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## **Promoters and Opponents:**

Why is the European Union unable to speak with one voice in its external energy policy towards Russia?

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## Abbreviations

bcm	billion cubic metres (m <sup>3</sup> )
CFSP	Common Foreign and Security Policy
CO <sub>2</sub>	Carbon dioxide
EC	European Communities
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEC	European Economic Community
EU	European Union
Euratom	European Atomic Energy Community
GCG	Gas coordination group
IEM	Information Exchange Mechanism
IR	International Relations
LNG	Liquefied natural gas
NATO	North Atlantic Treaty Organization
SCP	South Caucasus Pipeline
SGC	Southern Gas Corridor
TAP	Trans-Adriatic Pipeline
TANAP	Trans-Anatolian Pipeline
TCP	Trans-Caspian Pipeline
TEN-Es	Trans-European Energy Networks
TFEU	Treaty on the Functioning of the European Union (the Lisbon Treaty)
UK	United Kingdom
USA	United States of America



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## 1 Introduction

The European Union (EU) is a major energy consumer, and it depends heavily on imported gas from external suppliers. The supply of energy, primarily natural gas, has increasingly become a security issue for the EU during the past ten years (Bosse & Schmidt-Felzmann, 2011, p. 479). Natural gas is an important source for the EU's energy consumption, alongside other fossil fuels, nuclear power and electricity. The composition or mix of energy sources varies from member state to member state. Some states depend profoundly on gas imports, while others rely on coal or nuclear power. In this manner, the EU's goals for reducing greenhouse gas (GHG) emissions important to take note of. Natural gas emits less carbon dioxide (CO<sub>2</sub>) than other fossil fuels, and is therefore considered the 'cleanest' option (Langsdorf, 2011, p. 3). A possible solution to reach these goals is to swap high-emitting coal energy with energy from natural gas. Ensuring 'reliable and uninterrupted supply of energy' (European Commission, 2013a, p. 1), is considered an important goal for the EU, as heavy reliance on external sources to fulfil its energy needs makes it vulnerable. Russia is the EU's most important supplier of natural gas, providing about 30 % of the EU's total natural gas imports (European Union, 2013, p. 45). During the last decade Russia was seen as an unreliable supplier due to interruption in the natural gas flow to Europe in 2006 and 2009. Some states depend exclusively on Russian gas imports, especially Finland and the three Baltic States, Estonia, Latvia, and Lithuania. The natural gas flows through one single pipeline route, making these countries more vulnerable to potential cut-offs (Ratner, Belkin, Nichol, & Woehrel, 2013, p. 10). Other important exporters of natural gas to the EU include Norway, Algeria and Qatar. However, these countries cannot replace Russia as a supplier, even though they are considered more reliable. Norway participates in the European Economic Area (EEA) and has therefore adopted much of the EU legislation, especially in regards to the internal market, including the internal energy market. Thus, even though Norway is not a member of the EU, it can be regarded as an internal supplier to the EU.

Russia cut off gas flows to Ukraine, allegedly as a means of political coercion, simultaneously affecting gas flows to the EU and causing serious gas shortages.<sup>1</sup> The gas crises caused a risk for the EU-citizens' security and well-being, and created a concern that Russia again would disrupt the gas supplies (Schmidt-Felzmann, 2011, p. 575). This left the EU insecure, and made it even more aware of the importance of having a secure and stable

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<sup>1</sup> The 2006 and 2009 gas disruption crises, as well as the on-going conflict between Russia and Ukraine, will be examined in chapter 3.

energy supply. Russia's annexation of Crimea in 2014 further elevated the EU's insecurity concerning gas flows to Europe (EurActiv, 2015e). For the EU, an effective gas energy policy requires long-term contracts and predictable suppliers. Nevertheless, a common approach in this area towards external suppliers has seemed to be difficult to achieve for the EU, due to conflicting national interests among the member states.<sup>2</sup>

Energy policy has essentially been the responsibility of the member states, as the EU treaties did not contain any specific chapter on energy (Council of the European Union, n.d.), until the 2007 Lisbon Treaty.<sup>3</sup> This chapter calls for the EU to act in 'a spirit of solidarity' (European Union, 2010a, p. 134, art. 194). Competence regarding energy is now shared between the European Commission and the member states (Hadfield, 2012, p. 443). The lack of a legal obligation to act in this 'spirit of solidarity' to guarantee the security of energy supply, means that solidarity among the member states remains weak. Thus, energy is still primarily a national matter for EU member states (Braun, 2011, p. 2). The internal energy market, and environmental protection, are areas which a EU competence. This means that the Commission has supreme authority and agenda-setting power, which requires cooperation and harmonisation among the member states. There is no common EU policy for external energy relations, which implies it is up to the individual member states to voluntarily cooperate. Thus, in practice, there are 28 national energy frameworks in the EU.

In February 2015, the European Commission proposed an Energy Union Package. One of the five aims is 'energy security, solidarity and trust', additionally there is a 'vision [...] of an Energy Union that speaks with one voice in global affairs' (European Commission, 2015, p. 2). To speak with 'one voice' implies that all member states must express the same opinions on external energy affairs. Both the European Council and the Energy Council have later endorsed the Commission's proposal, but there are quite a few obstacles on the way to create an 'energy union' in the EU. As most EU member states depend on gas imports, it has been 'deemed necessary [by the Commission] to take advantage of their combined bargaining power' to increase energy security (Schmidt-Felzmann, 2011, p. 575). Yet, because of different national interests, several member states prefer to have bilateral relations with Russia instead of a common approach. Still, one should keep in mind that the EU as a whole has introduced economic sanctions against Russia after Russia's annexation of Crimea.

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<sup>2</sup> See chapter 4 for the analysis of the member states conflicting interests concerning energy policy.

<sup>3</sup> The Lisbon Treaty or the Treaty on the Functioning of the European Union (TFEU), signed 13 December 2007, entered into force 1 December 2009.

## 1.1 Research question

Energy, in form of natural gas, is a central commodity to the EU's economy and to the standard of living for its citizens. Natural gas is also a raw material, thus a large resource of power if a country has large reserves of it (Hadfield, 2012, p. 442; Hyde-Price, 2007, p. 157). This is central as Russia has one of the world's largest proven natural gas reserves (British Petroleum, 2013, p. 20). For member states which consider themselves too dependent on Russian gas imports, replacing Russia as a supplier is difficult due to the physical and geographical limitations to the transport of natural gas, especially in Eastern Europe. Gas is transported mostly through pipelines, which requires geographical closeness, unlike oil, which may also be transported in barrels.<sup>4</sup> This limits the natural gas market to a regional market with reduced competition among exporters, as opposed to the global oil market. This is due to dependency on pipeline infrastructure.

The linkage between gas energy security and geopolitics is often viewed as a 'natural fact' because of these transport limitations of natural gas. Hence, natural gas can be seen as a tool for political power in a region. The interest in energy policy has recently been renewed due to the gas disruption crises, and the on-going conflict between Russia and Ukraine, which also concerns gas deliveries. Thus, energy has yet again emerged as a hot topic in the EU. The last time energy security was high on the agenda was during the oil crisis in 1973-1974 (McGowan, 2011, p. 487). The latest development on EU energy policy has, nevertheless, only achieved limited results regarding cooperation on external gas relations with suppliers such as Russia, seen from an EU perspective. This thesis examines possible reasons for the lack of a common approach towards Russia as an external supplier of natural gas, by looking at the development of the EU energy policy and the consequences of the EU's dependency on gas imports. Leading to the main research question below:

*Why is the European Union unable to speak with 'one voice' in its external energy policy towards Russia?*

To answer this research question, it is necessary to analyse the development of the EU's (external) energy policy. The main focus in this thesis is on the role and interests of the European Commission in driving the common energy policy forward, compared to the role and different interests of the member states.

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<sup>4</sup> For now, liquefied natural gas (LNG) can only supplement, but not replace, pipelines, and it requires costly investments in infrastructure in sender, transit, and recipient countries through LNG terminals.

Energy policy in the EU is a horizontal policy area connected to commercial policy, environmental policy, and foreign policy. This study concentrates on the external and foreign dimension of energy policy, which is, on the other hand, closely linked to, and influenced by, the internal dimensions of energy. Due to lack of a ‘common voice’ in the EU’s external energy policy, individual member states are responsible for negotiating and entering into contracts with energy suppliers. Nevertheless, the Commission endeavours to use its authority and power on commercial policy, to influence and gain access to bilateral energy contracts, as well as to put forward recommendations to the member states.

In order to analyse the development of the EU energy policy, this thesis considers certain sub-questions: How is the Commission influencing the EU energy policy? What are the most divisive elements for the EU member states regarding an external energy policy towards Russia? The thesis argues that energy, especially natural gas, has become a security risk for the EU. Hence, in commercial natural gas relations with Russia, EU member states are more inclined to act according to their own interests to ensure national energy security, rather than to have solidarity and strive for an overall increased security for the EU in commercial natural gas relations with Russia. The 2004 and 2007 enlargements were turning points in the development of a common voice in the external energy policy. Because of the geographical locations and historically close ties with Russia of the new member states, the EU as whole became more divided on energy affairs. Several of the new member states want to lessen their dependency on Russia, while the old ones claim that Russia is still a trustworthy supplier (Schmidt-Felzmann, 2011, p. 584).

## **1.2 Previous research**

The 2006 and 2009 gas supply disruption crises boosted scholarly interest in the gas energy relationship between Russia and the European Union. The majority of the existing research emphasises the role of the EU, instead of the roles of each member state, to secure energy imports. To get an overview of previous research which examines the challenges of the EU-Russia gas relationship, it is useful to categorise into groups. Authors can be divided into two categories according to which factors they think dominate the gas relationship between the EU and Russia. The first group consists of scholars who interpret gas energy security in geopolitical terms, while the second covers those who argue that interdependence, economic factors and internal policies are more applicable factors for analysing EU-Russia gas relations instead. Notable works of literature that cover both categories are Proedrou (2012), who includes several aspects of EU energy security in the gas sector, and Youngs (2009), who

focuses on EU energy security as a foreign policy challenge in both the oil and gas sector. Birchfield and Duffield (2011) centre on the road towards a common EU energy policy, and evaluate both the internal and the external energy policy of the EU and the member states.

Authors within the first category consider energy relations part of the geopolitical power struggle and as securitised. These studies cover mostly the perspective of the EU as a whole against Russia's perspective, rather than the interests of the individual member states. They focus on geopolitical power struggles, the securitisation of natural gas and the use of natural gas as political leverage. The theoretical approach applied is realism, and research questions vary from whether energy has been politicised or securitised, to how the EU has responded to energy crises, and the extent of how the Commission's energy policy works in practice with third countries, especially connected to possible diversification strategies, and the building of new gas pipelines. McGowan (2011) compares the European Communities', and later the EU's, response to the energy disruption crises in 1973-1974 and in 2006 and 2009, and puts emphasis on how the EU has addressed energy insecurity over time. Bosse (2011) examines how security has been conceptualised in a broader critical geopolitical perspective, and how the Commission has actively created an image of an integrated EU energy space. Cameron (2009), Kropatcheva (2011), Hadfield (2012), and Baev (2012) all focus on the geopolitical energy games between Russia, Ukraine, and the EU. An important argument from this perspective is that there is a geopolitical power struggle between the east and the west over Ukraine. Sierra (2010) and Lussac (2010) emphasise the geopolitical power play between Russia and the EU over access to energy resources in the Caspian region. Roth (2011) and Schmidt-Felzmann (2011) both analyse the EU member states' energy relations with Russia. The former has a special emphasis on Poland as a policy entrepreneur in creating an external EU energy policy towards Russia.

The second category contains authors who analyse the EU-Russia energy relationship in terms of interdependence theory and economic and internal factors, rather than geopolitical ones, and authors who emphasise the constructivist idea of changing perceptions. These authors highlight interdependence, common interests, the differences between the energy policies in the EU and Russia (market liberalisation versus state monopoly). The theoretical approaches vary between constructivism and liberalism in broad terms. The authors focus on the internal energy policies of the EU and Russia, including climate policy. Casier (2011a, 2011b) stresses that there has been a shift in both the perceptions of energy relations and of Russia. This is constructivist criticism of neo-realists findings on the geopolitical games between the EU, Russia, and Ukraine. He finds little support to treat the EU's energy

dependency on Russia as a geopolitical and strategic issue. Kuzemko (2013) focuses on the concept of ideas in power politics, and argues that the differences between stated principles and identity on the various aspects of EU energy policy suggest that the EU is a divided energy actor. Bilgin (2011) and Sharples (2013) focus solely on Russia's energy strategy and how it ignores the EU's goal for market liberalisation, but also how Russia adapts to the EU's climate policy. Kaveshnikov (2010) and van der Meulen (2009) compare the developments and differences in the EU's and Russia's internal energy markets, and how it has influenced their external policies.

### 1.3 Justification

There are several justifications for the present thesis. The topic is highly relevant as it is grounded on the on-going debate on energy security and an energy union in the EU. It is worth researching because it can contribute to the debate about power politics and energy security in international relations (IR), hereunder energy import dependency and access to energy. Natural gas is the main energy source for both private households and industries in several EU member states. As such, it is a very important commodity for a state's security, where the goal is to secure a stable supply of gas to protect its citizens and preserve national interests. Energy security rose to the top of the European Union's security agenda both after the 2006 and the 2009 gas supply disruptions from Russia to the EU.<sup>5</sup> There is present insecurity in the EU over possible supply disruptions since Russia has cut off the gas supply to Ukraine several times the past year over a payment and gas pricing dispute (EurActiv, 2015e). As such, it is a hot topic in current affairs of the broader European security debate.

This thesis adds to existing literature in the field of European energy security as it offers valuable insight into the diverse interests of EU member states concerning energy policy. Most of the existing research on the EU-Russia energy relationship focuses on the EU as whole, rather than the individual member states. In addition, there is not yet much literature that includes the recent proposal for an Energy Union, which was announced only recently in February 2015. Literature which concentrates on the role and interests of the EU member states is scarce, but there are some notable exceptions like Roth (2011), Schmidt-Felzmann (2011), and Birchfield and Duffield (2011). However, there are not many examples of authors who have applied IR-theory to explain the behaviour and interests of the member states in

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<sup>5</sup> The 2006 gas disruption only lasted for a few days in the beginning of January, but it still created a state of crisis for a few member states. In 2009 the disruption lasted for two to three weeks in January, and caused a severe crisis for several member states' citizens and businesses due to considerable gas shortages during one of the coldest months of the year.



regards to having a common EU energy policy with Russia. The present thesis aims to put the energy security debate in combination with a theoretical approach, by analysing the choices and interests of the member states of how they pursue their national energy policy goals, thus providing an answer to why they are unable to speak with one voice.

#### 1.4 Approach and sources

The thesis is a qualitative analysis of the development of the EU's common energy policy, with a focus on natural gas and external energy policy. This implies an in-depth study of why and how energy policy in the EU has developed, in order to enhance understanding of the member states' differing interests. The study is based on a document analysis of primary sources such as relevant official documents concerning energy security from EU actors over the last fifteen years, supplemented by IR-theory and secondary sources. A variety of both primary and secondary sources are included in order to interpret the slow development of the EU's external energy policy in connection to the conflicting interests and policies of the member states.

One has to consider how to define the EU and its 'government', the European Commission. The EU is not a state, and it is not simply an international organisation. The Commission looks more like the executive branch of a national government than the secretariat of an international organisation (Egeberg, 2013, p. 130). Nevertheless, the Commission is central in the analysis, as it actively sets the policy agenda in the EU. It has used its position to influence the external dimension of energy policy for quite some time, and it aspires for the EU to have a common voice in external energy relations (Braun, 2009; European Commission, 2015). The member states in the EU, including the Energy Council<sup>6</sup>, and the European Council, are essential actors to study because EU external energy policy is still primarily a national matter. Some member states, like for instance Poland, have been actively promoting a common external energy policy for the EU, while others prefer to keep their bilateral deals with Russia. Previously, the European Parliament had only limited formal power on energy security. With the implementation of the Lisbon Treaty in 2009, the legislative power and role of the Parliament was increased to include this policy area (European Parliament, 2015), which makes it a possible influential institution in the development of the EU energy policy. Nonetheless, since this is a relatively new

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<sup>6</sup> The Energy Council refers to the energy section of the Transport, Telecommunications and Energy Council formation, where member states' energy ministers 'meet three or four times a year' (European Council, 2015b).

responsibility of the Parliament, and it formerly had no official voice on the matter, the role of the Parliament is not given much emphasis in this thesis.

The European Commission has been active in shaping EU energy policy, especially since the early 2000s. However, energy was also the foundation for the creation of the European Coal and Steel Community (ECSC) in 1952, thus it is necessary to put the EU's energy policy in a longer time-perspective. The primary focus will, nonetheless, be on the period after the 2006 and 2009 gas supply disruption crises which caused the renewed interest in energy security and a common external energy policy for the EU. The on-going conflict between Russia and Ukraine will also be briefly discussed as it led to increased energy insecurity for the EU and the Commission's proposal for an Energy Union. It is also essential to include a brief history of EU-Russia relations in the energy sector since the 1990s to get a more enlightened and reflected analysis. Important factors here include the Energy Charter Treaty and the EU-Russia Energy Dialogue.

