regard to the scope of the common policy they advocate and the means they propose. Consequently, the Council regularly damps the ambitious initiatives of the Commission due to a lack of consensus while

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1 See for example the common statements of the Benelux countries of 2006 (<http://www.minbuza.nl/dsresource?objectid=buzabeheer:33429&type=pdf>) and 2007 (available at: <http://europapoort.eerstekamer.nl/9345000/1/j9vvyg6i-0ydh7th/vg7slw5im1tl?key=vhiii86txpdo>), or the joint declaration of the Baltic states of 2006 ([http://www.urm.lt/get\\_file.php?file=L2RhGEvaHR0cGQvaHRtbC91bXIvbS9tX2ZpbGVzL3dmaWxlcY9maWxIMTM4My5wZGY7RGVrbGFyYWNpamEyMDA2LnBkZjs7](http://www.urm.lt/get_file.php?file=L2RhGEvaHR0cGQvaHRtbC91bXIvbS9tX2ZpbGVzL3dmaWxlcY9maWxIMTM4My5wZGY7RGVrbGFyYWNpamEyMDA2LnBkZjs7)). Furthermore, since the German Presidency in 2007, basically every Presidency had initiatives towards a common energy policy at a prominent point within its initial priority list.

2 European Commission (2007): An energy policy for Europe, COM (2007) 1, Brussels, 10.01.2007.

3 European Commission (2008): An EU Energy Security and Solidarity Action Plan, Second Strategic Energy Review, COM (2008) 781, Brussels, 13 November 2008.

4 See Dehousse, Franklin (2007): "Towards a Real New Energy Policy for the European Union? The 2007 Challenge", *Studia Diplomatica*: 2, pp. 11 – 24; Keppler, Jan (2007): "Energy Interdependence in a Multi-polar World, Towards a Market-based Strategy for Safeguarding European Energy Supplies". *Reflets et perspectives de la vie économique*: 4, pp. 31–48; Youngs, Richard (2009): "Energy Security. Europe's New Foreign Policy Challenge", Routledge, Abingdon.

5 See for example the collection of institutional key decisions on external energy policy between 2006 and 2008 (available at: [http://ec.europa.eu/external\\_relations/energy/events/eu\\_ukraine\\_2009/external\\_energy\\_policy\\_en.pdf](http://ec.europa.eu/external_relations/energy/events/eu_ukraine_2009/external_energy_policy_en.pdf)).

the member states are only able to agree upon very general principles – like for example diversification of transit routes and resources – which are just a weak frame of reference for joint action.

Instead of outlining the gains of a CEEP this paper looks behind the often-superficial pleas of the member states for common action and analyses the diverse approaches of the member states towards these policy issues. We will discern the different strategic orientations of the external energy policies of the member states and the particular features they want to have included within a framework of common action. The goal of this study is twofold: Firstly, it wants to give an overview of the different perspectives within the EU. Comparative analyses of different national approaches are a rarity in the literature so far<sup>6</sup>, and are furthermore complicated by the fact that some member states speak “louder” than others about their preferred configuration of a CEEP. Secondly, this paper shall clarify the points of conflict as well as the common ground concerning external energy policy. Besides academic literature, the empirical base for this study consists of a survey conducted among political officials from all 27 member states and qualitative analyses of official documents on energy policy.<sup>7</sup> When thinking about an external energy policy of the EU, one has to acknowledge that its functioning is essentially dependent on stable energy relations within the EU.<sup>8</sup> Thus, it is indispensable to analyse the progress being made at the EU-internal level as well, in order to be able to assess the potential for a CEEP. As will be shown in the following sections, the internal and external dimensions of the EU’s energy policy are mutually dependent – a well functioning European energy market is only possible if it is supported by a coherent external energy policy and vice versa.

This study will be divided in four parts: In the first part, a short outline of past and recent initiatives leading to a rudimentary external energy policy on the EU level will be given. The second section will conceptualise national energy policy as a path-dependent process and will identify the determining factors that generate a cacophony of conflicting strategies for energy policy among the EU member states. On the basis of this conceptualisation, section three will assess the potential of the EU’s internal energy policy in advancing a more convergent development of the member states’ energy policies and a more unified CEEP. In the fourth chapter, the different attitudes of the member states towards the external dimension of a common energy policy will be examined in full. After showing how exactly the effects of the parameters identified in section one create conflicting external energy approaches

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6 See for example Geden, Oliver / Marcellis, Clemence / Maurer, Andreas (2006): “Perspectives for the European Union’s External Energy Policy: Discourses, Ideas and Interests in Germany, the UK, Poland and France”, SWP Working Paper No. 15.

7 The survey has been answered completely or partially by representatives from Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, the Slovak Republic, Slovenia, and the United Kingdom.

8 This becomes obvious when thinking about what “external energy policy” currently means from the perspective of a single member state in contrast to the perspective of the EU as a whole: From the perspective of a member state, external energy policy comprises energy relations with both members and non-members of the EU, while from the EU perspective external energy policy addresses only third parties outside the EU. Thus, only if the EU internal energy relations are harmonised sufficiently (via an internal energy market, solidarity mechanisms in cases of energy crises, etc.) so that the focus of the member states ceases to rest on EU internal questions, the notions of external energy policy from the member state perspective and from the EU perspective become congruent so that a common base for strategies vis-à-vis third parties develops.

within the EU, potential solutions for easing the tensions and promoting greater convergence among the member states will be identified.

Despite the omnipresent conflicts around the right configuration of the EU's external energy policy, we have found that there are serious reasons to expect more progress in establishing a powerful CEEP in the future. On the one hand, we will identify several indicators that hint at a process of slow convergence between the national energy policies of the EU member states, mainly induced by Commission initiatives in the internal dimension of EU energy policy as well as by global developments and technical innovations concerning the external dimension of energy policy. On the other hand, we will detect various processes of informal regionalisation which mirror established clusters of approaches to external energy policy among the EU member states. We hold that these processes of regionalisation constitute both a serious obstacle and a great opportunity for a CEEP: Regionalisation is an obstacle to the CEEP because it has undermined EU-wide solutions so far. But it is also a great opportunity because if the origins are rightly understood and it is prudently institutionalised as organisation principle, regionalisation of certain aspects of external energy policy may very likely be a solution that could ensure the support of those member states most sceptical about a fully developed CEEP.

Thus, the conclusion is that there are reasons to expect future progress into the direction of a CEEP if two conditions are met: First, strengthening the European energy market should help solidifying the foundation for a CEEP if internal and external dimension of the EU's energy policy are understood as mutually enforcing aspects. Second, formal institutionalisation of different "energy regions" within the EU, endowed with decision-making authority to organise regional aspects of a CEEP on the basis of jointly defined European energy interests, might also help to overcome the predominant reservation of the member states with regard to an overarching EU framework. We will elaborate on these thoughts in our concluding remarks.

## **2. From internal market to external energy policy?**

Energy was always an integral part of the European integration process. A common European energy policy was initiated as early as in the 1950s within the framework of the European Coal and Steel Community (ECSC), and later on the European Atomic Energy Community (EURATOM). Political coordination was necessary for effective common markets for coal, which was at that time the most important source of energy in industrialized countries, and fissile material. Most of the harmonization evolved in the spheres of economics while ecological issues only gained relevance later. Over the years, coal's share in Europe's fuel mix decreased and nuclear power became less palatable after the Three Mile Island incident and the Chernobyl catastrophe. Subsequent to the second oil crisis, improvements in energy productivity, the development of domestic resources, and low prices hindered the political will for a coordinated European energy policy beyond low profile consultations. So energy integration remained in the field of 'negative integration', which is the reduction of trade barriers,

instead of ‘positive integration’ in form of common policies.<sup>9</sup> Nevertheless, the European Commission continued to explore issue areas where common policies were feasible and was especially eager for greater liberalization and increased climate protection.<sup>10</sup>

Beyond the energy sector, European integration evolved more and more and transformed the pristine ECSC into the European Communities and later into today’s European Union. Likewise, the Euratom Treaty is still in force but besides its main tasks of the early days – the proper supply of the member states with nuclear fuels and a pooling of resources in regard to financing and research – it became more of an instrument of the aspiration for uniform safety standards within the Community and beyond. Since 1992, this process has been extended to non-EU countries like China, India, Russia, and the former Soviet Republics in Central and Eastern Europe. Besides this safety perspective Euratom nowadays is one of the EU’s main instruments for security issues related to nuclear proliferation.

With the Single European Act (1987) and the subsequent Single Market initiative, which was originally not directed at the energy sector, a EU-wide process of liberalization was initiated that led to today’s internal energy market (IEM). Thus, from the 1990s onwards, successive steps to open the markets for natural gas and electricity, driven by the Commission, have been applied by the member states. Liberalization and EU-level re-regulation can hence be seen as a work-in-progress due to some remaining severe procrastinations, for instance the long-lasting debate about “unbundling.”<sup>11</sup> Rather simultaneously the EU enhanced its portfolio in the field of environmental protection. The European Emission Trading Scheme is the point of culmination for Europe’s ambition of eco-friendly energy consumption and industrial production.<sup>12</sup> Furthermore there is a cornucopia of additional measures like thresholds for emissions in transport or efficiency standards for electronic devices.<sup>13</sup> So while the former focus on environmental aspects, and even more so on a single market for energy, is obvious, the EU’s energy policy has undergone some decisive changes and security-of-supply aspects have become increasingly important.

In 2000, the Commission’s Green Paper “Towards a European strategy for the security of energy

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9 Cf. Scharpf, Fritz (1996): Negative and Positive Integration in the Political Economy of European Welfare States. In Marks, Gary / Scharpf, Fritz / Schmitter, Philippe / Streeck, Wolfgang (Eds.): Governance in the European Union, Sage, London, pp. 15 – 39; Scharpf, Fritz (1999): Governing in Europe, Effective and Democratic?, Oxford, Oxford University Press; Scharpf, Fritz (2006): The Joint-Decision Trap Revisited, Journal of Common Market Studies: 4, pp. 845 – 864.

10 Matlár, Jane (1997): Energy Policy in the European Union, Macmillan Press, Basingstoke and London, pp. 12 et seq.

11 Baumann, Florian / Notz, Kristina (2009): Energiepolitik. In Weidenfeld, Werner / Wessels, Wolfgang (Eds.): Jahrbuch der europäischen Integration 2008, Nomos, Baden-Baden, pp. 141-148.

12 For an overview of the EU’s energy policy see Matlár, Janne (1998): Energy Policy in the European Union, Macmillan Press, Basingstoke and London; Geden, Oliver / Fischer, Severin (2008): Die Energie- und Klimapolitik der Europäischen Union, Bestandsaufnahme und Perspektiven, Nomos, Baden-Baden and Johannes Pollak / Samuel Schubert / Peter Slominski: Die Energiepolitik der EU, WUV/facultas (UTB), Wien 2010..

13 Fischer, Severin 2009: Die Neugestaltung der EU-Klimapolitik: Systemreform mit Vorbildcharakter? In: Internationale Politik und Gesellschaft: 2, pp. 108–126.

supply”<sup>14</sup> set off a broad debate about a CEEP, resulting in several legislative packages and the addition of an energy chapter into the Lisbon Treaty. The latter codifies for the first time in the EU’s history sound competences for the Union, enhances legal certainty, and therefore helps to advance a common energy policy.<sup>15</sup> In the time before, energy was not seen as a pressing matter of security in Europe, mainly because with the establishment of the IEA there already had been a specific regime for joint energy security of the Western world.<sup>16</sup> Nonetheless, import dependency was named as one of the global challenges in the European Security Strategy (ESS).<sup>17</sup> When the problem on supply security became more pressing and Europe was still not able to act, the Commission and the Council together entered the stage of strategic thinking about common measures on the external aspects of energy, including some basic principles for a CEEP. The recently published SER-2 sets out over and above the treaty amendments an agenda for energy security to further develop the instruments with regard to the strategic triangle. While the first action plan, “An Energy Policy for Europe” in 2007, emphasized competitiveness and sustainability, the second one now concentrates on external as well as internal aspects of energy supplies, based on five priority areas:

- Infrastructure projects and diversification;
- External energy relations as integral part of the EU’s foreign affairs;
- Common strategic stocks and crisis response mechanisms;
- Energy efficiency and
- The expansion of domestic energy resources.<sup>18</sup>

The principle novelty of the “EU Energy Security and Solidarity Action Plan” as outlined in the SER-2 is its broader perspective of the notion of energy security, including the interests of producer countries and the hitherto weakness of a single voice of the member states according to their relations with these countries. Among the three complementary targets, energy security in comparison to competitiveness and sustainability is still the one with the least palpable progress. As will be elaborated later on, the conflicting conceptions for a CEEP among the member states is as of yet the main hindrance for a joint approach. The SER-2, with its concrete and pragmatic infrastructure proposals and the emphasis on solidarity and a common approach towards third countries, may overcome these operational obstacles and might be seen as the initial point for a full-fledged European energy policy; an energy policy not in the form of transferring competences to Brussels, but as the process of incremental horizontal and vertical coordination of internal and external measures on energy issues.

14 European Commission (2000): Towards a European strategy for the security of energy supply, Brussels, 29 November 2000.

15 Baumann, Florian / Turek, Jürgen (2008): Die europäische Energiepolitik im Vertrag von Lissabon. In Weidenfeld, Werner (Ed.): Lissabon in der Analyse, Nomos, Baden-Baden, pp. 157-169.

16 Van de Graaf, Thijs / Lesage, Dries (2009): The International Energy Agency after 35 years: Reform needs and institutional adaptability, *The Review of International Organizations*: 4, pp. 293–317 and Baumann, Florian (2010): Europe’s Way to Energy Security. The Outer Dimension of Energy Security: From Power Politics to Energy Governance, *European Foreign Affairs Review*: 1, pp. 77-95.

17 European Council (2003): A Secure Europe in a Better World. European Security Strategy, Brussels, p. 3.

18 European Commission (2008): An EU Energy Security and Solidarity Action Plan, Second Strategic Energy Review, Brussels, 13 November 2008, p. 3.