The aim of the study is to examine why the EU member states have difficulties speaking with 'one voice' on natural gas trade with Russia. By focusing on the external dimension of energy, it will be relevant to use a theory of international relations such as neo-realism or neo-liberalism.<sup>7</sup> Even though they focus on the structure of the international order to explain state behaviour and reasons for war, concepts from these theories such as power, security, relative gains, absolute gains, and the views on cooperation, are helpful to analyse the challenges of achieving a common EU external energy policy towards Russia. Consequently, the emphasis is on the interests and roles of the member states to explain how they act within the EU. This will be analysed by discussing the concurrence and conflicts of interests between the member states and the Commission, and between the member states themselves, in regards to all aspects of energy policy, and to Russia. The thesis will argue that power dynamics in the EU, and states' interests and concerns over relative gains are important factors for this difficulty. Hence, theory will help examine the challenges of achieving a common EU external energy policy, and give insights into the geopolitical energy struggle.

Relevant primary sources include official documents from the different institutions of the EU. These constitute for instance the European Commission's communications, proposals, and strategies for energy security, as well as official conclusions from the European Council and the Energy Council, and the EU member states' policies and interests on the subject. Official documents from the institutions, as well as primary law, the EU treaties, and the

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<sup>7</sup> Neo-realism and neo-liberalism will be accounted for in chapter 2.

webpages of the EU, are easily accessed online, and allow for a comparison of the different actors' policy interests and actions. Policy proposals from the Commission, hereunder Communications from the Commission, green papers and white papers, other official statements and reports, set the agenda for EU policies, but they do not necessarily reflect the views of the individual member states. Still, the Commission's role as the agenda-setter for the EU, highlights the importance of these official statements, and the Commission's interests for the EU as a whole. Official statements from the European Council and the Energy Council, such as Council conclusions, statements, and reports, show the joint policy aims of the member states. These may be considered problematic as they are based on the lowest common denominator the member states can agree on. It is also necessary to base the analysis of the member states on other sources of information. These are primary EU sources, like statistics on energy consumption and gas import dependency from Eurostat, and accompanying documents to communications from the Commission like in-depth studies of member states' energy situation. Eurostat provides comparable, factual, and statistical information about EU member states, as well as EU candidate and accession countries, including the EEA countries.

Secondary sources, such as scholarly research articles from academic journals and books, as well as media sources, are helpful in the analysis since they will provide the necessary historical background, and the EU member states' point of views. This is because neither the European Council, nor the Energy Council, is a single actor, and it is difficult, or even impossible, to access reports from closed meetings in the Council, where there are presumably heated debates before a common conclusion is reached. Thus, Council conclusions are often vague. Most academic research is quite contemporary and up to date, due to the current increased interest in energy security. Notable online sources are EurActiv and Google Scholar. EurActiv is a European Media network, an independent online media on EU affairs, which 'brings more visibility to the processes of influencing EU policies' (EurActiv, 2009), while Google Scholar is a search engine for academic literature with an extensive amount of sources.

There are a few aspects which are important to keep in mind regarding the approach and the sources used in this thesis. For instance, the role of the Commission is to represent the interests of the EU as a whole, while the European Council acts on an intergovernmental level where national interests are at stake. Consequently, official statements from the European Council are often based on the lowest common denominator, and they are written in such a way that all member states can support them. The same applies to statements from the Energy

Council since there are 28 different energy ministers who have to decide on a common approach, even though qualified majority voting (QMV) is used. The main challenge with official documents from EU institutions is that they are often written in a very technical language, and the discourse is diplomatic and vague. It is important to stress that the vague outcomes and compromises of the various Council formations reflect the underlying point for this thesis; that the member states cannot agree on big policy issues. Statements from the Parliament were, however, not included due to the scope of this thesis, since it coincides with the Commission, and acts for the best interests of the whole EU, and because the Parliament previously has not had an official role over energy security. A challenge with secondary sources is that they can be biased, dependent on whether the author has done independent work or produced a commissioned piece of writing in order to suit the needs of a specific audience. Additionally, secondary sources have already interpreted the empirical material. Though, they are still valuable because they do point out the central interests of the member states. It would possibly have been beneficial to interview relevant EU and member state officials, as interviews would provide a more direct source material. However, due to the vast amount of online sources, there was a reduced need for interviews. Moreover, to interview 28 different national energy officials would go beyond the scope of this thesis and take an exceptionally long time.

### **1.5 Thesis outline**

Chapter two examines two theoretical frameworks, neo-realism and its rival IR-theory neo-liberalism, as these can be used to explain the interests and actions of EU member states, including challenges with cooperation. Chapter three provides the basis for the analysis by exploring the concept energy security and the development of the EU energy policy. The focus is on the policy objectives of the Commission, and the background for the conflicts among the member states on speaking with a common voice. Important factors are the security of supply, the variations in the EU member states' dependency on Russian gas, the 2006 and 2009 gas crises, and the recent conflict in Ukraine. Chapter four begins with a short discussion of the role of the individual member states in energy policy making, and further examines whether neo-realism or neo-liberalism has the most explanatory power for the research question in this thesis. It continues with an account of the EU-Russia natural gas relationship. The main part of the chapter analyses the reasons why EU member states have difficulties speaking with one voice in its natural gas relations with Russia. These divisive matters are assessed through neo-realist perspectives, and include internal energy market

rules, environmental protection, variations in natural gas import dependency and pipeline diversification, as well as different perceptions of Russia. Chapter five summarises the main findings, and concludes on the reasons why the EU is unable to speak with one voice in its external energy relations towards Russia. The most conflicting issue is gas pipeline diversification, because the member states are concerned about relative gains and national energy security. The EU is split between those states which prefer bilateral deals with Russia, and those which prefer to speak with one voice.



## **2 Theoretical framework**

This chapter presents an overview of the key aspects of neo-realism, and the competing theory neo-liberalism, in order to provide some tools for analysis in the present thesis. A theory is a tool that helps to simplify the understanding of reality, such as domestic or international politics, through a certain viewpoint (Baylis, Smith, & Owens, 2011, p. 5). It is important to bear in mind that a theory does not aim to explain everything, but rather to illustrate some issues of importance (Hyde-Price, 2007, p. 7). Both neo-realism and neo-liberalism are theories of international relations (IR), which focus on foreign policy and security studies. As such, they can be helpful in order to analyse the external dimension of the EU energy policy, when explaining the EU member states' conflicting interests and actions. Firstly, this chapter begins with an account of the basic assumptions of neo-realism, followed by a discussion on whether states compete or cooperate. Secondly, the core aspects of neo-liberalism are examined, in order to discuss the neo-realist perspective on state cooperation. Lastly, the most relevant traits of neo-realism and neo-liberalism are discussed, in order to review their explanatory power over the EU's external energy policy.

### **2.1 Neo-realism**

Neo-realism, or structural realism, is a contemporary IR-theory. Structural realists focus on the structures of the international system as an explanation for state behaviour in foreign policy choices, and as such it is a systemic theory. It is adapted from realism, one of the oldest and most dominant IR-theories, which dates back not only to the interwar period, but also to Antiquity, and especially late Renaissance and the Enlightenment (Baldwin, 1993, p. 11). Neo-realism is mostly associated with Kenneth Waltz' structural realism (1979), which provides the basis for defensive realism, while John Mearsheimer (2001), inspired by Waltz, promotes offensive realism. These two types of neo-realism offer varying conclusions on cooperation between states. Neo-realism is ordered around three core elements; statism, survival, and self-help, while it circles around power politics (Dunne & Schmidt, 2011, p. 87). The next paragraphs will go into more detail on these elements, as well as the concept of anarchy, the concept of power, and whether, according to this theory, power or security is the most important aspect in international politics.

#### **2.1.1 Core elements of neo-realism**

Statism refers to the fact that realists think of states as the main actors in the international political arena. There is no 'sovereign' or overarching global authority, which means that the international system is based on a condition of anarchy, as opposed to a hierarchical domestic

system. In anarchy, states compete over power to increase their security. It is a zero-sum game; what one actor loses, the other one wins (Slobodchikoff, 2013, p. 4). Where classical realists argue that anarchy is a condition for the international system, neo-realists argue that anarchy defines the system, and that all states are functionally similar, and explain state behaviour 'by differences in power or capabilities' (Lamy, 2011, pp. 118-119). Power can be defined as a measure for possible influence, for example 'getting A to do what they might not otherwise do, or even consider doing' (Brighi & Hill, 2012, p. 165).

While accepting the concept of anarchy and the constant competition for power and security, neo-realist theory concludes that the main priority of a state is to survive. Other interests become subordinate to survival. In order to survive, a state needs security. This notion has raised the question of whether states are principally security maximizers or power maximizers. The classical realist argument is that the state with the most power has a better chance of survival than a state with less power. However, for Waltz, power is a means, not an end, and thus the ultimate concern of a state is security (Dunne & Schmidt, 2011, p. 92). In this regard, Waltz is often referred to as a 'defensive realist' because he argues that states are security maximizers, whereas 'offensive realists' stress the classical view of power and argue that states are instead power maximizers (Mearsheimer, 2001, p. 21). Mearsheimer (2001, p. 36) emphasises the importance of relative power over absolute power.

Since each state must struggle to survive under anarchy, due to the lack of a sovereign to protect them, survival can only be achieved by self-help. Hence, national security is not guaranteed by other actors, like international institutions, or other states. According to Hyde-Price, 'the best way for states to ensure their security is by amassing as much power as possible' (2007, p. 4). A downside to this element of self-help, is the security dilemma. If one state increases its power attributes, another state can interpret that as an offensive move, instead of a defensive move, and thus increased security can simultaneously lead to increased insecurity (Dunne & Schmidt, 2011, p. 95). Nevertheless, anarchy does not mean that there is a constant war, but that there is always a possibility for war (Schmidt, 2012, p. 192). Order does exist, and it is a result of the 'balance of power' between states, where alliances can be formed in order to prevent a state from becoming too dominant and threatening. Hyde-Price (2007, pp. 4-5) argues that this is the case in Europe today when he describes the European security system as a 'balanced multipolarity' between the United States of America (USA), Russia, Germany, the United Kingdom (UK) and France.

Neo-realism assumes that states are rational actors. This means that a state is capable of calculating a complex cost-benefit analysis of alternative courses of action (Hyde-Price,



2007, p. 31). For neo-realists, the independent variable in the international system, and the balance of power, is 'the distribution of relative power capabilities' (Hyde-Price, 2007, p. 35). This variable positions a state in the international system, and shapes its behaviour. For example, the USA and the Soviet Union's positions, as the only two superpowers during the Cold War, explain the similarities in their behaviour (Carr & Starie, 1998, p. 2). However, a state can never accurately estimate other states' power. Power is a relative concept, and a state cannot ignore the power of other state actors when it calculates its own power capabilities. Waltz attributes the power struggle in world politics to the structure of the anarchic system and to the distribution of power capabilities between states, and the lack of a sovereign means that 'states with greater power tend to have greater influence' (Lamy, 2011, p. 117). Waltz' concept of power comprises the total number of capabilities a state possesses, like economic and military capabilities, including the 'size of population and territory, resource endowment, economic capability, military strength, political stability and competence' (Waltz, 1979, p. 131). For example, the reunification of Germany in 1990 more than doubled its relative power capabilities, and Germany 'remains the single most powerful country in Europe' (Hyde-Price, 2007, p. 137).

### **2.1.2 Competition or cooperation?**

The notion that states are either security maximizers *or* power maximizers in an anarchic self-help system, leads to the view that international politics is a competition in zero-sum terms. Consequently, neo-realists are in principle sceptical of international cooperation, because they believe that people, and therefore states, are concerned with 'relative gains', instead of 'absolute gains'. Relative gains mean that states compete, and worry about who gains the most; it is a zero-sum game. Absolute gains is when everyone gains some profits; a non-zero-sum game. In a zero-sum game, when one state's relative gains are increased, other states lose their profits relative to that state (Slobodchikoff, 2013, p. 12). As such, all international interactions between states are competitive, according to neo-realism. However, cooperation, including alliances and international institutions, is acceptable for a state if that state benefits (gains) more than other states and only if it is in its national interest to cooperate. As argued by Joseph Grieco (1988, p. 487), another neo-realist, all states are interested in increasing their power, thus, a state is willing to cooperate with other actors in the system to increase its relative power capabilities, although it will still worry about relative gains, and fear being cheated by other states. That is why international institutions are not a natural outcome for

neo-realists. For them, such institutions are not an end, but rather a means for promoting the national interest of the state.

Offensive realists claim that states are power maximizers, and that relative power is the most important factor. Thus, the incentive lies in taking advantage of other states in order to increase one's own relative power, and not to cooperate, because the anarchic structure is competitive and conflict-generating (Mearsheimer, 1990, p. 53). The best way to achieve a state's core national interest of survival is 'to be the most powerful state [because] more powerful states are less vulnerable to being attacked than weaker states' (Schmidt, 2012, p. 193). According to offensive realism, the 'most powerful states in the system create and shape institutions so that they can maintain their share of world power, or even increase it' (Mearsheimer, 1994/1995, p. 13). As argued by Hyde-Price (2007, pp. 108-109), the EU was created under a 'security umbrella [when] concerns about relative gains were relaxed', and it serves a 'pragmatic instrument [...] driven by the interests of its most powerful member states – particularly France and Germany'.

According to defensive realism, on the other hand, because states are security maximizers, a state will pursue a foreign policy which 'only seeks an appropriate [...] amount of power' instead of a vast amount (Schmidt, 2012, p. 193). Defensive realists agree that cooperation is possible, but only in relations with friendly states in order to oppose enemy powers (Waltz, 1979, p. 70). Cooperation is still restrained by relative gains and concerns about becoming too dependent on other actors (Waltz, 1979, p. 106). However, since states are rational actors, they can agree to cooperate in order to maximize their security. If some friendly states sees cooperation as beneficial, and it helps to reduce insecurity from opposing powers, alliances can be formed, and institutions can be established in order to reach a common goal, and to create a balance of power (Lamy, 2011, p. 120). The creation of the North Atlantic Treaty Organization (NATO) is a good example of this (Mearsheimer, 1994/1995, p. 13). As such, an institution is not an end, but a means to an end, and it has to be supported by a major power, like for example the USA. Moreover, if a state thinks that another state will gain more from cooperating, the first state will withdraw from the cooperation endeavour to secure its primary interest of survival. This is exemplified by the 'empty chair crisis'<sup>8</sup> in the then European Economic Community (EEC), which resulted in the Luxembourg Compromise. It states that if 'vital national interests' are at stake. the Council

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<sup>8</sup> In 1965, France boycotted the Council's meetings because of a disagreement over the financing of the common agricultural policy and over the fear that the proposal to extend the qualified majority voting system would increase the risk of being outvoted in key decisions, resulting in reduced sovereignty (Urwin, 2013, p. 20).

will find a consensus solution, giving the member states a de facto veto right (Urwin, 2013, p. 21).

## 2.2 Neo-liberalism

A theoretical limitation of neo-realism is that it does not take into consideration economic interdependence between states. Additionally, the argument that cooperation is limited and only exists if there is a chance of relative gains can be questioned. An opposing theory in the security-paradigm debate is neo-liberal institutionalism, which also dates back to an old IR-theory, i.e. liberalism from the Enlightenment (Doyle, 2012, p. 65). It was developed by contemporary scholars such as Robert Keohane and Joseph Nye in the 1970s (Baldwin, 1993, p. 13). Since neo-liberalism has borrowed equally from realism and liberalism (Keohane, 1993, p. 271), and it is ‘a half-sibling of neo-realism’ (Keohane & Martin, 1999, p. 2), it shares the core aspects of neo-realism like anarchy, statism, security, and power, but it differs in how they are explained. For neo-liberalists, economic interests generally take precedence over geopolitical interests, and the focus is on promoting and supporting cooperation (Lamy, 2011, p. 116). An example is the creation of the ECSC after World War II, where six western European countries pooled some of their sovereignty to a supranational institution to promote common economic growth (Dinan, 2010, p. 22).