Now that the interdependencies among the EU members on the one hand, and the EU and its external suppliers on the other hand are common sense a corporate energy policy is heading more and more in the direction of ‘positive integration’. While energy efficiency and the use of domestic resources are basically uncontroversial, other areas of the action plan are bearing conflicts. Common infrastructure projects are always a redistributive task and thus result in conflicts about what specific project is worth Community funding.

Making the external energy policy an integral part of the EU’s external relations is seen as overstretched from the perspective of some member states with good political relations to their foreign suppliers. It is furthermore contested who – the Commission, the new High Representative for Foreign Affairs and Security Policy, some “Mrs./Mrs. Energy”, or anybody else – will be in charge of uttering the EU’s voice. Last not least strategic stockpiling is a national task, in regard to oil managed by the IEA, where especially those countries that already have sufficient stocks are not willing to loose control over stock drawing. In addition, the establishment of quasi-automatic crisis response mechanisms in general are controversial because of the fact that the nature of today’s energy risks is still in dispute.

Here the member states are the focal point, whether a CEEP based on unity and solidarity will be accomplished or if bilateralism returns and the joint effort remains as a loose forum of debate and alignment. The origin of a strong Europe in global energy politics can only be found in the EU itself, and it is now important for a fundamental debate about the benefits and the range of collective EU policies to take place. Thus before tackling the problems of a single voice and solidarity, several questions have to be answered:

1. What are the common energy security interests?
2. What are the national or regional singularities and restraints, respectively, that make a common approach out of the box impossible?
3. What are the agreeable features of an external policy approach from the perspective of the member states?

This paper will try to answer these questions, at least partially. Prior to the in-depth evaluation of the national positions as derived from a survey among official representatives of the member states and qualitative analysis of several strategy papers, an overview of the different energy situations in the 27 member states will be given.

### **3. Path dependency and energy regions: The varieties of national energy policies in the EU**

Looking at the energy strategies of the EU member states reveals an immense diversity with respect



to the energy mixes<sup>19</sup> employed and with respect to the energy suppliers chosen.<sup>20</sup> Much of this diversity stems from different historic trajectories developing out of national specifics, which subsequently shape the national energy policies and lock in certain features. In the 1970s the member states used different policies for reacting to the oil crises in the absence of coordinated European efforts, with France and Belgium for example promoting nuclear power and Great Britain becoming an oil producer.<sup>21</sup> Furthermore, after the different enlargements of the EU there are various member states from Central Eastern Europe (CEE) that are much more dependent on Russian energy imports than most other member states due to their legacy of having been Soviet satellites.

These cases are two examples of different historic trajectories translating into sticky characteristics of national energy policies. Thus, the development of national energy strategies can be understood as a path-dependent process<sup>22</sup> with nation-specific factors narrowing the available options for the decision makers. Among the most important factors determining the “path” of national energy policy are domestic resources, geographical location, domestic demand, and public opinion. In order to give a broad overview this chapter examines the differences between the national energy strategies of the EU member states against these domestic parameters. Understanding these dividing lines is a crucial prerequisite for examining the different approaches of the member states to energy policy initiatives at the EU level. Especially since the national specifics are so persistent<sup>23</sup> that they are hard to bridge by EU initiatives, and pose therefore the most decisive obstacle to a CEEP today.

To begin with, the availability of domestic energy resources is a major path-defining parameter for national energy strategies. The member states differ considerably with regard to their domestic resources. Currently, the only three relevant producers and exporters of oil and natural gas within the EU are Denmark (oil and gas), Great Britain (oil and gas) and the Netherlands (gas). Many member states from Central and South Eastern Europe<sup>24</sup>, on the other hand, rely on the exploitation of domestic solid fuel reserves. Those member states that lack indigenous reserves of fossil fuels traditionally

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19 See Figure 1.

20 See Figures 2, 3 and 4.

21 Matlár, Janne (1998): *Energy Policy in the European Union*, Macmillan Press, Basingstoke and London, pp. 17 – 18.

22 On path dependency see Pierson, Paul (2000): *Increasing Returns, Path Dependence, and the Study of Politics*, *American Political Science Review*: 2, pp. 251 – 267; Pierson, Paul (2004): *Politics in Time. History, Institutions, and Social Sciences*, Princeton University Press, Princeton.

23 Not least since the different paths chosen by the governments strengthen certain domestic energy sectors. These sectors subsequently constitute influential lobby groups and reward governments when further supporting the specific sector. Thus, national politicians are rewarded with “increasing returns” when continuing existing features. Examples for this foundational mechanism for the path-dependence of energy policies would be the persistent influence of the nuclear lobby or coal mining industry in Germany, which could only become (nuclear lobby) or remain (coal mining) a political power due to governmental energy strategies translating into heavy subsidies for both sectors. Furthermore, the stickiness of national energy strategies derives also from long-term contracts with energy suppliers and the expensive construction of infrastructure, which has to be used for a long time in order to charge off the costs.

24 Most notably Bulgaria, the Czech Republic, Estonia, Germany, Greece, Poland, Romania and Slovakia.

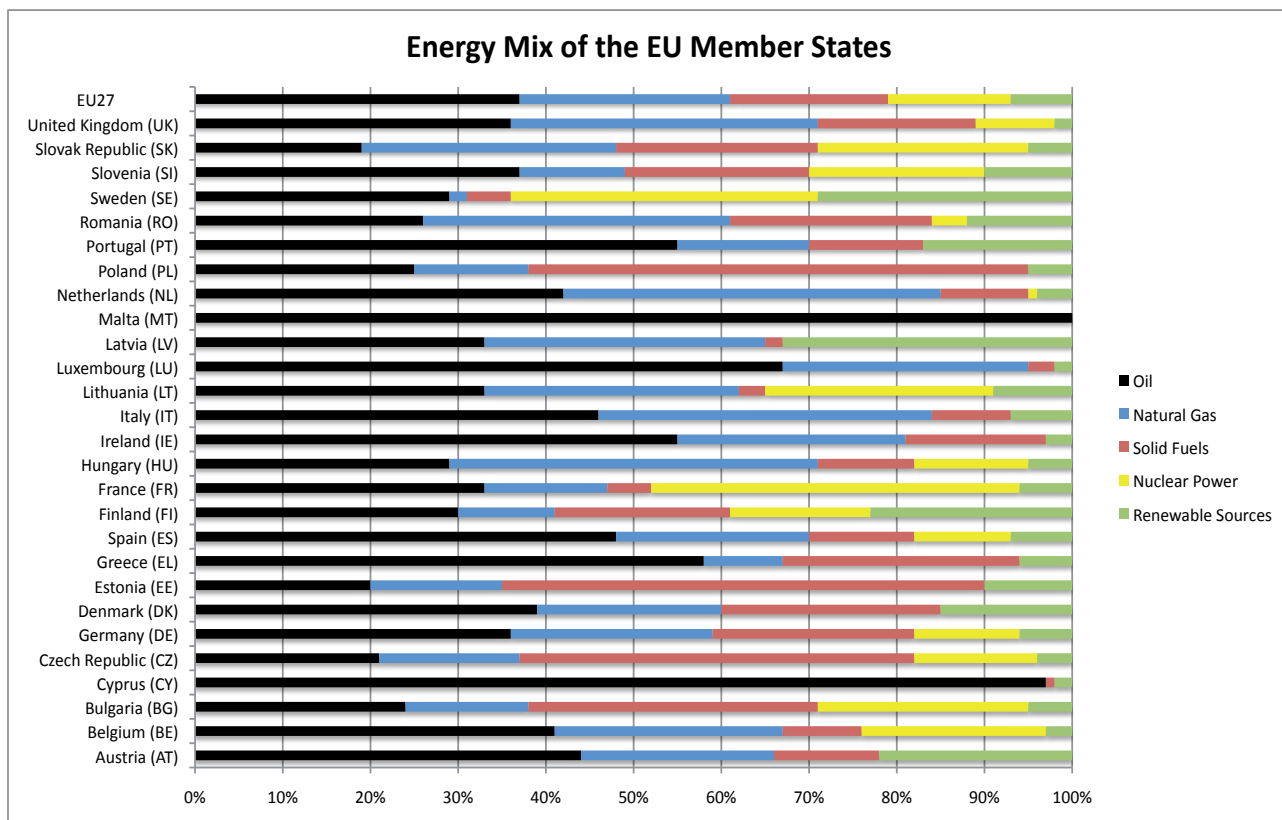


Figure 1: Energy mix of the 27 EU member states (2007)

focus on the domestic production of both nuclear power<sup>25</sup> and/or renewable energy<sup>26</sup>. The difference in exploited domestic resources is a major factor for the variety in energy mixes of the member states. And as the member states defend their sovereign right to define their national energy mix vigorously this leads consequently also to contradicting stances on energy policy initiatives on the EU level.

Regardless of domestic resources, reducing CO<sub>2</sub> intensity through promotion of renewable energy resources (RES) or nuclear power, energy efficiency and energy savings have gradually become more important for all member states. The reason is not only climate protection, but also the nexus between transitioning into a low carbon economy and increasing energy security, and thus distinct perspectives of a sustainable energy future. However, differing national specifics narrow also the available options in this field of energy policy and create certain paths for national energy policy that are hard to bridge by unifying efforts on the EU level. The use of nuclear power, for example, is highly contested in the EU.<sup>27</sup> Public opinion, another path-defining factor for national energy policies, forecloses the use

25 Bulgaria, Belgium, France, Lithuania, Slovakia and Sweden all had 20 or more per cent of their gross inland consumption satisfied with nuclear energy in 2006 (see Figure 1).

26 In 2006, Austria, Finland, Latvia and Sweden exhibited a share of renewable energy of 20 per cent or higher in their energy mix (see Figure 1).

27 Bulgaria, the Czech Republic, Finland, France, Hungary, Lithuania, Romania, Slovakia, Slovenia, Sweden (which has also currently abolished the nuclear phase-out), and the UK remain committed to the use of nuclear energy; Estonia, Latvia, Poland, and Italy do currently not produce nuclear power domestically but have planned to construct new nuclear power plants in the future; while the Netherlands have postponed the decision on the further use of nuclear power till 2011 and the new German government will extend the life span of some nuclear power plants, Spain and Belgium still stick to their phase-out. Austria, Cyprus, Denmark, Greece, Ireland, Luxembourg, Malta, and Portugal do neither produce nuclear power domestically nor have planned to do so in the future.

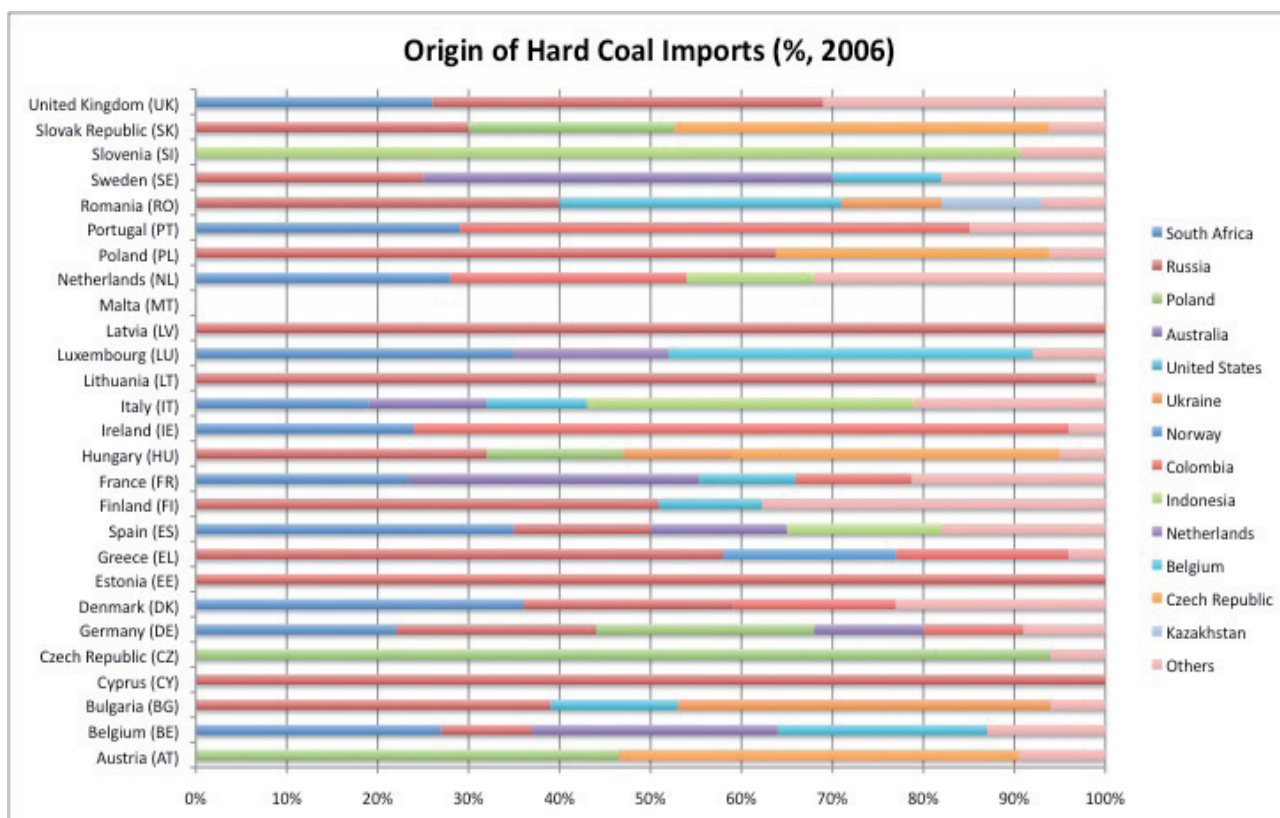


Figure 2: Hard coal imports of EU member states (2006)

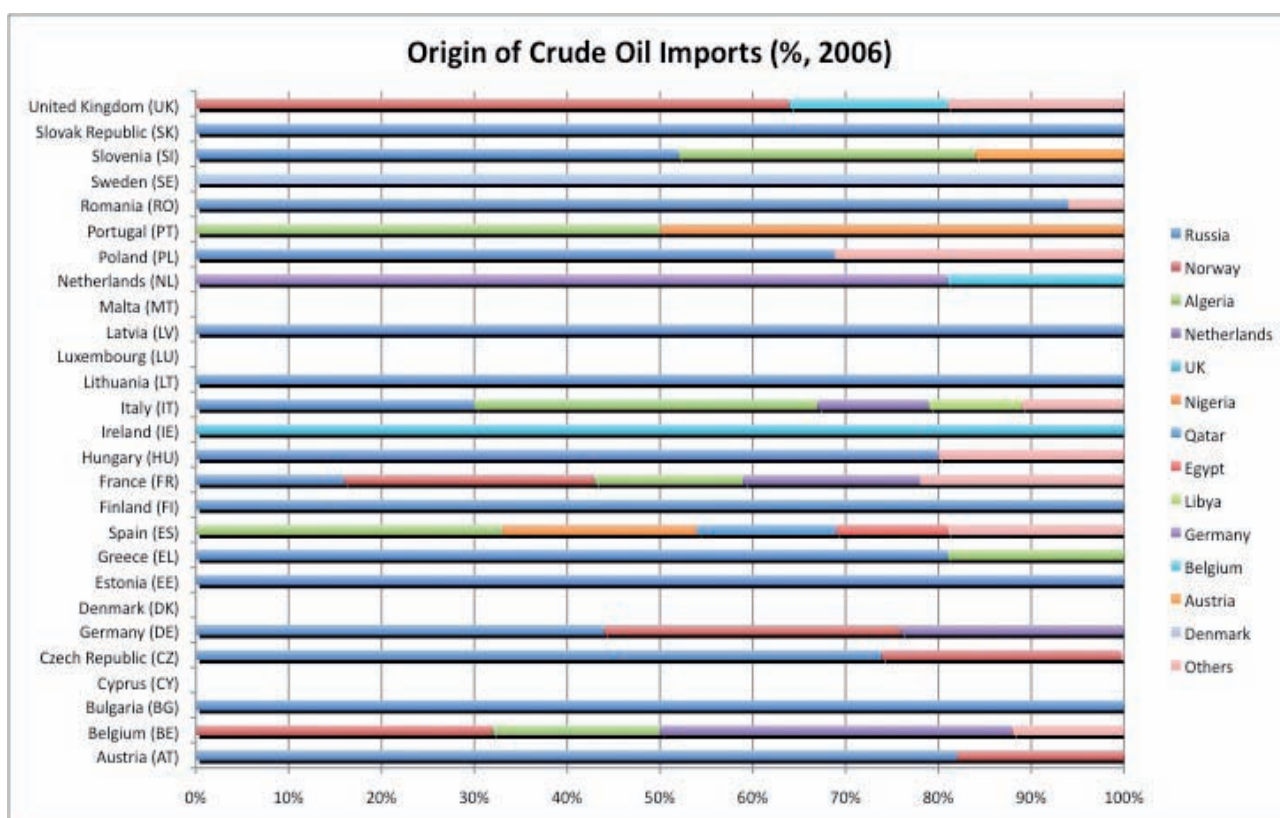


Figure 3: Crude oil imports of EU member states (2006)

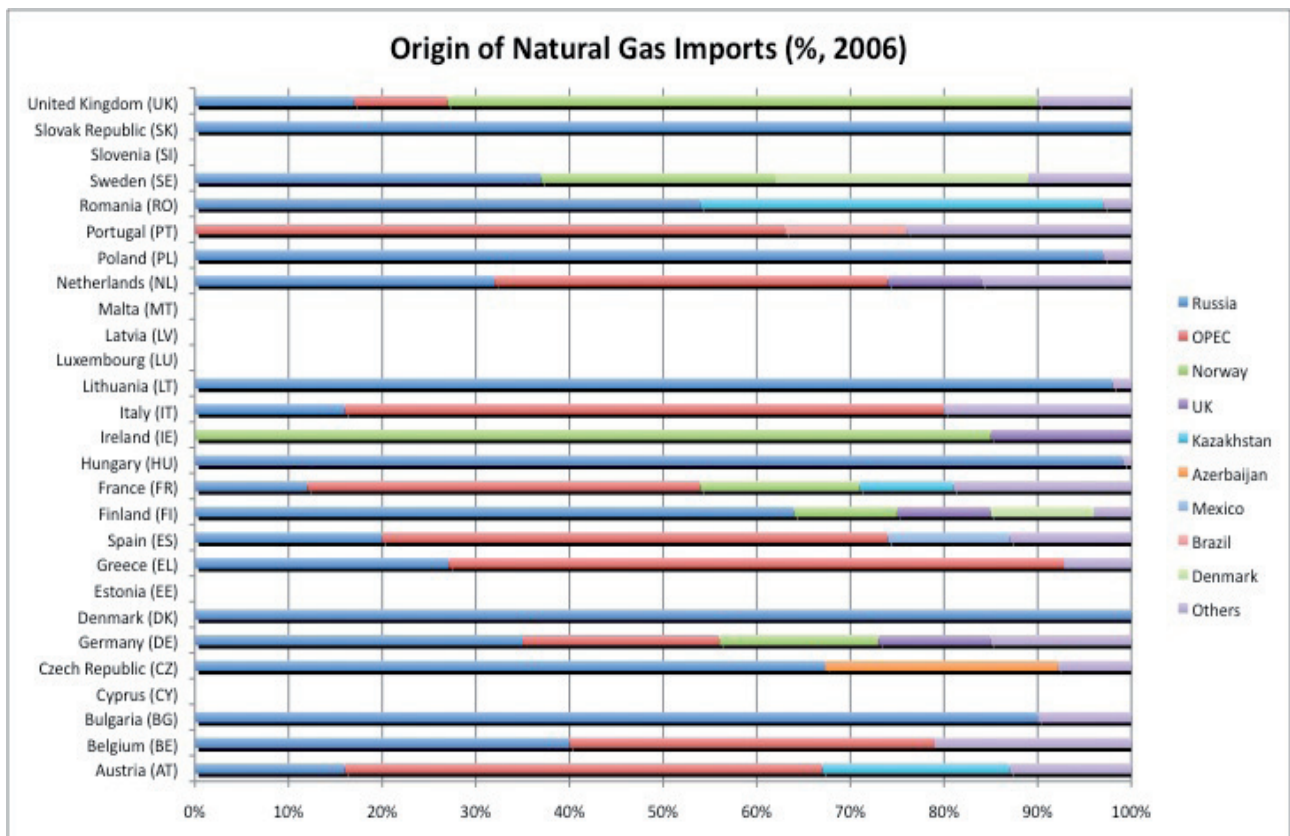


Figure 4: Natural gas imports of EU member states (2006)

of nuclear power in countries like Austria, Denmark, and Ireland. On the other hand, especially the CEE member states increasingly discover nuclear power as a means to achieve their international commitments to climate change, as well as to balance their energy mix and to reduce their dependency on Russia.<sup>28</sup> However, although the Commission defines nuclear power as a CO<sub>2</sub>-friendly energy source,<sup>29</sup> there is no consensus about the pros and cons of this energy source at member-state level, and conflicts about this topic remain virulent due to stable domestic influences and necessities.

Just as with nuclear power, the use of RES and a strong commitment to the reduction of green house gas (GHG) emissions is also only preferred by those member states whose “energy paths” allow for such policies. Firstly, the possibility of extensive exploitation of RES depends on geographical and geological characteristics, such as mountainous regions or long coasts. Secondly, especially those Central Eastern and South Eastern European countries relying on hard coal and lignite deny reducing GHG emissions rapidly, because a fast switch would force them to increase their gas dependency on Russia due to the lack of an alternative supplier so far. Furthermore, many CEE countries find it hard to initiate the transition to a low-carbon economy, because their economies are still strongly reliant on industrial production, with the coal-mining industry and industrial workers forming strong domestic

<sup>28</sup> The construction of new nuclear power plants is planned in Poland, Lithuania (as a cooperation between the Baltic States and Poland), and Bulgaria. The highly contested construction of a new reactor in the Bulgarian city of Belene is postponed, however, due to a recent drawback of the German energy company RWE and increasing financing problems, which have led the Bulgarian government to request support from the European Commission.

<sup>29</sup> Commission of the European Communities (2007): Nuclear Illustrative Programme, COM (2007) 565 final, Brussels, p. 15 ff.



pressure groups. The impending costs of converting the existing energy systems cause many CEE countries to follow a more traditional energy policy that is sometimes in direct contradiction to the visionary energy strategies proposed by post-industrial member states like Denmark, Finland, Sweden, or the UK.<sup>30</sup> In contrast, these countries promote a comprehensive climate-energy approach and set up very ambitious goals for green house gas emission reductions and RES promotion. However, as described in the next section, there are a lot of influences, especially from the EU level, which slowly lead the national policies of all member states towards convergence in this field of energy policy.

Another factor causing path-dependence is the concrete balance between market and state intervention in the traditional energy policy of the member states. Especially France and the member states from Central Eastern and South Eastern Europe have a long history of state intervention in energy policy.<sup>31</sup> To the contrary, Great Britain, Germany, and the Scandinavian countries have developed an understanding that treats energy policy as a support measure for private (industrial) actors, which are considered to be most effective in securing energy supply.<sup>32</sup> However, regardless of the extent to which the member states emphasise market mechanisms, most of them engage in cultivating and protecting huge national energy corporations, so-called national champions, as a means to ensure energy security and negotiating power vis-à-vis energy producers. These strategies regularly stand in direct contrast to efforts for a common energy policy within the EU as the protection of national champions gets in conflict with liberalisation initiatives like the IEM.

Combined with the difference in domestic market size, the existence of national champions does also create path-dependent approaches to external energy policy. Bigger member states find it easier to rely on their domestic market size and to create influential national champions.<sup>33</sup> Therefore, bigger

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30 See for example Danish Energy Authority (2007): “A visionary Danish energy policy 2025”, available at: [http://193.88.185.141/Graphics/Publikationer/Energipolitik\\_UK/Engelsk\\_endelig\\_udgave\\_visionaer\\_energipolitikA4.pdf](http://193.88.185.141/Graphics/Publikationer/Energipolitik_UK/Engelsk_endelig_udgave_visionaer_energipolitikA4.pdf); Finish Government (2008): “Long-term Climate and Energy Strategy”, Report to the Parliament on 6 November 2008, available at: [http://www.tem.fi/files/20587/Climate\\_Change\\_and\\_Energy\\_Strategy\\_2008\\_summary.pdf](http://www.tem.fi/files/20587/Climate_Change_and_Energy_Strategy_2008_summary.pdf); Swedish Ministry of Environment and Swedish Ministry of Enterprise, Energy and Communications: “An integrated climate and energy policy”, Information sheet about the government bills 2008/09:162 and 163, available at: <http://www.regeringen.se/content/1/c6/12/66/79/d131a86e.pdf>; British Department of Trade and Industry (2007): “Meeting the Energy Challenge, A White Paper on Energy”, (Norwich: The Stationary Office). Other member states following a similar path are Austria, Latvia, Portugal and to a lesser extent France and Germany.

31 On French traditions in energy policy see Meritet, Sophie (2007): French Perspectives in the emerging European Union energy policy, pp. 44-67, *Energy Policy*: 35, pp. 4767 – 4771. A good example of the dominant approach in Central Eastern Europe is Poland, a country that considers state intervention legitimate if national energy security is endangered or if international commitments have to be fulfilled (see: Polish Ministry of Economy (2009): “Energy Policy of Poland until 2030”, Working translation of the draft version from March 2009, p. 5; available at: <http://www.mg.gov.pl/Gospodarka/Energetyka/Polityka+energetyczna#>).

32 On the traditional primacy of private actors in German energy policy see Sander, Michael (2007): A ‘Strategic Relationship’? The German Policy of Energy Security within the EU and the Importance of Russia, *Foreign Policy in Dialogue*: 20, pp. 16 - 24 and Umbach, Frank (2008): German Debates on Energy Security and Impacts on Germany’s 2007 EU Presidency. In Marquina, Antonio (Ed.): *Energy Security, Visions from Asia and Europe* Palgrave Macmillan, Basingstoke, pp. 1 – 23; Britain’s commitment to market-based instruments in energy policy is best documented in British Department of Trade and Industry (2007): *Meeting the Energy Challenge, A White Paper on Energy*, The Stationary Office Norwich.

33 Röller, Lars-Hendrik / Delgado, Juan/Friederiszik, Hans (2007): *Energy: Choices for Europe*, Bruegel Blueprint

member states (and member states with strong national champions) are much less vulnerable to political pressure from energy suppliers and tend to rely on external energy relations based on market mechanisms and private actors. Consumer countries with large markets, like Germany for instance, are in most cases able to reasonably follow unilateral external energy policies explicitly aiming at symmetric dependencies between producers and consumers and thereby accepting growing import-dependency.<sup>34</sup> Smaller member states, on the other hand, cannot rely on interdependency, because a smaller market size is often an important barrier to the creation of powerful national champions that ensures a symmetric relationship. As member states with minor market sizes lack in most cases the alternative to promote a “market-based” external energy policy with national champions as decisive tool, they can be expected to be much more in favour of a unified European voice in external energy policy, which would be the only possibility for them to negotiate eye-to-eye with energy producers.

Despite all these differences in the nation-specific parameters for energy policy, import dependency has traditionally been a defining characteristic of the energy situation of almost all member states. Except for Denmark, today all EU-members are to a varying degree dependent on the import of fossil fuels. Especially small, isolated states such as Cyprus, Malta, Luxembourg, or Ireland exhibit an extraordinary high import dependency of 90% and more. Over and above there are countries such as Poland or the Baltic states whose overall import dependency is not precarious, but that are highly addicted to Russian gas imports, which makes them quite vulnerable. As long as their economies rely on fossil fuels, all member states have to secure energy supplies from external producers. However, the EU member states do not rely on the same energy producers. Instead, the different member states rely to a varying extent on four major energy-exporting regions supplying oil and gas: European countries (Norway, UK, Denmark, and the Netherlands), the countries of the Commonwealth of Independent States (in particular the Russian Federation), the Middle East, and Africa.