Neo-liberalists agree that there is an anarchic system without a sovereign power, but they disagree on the nature of anarchy. Hence, they argue that even though competition exists, it is not a zero-sum game, but it is instead a competition with either a positive- or negative-sum game outcome (Doyle, 2012, p. 65). According to neo-liberalists, anarchy can be regulated by international institutions, since they are viewed as mediators who promote cooperation in power struggles between states (Dunne, 2011, p. 107). Moreover, neo-liberalists argue that states will cooperate if everyone benefits, i.e. absolute gains (Grieco, 1988, p. 487). Cooperation between states is possible because mutual benefits such as sharing information and reciprocity outweigh the costs, and as argued by Keohane (2011 [1989], p. 161) ‘cooperation is not automatic, but requires planning and negotiation’. For neo-liberalists, a friendly state does not constitute a threat, it rather offers a good opportunity for mutually beneficial cooperation in trade, and could possibly be an ally against enemy states, but this requires trust (Doyle, 2012, p. 66). Nevertheless, neo-liberalists argue that states are not the only important actors in international relations. Other central actors, like international organisations, and more broadly, international institutions, are also significant (Baldwin, 1993, p. 8). Since states are rational actors, they want to maximize absolute gains through

cooperation, and they are less concerned with the benefits that the other states achieve by cooperating. From the neo-liberalist perspective, states will therefore transfer sovereignty to institutions if they help states to secure their own interests, and if they are seen as equally beneficial as for other states (Lamy, 2011, p. 122). For example, the member states of the EU have delegated some sovereignty to the supranational European Commission, which has exclusive competence over competition policy, and in return the member states receive benefits of free trade (Hix & Høyland, 2011, p. 195). EU members which have adopted the euro have also delegated sovereignty over macroeconomic policies to the European Central Bank, and in return they get the benefits of removed transaction costs on currency exchange (Hix & Høyland, 2011, p. 255).

Like neo-realists, neo-liberalists are concerned about the security of states, but in a different manner than the former, who are concerned about security threats. Rather, neo-liberals are concerned about security risks. According to neo-liberalists, these risks, which include among, other things, world-wide terrorist groups, the proliferation of weapons of mass destruction, drugs and arms trafficking, and pandemics, are best addressed collectively (Lamy, 2011, pp. 121-122). As for power, neo-liberalists stress the importance of intentions and preferences over the neo-realists' focus on relative power capabilities to increase national security (Baldwin, 1993, p. 7). Instead of being either security or power maximizers, neo-liberalists claim that states are 'egoistic value maximizers' (Carlsnaes, 2012, p. 120). The insecure condition of anarchy could thus be decreased by international institutions, which provide a basis for sharing information and common rules. The survival of the state is of importance to national security, but the main national interest seems to be to manage problems which threaten the state's economic well-being (Lamy, 2011, p. 123).

### **2.3 The relevance of neo-realism and neo-liberalism**

Both neo-realism and neo-liberalism offer an attempt on 'a better explanation for the behaviour of states and to describe the nature of international politics' (Lamy, 2011, p. 115). Even though they focus mainly on the balance of power in international politics, and the causes of war or peace, important parts of the theories try to explain to what degree states cooperate or compete, which is relevant for the present thesis. This helps for a better understanding of the challenges of cooperation between the member states in 'speaking with one voice' in their external natural gas relations towards Russia. In this lies conflicting national interests of states, and thus different policy choices in the EU.

Both neo-realism and neo-liberalism are state-centric theories, and consider states to be rational actors. The vital national interest of a state is security and survival, and this is achieved by self-help, since there is no global authority that defends the state in an anarchic system. However, states can cooperate to increase their security, but this is where neo-realism and neo-liberalism disagree. Neo-liberalism argues that states cooperate and establish international institutions as they are beneficial to achieve their goals (Keohane, 1993, p. 273). They believe institutions reduce transaction costs, and makes sharing of information among states easier. Grieco, a neo-realist, argues that state cooperation is ‘harder to achieve, more difficult to maintain, and more dependent on state power’ (1993, p. 302), than neo-liberalists do. For neo-realists, the cost of sharing information with other states through institutions is often deemed too high compared with the possible outcomes and gains. Consequently, neo-realists only agree to cooperate as long as relative gains are maintained, while neo-liberalists emphasise the importance of absolute gains, and are less concerned with preventing other states from achieving advances in relative power capabilities.

For the subsequent analysis in this thesis, it is important to further expand on the notion of power. Since energy resources are part of a state’s territory, natural resources such as oil and gas constitute strategic national assets, thus, energy is a source of political power for a state (Hadfield, 2012, p. 442). Large resources of energy supplies increase the overall relative power capabilities of a state, thus, they can be used as a foreign policy tool, or as a means for a state to achieve a desired end.

The next chapter presents the development of the EU energy policy since the early 2000s, whereas chapter four further examines which of the presented IR-theories has the most explanatory power for the research question in this thesis.



### **3 Energy policy in the European Union**

This chapter provides the basis for the analysis in the next chapter. Firstly, it examines the concepts ‘energy security’ and ‘supply diversification’. Secondly, the threefold energy policy of the EU, including the internal energy market, climate and environmental policy, and foreign policy, is presented from its early stages and up until today. The third part closely examines the developments of the external dimension of EU energy policy in connection to energy security since 2000 until today. Distinctive events in this time period are the 2004 EU enlargement, the 2006 and 2009 gas disruption crises, and Russia’s annexation of Crimea in 2014.

#### **3.1 Energy security**

Historically, it has always been the prerogative of the state to deal with its energy security. Energy resources like coal, oil, natural gas, and electricity, have been important and strategic commodities for a long time (Yergin, 1991, p. 14), and several wars and conflicts have been fought over them, for example the Suez crisis and the Gulf Wars. Energy, and related products, was regarded as a highly strategical asset during the world wars, in particular coal and steel, as these were used for warfare machinery and reconstruction (Langsdorf, 2011, p. 2). Energy security during the war, and in the immediate post-war period, was seen in connection with military capabilities and preparedness. Today, the concept ‘energy security’ is additionally seen in relation to a nation state’s capabilities of preserving the welfare of its citizens. Energy resources are used to heat and light homes, hospitals, schools, and other public buildings, for production in industry, and for transportation. Consequently, energy can be seen as a means to increase economic growth and development in a state (Proedrou, 2012, p. 1), and as such it is a public good. Energy security is, in this manner, often connected to the broader national security strategy of a state and to its relative power capabilities.

Yergin defines energy security as ‘the availability of sufficient supplies at affordable prices’ (2006, pp. 70-71), whereas Proedrou includes the environment as well by defining energy security as a ‘situation whereby states face no energy shortages and meet their energy needs at no excessive cost and without further deteriorating the state of the environment’ (2012, p. 3). Nevertheless, this is primarily seen from an energy importing state’s point of view. Energy exporting countries, however, worry about the ‘security of demand’, since energy exports generate a large part of national revenues. This is an example of mutual interdependence between states, and it can be argued that Russia, as an exporter of natural gas, is mutually dependent on the EU because of its demand (Casier, 2011a, p. 542). Security

of demand is the ‘access to a developed and reliable market for the long-term sale of energy products’ (Hadfield, 2012, p. 444). Proedrou’s definition resembles the Commission’s own definition of energy security (see section 3.3.1). However, since the focus in this thesis is on the EU member states, where a majority depend on imports of natural gas, concerns about the environment are de-emphasised, Yergin’s definition is the most suitable one, thus, this will be emphasised in the rest of the thesis.

When considering energy as a part of foreign policy, both economic and political concerns are at stake. Economic concerns regard maintaining the security of supply, whilst the political concerns concentrate on the potential leverage an exporter state might impose on the importer and transit states, because of the exporter’s dominant position and relative power. Political concerns often affect a state’s perception of its economic concerns. As stated by Bayne and Woolcock (2003, quoted in Hadfield, 2012, p. 445) ‘states frequently use the instruments of economic policy to pursue political objectives as well as economic ones’, as the case seems to be for the gas disruption crises between Russia and Ukraine in 2006 and 2009 (Hadfield, 2012, pp. 453-454), and for the current conflict between Russia and Ukraine. For Russia, which has some of the largest proven reserves of natural gas, amounting to 32,9 trillion cubic metres, or 17,9 % of the world’s total proven reserves in 2012<sup>9</sup> (BP, 2013, pp. 6, 20), energy is unquestionably a strategic resource, and state control over these resources is vital. An energy crisis can happen when the energy security of a state is no longer guaranteed, and it can come about as a result of scarce energy resources, unreliable exporter states or an unsustainable price rise (Proedrou, 2012, p. 5). The EU is dependent on gas imports, because only a few member states are net exporters of natural gas. The internal EU debate therefore centres on how to manage gas imports dependency and the ‘security of supply’.

For energy importing countries, the best way to maintain energy security is to have diversification of supply (Yergin, 2006, p. 76). Supply diversification refers not only to various suppliers, but also to supply routes, and a diversification of energy sources, i.e. not only consuming natural gas, but also other fossil fuels, nuclear power or renewable sources of energy. Various sources of energy imports will not only reduce dependency on one supplier, or one energy source, it will also minimize the risk and the vulnerability of a possible supply disruption by offering other alternatives. Disruption in energy supply can cause serious concerns for the well-being of the citizens in a state, and interrupt industrial production, thus, lead to lower economic growth, and ultimately it can affect the security and survival of the

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<sup>9</sup> In comparison, Iran has 18 % of the reserves, Qatar has 13,4 %, and Norway has only 1,1 %, whereas the whole EU has 0,9 % of the total share of natural gas reserves in the world (BP, 2013, p. 20).



state itself (Proedrou, 2012, p. 3). However, according to Skinner (2006, p. 6), because ‘the particular political relationship between the trading parties defines the sense of security of that trade’, a state can be completely dependent on energy imports, yet feel secure, while another state can feel insecure even if it is dependent on imports that only amount to a minor share of its energy consumption.<sup>10</sup> For example, Germany is highly dependent on gas imports, but feels secure because of its good relationship with suppliers such as Norway and Russia. Latvia, on the other hand, only consumes a small amount of gas, but feels vulnerable because it is completely dependent on imports from a single supplier, i.e. Russia. Since the focus in this thesis is on natural gas as a source of energy and political power, the terms ‘gas security’ and ‘energy security’ are subsequently used interchangeably.

### **3.2 The historical perspective of EU energy policy**

Energy policy was chosen as the solution to achieve the primary objective of European integration. In the aftermath of the Second World War, European states feared the emergence of another war, and hence, the main goal was to maintain peace (Cini & Borragán, 2013b, p. 2). West-Germany, France, Italy, Belgium, Luxembourg and the Netherlands decided to give up their national sovereignty over coal and steel resources in the early 1950s. This led to the establishment of the ECSC in 1952, and later the European Atomic Energy Community (Euratom) in 1957, alongside the European Economic Community (EEC), all of which are the forerunners to today’s EU (Dinan, 2010, p. 466).

Nevertheless, the importance of coal quickly diminished in favour of oil, and nuclear energy never really became an energy source of great significance in Europe, except in France (Mérítet, 2011, p. 146). Oil and natural gas became the main energy sources for the members of the European Communities (EC), and today the energy mix varies greatly from a majority of gas in Germany, the Netherlands, and the UK, nuclear energy in France, to significant amounts of coal in the eastern European member states (Dinan, 2010, p. 466). The EC started to import natural gas from the Soviet Union in 1980s, and in this manner the EC was not only dependent on oil imports from the Middle East, but also on Russian natural gas (Dinan, 2010, p. 467). Conflicting energy interests and differences in the energy mixes of the member states lead to individual national energy policies, something which has hindered a common energy policy to be included in the EC’s, and later the EU’s legislative portfolio for a long time. Consequently, energy policy has primarily been the responsibility of the member states. A chapter on energy was not included in the EU treaties until the Lisbon Treaty in 2009. This

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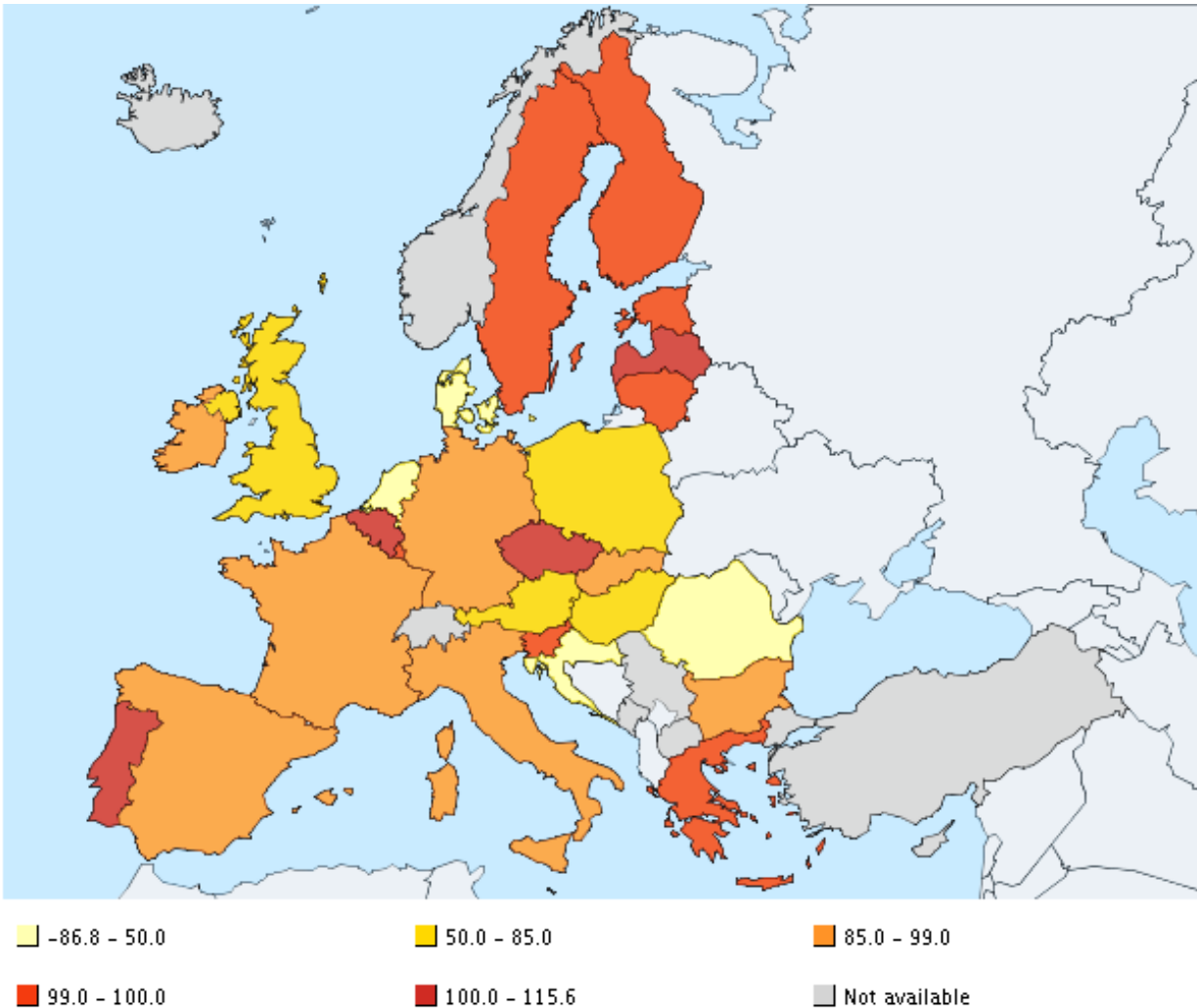
<sup>10</sup> Compare maps 1, 2, and 3 in this chapter, and see chapter 4 for further analysis.

gave the Commission, together with the member states, shared competence over energy matters. Nevertheless, the progress on energy policy in the EU has been slow, apart from some development connected to the completion of the internal energy market, like competition rules, and environmental protection (Dinan, 2010, p. 467).

**3.2.1 EU member states’ natural gas dependency**

A reason for a conflict of interests between the member states has been, and still is, the differences in their national energy mixes. Consequently, the import dependency on external suppliers of natural gas varies widely among the member states. (See map 1).