Relations to energy supplying countries are also path-dependent and become cemented through geographical location, historic partnerships resulting in connective infrastructures, and ties in the private sector. Thus, most EU member states have historically established energy relations with distinct production regions, which narrow the present options for external energy policy and predispose them towards sometimes-conflicting preferences. There are various examples for this kind of historically evolved relationships. Caused both by legacies of the Cold War and geographical proximity, the European gas and oil producers, for instance, export predominantly to those EU member states bordering to the North Sea, plus Finland and Ireland. OPEC countries on the other hand supply oil to all member states except for the Nordics and the new accession countries from CEE. In contrast, the new member states from Central and South Eastern Europe (SEE) are “eastward looking”<sup>35</sup> in terms of energy

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Series, Brussels, p. 27.

34 Steinmeier, Frank-Walter (2006): *Energie-Außenpolitik ist Friedenspolitik*, Handelsblatt, 23. March 2006, p. 3, Sander, Michael (2007): *A ‘Strategic Relationship’? The German Policy of Energy Security within the EU and the Importance of Russia*, p. 17, *Foreign Policy in Dialogue*: 20, pp. 16 - 24.

35 The only exception is Slovenia. As a former Yugoslav republic, Slovenia does not have the historically developed ties to Russia like the other new member states from CEE and SEE, which were under direct influence of the Soviet

imports and receive their oil and gas almost exclusively from Russia and other former republics of the Soviet Union.<sup>36</sup> Russia is also traditionally an important energy supplier for the Nordic countries, Germany, Austria, and Cyprus, as well as for the EU member states bordering to the Adriatic Sea. While France, Portugal, Spain, Great Britain, and Belgium have a tradition of close energy ties to African energy suppliers, predominantly due to their colonial pasts, countries like Algeria, Libya, and Nigeria are also important energy partners for the geographically proximate Mediterranean member states Italy, Greece, Slovenia, and Malta. Spain and Portugal traditionally also receive considerable amounts of oil imports from their former colonies in Latin America.

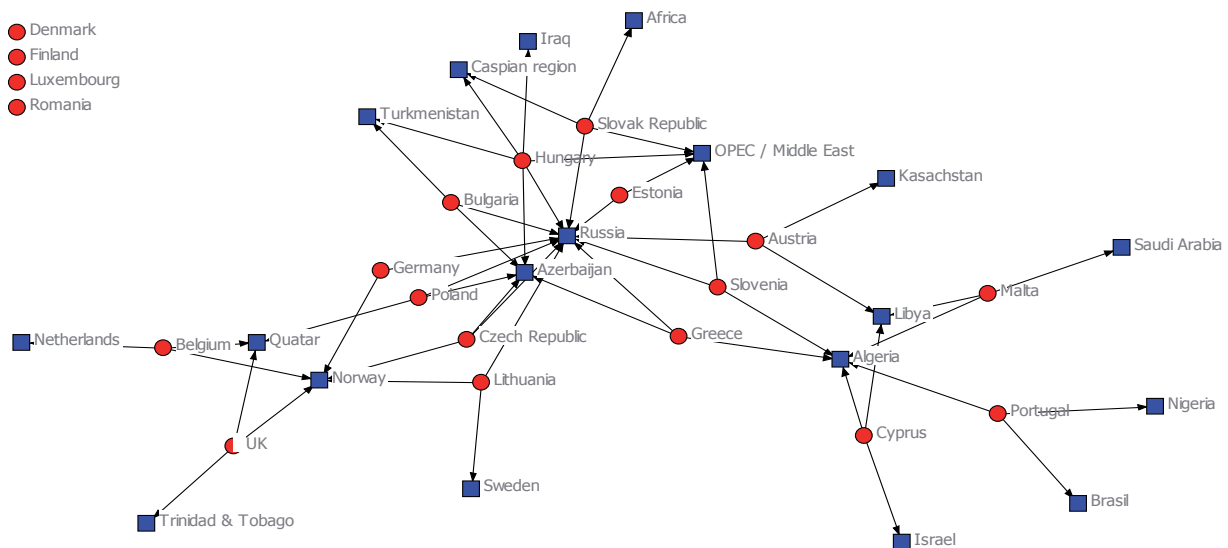


Figure 5: Energy Suppliers

When looking at the energy imports of the EU-members it is possible to identify roughly four geographic energy regions within the EU in terms of fossil fuel imports: Northern/Central Europe (the Nordic States, Germany, and the Czech Republic), Central/Eastern Europe (the Baltics, Bulgaria, Hungary, Poland, Romania, and Slovakia), Adriatic/South Eastern Europe (Austria, Cyprus, Greece, Italy, Malta, and Slovenia) and Western Europe (Britain, the Benelux states, France, Ireland, Portugal, and Spain). Unlike the countries from Western Europe, all member states from Northern/Central Europe, Adriatic/South Eastern<sup>37</sup>, and Central/Eastern Europe are traditionally highly dependent on imports from the former Soviet Union. However, only those two of these regions, which were not part of the Eastern Bloc, have also developed ties to suppliers other than the former Soviet Union. While

Union during the Cold War.

36 While the “new Europeans” receive almost all their imports of gas and oil from Russia, they nevertheless exhibit only an average import dependency due to a widespread promotion of domestic resource exploitation. In 2006, the CEE country with the highest import dependency was Latvia, exposing with 65,7% only the 11<sup>th</sup> highest import dependency in the EU. Thus, the efforts of these countries to strengthen their domestic production and promote diversification is not so much due to a high import dependency in general, but due to a dependence on Russia as the single supplier. Nevertheless, the fears of the CEE member states are further aggravated by the fact that Russia exerts influence on their energy policies via shareholdings in some of their biggest energy companies.

37 Malta poses the only exception in this group, as it relies solely on African oil and has no energy ties to Russia.



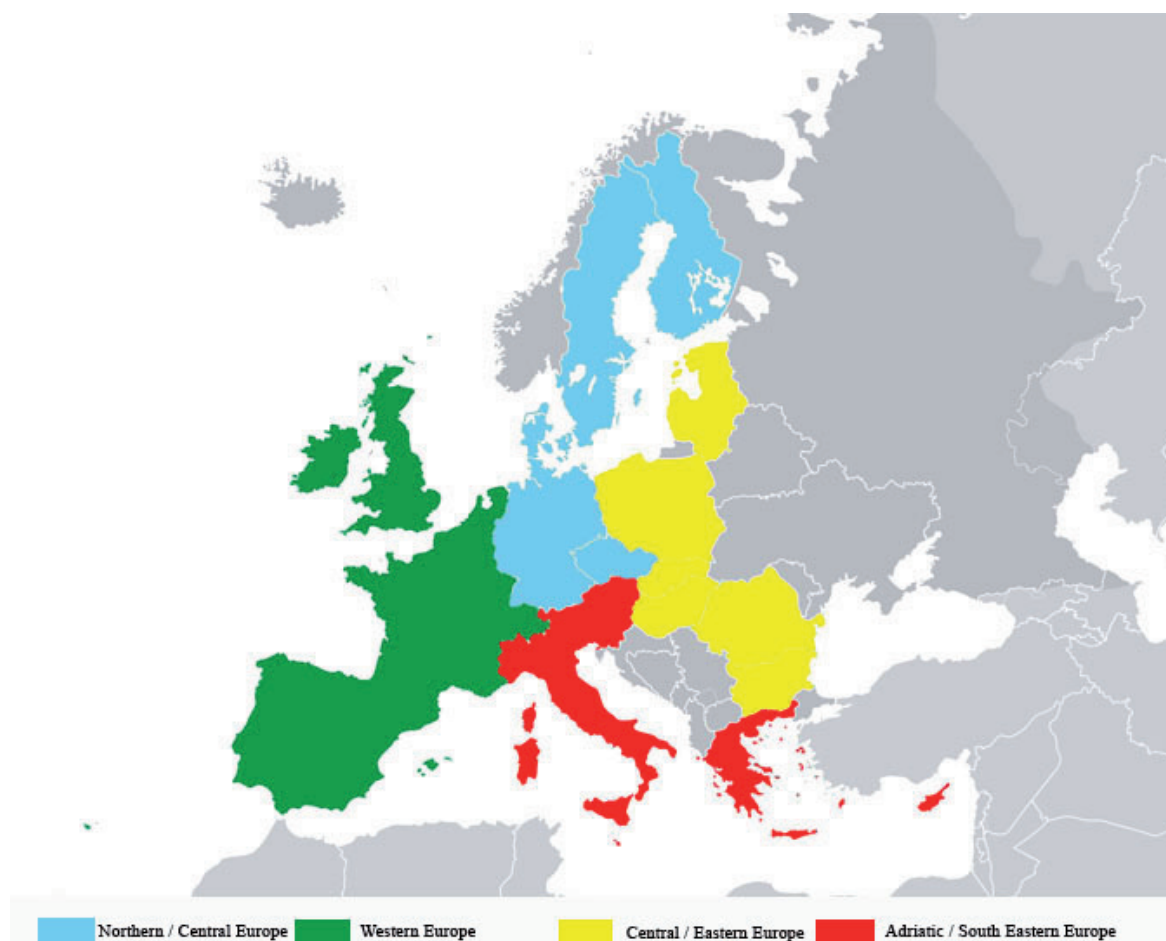


Figure 6: Energy regions

Northern/Central countries supplement their energy imports with European supplies<sup>38</sup>, the countries from Adriatic/South Eastern Europe receive additional supplies from Africa and the Middle East. The Central/Eastern member states, on the other hand, currently lack an alternative supplier and are almost completely dependent on Russia. As the Western European countries do not exhibit strong energy ties with Russia so far, they rely on intra-European suppliers and imports from Africa, the Middle East, and Latin America instead. The existence of these “energy regions” has several decisive effects on the possibilities for a CEEP. First of all, the historic ties have so far created a variety of external energy policies, which are hard to coordinate on the EU level because there is only limited common ground between the energy regions. Consequently, they favour very different policies in the realm of external energy policy on the EU level. This nexus will be illuminated in section 5. Furthermore, the energy regions illustrate also the current differences in the possibilities for the EU member states to diversify their suppliers and to ensure reliable transport routes. Thus, the EU member states differ in both energy security<sup>39</sup> and import dependence, and are therefore to a varying degree supportive of

38 While Germany does also import oil from OPEC countries, the Czech Republic is the only new accession country that already exhibits progress in diversifying its gas supply and can therefore be included in the Northern/Central Europe group. The Czech Republic has well-established interconnections with Germany and receives Norwegian gas through the Ingolstadt-Kralupy-Litvinov pipeline.

39 For a comparative assessment see the energy security indicator in Röller, Lars-Hendrik/Delgado, Juan/Friederiszk, Hans (2007): “Energy: Choices for Europe”, Bruegel Blueprint Series, Brussels, p. 18 and Le Coq, Chloë/ Paltseva, Elena (2009): Measuring the security of external energy supply in the European Union, Energy Policy: 11, pp. 4474

common efforts on the EU level.

Despite these different historical trajectories and energy situations, all member states now face the same challenge for their future energy supply. Confronted with a EU-wide depletion of domestic fossil fuels reserves, growing competition with other major consumers such as China, increasing prices on the global energy market, and the looming threat of global warming, natural gas is of increasing importance for all EU member states. Gas is so attractive because different suppliers (Russia, the Caucasus and Central Asia, the Middle East, Africa, and Norway) and modes of distribution (LNG or pipeline) are available. Furthermore, there are not only huge overall gas reserves worldwide, but natural gas has also a high energy-density and is therefore an important means for the European states to live up to their climate-protection commitments. Despite these strong incentives for all member states to extend the natural gas share in their energy mixes, the traditional energy policy orientations also affect the options preferred by the different member states in the search for the diversification of natural gas supply and are an obstacle to the establishment of a common European approach.

This chapter clarified that there are different domestic parameters creating path-dependent national energy policies within the EU. Differences in domestic resources, public opinion, economic traditions, market sizes, and traditional bonds to energy suppliers translate into a variety of national external energy policies. The divides are hard to bridge by efforts on the EU level, because the domestic parameters exhibit a remarkable hardness and create path-dependencies for national energy policies. However, currently there are major challenges confronting all member states, especially climate change and the need for diversified energy supply. As the new challenges create demand for more coordination within the EU and provoke a more proactive role of the European Commission there are now several indicators pointing towards greater possibilities for a CEEP. Although the sovereign right of the member states to decide on their national energy mixes remains mainly untouched, efforts like the Commission initiatives to promote renewable energy or the rising importance of natural gas for all member states lead to a gradual convergence of the domestic parameters for energy policy within the EU. The following sections will examine how the different traditional trajectories affect the preferences of the member states in European energy policy and how successful initiatives on the EU level can in turn cause further convergence of national energy policies.

#### **4. The internal dimension: Solidifying the base for a CEEP?**

While the reluctance of the member states to cede national autonomy has so far prevented an effective CEEP from developing it is often argued that solidifying the internal dimension of EU energy relations will alleviate the undertaking.<sup>40</sup> This conditionality is also acknowledged by many member

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– 4481.

40 See e.g. Helm, Dieter (2009): *EU Energy and Environmental Policy: Options for the Future*. In Tsoukalis, Loukas (Ed.): *The EU in a world in transition: Fit for what purpose?*, Policy Network, London, pp. 141-152 and Geden, Oliver (2009): “Effektive Gaskrisenvorsorge in Europa, Wegweisende Kommissionsvorschläge für eine Architektur der Risikoabsicherung”, SWP Aktuell 50, (Berlin: Stiftung Wissenschaft und Politik).

states. In 2006, for example, the Danish Prime Minister, Anders Fogh Rasmussen, argued in a letter to the President of the EU-Commission, José Manuel Barroso: The “EU must put its own house in order as a precondition for a coherent external EU policy on energy”.<sup>41</sup>

Although the internal dimension of European energy policy is indeed far from completed, the Commission has promoted two clusters of initiatives in the internal dimension over the years which have put the nascent CEEP on a more stable foundation: Firstly, climate protection policies and renewable energy promotion; secondly, the creation of an IEM. In the following section it will be analysed how these two clusters of initiatives have led to a subtle convergence of the aforementioned parameters for national energy policy throughout the EU, thus easing the creation of a CEEP. Conceptualising energy policies as depending on development paths makes it possible to understand why progress in the internal dimension of European energy policy has a conductive effect for a CEEP. If the Commission is able to assert its initiatives against the opposition of some reluctant member states, the supranational efforts can shape and adjust the parameters governing the decisions of national governments in energy policy<sup>42</sup>; when the domestic parameters converge, joint efforts in energy policy become easier to achieve because all member states make their energy policy decisions on the ground of increasingly similar national contexts as basis for decision making. In this chapter, the impact of the climate protection policies and the creation of the IEM on the member states’ energy policies will be assessed at first. Afterwards, the shortcomings of these initiatives will be examined, which prevent the internal dimension of EU energy policy from running smoothly. Above all, the deficiencies are underdeveloped infrastructural ties between the different member states and a lack of a common conception for energy solidarity within the EU. Identifying these shortcomings in relation to the path-dependent energy policies is of particular interest because it illuminates which national parameters remain widely unaffected by the efforts on the EU level and do therefore still exert centripetal influences on the energy policies of the member states, thus inhibiting the creation of a CEEP.

Embodied in the ECSC and Euratom, energy policy coordination has been a driver for European integration since the beginning. However, for a long time the Commission had only little competences in this policy field. Traditionally, the member states preferred to employ the European forum only as a means for rudimentary coordination of EC-internal energy relations, but tried to prevent the supranational actors from influencing what they deemed to be a core area of national sovereignty. The role of the Commission changed, however, when a defining parameter for energy policy came into flux throughout the whole EC: During the 1970s and ‘80s, market liberalisation and deregulation became the dominant economic paradigms within the EC. This convergence of overall economic approaches resulted in the Single European Act in 1986 and the subsequent Single Market initiative,

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41 The letter is included in the appendix of Danish Energy Authority (2007): “A visionary Danish energy policy 2025”, available at: [http://193.88.185.141/Graphics/Publikationer/Energipolitik\\_UK/Engelsk\\_endelig\\_udgave\\_visionaer\\_energipolitikA4.pdf](http://193.88.185.141/Graphics/Publikationer/Energipolitik_UK/Engelsk_endelig_udgave_visionaer_energipolitikA4.pdf)

42 For a similar line of reasoning see Mayer, Sebastian (2008): Path dependence and Commission activism in the evolution of the European Union’s external energy policy, *Journal of International Relations and Development*, Vol. 11, No. 3, pp. 251 – 278.

which established the Commission as the key agent to ensure and promote liberalisation and common market creation. Although the member states saw energy not as a normal commodity or service and did not want the energy sector to be included when kicking off liberalisation, the Commission played hardball and was successively able to include energy into the Single Market initiatives.<sup>43</sup> Besides the creation of an IEM, the Commission simultaneously became also more active in other parts of energy policy, especially in environmental protection.

Environmental and climate protection is the area of energy policy in which the Commission can be considered to have been the most influential. Over the last two decades, the Commission has been at the forefront in advancing GHG emission reduction, emission trading, energy efficiency and renewable energies. After the establishment of the European emission trading system, the recent climax of these efforts has been the adoption of the climate energy package, which the Commission proposed for the first time in 2007.<sup>44</sup> Within this legal framework, the member states agreed to reduce the EU's GHG emissions as well as energy consumption by 20% by 2020, while simultaneously increasing the use of renewable energy to 20% of the EU's total energy production in the same time frame. The Commission reflected in its initiatives the different national specifics, such as the development status of the economies or the geographically determined potentials for renewable energies, by setting up national allocation and development plans for every member state, so that the common goals are achieved on the basis of the principles of effort-sharing and common but differentiated responsibilities. Thereby, the advanced and post-industrial economies of the EU shoulder the heavier burden, while the developing transition economies are gradually brought closer to the standards. These principles enabled the Commission to drive the member states towards agreeing on targets that go well beyond the lowest common denominator, thus making the EU a global leader in climate protection. It stands to reason that the extent of further climate protection measures is still heavily disputed within the ranks of the member states, especially between the post-industrial and transition economies. However, the initiatives of the Commission were at least able to introduce the member states to a common path that will probably lead them all together towards a low carbon economy.

The success in this policy area has two major impacts on the creation of a CEEP. On the one hand, the energy mixes of the member states will slowly converge despite differing national plans. The goal to achieve a 20% RES share of energy production by 2020 will lead to an adjustment of the national energy mixes and to transnational cooperation on joint projects to fulfil the national targets. Thus, even if the member states still retain their sovereign right to decide on the national energy mixes, the climate protection efforts are also very likely to alleviate some conflicts in the articulation of a CEEP. With the share of RES rising through EU initiatives and the gas share rising as a reaction to climate protection commitments and depleting oil reserves, the member states will make their external energy

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43 See especially Schmidt, Susanne K. (1998): *Liberalisierung in Europa. Die Rolle der Europäischen Kommission*, Campus, Frankfurt am Main and Matlár, Jane (1997): *Energy Policy in the European Union*, Macmillan Press, Basingstoke and London.

44 European Commission (2007): *An energy policy for Europe*, COM (2007) 1, Brussels, 10.01.2007.

policy decisions on the basis of gradually converging energy mixes. On the other hand, the initiatives of the Commission for a climate-friendly energy policy have also at least basically created some guidelines for a CEEP, as climate protection can only be effectively achieved on a global scale. Therefore, promotion of GHG reduction, energy efficiency, RES, and the respective technology vis-à-vis third parties have become focal points for the common efforts in external energy policy.

The regulatory initiatives of the Commission aiming at the creation of an IEM within the EU could have an even more decisive effect on the possibilities for a CEEP if implemented completely. In the wake of the Single Market initiative starting in 1986 and dominating most of the EU policies in the early 1990s, the Commission was able to make the member states' energy markets a target of the liberalisation wave as well. With three successive legislative packages in 1996/1998, 2003, and 2009<sup>45</sup> the Commission tried to unify the member states' electricity and gas markets in order to ensure efficient resource allocation as well as cheap and secure energy supply.

It becomes clear when recalling the parameters for national energy policy that a truly common energy market could be a game-changer in the development of a CEEP. In theory, an IEM would eliminate market size as a defining parameter for the member states' external energy policies. As such, it would make both attempts to protect national champions and state intervention as compensation for a small domestic market superfluous for external energy policy. A full-blown IEM would increase the interdependencies between the member states and would thereby create a common basis for the formulation of a CEEP. As a result of eliminating different market sizes as a major obstacle for the compatibility of national energy policies an IEM would contribute immensely in making the EU a coherent negotiating block vis-à-vis third parties on energy issues. At the same time, a unified and functioning IEM would also be a valuable asset for effectively evening out external supply-shocks by supplying energy where it is needed no matter where it comes from.<sup>46</sup>

However, the initiatives of the Commission have so far only created formal liberalisation and have, instead of establishing a functioning IEM, even cultivated further concentration in the energy sector.<sup>47</sup> The Commission has not succeeded in asserting unbundling and preventing most of the member states (with both small and big energy markets) from protecting their energy markets and/or national companies. Due to still existing obstacles for the effective functioning of the IEM, the Commission is trying to further open up the member states' energy markets for competition and is pressing for ownership unbundling.

The main weakness of the IEM initiatives is obvious. The legislative steps towards an IEM have been

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45 See Directives 96/92/EC, 98/30/EC, 2003/54/EC, 2003/55/EC, 2009/72/EC and 2009/73/EC.

46 Geden, Oliver (2010): Mehr Binnenmarkt beim Gas. Die Europäische Union sollte sich bei der Energieversorgung vor allem auf ihre eigenen Projekte konzentrieren. In: Süddeutsche Zeitung, 19.1.2010, p. 18 and Zachmann, Georg (2009): Memo to the New Commissioner for Energy, Bruegel Policy Contribution.

47 Cf. Helm, Dieter (2007): The Russian dimension and Europe's external energy policy, p.39, available at: [http://www.dieterhelm.co.uk/sites/default/files/Russian\\_dimension.pdf](http://www.dieterhelm.co.uk/sites/default/files/Russian_dimension.pdf).



enacted without establishing the infrastructural precondition necessary for the smooth functioning of an EU-wide market for energy: sufficient cross-border interconnections.<sup>48</sup> An IEM will largely remain an illusion as long as the national markets are not tightly interconnected with all neighbouring countries. So far, there are only certain regional groupings within the EU that have developed sufficient interconnections and thus, similar to the relations with certain energy suppliers, a state of regionalisation can be identified for this aspect of energy policy as well. Examples for integrated regional groupings within the EU are the countries of the NORDEL electricity market or the regional grouping of Western-Central Europe with Austria, the Benelux states, the Czech Republic, Denmark, Germany, France, Italy, and the UK. However, there are also infrastructurally isolated member states within the EU like the Baltics<sup>49</sup>, the Iberian states Spain and Portugal, which have nevertheless their own regional electricity market (MIBEL), or the islands of Cyprus and Malta.

Over the last years reactions to these shortcomings have increasingly dominated the internal energy agenda of the EU: With releasing guidelines for trans-European energy networks<sup>50</sup> in 2006 and launching the Priority Interconnection Plan<sup>51</sup> (PIP) in 2007 the EU defined 42 infrastructural projects of European interest eligible for Community financing that will interconnect the electricity and gas networks throughout Europe. Some of these projects will be funded by the EU's European Economic Recovery Plan that provides €200 billion for reflation, of which about €4 billion are designate for energy projects.<sup>52</sup> These activities aim to achieve an IEM in a two-step effort: <sup>53</sup> first, regional energy markets shall be established within the EU<sup>54</sup>, which are then interconnected among each other to finally complete the IEM. The first projects to bridge regionalisation and integrate some of the existing energy islands are, for example, Estlink, connecting Nordic and Baltic electricity markets, Powerlink between Germany, Poland, and Lithuania, or a connection between Spain and France.

Unfortunately, the logic of IEM creation through interconnection promotion has one decisive flaw. Against the backdrop of a continuing refusal of full liberalisation and unbundling, market integration will stop short of an IEM as long as a common approach for ensuring secure supply is missing. In

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48 Cf. *Ibid.*,

49 Instead of being interconnected with the rest of the EU, the Baltic States are integrated into a network with Russia.

50 Official Journal of the European Union (2006): Decision No 1364/2006/EC of the European Parliament and of the Council of 6 September 2006 laying down guidelines for trans-European energy networks and repealing Decision 96/391/EC and Decision No 1229/2003/EC, OJ L 262, Brussels, 22.09.2006, pp. 1-23.

51 Commission of the European Communities (2006): Communication from the Commission to the Council and the European Parliament - Priority interconnection plan, COM (2006) 846 final, Brussels, 10.01.2007

52 Commission of the European Communities (2008): A European Economic Recovery Plan, COM (2008) 800 final, Brussels, 26.11.2008. For a list of the projects that are eligible for funding, see: [http://ec.europa.eu/energy/eepr/doc/i10\\_231\\_en.pdf](http://ec.europa.eu/energy/eepr/doc/i10_231_en.pdf).

53 See European Commission (2004): Medium Term Vision for the Internal Energy Market, Brussels, 1.3.2004, available at: [http://ec.europa.eu/energy/electricity/florence/doc/florence\\_10/strategy\\_paper/strategy\\_paper\\_march\\_2004.pdf](http://ec.europa.eu/energy/electricity/florence/doc/florence_10/strategy_paper/strategy_paper_march_2004.pdf).

54 Consider for example the initiatives for a South European Energy Community, the Baltic regional energy market, or the seven regional energy markets aspired by the European Regulators' Group for electricity and gas (see [http://www.ergeg.org/portal/page/portal/ERGEG\\_HOME/ERGEG\\_DOCS/ERGEG\\_DOCUMENTS\\_NEW/ELECTRICITY\\_FOCUS\\_GROUP/E05-ERF-03-06B\\_ERI\\_FS.PDF](http://www.ergeg.org/portal/page/portal/ERGEG_HOME/ERGEG_DOCS/ERGEG_DOCUMENTS_NEW/ELECTRICITY_FOCUS_GROUP/E05-ERF-03-06B_ERI_FS.PDF)).

theory, even member states that lack a big market or a national champion, i.e. the states supposedly most in favour of an IEM, would in a perfectly interconnected EU refrain from a one-sided opening of their markets because they would risk their own security of supply as liberalisation laggards could free-ride and exploit their downstream capacities.<sup>55</sup> A missing common solution for security of supply becomes obvious when considering the fierce debates between the member states on the issue of solidarity mechanisms in cases of energy supply interruptions. Especially the member states from CEE and SEE that are completely dependent on Russian imports for their oil and gas supply fight for the introduction of reliable crisis-reaction mechanisms ensuring EU-wide solidarity in a case of emergency. While the Commission has included this subject prominently in the SER-2 and some Western member states like France or Denmark accept the need for solidarity mechanisms as a necessary precondition for creating a collective EU energy policy there is also an influential camp which largely opposes this idea. Based on their (allegedly) market-oriented approach to energy policy this group, led by Germany and the UK, considers strategic solidarity mechanisms to distort the energy market and to distract member states from investing in strategic infrastructure, thus providing incentives for free riding.<sup>56</sup> Despite this opposition the CEE and SEE member states were able to amend Article 100 I of the Lisbon Treaty so that solidarity measures are now at least a possibility. Article 100 I states that „the Council, on a proposal from the Commission, may decide, in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy“. The conducted survey has shown, however, that this article is interpreted completely differently by the member states along the previously described dividing lines: Most of the respondents are satisfied with the implementation of Article 100 into the Treaty of Lisbon and see it as simply necessary, a means to enhance security of supply, or basically neutral. There are also countries that interpret this legal clause as deficient or as a required concession for the ratification of the Treaty itself. Mainly the Central and Eastern members take Article 100 as the legal basis for coordinated crisis reaction on an initiative by the Commission, or as a full-scale common energy security policy. On the other hand, most of the pre-2004 member states from Western and Northern/Central Europe, including Austria, perceive the clause to be more like a non-binding declaration and want to keep control over draft and contents of emergency measures. Nevertheless, a majority of those who answered the questionnaire supports the Commission's proposal for re-structuring the national gas infrastructures in order to meet the N-1 criterion.<sup>57</sup> One argument therefore is that solidarity will only be possible if each member state takes preventive action to be prepared for shortages in natural gas supplies. Interesting in this regard was also the notion of regional cooperation for compliance with the criteria, which supports our thesis of regionalisation tendencies in European energy policy.