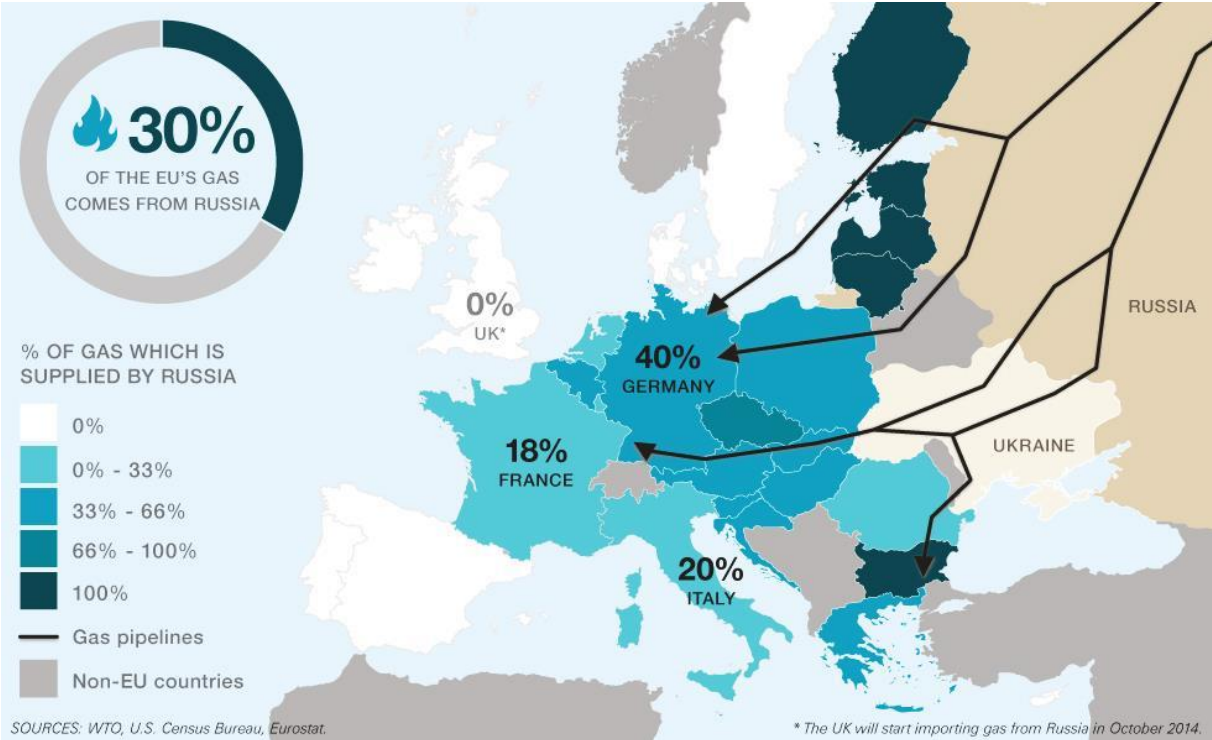
**Map 1: EU natural gas import dependency 2013, all suppliers**



*Energy dependency shows the extent to which an economy relies upon imports in order to meet its energy needs. The indicator is calculated as net imports divided by the sum of gross inland energy consumption plus bunkers. Disclaimer: This map has been created automatically by Eurostat software according to external user specifications for which Eurostat is not responsible. ©EuroGeographics. Source: Eurostat (2015a).*

Total EU import dependency on natural gas in 2012 was 65 % (Eurostat, 2013, p. 37). Such a high degree of natural gas import dependency makes the EU vulnerable to supply disruptions or price shocks. As one can see from map 1, a majority of the member states depend on natural gas import from external suppliers for over half of their consumption need.<sup>11</sup> Only four member states (light yellow) are less than 30 % dependent on gas imports. Denmark and the Netherlands are in fact net exporters of gas since they have domestic production, while Romania and Croatia also produce some gas themselves, thus they are only to some degree dependent on imports. The four member states in yellow colour are between 50 and 75 % dependent on gas imports, while the seven member states in orange are between 87 and 99 % dependent on gas imports. Eleven member states, coloured in red and dark red, have import dependency between 99 and over 100 %. The import dependency of the states in dark red, with values over 100 %, is explained by the build-up of supplies during the reference year. No data is available for Cyprus and Malta, but they hardly import or consume any gas either<sup>12</sup>. Note that for some member states, like Sweden, the dependency on natural gas import is not as severe as it may seem.<sup>13</sup> This is because gas only make up a very small percentage of the

**Map 2: EU dependency on Russian natural gas and the main pipelines from Russia**



Source: CNN (2014)

<sup>11</sup> See appendix A for percentages of natural gas import dependency in the EU in 2013.

<sup>12</sup> See appendix B for definite numbers of EU natural gas consumption in 2013.

<sup>13</sup> See appendix C for percentages of the share of natural gas in member states' total energy consumption.

total Swedish energy consumption. Moreover, Sweden imports all of its gas from Denmark (European Commission, 2009b, p. 76), hence it is not dependent on Russia.

A key risk to energy security for the EU is that it is increasingly dependent on gas imports from third countries. Several member states rely on one single supplier, Russia, and also these supplies often only run through a single pipeline route. Map 2 on the previous page illustrates this dependency on Russia. The eastern enlargements<sup>14</sup> increased the overall vulnerability to the security of gas supply to the EU. Russia is the only or main supplier of natural gas to ten of the Eastern European member states, only in Romania is the dependency on Russian gas imports below 33 %, since Romania also produces gas itself. What is obvious is that Estonia, Latvia, Lithuania, and Bulgaria are fully dependent on Russian gas. Regarding the old member states (EU15), only Finland depends completely on Russia, while Russia meets 63 % of Austria's, and half of Greece's gas needs (European Commission, 2012, p. 93). Spain, who is 98 % dependent on gas imports, does not receive any gas from Russia. Instead it imports gas from among others Algeria (European Commission, 2009b, p. 76). The UK also does not import any Russian gas, as it has some domestic production, and it imports gas from Norway (European Commission, 2009b, p. 77). Member states who rely on a single supplier also find themselves as a 'gas island' due to the lack of pipeline interconnections or LNG infrastructure.

Map 3 on the next page shows the gross domestic consumption of natural gas for the EU member states in 2013. The largest consumers of natural gas in definite numbers are (dark green) Germany, the UK, Italy, France, Spain and the Netherlands.<sup>15</sup> Other major consumers are (green, light green and yellow) Austria, Belgium, Poland, Romania, Hungary, the Czech Republic, Slovakia, Ireland, Portugal, Denmark, Greece, Finland, Bulgaria, Lithuania, Croatia and Latvia, while Sweden, Luxembourg, Slovenia and Estonia (light yellow) only consume minor amounts of natural gas. Cyprus and Malta do not consume any natural gas.

### 3.3 EU energy policy

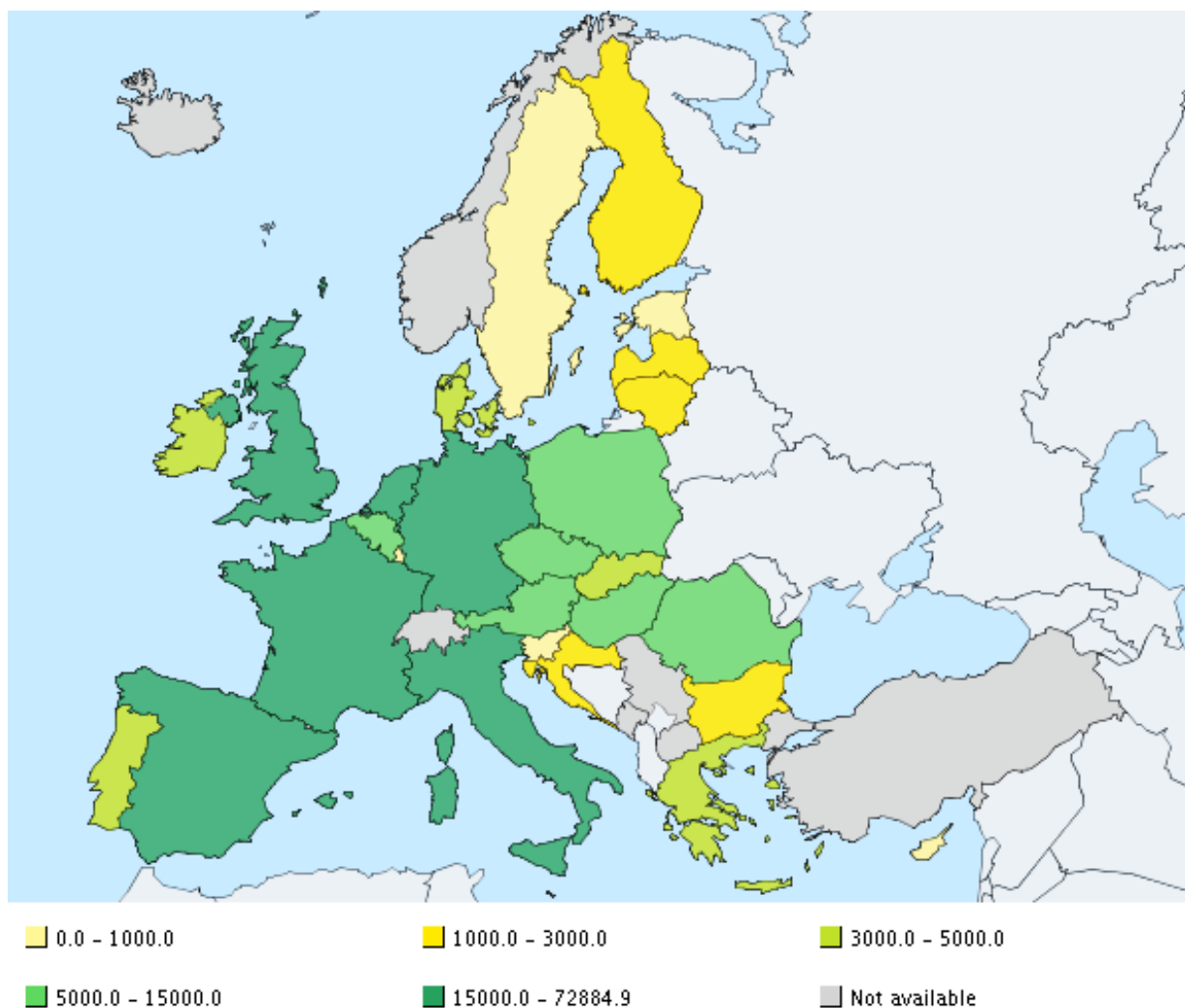
The EU energy policy is threefold. The next sections will continue with a short account of the EU's energy policies which are related to the internal market and to environmental protection, before the foreign policy and energy security dimension of EU energy policy will be examined more thoroughly.

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<sup>14</sup> Estonia, Latvia, Lithuania, Hungary, the Czech Republic, Slovakia, Slovenia, Poland, Cyprus, and Malta, joined in 2004. Bulgaria and Romania joined in 2007, while Croatia joined in 2013.

<sup>15</sup> Which is logical, due to their huge population numbers.

**Map 3: EU gross inland gas consumption per country 2013. 1,000 tonnes of oil equivalent.**



*Gross inland consumption is calculated as follows: primary production + recovered products + total imports + variations of stocks - total exports - bunkers. It corresponds to the addition of final consumption, distribution losses, transformation losses and statistical differences.*

*Disclaimer: This map has been created automatically by Eurostat software according to external user specifications for which Eurostat is not responsible. ©EuroGeographics. Source: Eurostat (2015b)*

Measures such as market liberalisation and the break-up of national energy monopolies were ordered by the Commission to further integrate the internal energy markets in the EU. The directives on opening up the electricity market and the natural gas market were adopted in 1998 and 2003, but these were later deemed insufficient. As such, a third internal energy market package was adopted in 2009 in order to ensure a definitive separation of the production and distribution of natural gas, aimed at unbundling large energy companies which owned both the production and the distribution chain (Dinan, 2010, pp. 468-469). Another aim of the EU's internal energy market has been to integrate the European energy network,

i.e. electricity grids and gas pipelines, in order to promote interoperability and cross-border connections through the establishment of trans-European energy networks (TEN-Es) (Dinan, 2010, p. 470). Progress in the internal energy market has been slow, and it has not gone as far as the Commission has wanted. Even though the Commission thinks that unbundling is in the best common interests of the member states, as a way to help enhance the security of supply, many member states were against unbundling their national gas companies (Dinan, 2010, p. 470). The development of TEN-Es has an important external dimension due to the high degree of import dependency on natural gas in the EU. Better interconnections and infrastructure inside the EU will make it easier to transport energy resources from one member state to another, in case one or several states experience supply disruptions.

The concern about global warming and climate change grew in the 1990s, and the EU put itself at the forefront of environmental protection by setting goals to improve the EU's energy efficiency, to reduce the use of fossil fuels, and to increase the use of renewable energy sources. The trend started with a commitment in 1990 to stabilize CO<sub>2</sub>-emissions among the EU member states, which eventually led to the adoption of the '20-20-20' energy-climate package<sup>16</sup>, agreed to in December 2008 (Dinan, 2010, pp. 472, 475). There was broad consensus within the EU to adopt the goals, but not on how to reach them. One suggested solution was to increase the share of natural gas in order to reduce consumption of other fossil fuels like oil and coal, since natural gas in the 'cleanest' fossil fuel regarding CO<sub>2</sub>-emissions (Langsdorf, 2011, p. 3). For some member states, a change in their energy mix to increase the share of natural gas was given a warm welcome. For other member states, especially in Eastern Europe, this would only increase their insecurity regarding energy supplies, because it would mean higher gas import dependency on Russia for those countries<sup>17</sup>. For these states, a change to renewables could be a better solution in order to emit less CO<sub>2</sub>, but it is very expensive to invest in renewable energy sources (European Commission, 2000, p. 83).

Foreign policy and energy security is the third aspect of the EU energy policy. Unlike the two previous dimensions related to the environment and commercial policy, over which the Commission has exclusive authority, and the member states decide with QMV, the external energy dimension is connected to the EU's common foreign and security policy, which is an intergovernmental policy area decided unanimously by the member states (Hadfield, 2012, pp. 443-444). The EU has been dependent on gas imports from external

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<sup>16</sup> By 2020, the goal is to reduce CO<sub>2</sub>-emissions by 20 %, to increase the share of renewable energy by 20 % and to improve energy efficiency by 20 %.

<sup>17</sup> There are big variations among member states in gas import dependency on Russia, see map 3.



suppliers for a long time, but the possibility of a risk to the EU's security of supply did not seem very likely until the 2006 and 2009 gas disruption crises. As a result, progress in the EU's external energy dimension has been slow, as the member states enjoy their sovereignty over energy as it is a vital national commodity. That foreign policy and energy security is a part of, and influences, the EU energy policy, is the reason why it has been considered difficult to achieve a common external energy policy in the EU. This is further addressed in the next section of this chapter, whereas the reasons for why it is difficult is further analysed in chapter four.

### **3.4 The 2000s: A turning point for EU external energy policy**

Through its agenda-setting power, the Commission has since 2000 published several green papers, strategies, reports and communications, in order to put energy security on the agenda again; after a few decades of absent or little interest from the member states. The last time energy security was high on the agenda in Europe was during the 1973-1974 oil crises, and also then did nine EC members struggle to get a coordinated response (Dinan, 2010, p. 466; McGowan, 2011, p. 487). From 2000 to 2015, the Commission has shown a certain change in its views and descriptions of various external suppliers of natural gas, especially Russia. This is arguably because of distinct events such as the 2004 EU enlargement, the 2006 and 2009 gas disruption crises, and Russia's annexation of Crimea in 2014. The initiatives from the Commission have generally been welcomed by the Parliament, the European Council, and the Energy Council.

#### **3.4.1 The period 2000-2006**

In 2000, the Commission published a green paper on energy policy called 'Towards a European strategy for the security of energy supply', which put energy back on the security agenda after several decades in limbo. Energy security is defined as 'to secure, for the EU, the immediate and longer-term availability of a diverse range of energy producers at a price which is affordable to all consumers (domestic and industrial) while respecting environmental requirements' (European Commission, 2000, p. 81). This definition very much coincides with that of any other energy importing state (see Yergin's, and especially Proedrou's definition earlier in this chapter).

The Commission made several observations concerning the external dimension of EU energy policy: Europe's dependency on energy import was growing, thus, risks related to import dependency should be reduced, but the EU had 'too few resources and instruments [...] to meet these challenges' (European Commission, 2000, p. 11). The forthcoming

enlargements of the EU would only increase the energy dependency. In 2000, imports of natural gas accounted for nearly 40 % of the EU's consumption needs, and with the prospect of an enlargement the number was expected to reach 70 %.<sup>18</sup> The biggest suppliers of gas to Europe were Russia (41 % of EU gas imports), Norway (25 %), and Algeria (29 %), while new discoveries of natural gas reserves had been made in the Caspian region<sup>19</sup> (European Commission, 2000, pp. 25, 41).

Even before there were any considerable risks to the EU's energy security, the Commission stated that 'a lack of political consensus on a Community energy policy limits the possibilities to intervene' and reduces the EU's bargaining power (European Commission, 2000, p. 69). Two main risks to the EU's gas security were identified: the lack of interconnections, i.e. pipeline networks, and to be too dependent on a single gas supplier. The Commission encouraged the building of new infrastructure, but noted that the problem was often of a more political, rather than a financial character (European Commission, 2000, p. 60). A diversification strategy for natural gas was connected to resources in the Caspian region, implying that pipelines should be built 'if the resources [...] are to be fully exploited' (European Commission, 2000, p. 24). The Commission stressed the importance of the EU having a good, and long-term strategic partnership with Russia, and other key suppliers. In order to enhance the overall EU energy security, four main objectives to manage energy dependency were set out:

- 1) develop strategic partnerships and dialogues with energy producing countries,
- 2) strengthen energy supply networks,
- 3) diversify sources of energy supply,
- 4) the EU should speak with one voice on energy matters

The member states generally welcomed the 2000 green paper. There was a clear consensus on its relevance, as well as the four main objectives (European Commission, 2002, p. 11). However, there were different views among the member states on the extent of a more coordinated approach (the fourth objective). They stressed that EU actions on energy security should respect member states' differences, respect the principle of subsidiarity<sup>20</sup>, and be consistent with other policies (Energy Council, 2001). Subsidiarity was introduced with the Maastricht Treaty in 1993, and means that decisions should be taken as close to the citizens as

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<sup>18</sup> Gas import dependency for the EU in 2012 was 65.8 % (European Commission, 2014, p. 43).