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55 Pointvogl, Andreas (2009): Perceptions, realities, concession. What is driving the integration of EU energy policies, p. 5709 – 5710, in: *Energy Policy*, Vol. 37, pp. 5704 – 5716.

56 Cf. Deutsche Bundesregierung (2009): *Zur Energieaußenpolitik der Bundesregierung*, Antwort auf die große Anfrage der Fraktion Bündnis 90/Die Grünen, Drucksache 16/13276, p. 9.

57 The N-1 criterion is a safety standard for networks that are able to cope with the loss of one transmission linkage without producing cascading failures or supply shortages.



At this point it becomes apparent that the logic articulated at the beginning of this chapter, solidifying the internal dimension of EU energy policy will cause progress in the formulation of a CEEP, has ceased to hold true. The national parameters for external energy policy, such as market size or degree of import dependency, remain largely unaffected by the incomplete IEM and keep governing the energy policies of the member states. Because of the many shortcomings in the creation of the IEM, legislation without sufficient interconnections or member states defying ownership unbundling, the development stops short of a pan-European energy market. Due to security-of-supply considerations even small member states refrain from further liberalisation as long as the EU lacks a common external energy policy. Solutions to this dilemma can therefore only be given by political decisions establishing a CEEP. As energy market integration has arrived in a deadlock and protectionism prevails due to conflicting economic interests, a common external energy policy and security of supply measures will very likely not be the consequence of IEM creation but have to be established in order to push market integration forward. In the next chapter the possibilities for political agreement in this regard will be assessed by scrutinizing the initiatives and visions of the member states in external energy policy in order to illuminate both common ground and issues of conflict.

## **5. The external dimension so far: Visions and initiatives of the EU member states**

Internal measures to enhance the level of energy security are only one side of the coin. Due to the multidimensionality of the energy security dilemma, looking inward alone is not sufficient.<sup>58</sup> Therefore, complementary external measures such as a buyers' pool and joint energy security diplomacy are needed. What is problematic in this regard is, as mentioned earlier, that coherence in general is seen as necessary but there is no agreement on the terms of a common external energy approach yet. Over and above this observation, and relatively analogous to the energy regions within the EU identified above, different interpretations of energy risks, solidarity among the member states, joint measures, and the perception of essential suppliers prevail.

Confronted with increasing global competition from emerging economies and depleting domestic and European reserves, the EU member states all face the challenge of extending their fossil fuel supply from foreign producers in a difficult environment. In this regard, natural gas is of eminent importance to all member states, not least since this resource is still widely available and may also help to reduce the CO<sub>2</sub> output. On the basis of pipeline constructions or LNG trade, both Russia as the world's biggest gas producer and various countries from Central Asia, Africa, and the Middle East lend themselves to supply natural gas to the EU member states. The growing importance of natural gas imports has the potential to create further convergence between the external energy policies of the EU member states, and thus to establish a sound basis for a CEEP. However, this process is still inhibited by the centripetal forces emanating from the conflicting, path-dependent orientations in the national energy policies of the EU member states.

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58      Baumann, Florian (2008): Energy Security as multidimensional concept, C·A·P Policy Analysis No. 1.

The common “fate” of growing import dependence and the need for diversified fossil fuel supply does not seem to create incentives strong enough to produce a concrete CEEP. Instead of jointly identifying suitable suppliers and constructing supply routes delivering sufficient energy to all member states, the European states still engage in only loosely coordinated projects and direct their efforts towards different suppliers. In line with the path-dependent energy strategies identified in the previous sections, the EU member states direct their external energy policies towards different suppliers and therefore lack a concrete, shared vision for how to ensure their energy supply. Even with regard to the current initiatives to secure their future security of fossil fuel supply in the medium term those member states belonging to a distinct energy region all employ similar strategies and address similar suppliers. This can best be shown with regard to the importance Russia plays in the calculations of the individual member states.<sup>59</sup> Even though Russia is in charge of the biggest natural gas reserves it is accredited varying relevance in the strategic prospect of the member states. When we asked the participating member-state officials in our survey which three nations they expect to be their countries’ most important energy suppliers in 2020, only representatives of countries from geographical regions that have historically-developed energy ties to Russia (Northern/Central, Central/Eastern, and Adriatic/South Eastern Europe) also expected Russia to be an important supplier in ten years.<sup>60</sup> In contrast, member-state officials from Belgium, Cyprus, Denmark, Malta, Portugal, and the United Kingdom did not accredit an important role to Russia.

This lack of a shared assessment translates into a cacophony of approaches of how to deal with the Russian Federation in energy matters (and what alternative suppliers to address instead). The smaller member states from Central/Eastern Europe and Adriatic/South Eastern Europe, which all have to cope with a traditionally high dependence on Russian fossil fuel imports, are the countries which aim most keenly at decreasing the dependence on Russian energy and establishing relationships with alternative suppliers. Due to geographical proximity, these member states aspire to explore the “southern corridor” and to establish strong ties to the gas-rich (but politically unstable) countries from Central Asia, with the Nabucco pipeline project being their “most cherished child”. The most visible expression of these shared goals of the small countries from Central/Eastern Europe and Adriatic/South Eastern Europe was a regional initiative to reduce dependence on Russian energy imports: The heads of government from Austria, the Baltic States, the Czech Republic, Hungary, Poland, Slovakia, Slovenia, Romania, and the accession candidate Croatia agreed on accelerating the construction of Nabucco and creating two regional LNG terminals in Świnoujście (Poland) and on the Croatian island Krk.<sup>61</sup> The countries lobbying most vigorously for the promotion of alternative energy suppliers within this grouping are the three Baltic states and Poland. These countries, former Soviet satellites

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59 For a more general examination of the different roles EU member states play in the relationship to Russia, see Leonard, Marc / Popescu, Nicu (2007): *A power audit of EU-Russia relations*, ECFR Report, London.

60 Those were namely Austria, Bulgaria, the Czech Republic, Estonia, Germany, Greece, Hungary, Lithuania, Poland, Slovenia, and Slovakia

61 Wyciskiewicz, Ernest (2007): „One for All - All for One” – The Polish Perspective on External European Energy Policy. In Overhaus, Marco / Maull, Hans / Harnisch, Sebastian (Eds.): *Foreign Policy in Dialogue. Dealing with Dependency: The European Union’s Quest for a Common Energy Foreign Policy*, Volume 8, Number 20, Trier, p. 37.

where the Russian share on gas imports ranges between 70% and 100%, try to break their situation as mere energy islands that lack suppliers other than Russia while being cut off completely from the rest of the EU. The countries from Adriatic/South Eastern Europe like Austria, Slovenia, and Hungary, on the other hand, are in a slightly different position since they already possess (developing) ties to energy suppliers from Africa and Central Asia. Thus, they are also able to promote a much more pragmatic, nuanced, and less politicised approach when dealing with Russia in terms of energy. Nevertheless, the regional initiative of the smaller member states from Central/Eastern and Adriatic/South Eastern Europe shows that there is, on the basis of slowly converging energy situations, the potential to overcome the historically developed trajectories with political will and to initiate projects within the EU that supersede the previously identified energy regions.

When looking at the greater EU, however, there are also various member states that do not consider the goal to reduce dependency on Russia as an equally strong necessity. On the one hand, there are member states from Northern/Central and Western Europe, like Germany, France, the Netherlands, Italy, or the Nordic countries, that are not afraid of extended energy dependence on Russian gas and oil because they expect their domestic (and well integrated) markets to be an asset strong enough to even out the relationship with Russia. Therefore, these member states promote an energy policy that aims at close cooperation with Russia nested in a “strategic relationship” as the most effective instrument in the interest of both sides.<sup>62</sup> Furthermore, the Russian Federation will also remain a supplier of only minor importance to a lot of member states from Western Europe, among them Great Britain, Spain, and Portugal. While accepting the crucial need for dialogue with Russia as a consequence of the energy situation of other member states, these countries put a much stronger focus on the expansion of the oil and gas supply from African producers and the Middle East.

Keeping these various stances on the importance of Russia as a future energy supplier in mind it is not astonishing that a common policy towards Russia is lacking real substance so far. Neither the Energy Charter Treaty nor the suspended negotiations of the Partnership and Cooperation Agreement have resulted in the targeted results and thus mistrust and the potential for conflict between the Russian Federation and the EU is still high.<sup>63</sup> The different approaches within the EU for securing the future energy supply materialise in the political support the member states express for various cross-border pipeline projects – most prominently with regard to Nord Stream, South Stream (both initiated by

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62 See also Leimbach, Berthold / Müller, Friedemann (2008): *European Energy Policy: Balancing national interests and the need for policy change*. The current European energy dialogue, Friedrich Ebert Stiftung Climate and Energy Papers, Documentation No. 1, p. 24-25; Geden, Oliver / Marcelis, Clemence / Maurer, Andreas (2006): “Perspectives for the European Union’s External Energy Policy: Discourses, Ideas and Interests in Germany, the UK, Poland and France”, SWP Working Paper No. 15, p. 17 – 18 and Sander, Michael (2007): *A “Strategic Relationship”? The German Policy of Energy Security within the EU and the Importance of Russia*. In Overhaus, Marco / Maull, Hans / Harnisch, Sebastian (Eds.): *Foreign Policy in Dialogue. Dealing with Dependency: The European Union’s Quest for a Common Energy Foreign Policy*, Volume 8, Number 20, Trier, p. 16-24.

63 Leal-Arcas, Rafael (2009): *The EU and Russia as Energy Trading Partners: Friends or Foes?*, *European Foreign Affairs Review*, Vol. 14, Issue 3, p. 337-366 and Meister, Stefan (2009): *EU-Russia relations after the Gas-conflict: What lessons we have learned*. In Schäffer, Sebastian / Tolksdorf, Dominik (Eds.): *The EU member states and the Eastern Neighbourhood – From composite to consistent EU foreign policy?*, C·A·P Policy Analysis No. 1, pp. 20-23.

Russia), and Nabucco. Nord Stream - which is currently under construction and is expected to deliver gas from Russia directly (and explicitly circumventing Poland and the Baltic States) to the German city of Greifswald via the Baltic Sea by the end of 2011 - is a project that is mostly supported by the group of member states<sup>64</sup> that aspires a “strategic relationship” with Russia based on mutual dependency.<sup>65</sup> As a consequence of its routing, Nord Stream is vigorously opposed by the Baltic States and Poland. These states see the direct connection between Germany and Russia as an exclusionary (and environmentally threatening) undertaking that prevents a common European solution.<sup>66</sup> This opposition becomes even more doggedly because Nord Stream might also aggravate the Polish-Baltic plans to establish interconnections to the Scandinavian member states. Since Finland and Denmark, potential consumers of Nord Stream gas, might lose interest in close cooperation with Poland and the Baltic States, this pipeline project is perceived by Poland and the Baltic States as a threat to their attempts to break out of their energy isolation.<sup>67</sup> South Stream and Nabucco, as competing pipeline solutions for the gas transit in South Eastern Europe, are similarly controversial among the EU member states.<sup>68</sup> Again, some aspire common action in the form of Nabucco to reduce dependency on Russia, while others that already have a relatively diversified energy supply consider the Russia-led South Stream as the more feasible and realistic project to enhance supply security.

Against the backdrop of an ever rising energy demand in the EU, more and more member states (especially those aiming at a strategic relationship with Russia and those lacking close energy ties to Russia) try to appease the row over the competing pipeline projects with a pragmatic approach: Under a general call for diversification of supply routes, they simply support both Nabucco and South Stream<sup>69</sup>. Such a pragmatic stance has become the only possible base for common positions on infrastructural cross-border projects within the EU.

As a product of concessions and conciliation, the EU identifies in its guidelines for the development of the trans-European energy networks (TEN-E) a monstrous compilation of “projects of European interest”, among them the highly controversial Nord Stream,<sup>70</sup> while the above mentioned European

64 In our survey, only representatives from Germany, Belgium, and Luxembourg expressed their explicit support for the Nord Stream pipeline.

65 The shareholders of the Nordstream AG are the Russian gas giant Gazprom (state-owned), the Dutch Gasunie (partly state-owned), as well as the German private energy companies E.ON Ruhrgas and Wintershall.

66 See for example Agence Europe (2007): Poland and Baltic States pan out a common approach to energy policy, 12.10.2007, Euractiv.com (2009): Lithuania gives cold shoulder to Nord Stream, online available: <http://www.euractiv.com/en/energy/lithuania-gives-cold-shoulder-nord-stream/article-184871>.

67 Cf. Kasekamp, Andres et al. (2006): Energy Security of Estonia in the context of the energy policy of the European Union, Estonian Foreign Policy Institute, p. 22, online available <http://www.evi.ee/lib/Security.pdf>.

68 The long-lasting conflict with Turkey puts Cyprus in a unique position in the Nabucco vs. South Stream rivalry. Both projects use Turkey, which refrains from establishing normal economic relations to Cyprus, as a central transit country. The realization of either project would therefore put Cyprus in an unfavourable situation. As Turkey also hinders the oil exploration of Cyprus the island country in return blocks the opening of the energy chapter in the accession negotiations between Turkey and the EU.

69 In our survey, officials from Austria, Belgium, Bulgaria, Hungary, Luxembourg, and Slovenia expressed support for both Nabucco and South Stream.

70 European Parliament and Council of the European Union (2006): Decision No 1364/2006/EC of the European Parliament and of the Council of 6 September 2006 laying down guidelines for trans-European energy networks and

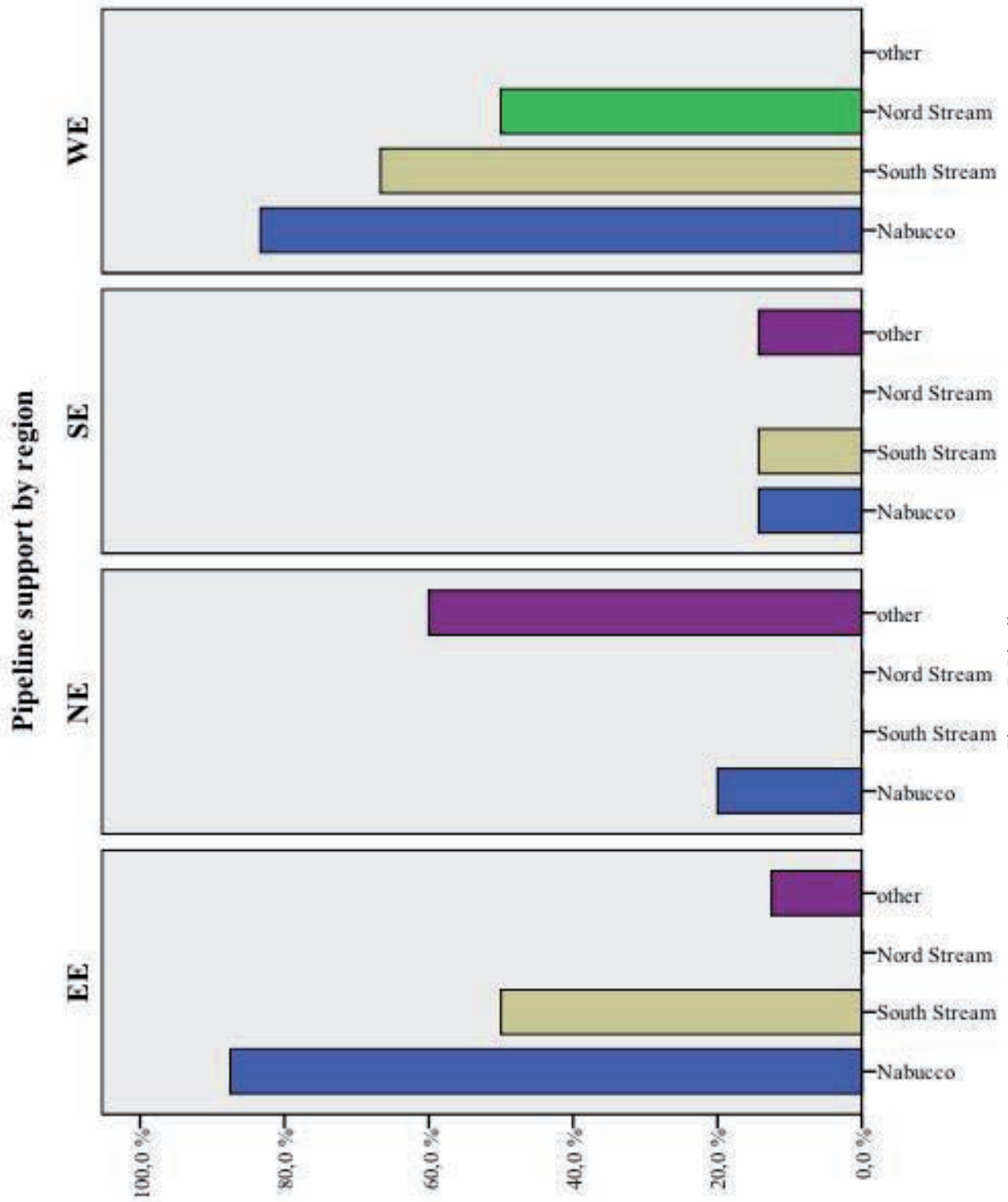


Figure 7: Pipeline support



Economic Recovery Plan funds various infrastructural projects, which are sometimes more conflicting than complementary. The plan designates, for example, 300 Million Euros to Nabucco and ITGI-Poseidon (Interconnection Turkey Greece Italy) – which is together with the Trans-Adriatic-Pipeline (TAP) the real opponent of Nabucco. To establish a common heading to conciliate Nabucco, ITGI-Poseidon, and TAP the EU has initiated the Southern Gas Corridor as a regional measure of gaining access to the gas reserves of Central Asia and the Middle East.<sup>71</sup> This regional initiative was promoted by a summit organised by the Czech Presidency in 2009 and is most heavily supported by the countries from Central/Eastern and Adriatic/South Eastern Europe trying to decrease their dependence on Russian energy resources.<sup>72</sup> Similar to the Southern Gas Corridor, the EU has also proposed the Mediterranean energy ring as a measure to extend the relationship to energy suppliers from Africa and the Middle East.<sup>73</sup> This regional initiative helps to incorporate those countries from Western and Adriatic/South Eastern Europe – such as Cyprus, France, Malta, Ireland, Portugal, Spain, and the United Kingdom – which currently extend their traditional focus to rely on African and Arabic countries to secure their fossil fuel supply.

While all these vague common initiatives provide a perfect chance for EU representatives<sup>74</sup> and member states alike to cover the conflicts over the conflicting pipeline projects under the umbrella-goal of “general diversification”, they are in essence another proof for the lack of a shared strategy for how to ensure the future energy supply. Instead, the common positions within the EU turn out to be a rather accidental arrangement of detached measures – a sum of initiatives that only loosely tie the member states together, all of which have, based on their specific energy situations, largely separated agendas to secure their supply. Thus it is obvious that cooperation on the EU level in external energy policy and especially joint pipeline projects is still hampered by the path-dependent energy situations defining the member states’ energy policies.

When recalling that EU-internal infrastructural projects as well as solidarity measures in cases of energy emergency can only solidify the basis for a CEEP if they are accompanied by fundamental progress in the adjustment of the member states’ external energy policies, the question arises if there is any potential to improve the current situation of only loose coordination. Inferring from the previously identified energy regions, which picture the existing cleavages for external energy policy within the EU, the most likely chances for progress lie in policies that supersede these dividing lines. A powerful CEEP can only arise if the causes that separate the EU member states’ external energy

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repealing Decision 96/391/EC and Decision No 1229/2003/EC, p. 22, online available: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:262:0001:0023:EN:PDF>.

71 European Commission (2008): An EU Energy Security and Solidarity Action Plan, Second Strategic Energy Review, Brussels, 13. November 2008, p. 4-5.

72 For a first outline of the Southern Gas Corridor, see the final declaration of the Prague summit, available online at <http://www.eu2009.cz/en/news-and-documents/press-releases/declaration---prague-summit-southern-corridor-may-8--2009-21533/>.

73 European Commission (2008): An EU Energy Security and Solidarity Action Plan, Second Strategic Energy Review, Brussels, 13. November 2008, p. 5.

74 The new Energy Commissioner Günther Öttinger embraces, for example, a variety of pipelines and even wants to extend EU support to South Stream, see <http://www.eubusiness.com/news-eu/energy-gas-pipeline.3f4/>.

policies from each other get mitigated. Past analyses have shown, however, that these cleavages are still existent and even have a largely determining effect on the member states' stances on the question what pipeline projects to promote.

This causality leads to an interesting conclusion: Pipelines, as strategic, highly politicised and costly devices for energy supply, are central causes for the existing differences within the EU, because they contribute to the continuation of incompatible energy policies. To put it another way: Pipelines are a major factor in the reproduction of separated energy regions within the EU. This means that, as long as the member states rely on fossil fuel supply based on pipelines combined with a not well-functioning IEM, the existing energy regions cannot be superseded. At best, they could be managed through slow and steady merger. The findings of this study suggest that in the medium-term, a powerful CEEP could only develop if the infrastructural dimension of the EU external energy policy is organized within regional sub-units.<sup>75</sup> Instead of launching initiatives that superficially express a common position, but are in fact nothing more than horse-trades, the EU should establish regional coordination groups of member states which manage the purchase of gas and oil from external suppliers for their region independently. In order to improve the current situation, these regional purchasing units would have to bridge the existing energy regions: All member states highly dependent on Russian energy supply in the medium term, mostly from Central/Northern, Central/Eastern and Adriatic/South Eastern, should be organised within one purchasing group so that countries promoting sometimes conflicting measures while basically having the same goals – for example Germany, Poland, and the Baltic states - would be empowered to find common solutions within a smaller group of member states. In a similar manner, also the member states from Western Europe and Adriatic/South Eastern Europe that aim at extended energy ties with Africa and the Middle East could organize their efforts within another regional purchasing group.

A development that will very likely contribute to the future dissolution of the existing separated energy regions within the EU is the expansion of LNG trade. Unlike pipelines, the tanker-based LNG trade is much more flexible and does not lend itself as a geopolitical instrument. Although still suffering from high infrastructural costs and underdeveloped capacities, LNG trade will be the decisive factor in developing a global gas market. This is why it is considered an important tool to diversify their energy supply by basically all member states.<sup>76</sup> Its game-changing characteristics and

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75 Similar ideas can be found in Andoura, Sami/Hancher, Leigh/van der Woude, Marc (2010): „Towards a European Energy Community, A Policy Proposal“, Notre Europe Studies & Research 76, p. 100 – 116, available online at: [http://www.notre-europe.eu/uploads/tx\\_publication/Etud76-Energy-en.pdf](http://www.notre-europe.eu/uploads/tx_publication/Etud76-Energy-en.pdf).

76 See for example Bulgarian Ministry of Economics, Energy and Tourism (2008): Bulgarian Energy Strategy by 2020, draft version, November 2008, p. 73; Department of Trade and Industry (2007): Meeting the Energy Challenge. A White Paper on Energy, HM Government, pp. 31, 37, 116; Deutsche Bundesregierung (2009): Zur Energieaußenpolitik der Bundesregierung, Antwort auf die große Anfrage der Fraktion Bündnis 90/Die Grünen, Drucksache 16/13276, p. 140; Kassinis, Solon (2009): „Lisbon strategy. Revised National Reform Program. Chapter: Energy“, presentation for the Cypriot Ministry of Commerce, Industry and Tourism, p. 5 – 7, online available at [http://www.mcit.gov.cy/mcit/mcit.nsf/All/4FCFBD6339D6AAAF2C2257601003F7EBD/\\$file/presentation\\_Lisbon\\_Energy\\_100709.pdf?OpenElement](http://www.mcit.gov.cy/mcit/mcit.nsf/All/4FCFBD6339D6AAAF2C2257601003F7EBD/$file/presentation_Lisbon_Energy_100709.pdf?OpenElement); Department of Communications, Marine and Natural Resources (2007): Delivering a Sustainable Energy Future for Ireland, Government White Paper, Dublin, p. 23; Italian Ministry of Foreign Affairs (2009): “Energy: Major Interventions”, available



importance within the energy strategies of all member states potentially make LNG trade an issue of common concern. As exemplified in the Austro-Polish initiative of 2006, it is this diversification method that has the potential to supersede the separated energy regions. Together with the promotion of renewable energy and the efforts for dialogue with supplying as well as consuming countries, LNG trade could become a uniting issue putting the nascent CEEP on a consensual basis.

When looking at the current CEEP, however, it becomes clear that several other issues of conflict have yet to be solved within the EU. Detached from the omnipresent contentions about different supply routes, the EU members also struggle about the adequate foreign policy approach towards external suppliers. Two main cleavages can be identified in this realm. The first one focuses on the placement of energy politics, whether it is a political or even a security issue or if energy is plainly economics. The second cleavage, closely linked to the first one, deals with the question of the right instruments of a CEEP. The conceptions range from loose coordination of national policies and the spread of market mechanisms up to severe political means, like the construction of a novel regime for energy security. Together with the Benelux states it's mainly the Eastern European member states that stress the argument more in the direction of politicised energy relations that demand for a political response.<sup>77</sup> By promoting a "European Energy Security Treaty", most of the time referred to as "Energy NATO", Poland dared the biggest leap in tackling energy security by political and security means.<sup>78</sup> The Benelux countries hold a not dissimilar position by invoking the EU's bargaining power if acting as a unitarian actor vaguely foreseeing CFSP measures in regard to energy security as well as the promotion of market mechanisms.<sup>79</sup> On the other hand, countries with mostly big domestic energy markets, such as Germany, France, Sweden, or the United Kingdom, see the relation between producers and consumers more or less balanced and thus prefer an integrative approach and economic instruments.<sup>80</sup>

This also has its consequences for the perception of the benefits of CEEP. Most of the survey participants could assent that a functioning CEEP would enhance their countries energy security and that

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online at: [http://www.esteri.it/MAE/EN/Politica\\_Estera/Temi\\_Globali/Energia/Interventi\\_Importanti.htm](http://www.esteri.it/MAE/EN/Politica_Estera/Temi_Globali/Energia/Interventi_Importanti.htm).

77 See e.g. Benelux position paper (2006): Energy security and foreign policy, Annex 2 to Letter of the Minister of Foreign Affairs to parliament, Annotated Agenda European Council, 23-24 March 2006, ref. DIE- 448/06; Declaration of the Prime Ministers of Lithuania, Latvia and Estonia on security of supply in the Baltic States and common European energy policy, 27. Februar 2006, Trakai; Czech Presidency of the Council of the EU (2009): Work Programme of the Czech Presidency. Europe without Barriers, Prague, p. 8; Kolcun, Michal / Jahnátek, Lubomír / Lovas, Stefan (2008): The energy security strategy of the Slovak Republic, *Elektroenergetika Journal*, Vol. 1, No. 2, p. 5 and Wyciszkievicz, Ernest (2007): „One for All - All for One” – The Polish Perspective on External European Energy Policy. In Overhaus, Marco / Maull, Hans / Harnisch, Sebastian (Eds.): *Foreign Policy in Dialogue. Dealing with Dependency: The European Union's Quest for a Common Energy Foreign Policy*, Volume 8, Number 20, Trier, p. 34-42.

78 See Geden, Oliver / Marcelis, Clemence / Maurer, Andreas (2006): "Perspectives for the European Union's External Energy Policy: Discourses, Ideas and Interests in Germany, the UK, Poland and France", SWP Working Paper No. 15, p. 24.

79 Benelux Position Paper (2006): Energy security and foreign policy; Paul Magnette (without indication): Belgium - Energy Policy Position Paper and Ministerie van Economische Zaken (without indication): The Dutch Position on Energy Security.