<sup>19</sup> The Caspian region refers to southern Russia, the Caucasus, Central Asia and Iran.

<sup>20</sup> Subsidiarity in politics is 'the principle that a central authority should ... perform only those tasks which cannot be performed effectively at a more immediate or local level' (Oxford English Dictionary, n.d.).



possible (Cini & Borragán, 2013a, p. 406). It aims to regulate the distribution of competences between the EU and the member states to ‘clarify and address tensions’ between member state sovereignty and the increasing involvement of the EU ‘in areas of policy that were not envisaged by the original Treaty of Rome’ (Warleigh-Lack & Drachenberg, 2013, p. 200).<sup>21</sup> As Smismans (2013, p. 344) notes, this means that the EU can only act if ‘the objectives of the proposed action cannot be sufficiently achieved by the member states’.

In 2004 the Council adopted a directive on the security of gas supply. It set out to establish ‘genuine solidarity between Member States in major emergency supply situations’, and to create a gas coordination group (GCG) ‘which should facilitate coordination of security of supply measures at Community level in the event of a major supply disruption’ (European Union, 2004, p. 93). Nevertheless, the majority of the responsibility was left with the member states. The creation of the GCG was successful, but this is simply a group where member state and industry officials can share information, and try to coordinate responses to possible supply disruptions (McGowan, 2011, p. 496).

### **3.4.2 The 2006 gas crisis. The period 2006-2009**

The gas supply disruption crisis in the beginning of January 2006 was as a wake-up call for European state leaders. Russia’s state owned gas company, Gazprom, switched off its gas supply to Ukraine on 1<sup>st</sup> January 2006 over a payment dispute (Kropatcheva, 2011, p. 559). This also harmed many European states, because Ukraine diverted volumes directed for Europe to its own domestic consumption. While it only lasted for three days, it was severe enough to create a state of emergency in some EU member states. Since several EU member states use natural gas for industry productions, household heating, and cooking food, and because the disruption happened in the middle of winter, the gas cut-offs left many citizens cold and hungry, also it had large impact on the industrial production (Dinan, 2010, p. 499). Hungary, Austria, Slovakia, Romania, France, Poland, and Italy lost between twenty-five and forty per cent of their gas deliveries (BBC News, 2006). Normal gas supplies were subsequently restored three days later.

In March 2006, the Commission published a new green paper on energy. The gas disruption crisis is only implicitly mentioned when the Commission refers to ‘recent experience’ or ‘recent events’, and that the EU should be able to react faster to ‘shorter term supply disruptions’ (European Commission, 2006e, p. 9). As in 2000, the emphasis was on

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<sup>21</sup> Environmental policy is an example of a policy area where the EU initially had no formal power, but today it is a leading actor (Warleigh-Lack & Drachenberg, 2013, p. 200).

the security of supply. Six key areas were identified as necessary to be addressed further, most of which had also been pointed out in 2000:

- |  |   |
|--|---|
| 1) the completion of the internal market     | 4) sustainable development to tackle climate change |
| 2) the diversification of energy supply      | 5) innovation and technology                        |
| 3) the security of supply through solidarity | 6) a coherent external energy policy                |

In the process of completing the internal gas market, the focus has been on the need to create a European grid, and better infrastructure. This is particularly critical as some EU member states, like the Baltic States, Finland, and Sweden remain ‘energy islands’, which means that they are cut off from the rest of the Union (European Commission, 2006e, p. 6). Solidarity was included, because the 2004 gas security directive had not been as effective as the Commission desired. Taking the gas supply crisis into consideration, the Commission recommended that EU member states should commit to finding common solutions to common problems, and possibly also give the Commission the authority to speak on behalf of the member states with one voice to major energy suppliers. A follow-up joint paper in May 2006 was more vigorous and explicit, by stating that the EU was ‘facing external energy risks’, counting import dependency on unstable regions, and the possible use of energy as political leverage by exporting states (European Commission, 2006d, p. 1). Subsequent communications and strategies from the European Commission (2006c, 2007, 2008b) mostly repeat the 2006 green paper, but they focus the on liberalisation of the energy market, and environmental protection. Additionally, there was emphasis on exporting the EU energy *acquis*<sup>22</sup> to its neighbourhood. A new key area was the promotion of better gas pipeline infrastructure (European Commission, 2008b, p. 4).<sup>23</sup> The EU member states broadly supported the green paper. However, there was ‘little support for new legislation’ (European Commission, 2006a, p. 16). Again, the subsidiarity principle and sovereignty over national energy strategies, were the reasons for the lack of support emphasised by the member states.

### 3.4.3 The 2009 gas crisis. The period 2009-2011

In January 2009 there was another gas supply disruption crisis from Russia, via Ukraine, to Europe. This crisis was yet another, and more severe, wake-up call for the EU. Several EU member states were affected, both directly and indirectly, in the period between 6<sup>th</sup> until 20<sup>th</sup>

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<sup>22</sup> Market liberalisation, energy efficiency, and standards of EU regulations.

<sup>23</sup> See chapter 4 for further discussion and analysis of pipeline diversification.

January. Russia stopped supplying gas to Ukraine already 1<sup>st</sup> January (European Commission, 2009c, pp. 2, 3). At first Russia only cut the gas flows to domestic Ukraine, and not the transit gas to Europe, but later all gas flows were cut off. This was because Ukraine refused to transport the Russian gas to Europe (Kropatcheva, 2011, p. 559). The countries that were directly harmed by the crisis were mostly eastern European member states and some non-EU countries, including Greece, Romania, Bulgaria, Slovakia, Macedonia, and Turkey. Additionally, nine other EU member states were indirectly harmed. These were Austria, Germany, Italy, France, Hungary, the Czech Republic, Slovenia, Croatia and Poland (European Commission, 2009c, p. 4; Schmidt-Felzmann, 2011, p. 577).

José Manuel Barroso, the president of the Commission at the time, declared that ‘Europe must [...] make sure that European citizens are never again left in the cold through no fault of their own’, while Andris Piebalgs, the EU energy commissioner at the time, stated that ‘the Russia-Ukraine gas dispute [...] confirmed our fears’ (European Commission, 2009a). Accelerated by the January 2009 gas crisis, the Commission adopted a proposal for a new regulation on gas security (European Union, 2010b). This was approved by the Council and the Parliament later in 2010, to strengthen the mechanisms of the 2004 gas security directive, which was deemed insufficient after the crises. Almost two years after the 2009 gas crisis, the Commission lamented that ‘Europe’s energy systems are adapting too slowly’, and that ‘the internal market is still fragmented’ (European Commission, 2010, pp. 2, 3). The root of the problem was that even though the EU had experienced two gas supply crises, ‘there [was] still no common approach towards partner, supplier or transit countries’, and that ‘the EU [continued] to have less influence on international energy markets than its economic weight would suggest’ (European Commission, 2010, pp. 3, 4). Again, this underlines the position of the EU member states in external energy policy questions, and the difficulty of achieving cooperation between the member states in this policy area.

When the Lisbon Treaty entered into force in late 2009, a chapter on energy was finally included in the EU treaties. Article 194, section 1, in the TFEU, refers to (a) the internal market, (b) the security of supply, (c) energy efficiency, energy saving and renewable energy, and (d) the interconnection of energy networks (European Union, 2010a, p. 134). Article 194, section 2, carefully stresses that a member state’s sovereign rights over its mix of energy sources, its structure of energy supply, and the conditions for exploiting its energy sources shall not be affected. A chapter on energy in the EU treaty framework is a major breakthrough for the EU’s energy security. However, as it is stated, the policy aims for the ‘spirit of solidarity between Member States’, and due to the structural differences between the

member states' energy policies, solidarity has shown difficult to achieve. External energy policy is still a national concern. Hence, the Lisbon Treaty basically upholds status quo for the EU energy policy and the external dimension (Braun, 2009, 2011; Langsdorf, 2011, p. 6).

#### **3.4.4 Towards a common voice? The period 2011-2013**

In the 2011 communication 'The EU Energy Policy: Engaging with Partners beyond Our Borders', the Commission gave more attention to external energy policy than earlier. The core areas of the 2000 and 2006 green papers were reiterated, especially the security of supply, sustainability and competitiveness. The emphasis was on speaking with one voice in the external dimension of energy, as it 'plays a crucial role' for all of the three core areas (European Commission, 2011b, p. 18). The reason for this was that 'the EU [had] shown that when it comes together it can achieve results which no Member State alone could reach' (European Commission, 2011b, p. 3). Among the specific actions mentioned were the liberalisation of the energy market, and the development of strategic relationships with gas suppliers in the Caspian region and the Middle East, in addition to keeping a good relationship with Russia, and to establish a 'strategic group for international energy cooperation' (European Commission, 2011b, p. 17). A decision for an information exchange mechanism (IEM) on 'intergovernmental agreements between Member States and third countries in the field of energy' was later adopted in October 2012 (European Union, 2012). This was the first real step towards more solidarity and coordination between EU member states on external energy relations since the inclusion of energy in the Lisbon Treaty. It instructs the member states to inform the Commission of all of their new and existing bilateral energy agreements with third countries, and the Commission is then to make that information available to the other member states (European Commission, 2011d, p. 2).

Developments regarding better cooperation and transparency on external energy matters showed some improvement, albeit limited, due to the establishment of the IEM. The Commission later analysed 114 of the member states' intergovernmental agreements on energy for their compatibility with EU legislation of these agreements, 15 had 'a higher risk of incompatibility' (European Council, 2013b, p. 5). Regarding a strategic group, the member states agreed to 'enhance their cooperation in support of the external dimension of EU energy policy' (European Council, 2013a, p. 4). As a result, the GCG, the Energy Council, other council formations, including Foreign Affairs, and informal networks, have had several meetings on external energy matters (European Commission, 2013d, p. 5).

### **3.4.5 Conflict in Ukraine and the Energy Union Package. The period 2013-2015**

In September 2013, the EU and Ukraine had been close to signing an association agenda. During this process, the Commission stressed the importance of Ukraine as a transit corridor for Russian natural gas (European Commission, 2013d, p. 7). However, the deal was scrapped in November by Ukraine's president, the pro-Russian Viktor Yanukovich (BBC News, 2015c). There were demonstrations in Ukraine until Yanukovich fled the country in February 2014, and a new election was held. Yet, pro-Russian separatists on the peninsula Crimea rebelled, and they were supported by Russian military forces which led to a referendum and to Russia's annexation of Crimea (BBC News, 2015c). This triggered the on-going geopolitical crisis in the region. Crimea's strategic importance is high due to its geographical location in the Black Sea. Russia has a military base there, and there are gas pipeline connections that run through the area (Preston, 2014). Gazprom has cut off gas supplies to Ukraine several times during the past year, because of payment issues in Ukraine. This happened in June and October 2014, and again in June 2015, but the EU has not been harmed as gas consumption is lower in those months of the year (BBC News, 2015b).

Due to the previous gas crises, and the on-going conflict between Gazprom and Naftogaz, the Commission published a communication for an 'energy union package' at the end of February 2015. Donald Tusk, current president of the European Council, and the prime minister of Poland at the time, had already in April 2014, openly proposed an energy union to improve the EU's external gas relations (Tusk, 2014). Tusk's proposal had been greatly toned down, in both description and measures on how to achieve such a union. For example, the proposal of collective purchasing of gas was heavily redrafted, and was only proposed to be on a voluntarily basis (European Commission, 2015, p. 6). For the most part, the Commission only repeats its previous statements from the 2000 and 2006 green papers, and the subsequent communications, strategies, and action plans. The approach to energy security and external energy policy is still vague, as only a few concrete measurements were specifically mentioned in the package (EurActiv, 2015e; The Guardian, 2015b). Consequently, both the European Council and the Energy Council have endorsed the proposal (EurActiv, 2015d). Nevertheless, maintaining national sovereignty over the energy mix, and respecting the subsidiarity principle, is crucial to the member states (Energy Council, 2015, p. 3; European Council, 2015a, p. 2). Thus, when concrete policy proposals are subsequently up for negotiation, conflicting national interests will be more evident. This is further addressed in the next chapter.

### 3.5 Summary

The main goal of the EU external energy policy is, and has been, to continue to coordinate the member states' external energy strategies, in order to speak with a single voice. Some progress has been made on coordination due to the establishment of the GCG and the IEM. Other important goals related to the EU energy security have been to continue strategic dialogues with key energy suppliers and transit states, to export the energy *acquis*, and to diversify suppliers and supply routes for the delivery of energy sources. The debate on energy security reappeared before the gas crises, but because of them, energy rose to the very top of the EU security agenda. The EU has always been aware of its high dependency on gas imports from Russia, but it was not considered a severe problem before 2006. Until then, Russia was considered to be a reliable supplier of gas to Europe. Hence, it was only after the 2006 and 2009 gas disruption crises, and again due to the current Russia-Ukraine conflict, that the EU recognised the importance of the external energy dimension. The size of the EU had increased to 25 member states with the 2004 enlargement, including eight eastern European states, many of which were, and still are, highly dependent on natural gas imports from Russia. In essence, all member states agree that a common external energy policy is in their interests, but there are still many hurdles to stumble over. The reasons for why there is a lack of a common voice in EU external energy relations will be further examined in the next chapter.

## 4 EU member states and external energy policy

This chapter analyses why the EU member states have challenges with speaking with ‘one voice’ in their external energy relations towards Russia. Only a few steps, the gas coordination group, and the information exchange mechanism, have been made on the way to increase coordination. Even though the European Council and the Energy Council, as shown in chapter three, widely support the Commission in the need for a common voice in the EU’s external energy relations, this chapter argues that there has not been much progress in achieving it, due to conflicting national interests between the member states, and disagreement on the internal energy market, environmental protection, and pipeline diversification, as well as variations in gas import dependency and perceptions of Russia.

First, the chapter discusses the role of the member states in the policy making system of EU energy policy, and an analysis of whether neo-realism or neo-liberalism has the most explanatory power for this role. Next, there is a brief account of the EU-Russia natural gas relationship, including the consequences of the 2006 and 2009 gas disruption crises, and the current conflict between Russia and Ukraine. Lastly, the chapter provides a detailed analysis of the conflicting interests between the member states, in order to examine the development in EU external energy relations, and to answer the main question in this thesis: *Why is the European Union unable to speak with ‘one voice’ in its external energy policy towards Russia?* The analysis will be based on four factors: conflicting views on market liberalisation, environmental concerns, the degree of import dependency on Russian gas and pipeline diversification, and the member states’ perceptions of Russia. Core concepts of neo-realist theory, such as power, relative gains, and security, are applied in the analysis.

### 4.1 The role of the EU member states in energy policy making

The Lisbon Treaty made energy policy a ‘shared competence’ between the member states and the Commission, but there is still some ambiguity concerning how the authority is actually shared, and over ‘which Treaty legal base to use in external action on energy’ (Braun, 2011, p. 3; Hadfield, 2012, pp. 443-444). The Commission tries to influence the external energy dimension through commercial rules and environmental policy, over which it has exclusive competence, and by its agenda-setting role in the EU. However, since the external energy policy is connected to foreign policy and external commercial agreements<sup>24</sup>, it is primarily the EU member states which decide over this area. Conclusions and recommendations presented by the European Council and the Energy Council are results of inter-state negotiations and

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<sup>24</sup> Individual bilateral commercial agreements with external suppliers of natural gas

bargaining. Thus, what may seem like consensus and agreement on the Commission's strategy for a common external energy policy is rather just the result of the lowest common denominator in the European Council, or decisions made through QMV, after meticulous deliberations in the Energy Council. The 'real' struggle takes place when concrete proposals are up for negotiations between the member states. Therefore, it is necessary to account for the conflicting views and interests of the EU member states regarding external energy policy.

Kaveshnikov (2010, p. 594) argues that the Commission is especially keen to expand its energy powers so it can 'negotiate an energy agenda with third countries'. Yet, because of the provisions on energy laid down in the Lisbon Treaty as a shared competence, the Commission can only do so on a case-by-case basis if the member states unanimously agree to give the Commission that authority. The national interests of the member states are preserved, since consensus requires all 28 member states to agree. As stated by Youngs (2007, p. 15), the external energy policy 'hover[s] ineffectively between the market and geopolitics' because of 'internal differences and producer states' resistance to the market-governance nexus', consequently, the EU external energy policy has only resulted in 'technical energy cooperation and bilateral deals'. The developments over the last few years have overall not resulted in a 'more coherent pattern of external energy policies' in the EU, and 'the EU's external energy policy has been a disappointment' (Geden & Grätz, 2014, p. 2). The EU has shown itself unable to speak with 'one voice' on certain energy issues and the solidarity the Commission calls for remains weak. Hence, EU member states still dominate the external aspect of energy policy.