80 See e.g. Department of Trade and Industry (2006): *JESS - Long-Term Security of Energy Supply*, London, p. 7 and Bundesministerium für Wirtschaft und Technologie / Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit (2006): *Energieversorgung für Deutschland. Statusbericht für den Energiegipfel am 3. April 2006*, Chapter C: Herausforderungen der Energiepolitik, Berlin.

it should be based on joint infrastructure projects as well as on effective coordination to “speak with one voice”. Broad consensus prevails also on the issue that external energy policy should follow an inclusive approach, which includes producers and transit countries. Adversely, the concept of solidarity is more contested. Although the general notion is accepted, its proper implementation is still vague. Among the respondents of the survey it was the Central and Southern European participants that most commonly agreed strongly on basing an external energy policy on solidarity mechanisms and full-scale joint crisis reaction procedures, or at least coordinated common measures. Other countries, such as Austria, Germany, or Great Britain define solidarity more in terms of a “declaration of intent” and favour national counteraction in case of an energy crisis. The general consent of an intergovernmentally composed CEEP notwithstanding, besides Belgium those who spoke out for a supranational model with clear authority by the commission are more or less located in EU’s Eastern part. The fact that the Commission, together with France and Germany, is seen as an outstanding partner for the future external energy policy fits well into this picture.<sup>81</sup> One likely conclusion is that the preference for or against a strong CEEP is directly linked to the overall level of dependency, the grade of vulnerability in regard to one single supplier, and of course the perception of this specific supplier. Thus seeking close ties with the European Commission, as a supranational actor, or the two biggest member states France and Germany is reasonable. A second result is that the immediate neighbours are seen as important partners.

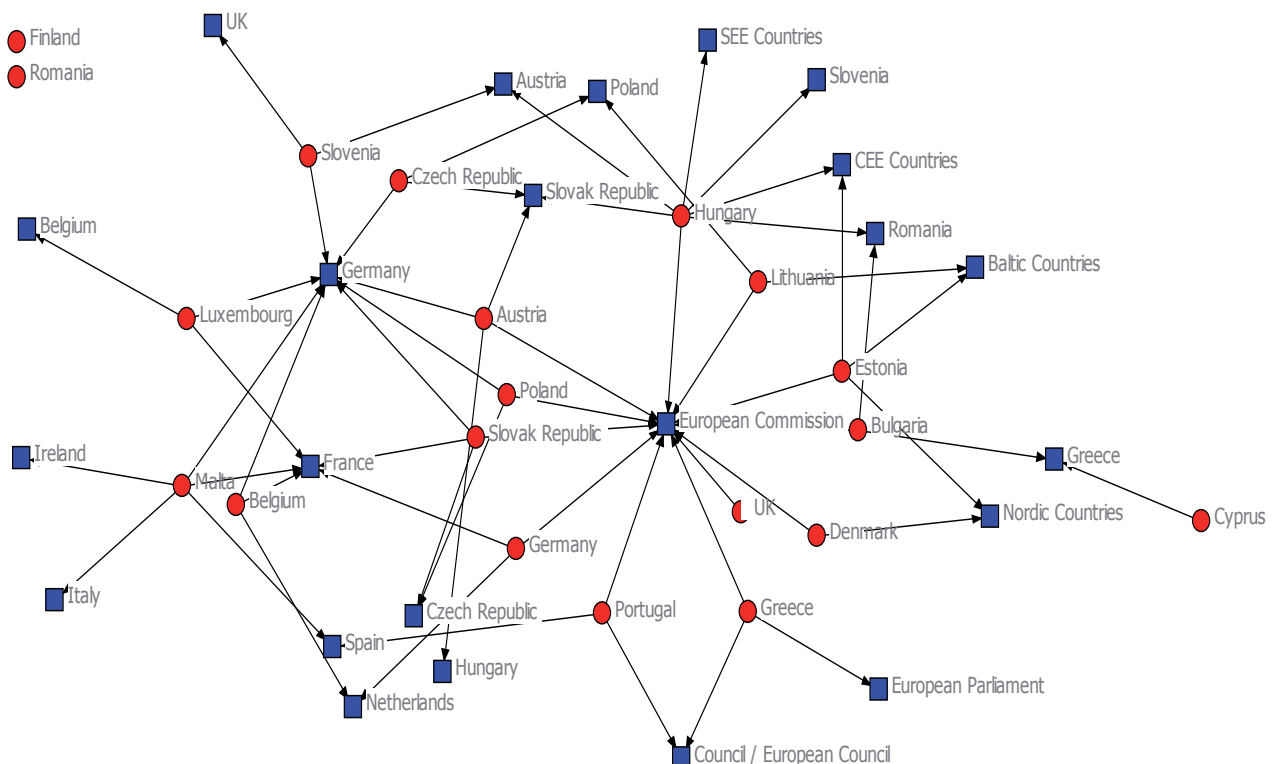


Figure 8: Energy policy partners

Varying interests of EU member states and their different relations with external suppliers notwithstanding, the EU will have to strengthen its bilateral and multilateral links with producers and transit countries. The SER-2 identifies several countries and regions, respectively, with who close cooperation on energy matters, including energy security, transparent markets, and sustainability should be established.<sup>82</sup> Nowadays energy is an integral part of several agreements and programmes, such as the European Neighbourhood Policy<sup>83</sup>, the Energy Community<sup>84</sup>, or Black Sea Synergy.<sup>85</sup> Despite tangible progress the deficits prevail, and it is thus more or less common sense that new or updated forms of cooperation have to be developed.<sup>86</sup> Although energy is in the inner core of all the EU's foreign policy initiatives, most of it is without real substance. From the European Neighbourhood Policy – where it is included into the specific action plans – to the actual bilateral forums – e.g. the EU-China Energy Conference or the EU-OPEC Energy Dialogue – all these approaches remain a piecemeal strategy and are therefore not adequate to form the fundament of a comprehensive CEEP. Another important deficit is that all these initiatives are not inter-linked and thus possible synergies between them remain unused. So while those initiatives are per se desirable, their problem is that they are rather ad-hoc and without authority, and hence their added value to the strategic goal of increasing the EU's energy security is quite limited. More success can be observed within the European Energy Community where the EU tries to spread its energy *acquis communautaire* into its neighbourhood. Thus the EU's ambition to export its energy *acquis* can as of yet be seen as the point of culmination for an emerging CEEP. With Ukraine and Moldova ready to join the club, the Community will not only extend its geographical scope but more than that the EU's influence on the Ukrainian transit infrastructures, which have been trouble more than once in the recent past, will be enhanced.<sup>87</sup> Over and above these shortcomings, the conceptual gap mentioned above is an extra hurdle. As long as strategic clarity about the range and scope of common external measures is not given conclusions about the different positions of the EU members are only possible to a limited extent. There is at least a basic consent that external action and energy security have to be linked. Especially the imperative for Russian ratification of the Energy Charter Treaty or any similar legal framework is factual.<sup>88</sup>

82 Among these countries/regions are: Albania, Algeria, Australia, Bosnia and Herzegovina, Canada, the Caspian region, Croatia, Egypt, Japan, Latin America, the former Yugoslav Republic of Macedonia, Montenegro, Nigeria, Norway, the OPEC countries, Russia, Serbia, and the US. For a complete list, see European Commission (2008): An EU Energy Security and Solidarity Action Plan, Second Strategic Energy Review, Brussels, 13. November 2008, p. 7-10.

83 Commission of the European Communities (2009): Implementation of the European Neighbourhood Policy in 2008, COM(2009) 188/3, Brussels, 23. April 2009.

84 Official Journal of the European Union (2006): Council Decision of 29 May 2006 on the conclusion by the European Community of the Energy Community Treaty, OJ L 198, Brussels, 20. July 2006, pp. 15-17

85 Commission of the European Communities (2008): Report on the First Year of Implementation of Black Sea Synergy, COM(2008) 391 final, Brussels, 19. June 2006.

86 See e.g. Baumann, Florian (2010): Europe's way to energy security. The outer dimension of energy security: From power politics to energy governance, *European Foreign Affairs Review*: 15, pp. 77 - 95; Marcel Viëtor (2009): Schluss mit den Alleingängen. Die EU und Russland müssen ihre Energiebeziehungen gemeinsam entwickeln und vorantreiben – von Anfang an, DGAP Standpunkt No. 4; and Jeffrey Mankoff (2009): Eurasian Energy Security, Council Special Report No. 34.

87 Energy Community (2009): Ukraine and Moldova to accede to the Energy Community upon amendments of their gas laws, Press Release, Vienna, 19.12.2009.

88 See e.g. Ministère de l'Écologie, de l'Énergie, du Développement durable et de la Mer (2006): French memorandum for revitalising european energy policy with a view to sustainable development, Paris, p.12; Steinmeier, Frank-Walter (2006): Energie-Außenpolitik ist Friedenspolitik, *Handelsblatt*, 23. March 2006, p. 3; Benelux Position Paper

In comparison to the dull implementation of energy into the EU's external relations, a slight institutionalization of policy coordination within the Union can be observed. With the "Gas Coordination Group", established in 2006, a permanent body responsible for a coherent response to internal and external gas supply failures was created.<sup>89</sup> Even before its formal foundation, during the Russian-Ukrainian gas dispute in January 2006, a sole suggestion of a possible first meeting of the group made the conflicting parties wary. Furthermore, the new oil directive will not only oblige the member states to stockpile crude oil and petroleum products in accordance with the IEA rules, but an additional "Coordination Group for oil and petroleum products" will also be instituted.<sup>90</sup> And only recently the Russian Federation and the EU Commission signed a mature "Memorandum on an Early Warning Mechanism" covering not only natural gas but also oil and electricity. The aim is to prevent "significant disruption[s] of supplies" and to handle them if they occur nevertheless.<sup>91</sup>

In a nutshell one can conclude that the EU is much more effective with the development of joint mechanisms for the internal dimension of European energy policy than in the realm of external aspects. But successively the EU devises instruments to deal with the externalities of energy security in a more coherent manner. Although this set of tools is not really effective yet it might become a powerful toolbox by policy evolution. Not only as a consequence of the IEM but also as a deliberate decision of the member states, taking into account the new insecurity of global energy affairs, this outer dimension of energy security will grow in urgency. A CEEP should in this regard not be seen as an alternative or preferred option compared to internal measures. It has become clear from this analysis that a functioning CEEP is not only a complementary measure which requires a functioning internal market and demands deliberation of joint strategic positions of the member states. Both are interwoven and none will function without the other. So now is the time to adopt the necessary policies to be prepared.

## 6. Conclusion

As long as Europe still lacks a sound implementation of the idea of 'speaking with one voice' into political action it will not be able to be a serious player in the global struggle for energy. Without a set of common preferences and effective coordination every attempt on unity and solidarity is deter-

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(2006): Energy security and foreign policy, pp. 2-4; Ministry of Economy (2009): Energy Policy of Poland until 2030, Draft – Working Translation, Warsaw, 5. March 2009, p. 21; Department of Communications, Marine and Natural Resources (2007): Delivering a Sustainable Energy Future for Ireland, Government White Paper, Dublin, p. 25; Department of Trade and Industry (2007): Meeting the Energy Challenge. A White Paper on Energy, HM Government, p.25; and Overhaus, Marco / Maull, Hans / Harnisch, Sebastian (Eds.): Foreign Policy in Dialogue. Dealing with Dependency: The European Union's Quest for a Common Energy Foreign Policy, Volume 8, Number 20, Trier.

89 Official Journal of the European Union (2004): Council Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply, OJ L 127, Brussels, 29. April 2004, pp. 92-96 and Official Journal of the European Union (2006): Commission Decision of 7 November 2006 establishing the composition of the Gas Coordination Group, OJ L 319, Brussels, 18. November 2006, pp. 49-50.

90 Official Journal of the European Union (2009): Council Directive 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products, OJ L 265, 9. Brussels, October 2009, p. 18.

91 European Union (2009): The EU and Russia reinforce the Early Warning Mechanism to improve prevention and management in case of an energy crisis, IP/09/1718, Brussels, 16. November 2009.

mined to fail. The problem remains that while there is a basic consensus among the 27 EU countries about the need for a coordinated energy policy, the realization of such an initiative is still hindered by different national perspectives. Perceptions, regarding joint action on energy security and external energy policy, vary from a sole coordination to concrete energy security and solidarity measures. Due to different energy mixes, different suppliers and different political legacies a lack of common ground is the main obstacle to a single voice in energy politics. Thus, the idea is not to level out all differences but to concentrate on commonalities.

Two aspects are key to making EU energy policies a success: Firstly, member states and the Commission should collectively define the shared objectives about energy security. Not all of these issues have to be dealt with on the European level but those that are of common concern and interest (e.g. import dependency) are best tackled by concerted action. One example thereof are regional purchasing groups for natural gas that would strengthen purchasing and thus bargaining power, which adds to the security of supply. It is in particular the Commission's responsibility to identify and to spell out the added value of such a pooling of resources in the field of external energy policy. Secondly, the EU must also institutionalise sound procedures and instruments (e.g. natural gas stocks) for maintaining external energy security. No future crisis will allow for lengthy discussions about positions and counter-measures. Instead, there must be a toolbox that provides a set of diplomatic, political, and other measures ready for use during emergencies. Strengthening the oil and gas supply obligations in combination with a coordinative role by the Commission is a first step into the right direction.

Nevertheless, the completion of the IEM is a crucial precondition for an effective CEEP. As long as there are 27 relatively separated markets, every ambition to tackle the joint energy security problem bears two obstacles: Firstly the lack of technical resources for applied solidarity, and secondly, due to egocentric interest formation, an insufficient political will for joint reaction. A single energy market that provides the necessary infrastructures for unhindered flows of Energy within the Union is thus the most urgent element of a European energy policy that is worth its name. The recent trends towards regionalisation can be seen as an intermediate stage to a Union-wide market. At the end of the day this IEM is not only part of the general liberalisation agenda and thus negative integration, but also a powerful element of positive integration. More than eliminating barriers to trade it will foster the establishment of common supply and demand management, common awareness of developments in international energy relations and thus common energy security interests. As long as supply interruptions split up the EU member states into "haves" and "have-nots" all attempts to enact a CEEP are doomed to fail. And last not least the EU's ambitions for "greening" Europe's energy systems, will not be feasible without a full-fledged IEM. Sustainability requests the cooperation of the member states in energy production, e.g. in regard to the potential for RES, energy storage, and distribution.

Today's deficits of coordinating energy policies result from the two interlinked deficits of structural differences in the 27 member states and thus the impossibility of more coherence. If the EU will be

able to implement its proposed internal measures, an external dimension will be a necessary follow-up. And the other way round, an effective external energy policy is essential for the completion of the IEM. But one should not, as it is often done in politics and academics, frame inner and outer energy policies as different options. They are both sides of the same token.