#### **4.1.1 Neo-realism and neo-liberalism vs EU energy policy**

A common external energy policy built on the common foreign and security policy (CFSP), instead of the commercial policy, would maximize the EU's global power, and increase its political leverage and influence. National sovereignty over energy policy is important for the EU member states, and this, together with conflicting national interests, orientations, and traditions, remain as barriers to a truly common external energy policy (Dinan, 2010, p. 546). These barriers grew immensely with the 2004, 2007 and recently 2013 enlargements, since a total of 11 eastern European countries now have become EU members, of which a majority depend solely on Russian gas. This section provides a brief analysis of which of the presented IR-theories<sup>25</sup> is more suited for explaining the external dimension of the EU energy policy. The argument in this thesis is that neo-realism has more explanatory power, compared with

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<sup>25</sup> See chapter 2 for an account of neo-realism and neo-liberalism.



that of neo-liberal institutionalism, in the case of the EU's challenges in 'speaking with one voice' in its external energy policy towards Russia.

A general assumption of the present thesis is to treat the external dimension of the EU's energy policy as an aspect of CFSP. The external energy policy is, however, heavily influenced by the internal commercial (trade and competition) and environmental policy. The EU and the Commission sees the external energy policy in connection with the energy security for the whole EU, since it is dependent on importing energy. As Youngs (2007, p. 2) notes, the main solution to the energy security concerns for the EU has been to extend its energy norms and infrastructure, this is in accordance with the Commission's ideas, which proclaimed that a 'secure energy supply requires a combination of internal and external policies' (European Commission, 2006d).<sup>26</sup> The biggest risk to the energy security in the EU is that there are no common rules on how to deal with external suppliers such as Russia. Norway, another important external supplier of natural gas, is part of the EEA and the internal market, and thus follows, with a few exceptions, the same commercial rules as the rest of the EU. In this sense, an important aspect of the analysis will be on the internal conflicts within the EU aiming to achieve a coherent and common external energy policy. Since the external energy policy lies between geopolitics and commercial and environmental policies, it is necessary to conduct a short analysis of the EU as a foreign policy actor. This is because the Commission tries to influence the EU member states on intergovernmental policy areas, like CFSP through its primacy over commercial and environmental policy. Additionally, since the implementation of the Lisbon treaty there has been a 'High Representative for Foreign Affairs' in the Commission, as such the Commission has the right to take initiative in this policy area. This is seen through the various green papers and policy proposals from the Commission, regarding external energy policy, and energy security, where the EU's interests are presented.

One question to consider is whether it is possible to view the EU as a unitary actor in foreign policy and external energy policy. Traditionally, neo-realists have not analysed the EU because it is neither a state, nor a sovereign actor, 'but acts as a vehicle for the collective interests of its member states' (Hyde-Price, 2006, p. 220). Recently, neo-realists have begun to view the EU more in terms of a state, given its recent changes through the adoption of the Lisbon treaty, giving it more state-like features. However, they still argue that EU's foreign policy is primarily driven by the largest powers (Hyde-Price, 2006, p. 222). Because of the

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<sup>26</sup> This approach to energy security in the EU is still valid today, as is shown in chapter 3.

focus on states, Hyde-Price (2006, p. 223) argues that the EU is mostly occupied with ‘second order concerns’, i.e. European values ‘such as democracy, multilateralism and human rights’, and that the member states only will promote these concerns when their national ‘first order’ interests as the balance of power and security issues are not conflicted. Neo-liberal institutionalists, however, place these ‘second order concerns’ at the centre of regulating the international order (Howorth, 2010, p. 465). As Smith (2005, p. 70) argues, this means that one can ‘treat the EU as a solitary actor with foreign policies’, even though it consists of several states. Consequently, it is a *sui generis* actor. Neo-liberal institutionalists claim that the main goal of EU foreign policy is to ‘*influence and impact*’ and not project power (Howorth, 2010, p. 457, italics in original). Neo-realists would argue that to influence and impact is in fact a projection of power, since power, according to neo-realism, is a means and not an end in itself. The EU’s power ‘is based on its economic clout, the fear of exclusion from its markets and the promise of future membership’ (Hyde-Price, 2008, p. 31), which indicates the EU’s actions as agreed upon by the member states and not its existence as a unitary actor.

Another argument by neo-liberal institutionalists is that it is not the strongest member states that shape policy outcomes in foreign policy, but the institution itself. That is because foreign policy is an intergovernmental policy area where also smaller member states can have a say (Menon, 2011, p. 86). However, the emphasis here is that CFSP and the external energy policy are still, in fact, intergovernmental policy areas, even though the Commission has the right to take initiative. This means that it is the member states which make the final decisions. Yet, CFSP, and external policy statements made by the heads of state in the European Council, can be vague because they are based on unanimous voting, which often implicates the lowest common denominator. Hyde-Price (2008, p. 34) argues that this makes the foreign policy outcomes of the EU too weak and vague, and that the big member states, the UK, Germany, and France, then pursue their own foreign policies with more concrete actions. It is important to consider that statements and decisions on the internal energy policy made by the Energy Council through QMV, can be a part of the internal power dynamics within the EU, indicating that some states may compromise on one issue in order to have their say in other issues. In this manner, an analysis of the internal challenges of cooperation between the member states in the EU in the external energy policy is necessary.

## 4.2 The EU-Russia energy relationship

Ever since the end of the Cold War the EU has pursued good relations with the succeeding states of the former Soviet Union, and especially with the largest country, Russia, to avoid potential economic and political chaos. In addition to trade, however, the focus has been on aid, technical assistance and political reform (Hadfield, 2012, p. 446). The EU is the world's largest energy market and before the 2004 enlargement, several of the Western European member states were happy customers of Russian gas (Hadfield, 2012, p. 450). Yet, as the enlargement included many new members which were, and still are, heavily dependent on gas imports from Russia, the member states' attitudes and strategies towards Russia have become more diversified. Many of the new member states are reluctant to develop too close ties with Russia because of their historical experiences (Schmidt-Felzmann, 2011, p. 593). Moreover, Russia's foreign policy changed in 2000 after Putin became president. Russia sees itself as 'a case apart from other Eastern European countries' (Dinan, 2010, p. 498), additionally, it wants to be a 'great power' and a special player (Baranovsky, 2000, p. 451).

Russia is the biggest supplier of natural gas to the EU, and in 2000 the Commission stated that 'the continuity of supplies [...] over the last 25 years is testimony to an exemplary stability' (European Commission, 2000, p. 40). While originally having signed the Energy Charter Treaty<sup>27</sup>, Russia later refused to ratify it because of the perceived mandatory requirement to allow third party access to its pipelines (Hadfield, 2012, p. 448). Consequently, in an attempt to revitalise energy relations, the EU-Russia Energy Dialogue was jointly launched in 2000. The dialogue has worked as a forum for cooperation in a few energy areas, but it 'has not solved the outstanding energy security issues' (Hadfield, 2012, p. 448). The Commission has repeatedly acknowledged that the relationship between the EU and Russia is based on interdependence. Russia seeks to secure the energy demand in the EU market, while the EU needs Russian energy resources to ensure its energy security. Still, the focus of the Commission has been to provide Russia with conditions and demands on the liberalisation of the energy market in accordance with the EU energy *acquis* such as transparency, reciprocity and non-discrimination, including third-party access to pipelines, as well as standards of energy regulation and efficiency (European Commission, 2006c, p. 4). However, the EU and Russia interpret 'energy security and reciprocal market access

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<sup>27</sup> The Energy Charter Treaty was created in the aftermath of the Cold War with the aim of ensuring 'a predictable and enforceable framework' of 'hydrocarbon trade and transit across Europe' between the EC and Russia, as well as other Central and Eastern European states (Hadfield, 2012, p. 447).

differently' (European Commission, 2008a, p. 3). Additionally, this is a policy area where also the member states are in disagreement.

Because the 2006 and 2009 gas disruption crises, as well as the current Russia-Ukraine crisis, affected EU energy security, Russia is no longer considered a reliable supplier of gas to the EU. The political impact has been big, as shown by the lack of a common external energy policy to deal with such crises. The EU as a whole has not yet fully accepted that foreign policy plays an important role in energy security, and the EU 'still operates on the traditional arguments for liberalized markets and EU-style governance' (Hadfield, 2012, p. 449). However, 'energy [has risen] from being a rather technical issue [...] to being one with serious diplomatic and geopolitical consequences' (McGowan, 2011, p. 487), and as such energy policy has not only become a part of the member states' security agenda, but lately also the Commission's, which was evident in the proposal for an Energy Union (European Commission, 2015, p. 6). The crises have emphasised the importance of a common external energy policy, but instead the fragmentation between the EU member states has become even more apparent. While 'some member states [seek] to develop close commercial and diplomatic ties to Russia, others [are] less positive [...] and [seek] EU support for strategies of energy diversification' (McGowan, 2011, p. 498). The next part of this chapter discusses the reasons for the lack of a common approach.

### **4.3 Divisive matters for a common external energy policy in the European Union**

There are four divisive elements concerning why it is challenging for the EU member states to agree on a common external energy policy, hereunder speaking with 'one voice', especially in regards to their lack of a common approach towards Russia. Whether there is conflict or cooperation is influenced by factors connected to a common energy policy in the EU; specifically different views on the internal energy market, environmental protection, the degree of Russian gas import dependency and pipeline diversification, as well as the member states' diverging perceptions of Russia.

#### **4.3.1 Liberalisation of the internal gas market**

One of the reasons why it is difficult for the EU to agree on a common external energy policy is the diverging views on market liberalisation. There are two main views among EU member states regarding the EU's goal of creating a common market for natural gas. On the one hand, there are those which prefer a common, liberalised, and open, energy market. On the other, there are those member states prioritising to protect their own national markets. An open market brings competition, which for some can be seen as a strain on relative gains. The UK,

Denmark, and Sweden, have traditionally been market orientated, whereas Germany and Italy are reluctant to a complete liberalisation of their energy markets (Proedrou, 2012, p. 61). Many of the new member states, especially the Czech Republic, Slovakia, Poland, and Hungary, are also interested in an open market (EurActiv, 2013b). The fact that the EU, and its forerunners, is based on the idea of a free market means that controversies over market liberalisation put the European integration project in a rather negative light. However, there have also been previous controversies regarding other areas of the internal market.

One reason why it is difficult to agree on full energy market liberalisation, is that several member states have ‘national champions’, large energy companies, which they want to protect from competition, and which interests they wish promote, and which interests they wish to use to achieve relative gains (Kaveshnikov, 2010, p. 598). These national champions are fully, or partially, state-owned. For instance, the big member states Germany, France, and Italy, all have huge gas companies, and they seek the best opportunities and conditions for, and often favour their national champions, and contravene the EU internal market rules (Natorski & Surralés, 2008, p. 72). France has a long history of state-intervention in national energy markets (Méritet, 2011, p. 147), and Poland has also wanted to protect its national market because of fear of competition from geographically close member states (EurActiv, 2013b). More liberalisation means that the state-owned companies would have to be privatised, and that other private companies are allowed to compete in an open market (Proedrou, 2012, p. 60), essentially giving up state-monopoly and relative gains. Strong, state-backed, energy companies are important for several member states. For these states, energy is considered ‘a strategic public good’, meaning that one cannot rely on the market to ensure energy security (Proedrou, 2012, p. 62).

The EU market liberalisation in the gas sector went a step further when the so-called ‘third energy package’ was adopted by the European Council in 2009 after two years of negotiations (Eikeland, 2011, p. 24). The Commission’s original proposal aimed to unbundle the gas market monopolies by splitting energy generation and energy transmission (Proedrou, 2012, p. 63). The mandatory ‘full ownership unbundling’ in the gas sector would mean that a company simultaneously could not own gas pipelines, and be the distributor in the same pipelines (i.e. vertically integrated companies which hinders free competition). Member states that supported the ‘full ownership unbundling’ were mostly western member states such as Belgium, Spain, Denmark, Sweden, Finland and the UK, as well as Romania (Leonard & Popescu, 2007, pp. 35, 39, 40, 43, 45). The UK and the Scandinavian countries, having already liberalised their energy markets, favoured complete unbundling, because they had

most to gain by increased competition and lower prices, while Spain had also given more power to the market (Youngs, 2011, p. 48). However, the policy proposal was rejected by the Energy Council when ‘a blocking minority’ of member states opposed it; Germany, France, Austria, Luxembourg, Greece, Cyprus, Latvia, Bulgaria and Slovakia (Eikeland, 2011, p. 24; Leonard & Popescu, 2007, pp. 33, 40, 44). Especially France and Germany were against complete unbundling, because of market scepticism and national champions (Youngs, 2011, p. 49), hence, concerns over relative gains. Eastern European member states were split over the unbundling proposal, because some of them remained hesitant ‘about yielding to a new international structure that might limit their own national sovereignty’ (Eikeland, 2011, p. 29). As a result, the Third Energy Package allows full ownership, but other operators under the same ownership structure can invest in, and modernise the pipelines, as well as ‘monitor fair access’ (Proedrou, 2012, p. 63). However, many member states have still not fully implemented the Third Energy Package, which is a key priority of the Commission in order ‘to establish the Energy Union’ without discriminating monopolies so that ‘energy can flow freely’ (European Commission, 2015, p. 9).

Another reason why it is difficult to achieve a common approach towards energy liberalisation is the various views on how to deal with external suppliers. An impact of the goal of an open EU gas market has been to ‘harmonize codes for access to and use of pipelines’ (Eikeland, 2011, p. 25). This means that third-state companies, like Russia’s Gazprom, are freely allowed to operate in it. However, principles of market liberalisation in the EU, have been accompanied by proposals for protectionist measures against external suppliers. This is exemplified by the Commission’s proposal of a reciprocity clause in the Third Energy Package, also known as the ‘Gazprom-clause’ because of its intended target (Youngs, 2009, p. 38). An argument is that, this was included in order for the Commission to get support from the new eastern European member states in ‘its strategy to combine market forces internally with a united voice in talks with Russia’ (Eikeland, 2011, p. 29). Especially Estonia, Latvia, and Lithuania fear that Gazprom would take control over their gas markets, which is the opposite of the goal of minimizing their gas dependency on Russia and potential Russian political leverage (Proedrou, 2012, p. 62). The proposed clause intended that third-state energy companies would only be allowed to invest in EU companies if that third-country opened up its own market to other investors (Proedrou, 2012, p. 64). This is especially important since the Russian state owns a majority of Gazprom, and Gazprom holds monopoly over the Russian gas market, and as such the clause is not in its interests. The adopted version only requires third-state companies to ‘demonstrate compliance with the same unbundling

requirements as EU companies' in order to access the common gas market, and not to liberalise home gas market rules (Eikeland, 2011, p. 26). Reasons for this was that member states like the UK, Finland, Sweden, and Denmark, were against the clause because it was a protectionist move, and Germany, Italy, and France were opposed to it since they cooperate closely with Gazprom (Proedrou, 2012, p. 65). Eastern European member states were also split on this issue because of the split on unbundling. In a draft for the Energy Union Package, the Commission had originally proposed a collective purchasing mechanism for gas, but it was later changed to be on a voluntary basis in the final proposal. This was because several western European member states 'were opposed to the idea of working as a single EU gas buyer' since it breaches with the basic principles of competition and market liberalisation (EurActiv, 2015b). Eastern European member states, on the other hand, are positive to voluntary joint gas-buying. This is of particular significance to Poland, since 'Gazprom's prices to Poland [...] are among the highest in Europe' (EurActiv, 2015b).

#### **4.3.2 Environmental protection**

Another factor concerning why it is challenging for the EU to coordinate a common external energy policy is the differing views on how to reach the EU's climate goals. This is because the EU has become a promoter of environmental protection and a leading figure in the fight against climate change. The member states have agreed to reduce greenhouse gas (GHG)-emissions by 40 % compared with the numbers for 1990 (European Commission, 2013c, p. 3), but they have not agreed how to achieve this goal. To reduce GHG-emissions, member states should evidently decrease the share of fossil fuels in their energy mix, especially coal which emits the highest amounts of CO<sub>2</sub>, but also oil. There are more ways to achieve this. The first option is to invest in renewable energy sources, a second option is to increase the share of nuclear power, while a third option is to increase the share of natural gas since it is the cleanest fossil fuel. However, there are some vital limitations to all of these options, and the member states disagree on which solution is the best.

Using renewable sources of energy will arguably reduce the need for fossil fuels, and it is also one of the 2030 climate targets to increase the use of renewable energy by 27 %. The main challenge, however, is that it is expensive. Nevertheless, Austria, the Netherlands and Germany 'care more about the environment and less about the costs' and Denmark has made huge investments in windmills, even though there maybe is enough oil and gas in the North Sea (EurActiv, 2013b). Germany calls it the 'Energiewende', meaning energy transition, to phase out fossil fuels and focus on renewable energy (Rörkasten & Westphal, 2012, p. 328).

Poland and the UK, on the other hand, are of the opinion that ‘there should be no binding national targets [on climate] to give countries greater flexibility’ in how to reach their goals (The Guardian, 2015a).

The use of nuclear power is regarded to be another divisive point for a common energy policy in the EU. A hinder to increasing the share of nuclear power is that it is dangerous for the environment in case there is an accident, and that investments in newer generation reactors, that are presumably safer, are expensive. Nuclear power generation is important for a small number of member states, both old and new. The supporters of nuclear power are France, the UK, and Finland, as well as the Czech Republic, Slovakia, Hungary, and Slovenia, while the five member states Belgium, Germany, the Netherlands, Sweden, and Spain, want to phase out nuclear power (Geden, Marcellis, & Maurer, 2006, p. 5). After the 2011 nuclear accident in Fukushima, Japan, Austria and Germany swiftly decided to abolish their nuclear programmes, because they were deemed too dangerous, while France pushed for higher standards of nuclear safety (EurActiv, 2011). Nevertheless, by phasing out nuclear energy, other types of energy have to replace it. Instead of importing more gas, Germany has rather increased its production of coal since this is a much cheaper energy source. Coal, however, increases CO<sub>2</sub>-emissions, which is hardly environmentally friendly (The Economist, 2014). Only Finland and France have decided to build new nuclear power plants, whereas Poland and Lithuania consider nuclear power an option to reduce their current dependency on Russian gas (Schmidt-Felzmann, 2011, p. 581). Lithuania was previously pressured by Austria to shut down one of its nuclear power plants, because it was the same older-generation reactor as the one that failed in Chernobyl, and due to fears of a new nuclear accident (EurActiv, 2013b). France decided already in the 1970s to limit its dependency on fossil fuels and external suppliers in order to increase its energy security, and found the best option for achieving this to be nuclear power (Mérítet, 2011, pp. 146, 150).

Concerning increasing the share of natural gas, as well as nuclear power, in the energy mix of member states, an essential limitation is that member states have sovereignty over national energy mixes. This is explicitly stated in the Lisbon Treaty<sup>28</sup>, and both the European Council (2015a, p. 2) and the Energy Council (2015, p. 3) have repeatedly stressed the importance of respecting member states’ right to decide their own energy mix, most recently in their responses to the Commission’s proposal for an Energy Union Package. Another vital limitation is that for member states which are already heavily dependent on gas imports, an

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<sup>28</sup> TFEU Art. 194(2).



increase of natural gas in the energy mix will only lead to a heightened import dependency. Eastern European member states, in particular Estonia, Latvia, Lithuania, and Poland, are especially negative to this, as it would increase their energy insecurity, and their dependency on Russia, which they wish to decrease. Germany and Italy, however, which are the main importers of Russian gas to the EU, are not concerned about increased gas dependency. The reasons for this are that Russia is not their only supplier of gas, they have a good relationship with Russia, and they consider Russian gas supplies as reliable (Duffield & Westphal, 2011, p. 172). Other member states that are not dependent on Russian gas, but import their needed amounts of gas from elsewhere, do not have any large difficulties with increasing the share of natural gas in their energy mix, except that they have to be willing to do it voluntarily, due to national sovereignty. Both Spain and Portugal's gas supply needs are covered by import through a pipeline connection with Algeria, and an increasing majority share is transported via LNG capacities (European Commission, 2012, pp. 87, 130). Ireland imports gas from the UK, while the UK covers its gas needs with domestic production, and imports through pipeline connections with Norway, and LNG from the United Arab Emirates, while Sweden imports the small amount of gas it needs from Denmark (European Commission, 2012, pp. 79, 151, 147). Due to the recent discovery of significant reserves of natural gas outside its coast in the eastern Mediterranean, Cyprus can easily lessen its enormous share of oil in its energy mix, while Malta, which is one hundred per cent dependent on oil, plans to build LNG terminals (European Commission, 2012, pp. 99, 115).

Countries that import LNG are not pipeline bound, and can thus more easily switch suppliers if a problem should arise. Hence, Poland, the Baltic States, and Finland, all wish to build LNG terminals to lessen their dependency on Russia, and increase their energy security. However, only Poland decided to build one. Construction of the Świnoujście terminal on Poland's Baltic coast was supposed to start in 2010, but it was delayed due to German concerns, apparently about the environment (EurActiv, 2013c). The focus on increasing the share of natural gas in member states' energy mixes is vastly supported by the Commission in several communications and strategies, and also in its most recent proposal for an Energy Union Package. This has, however, encountered much resistance from environmental protectionists and green parties, as they would rather see an increase in renewables and energy efficiency, instead of just switching to another fossil fuel (EurActiv, 2015e; The Guardian, 2015b).

### 4.3.3 Natural gas import dependency and pipeline diversification

As previously stated, the EU is a net importer of natural gas, where Russia is its biggest supplier, covering almost one third of the EU's total imports. The variations in import dependency on Russian gas (see map 2 in chapter 3) is a divisive factor which affects the level of coordination among EU member states on speaking with 'one voice' in the external energy policy. This also affects the views on pipeline diversification.

The 2006 and 2009 gas disruption crises altered the EU's view of Russia as a reliable supplier of natural gas, and it exposed the great extent of the EU's dependency on Russian gas imports. The dependency was also again 'brutally exposed by the Ukraine crisis' in 2014 (EurActiv, 2015c). Heavy dependency on a single supplier, Russia, outside the internal market has been considered problematic. Thus, the EU started to see an urgent need to diversify its sources of natural gas supply and the transit routes the gas runs through, the fundamental goal being to lessen the dependency on Russia, and to have alternative routes for the gas transit, which does not run through Ukraine. However, talking about diversification of gas supplies is easier 'than to take concrete action' (Cameron, 2009, p. 22), and the EU already imports natural gas from numerous countries such as Norway, Algeria, Nigeria, and Qatar. Furthermore,

it would be difficult, if not impractical, for Europe to consider replacing all Russian natural gas imports [because] some of Europe's larger natural gas companies have huge financial interests in maintaining Russian supplies and do not see a problem in depending so much on one country (Ratner et al., 2013, p. 28).

Covering about 29 % of the EU's gas imports, Norway is the second largest supplier of natural gas to the EU after Russia. The energy trade between Norway and the EU is covered by the EEA Agreement, which means that Norway has adopted most of the EU *acquis* on trade and energy, and is a part of the EU internal market (European Commission, 2009d, p. 56). As such, Norway is regarded a reliable energy supplier. The Langeled pipeline project between Norway and the UK, which was completed in 2006, enhanced the overall EU gas security (European Commission, 2006b, p. 25). Norway's production of gas is increasing, estimated to be around 115-140 billion cubic metres (bcm) per year in 2020. However, its reserves and production are nowhere near that of Russia, whose annual production in 2007 was 631 bcm, and its estimated reserves are 48 800 bcm (European Commission, 2009d, pp. 56, 53). Thus, the future prospect is that Russia probably will remain the EU's largest supplier of gas in the short to medium term. Since the EU does not have a common external energy

policy, it has appeared to be difficult to achieve a comprehensive approach, both towards Russia, and the diversification aim.

The Commission has repeatedly emphasised the importance of gas supply diversification in order to reduce the gas import dependency on single external suppliers such as Russia. The responses to the 2006 and 2009 gas crises suggested, however, ‘that the EU was far from adopting a common position on the question of gas imports’ (Dinan, 2010, p. 471). The Commission’s favoured pipeline diversification projects are in the Southern Gas Corridor (SGC), but there are also other pipeline projects initiated by Russia in order to supply gas to EU member states, which simultaneously avoid transit routes through Ukraine. These new pipeline projects, aiming to increase EU gas security, have split the member states. Among the most conflict-ridden pipeline projects were the Nord Stream pipeline in the Baltic Sea from Russia to Germany, and the competing projects in the SGC; the Commission-backed the Nabucco-project, which was supposed to link gas from the Caspian region to Europe, and the, Russian-supported, South Stream pipeline, which was intended to cross the Black Sea from Russia directly into Bulgaria.<sup>29</sup> The advantage of the SGC is the possibility of linking it to the Caspian region in the future, a region which has, at about 90 trillion cubic metres, the largest estimated gas reserves in the world (European Commission, 2011a, p. 5). However, Nabucco was deemed infeasible during the summer of 2013, and Russia abandoned the South Stream in late 2014. Nevertheless, significant progress has been made in the SGC to establish a direct link with the Caspian region’s South Caucasus Pipeline (SCP) through the Trans-Anatolian Pipeline (TANAP) in Turkey, and the decision on the Trans-Adriatic Pipeline (TAP) route from Greece to Italy (European Commission, 2013d, p. 8).<sup>30</sup> Beyond that, the diversification aim saw a possible improvement in 2013 because of new discoveries of natural gas reserves in the Black Sea area and the Levant basin in the eastern part of the Mediterranean Sea (European Council, 2013b, p. 10).

#### **4.3.3.1 Nord Stream**

The Nord Stream pipeline project created a split among the EU member states. Nord Stream is a pipeline directly connecting Russia and Germany through the Baltic Sea.<sup>31</sup> It was launched in 2005 as a bilateral project between Germany and Russia. Afterwards the Netherlands and France also joined the consortium (Schmidt-Felzmann, 2011, p. 585). On full

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<sup>29</sup> See appendix D.

<sup>30</sup> See appendix E.

<sup>31</sup> Russia and eight EU member states, Germany, Poland, Lithuania, Latvia, Estonia, Finland, Sweden, and Denmark, border the Baltic Sea. See map 3 in chapter 3.

capacity, the Nord Stream delivers 55 bcm of gas annually (Roth, 2011, p. 608). Since it is an underwater pipeline, the different member states along the Baltic Sea coast had to give its permissions for the pipeline to be built, and environmental permits were also required. Sweden, Poland and the Baltic States, all reacted negatively to the Nord Stream because of both political, and environmental, reasons. These member states would not benefit from the pipeline, and saw it 'as a means for Russia to exert political pressure on' them, and other former East bloc states (Schmidt-Felzmann, 2011, p. 587). Environmental concerns over the construction of the pipeline were specifically expressed by Estonia, Lithuania, and Sweden, since old war munitions are located on the sea bed (Youngs, 2009, pp. 84, 87, 88). As a result, the Nord Stream bypasses all the Baltic States' exclusive economic zones, and instead crosses the territorial waters of Finland, Sweden, and Denmark (Schmidt-Felzmann, 2011, p. 588).

Having a pipeline that runs under the Baltic Sea would give Russia the possibility to cut off gas supplies transiting through Ukraine, while continuing to supply its largest market in Germany. Poland's long and difficult historical experience with both Russia and Germany made Polish officials view the Nord Stream project as another 'Molotov-Ribbentrop pact'<sup>32</sup> (Esakova, 2012, p. 237; Kropatcheva, 2011, p. 562). Poland has gas pipelines that connect the Ukrainian pipelines to Germany, thus, its biggest fear is that those gas deliveries could be relocated to the Nord Stream if Russia wants to harm Ukraine, meaning that Poland would lose imports, transit revenues and leverage against Gazprom (Roth, 2011, p. 608), and thus, also see a decrease in its relative gains.

The Nord Stream is important in order to meet both Germany's and France's growing domestic demand of natural gas, and it is especially vital for Germany's energy security due to its decision to phase out nuclear power. While Poland, the Baltic States, and Sweden, proclaimed that Germany should give up the Nord Stream to demonstrate solidarity with the other member states, the end result was that Germany's national interests and relative gains surpassed the multilateral ones. Germany and France are big and strong member states, thus the small and weak Baltic States and Poland had very little influence in deciding on the pipeline project. This illustrates how each member state wants to secure its national gas interests, 'with little or no regard for other member states' economic, political and security situation' (Schmidt-Felzmann, 2011, p. 589).

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<sup>32</sup> The 'Molotov-Ribbentrop pact' was the Nazi-Germany and Soviet Union non-aggression pact.

#### 4.3.3.2 Nabucco vs. South Stream

Up until December 2014 there were two main competing pipeline projects in south-eastern Europe which created a deep division among the EU member states. Both the Nabucco and the South Stream projects were planned to avoid gas transits through Ukraine, but the Nabucco pipeline was favoured by the Commission because it meant importing gas from the Caspian region, diversifying away from Russia. The gas was to transit from Azerbaijan, through Turkey, to Bulgaria, Romania, Hungary, and Austria, while from the gas hub in Austria, the gas supplies could be further distributed to other member states (Schmidt-Felzmann, 2011, p. 590). A cooperation statement was signed in 2004, and the final agreement to build the pipeline was reached in 2009 (Schmidt-Felzmann, 2011, p. 590). The Nabucco pipeline was estimated to be able to deliver about 31 bcm of gas per year, which only accounts for 5 % of the EU's annual gas imports, and it was expected to become operational by 2017 (EurActiv, 2012). Nevertheless, when Azerbaijan, the main Caspian gas supplier, abandoned the Western arm of the pipeline, the Nabucco project was 'over' (EurActiv, 2013a).

The Nabucco project was highly opposed by Russia, who is dependent on EU member states to keep up the security of demand to its energy resources. Russia proposed to build another pipeline, the South Stream, in order to challenge the Nabucco project, and simultaneously bypass Ukraine. It was originally estimated to deliver about 30 bcm of gas annually, however, the estimate later doubled to 60 bcm, which would have accounted for 15 % of the EU's dependency on Russian gas (Gloystein, 2014). The South Stream started as an intergovernmental cooperation project between Russia and Italy through their national gas champions Gazprom and ENI, and it was intended to deliver gas from the Russian part of Central Asia to Bulgaria, crossing the Black Sea, and then further to Greece, Italy, Hungary and Slovenia (Schmidt-Felzmann, 2011, p. 589). The plans to build the South Stream were announced in 2007, and in a very short time it had a 'tremendous divisive effect' over the European support to the Nabucco pipeline project (Carta & Braghiroli, 2011, p. 269). To the Commission's surprise, the driving forces behind the Nabucco pipeline, including Austria, Bulgaria, and Hungary, also got involved in the rivalling South Stream pipeline (Esakova, 2012, p. 230). Construction for the South Stream started in late 2012, but Russia abandoned the project in December 2014, after Bulgaria had suspended construction earlier the same year due to the Commission's warning that the project 'may be breaking EU competition rules' because Gazprom would own the pipeline as well as produce the gas that would flow through it (cf. unbundling rules) (BBC News, 2014). In lieu of the South Stream being finalised,

Russia has recently, in June 2015, signed a deal with Turkey and Greece for a pipeline-crossing over the Black Sea, initially to be funded by Russia. In addition, Greece stressed that ‘co-operation with Russia was not aimed against other countries or Europe’ (BBC News, 2015a). Nevertheless, this will increase relative gains for Greece.

The South Stream and the Nabucco were competing pipeline projects from the onset. Member states that supported the Nabucco pipeline were Austria, Romania, Bulgaria, and Hungary, as well as Turkey. Germany was ‘unenthused’ over the Nabucco project since it had already secured its supplies via Nord Stream (Youngs, 2011, p. 55). Italy, Austria, Hungary, and Bulgaria are all highly dependent on imports of Russian gas. A more direct link to Russia through the South Stream, as opposed to the existing pipeline route through Ukraine, would increase their gas security. Bulgaria, Hungary, and Austria are all relatively small states, and by participating in the South Stream they would, as central transit states, have been able to increase their bargaining-power towards Russia (Schmidt-Felzmann, 2011, p. 592). Though originally committed to the Nabucco pipeline, they all had strong incentives for participating in the South Stream. This pipeline would have given Bulgaria an increased role as both a direct receiver, and a transit state, for Russian gas to Europe. Hungary and Austria would also have benefitted as transit states because of their central geographical location for gas transits to the rest of Europe, thus increasing the national revenue and their relative gains. Italy is the second largest consumer of Russian gas in the EU after Germany, and it also has a good political relationship with Russia (EU-Russia Centre, 2009, p. 31). As such, Italy is in the same position as Germany regarding the Nord Stream, and preferred to keep a good relationship with Russia instead of participating in the Nabucco project. Romania and the Czech Republic, on the other hand, would not have profited from the South Stream, hence they were strong supporters of the Nabucco pipeline to diversify their suppliers of natural gas (Schmidt-Felzmann, 2011, p. 592). The Czech Republic, Slovakia, Poland, and Hungary do not see Russia as a strategic partner, and thus they lobbied for the Nabucco pipeline in order to diversify sources of gas supply and increase their gas security (Sierra, 2010, p. 651).

#### **4.3.3.3 A new Southern Gas Corridor**

Another proposal on how to diversify sources and transit routes of natural gas was to build a pipeline from Azerbaijan, by the Caspian Sea, in order to reach gas importers in Europe. The TAP and the TANAP have replaced the Nabucco project as the main diversification projects for the EU. The TAP has an estimated capacity of 10 bcm a year, and the first gas flows are expected in 2019 (European Commission, 2013b). The TANAP connects with the SCP from

Azerbaijan at the Turkish-Georgian border, runs through Turkey, and connects to the TAP at the Greek-Turkish border, then the TAP will continue via Greece and Albania, across the Adriatic Sea and end up in Italy (Trans Adriatic Pipeline, 2015). The Trans-Caspian Pipeline (TCP), a natural extension of the SGC, is the first diversification strategy where the EU has achieved to speak with one voice. The member states gave the Commission a mandate to negotiate a treaty between the EU, Azerbaijan, and Turkmenistan, to build the subsea pipeline, and to set up the legal and technical basis (European Commission, 2011c). The Caspian region, which has enormous supplies of raw materials, is a part of the larger diversification strategy for the EU. However, the countries in question, Kyrgyzstan, Tajikistan, Azerbaijan, Kazakhstan, Uzbekistan, and Turkmenistan, are all considered authoritarian regimes with few freedoms for their citizens (Freedom House, 2014). This raises an ethical question for the EU regarding if it should trade with undemocratic states. Non-governmental organisations like Amnesty International have stated that ‘by cooperating with such countries and not simultaneously and publicly condemning their human rights’ violations, the EU is essentially giving the green light for abuses to continue’ (EurActiv, 2015a). Furthermore, it has been noted that it is not ‘true diversification’ to go from being dependent on one supplier to another (EurActiv, 2015e).

#### 4.3.4 Perceptions of Russia

The last reason regarding why it is challenging for the EU to coordinate a common external energy policy is the member states’ different perceptions of Russia. This is an important factor to take into consideration, because Russia is the most disputed external supplier of gas in the EU when it comes to speaking with ‘one voice’. The cleavage among the member states has much to do with geographical location and historical experiences (the World Wars and the Cold War), but it also stretches beyond that, and it is influenced by commercial relations.

The EU member states have often been categorised into ‘old’ Europe and ‘new’ Europe.<sup>33</sup> Old Europe refers to the states who were members of the EU prior to the big enlargement in 2004 (the EU15), whereas new Europe refers to the Central and Eastern European states who since then have become members. Historically, the ‘old’ versus ‘new’ Europe coincides with the east-west cleavage during the Cold War. It can be argued that the ‘new’ member states are outright hostile towards Russia, and that the enlargements have

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<sup>33</sup> These labels were first used by the former US secretary of defence, Donald Rumsfeld, because of the conflict in Europe over the invasion of Iraq in 2003. Especially Germany and France were referred to as ‘Old Europe’ because they did not support the invasion, while the European supporters of the invasion, including the candidate countries to the EU in Eastern Europe, were labelled ‘new’ Europe (Hix & Høyland, 2011, p. 322).

damaged the EU-Russia relationship (Leonard & Popescu, 2007, p. 26). However, divisions on Russia are more complex, and according to Leonard and Popescu (2007, p. 2), the EU member states can be divided into five groups according to their approach to Russia:

**Trojan Horses**’ (Cyprus and Greece) who often defend Russian interests in the EU system, and are willing to veto common EU positions; **Strategic Partners**’ (France, Germany, Italy and Spain) who enjoy a ‘special relationship’ with Russia which occasionally undermines common EU policies; **Friendly Pragmatists**’ (Austria, Belgium, Bulgaria, Finland, Hungary, Luxembourg, Malta, Portugal, Slovakia and Slovenia) who maintain a close relationship with Russia and tend to put their business interests above political goals; **Frosty Pragmatists**’ (Czech Republic, Denmark, Estonia, Ireland, Latvia, the Netherlands, Romania, Sweden and the United Kingdom) who also focus on business interests but are less afraid than others to speak out against Russian behaviour on human rights or other issues; and **New Cold Warriors**’ (Lithuania and Poland) who have an overtly hostile relationship with Moscow and are willing to use the veto to block EU negotiations with Russia.<sup>34</sup>

Nevertheless, these five groups can be narrowed down to two groups which split the EU member states; ‘those who view Russia as a potential partner’ and ‘those who see and treat Russia as a threat’ (Leonard & Popescu, 2007, p. 2). Carta and Braghiroli (2011, p. 272) divide the EU member states into four groups ranking from the least friendly to the most friendly member states towards Russia; the ‘normative adamant’ (Estonia, Lithuania, Poland, Latvia, the Czech Republic, and Slovakia), the ‘normative intransigents’ (Sweden, the UK, Romania, Slovenia, Portugal, and Bulgaria), the ‘normative malleable’ (Hungary, Denmark, France, Ireland, the Netherlands, Belgium, Germany, Luxembourg, Spain, Finland, Italy, and Austria), and the ‘normative docile’ (Greece).<sup>35</sup>

For the present analysis, however, it will be sufficient to categorise the member states into three categories in order to illustrate the conflicting views. Those which want the EU to speak with a common voice in its external energy relations towards Russia (promoters), those which prefer to deal bilaterally with Russia (opponents), and a third group, which can be considered neutrals. The basis for the categorisation is influenced by elements of neo-realist theory like the importance of state interests and relative gains, and that states are energy security maximizers. Based on a number of factors, gas dependency on Russia, the share of

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<sup>34</sup> Croatia was not yet an EU member when this study was published.

<sup>35</sup> Cyprus and Malta were excluded due to the lack of data (Carta & Braghiroli, 2011, p. 270).



gas in the national energy mix, views on energy market liberalisation, pipeline diversification, and perceptions of Russia, the groups are as following:<sup>36</sup>

<b>Promoters</b>	<b>Opponents</b>	<b>Neutrals</b>
Poland	Greece	Spain
Latvia	Germany	Portugal
Lithuania	Italy	The UK
Estonia	France	Ireland
Czech Republic	Austria	Cyprus
Slovakia	Hungary	Malta
Sweden	Slovenia	Belgium
Finland	Bulgaria	Denmark
Romania		Luxembourg
		the Netherlands
		Croatia

The member states in the ‘promoters’ column, are states which are geographically close to Russia, and most of them depend only on Russia for gas imports. Additionally, the ‘promoter’ states also have poor historical experiences with Russia. ‘Opponents’ are the member states which have close economic ties with Russia, and they are less concerned about their dependency on Russian gas. Many of these ‘opposing’ member states also have national gas champions they wish to protect. The member states which are deemed ‘neutrals’ do not import any, or only a small amount of gas from Russia, and some are also producers of natural gas themselves. Furthermore, these ‘neutral’ states are not in any immediate geographical closeness to Russia.

#### **4.4 A common external energy policy?**

All of the four mentioned factors affect the EU member states’ willingness to cooperate on external energy policy; conflicting views on market liberalisation, environmental concerns, the degree of import dependency on Russian gas and pipeline diversification, and member states’ perceptions of Russia. A state’s interests are connected to its ultimate goal of security, where the state is concerned with relative gains, and relative power, as a means to increase its security. Related to a member state’s external gas relationship with Russia, the national gas security is better preserved by focusing on relative gains instead of absolute gains (for the

<sup>36</sup> This division is solely based on the author’s own interpretations.

whole EU). That is because the relative gains, i.e. a stable and long-term commercial agreement at a reasonable price, a state can get on an individual basis with an external supplier (Russia), possibly increases the energy security of that state more than if an agreement is struck through collective EU negotiations.

Small member states with small gas markets, but with a large share of natural gas in their energy mix, and a high dependency on Russian gas imports, are in a weak bargaining position concerning Russia (Schmidt-Felzmann, 2011, p. 581). As shown in the table on the previous page, this applies to most of the Eastern European member states. Big member states that import massive quantities of Russian gas, like Germany and Italy, are in a comparatively strong bargaining position. Thus, the EU member states are likely to pursue different diversification strategies. Big and strong member states want to maintain or enhance their gas supply relationship with Russia, while small and weak states want to limit Russia's influence, thus they rather seek to diversify sources of gas supply away from Russia (Schmidt-Felzmann, 2011, p. 582). Some member states can be completely dependent on Russian gas imports and still feel secure, whereas other can feel insecure even if they only to a minor degree depend on Russian gas imports (Hadfield, 2012, p. 445). Hence, the new member states that perceive Russia as a threat prefer that the EU speaks with a common voice towards Russia. This especially applies to Poland, which even proposed an 'energy NATO' in 2006, a precursor to Tusk's later proposal for an Energy Union in 2014. The proposal was a 'European Energy Security Treaty' which aimed to increase solidarity among the EU member states (Natorski & Surralés, 2008, p. 81). An 'energy NATO' would provide mutual support 'in the event of an "attack" on a member state', and other member states would be obligated to share their energy reserves with the member state(s) in question (McGowan, 2011, p. 501). Poland received support from the Czech Republic, Slovakia, and Hungary, but not by Germany, France, and the UK, which did not want to limit their national sovereignty, and national interests, in a crisis situation (Geden et al., 2006, p. 24).

Germany and Italy, among others, prefer to deal individually with Russia due to their high import rates of natural gas and because they see gas security in national rather than regional terms (Dinan, 2010, p. 471). Germany, the biggest importer of Russian gas, is not too concerned about its dependency. The reason for this is that a lot of the gas runs directly from Russia to Germany through the Nord Stream pipeline in the Baltic Sea, and that Germany also imports gas from Norway. Compared with the Baltic States, which in total gross numbers only buy a small percentage of Russia's gas exports, Germany arguably gets a better deal with Russia. The reason why joint gas-buying was not included in the final draft of the Energy

Union Package by the Commission, was because the European Council was against it. This was arguably because of the subsidiarity principle, and that for good customers like Germany and Italy, the collective price for gas would probably be higher than their individual deals. For the UK, the main reason was that the collective purchasing of gas goes against the principles of market liberalisation.

The issue of pipeline diversification must be seen in the light of the member states' bilateral relationships with Russia. The member states are mainly split among those which see Russia as a threat and those which see Russia as a strategic partner. The first group consists mostly of new, small, and weak, Eastern European member states, while the other group is mainly composed of old, large, and strong, Western member states. Eastern member states stress the risk of deliberate supply cuts from Russia, and regard Russia as a threat because of their historical experiences, whereas Western member states point out the benefits of cooperating with Russia since it is the world's biggest producer of natural gas (Schmidt-Felzmann, 2011, p. 593). Thus, there is no consensus in the EU on whether or not the gas dependency on Russia should be reduced. Support or opposition to a pipeline project is motivated by relative gains and self-help. The impact of one member state's choice on other member states 'does not appear to play a role' in the decision of which project to participate in, thus, it is rather determined by individual assessments of costs and benefits (Schmidt-Felzmann, 2011, pp. 593-594). A member state's decision to participate in a pipeline project can be seen as a defensive move to increase its gas security, since 'any defensive policies by one state aimed at ensuring its energy security are regarded by the other actors as a direct threat' (Esakova, 2012, p. 211). This is exemplified by the competition between EU member states for pipeline diversification projects like the Nord Stream, the South Stream and the Nabucco pipeline project, as well as the current Southern Corridor project, and the recent agreement between Russia and Greece.

#### 4.5 Summary

The Commission has through various communications and strategies repeatedly stated that the EU member states should speak with a common voice in the EU's external energy policy. However, this analysis illustrates that there is not much common ground to build it on, and it has appeared to be difficult to achieve a comprehensive approach towards both Russia and the diversification aim. In essence, all the member states agree that a common external energy policy, in one form or the other, is in their interests. However, there are still many hurdles to overcome. The 2006 and 2009 gas crises emphasised the importance of a common external

energy policy, but instead, in the years following these crises, the disunity among the EU member states on ‘solidarity’ and external energy relations with Russia has become even more evident.

In order to have a common approach on external energy relations, the EU also has to have a common approach on internal energy matters. However, the member states have diverging views on the internal energy market over competition rules such as unbundling or joint gas-buying, and the degree of environmental concerns varies between the member states.

National sovereignty and the subsidiarity principle, together with conflicting national interests remain barriers to a common voice on an external energy policy. These barriers grew immensely with the 2004, 2007 and 2013 enlargements. Not all 28 member states are equally dependent on imports of Russian natural gas. Especially big member states such as Germany, France and Italy, prefer to deal with Russia bilaterally. They are only partially dependent on Russian gas imports, but in actual volumes these member states’ share of gas imports from Russia constitutes over 50 % of the EU’s total gas imports. The new EU member states from Central and Eastern Europe, whose main or only supplier of natural gas is Russia, want to reduce their dependency. The eastern member states’ poor historical experiences and geographical closeness to Russia affect their perceptions of Russia, thus also their positive interests in achieving a common EU approach towards Russia.

Through their cooperation with Russia over the Nord Stream and the South Stream, Italy and Germany showed that they preferred to increase their own national gas security instead of the overall regional gas security in the EU. Small and ‘weak’ member states, however, are in a vulnerable position with regards to Russia, thus they would rather prefer the EU to speak with a common voice. Poland and the Baltic States opposed the Nord Stream and called for energy solidarity. However, Hungary, Bulgaria, and Austria, which originally supported the Nabucco pipeline, started to support the South Stream instead, due to their new strategic positions as transit states, as it would increase their relative gains. The Czech Republic, Slovakia and Romania had favoured the Nabucco project because they want to reduce their gas dependency on Russia.

## **5 Summary and conclusion**

This thesis has examined the reasons why the EU has not achieved a common voice in external energy policy. The focus has been on natural gas and on gas relations with Russia because this is the most divisive area in the EU when it comes to its energy security. Natural gas is an important part of the EU's energy mix, but since most gas is transported via pipeline infrastructure, many of the EU member states are bound to buy gas from limited sources. The EU member states do not succeed in speaking with a common voice in external energy policy towards Russia, because their national interests are fragmented and conflicting, which hinders cooperation. The member states' national interests diverge over the internal energy market, environmental protection, and natural gas pipeline diversification, due to variations in gas import dependency on Russia, and perceptions of Russia.

### **5.1 The slow development of EU external energy policy**

The EU's high dependency on a single supplier of natural gas and limited transit routes revealed itself as a serious risk to its security of supply, due to the 2006 and 2009 gas disruption crises between Russia and Ukraine. The crises caused a major threat to the EU energy security, as well as national security, as businesses and the EU citizens in several member states were harmed during the coldest month of the year. While the 2006 crisis only lasted for three days, the 2009 crisis lasted for two to three weeks and it served as a more severe wake-up call for the EU than the one in 2006. Given the crises, energy security became a top priority for the EU.

The EU energy policy is a shared competence between the member states and the European Commission. The Commission has the agenda-setting power in the EU, and exclusive competence on commercial policy and environmental policy. Thus, as shown in its numerous green papers, communications, and strategies on energy policy since 2000, the Commission strives to stimulate cooperation among the member states, and aims for the EU to speak with one voice regarding the external energy policy. Some progress in this area has been made, such as the gas-coordination group, the information exchange mechanism, and there is a reference to energy solidarity in the Lisbon Treaty. Nevertheless, these are just small steps towards achieving a common voice. The subsidiarity principle is very important for member states in the EU policy-making, and since a secure supply of energy is vital to a state's national interest and survival, it is difficult for member states to give up national sovereignty and the influence they have in the external energy policy. The Baltic States, Hungary, and Austria, as well as Poland, expressed a common interest in energy solidarity,

and they even received support from Germany and France to include a reference to solidarity in the Lisbon treaty (McGowan, 2011, p. 501; Roth, 2011, p. 617). Portugal, however, insisted that the subsidiarity principle should be respected, while Germany stressed that an inclusion in the treaty framework to solidarity should not affect the member states' power to select their energy mix or their 'general structure of energy supply' (Natorski & Surralés, 2008, p. 82).

## **5.2 Conflicting factors for cooperation**

The central challenge of a common EU external energy policy is a clash of interests between the member states. Hence, it has been relevant to apply some core elements of neo-realist theory to analyse the absence of a coordinated approach on energy policy, both internal and external, especially on natural gas relations with Russia. When it comes to a common external energy policy, there are several divisive factors which affect a state's approach to energy security. The main argument is that the national interests of the member states are too diverse since not all 28 member states are equally dependent on imports of Russian natural gas. The new members from Central and Eastern Europe, whose main or only supplier of natural gas is Russia, divided the EU even more on energy matters.

The analysis was based on four divisive elements. To be able to speak with 'one voice' in external energy relations, it is necessary to have a common voice on internal energy matters, thus the member states' views on the internal energy market and environmental protection have been examined. The key divisive element, however, has been the question of diversification of suppliers and transit routes for natural gas, where member states varying levels of import dependency, as well as varying share of natural gas in the energy mix, play a part. Member states' opinions of Russia as a supplier of gas also have an impact on the degree of coordination within the EU.

Disagreement between member states on internal energy market rules, and differing approaches to environmental protection and how to reach the EU's climate goals, affect the member states' approach to energy security, and thus their external energy relations. When the Commission proposed measures for mandatory unbundling in the gas sector, as well as a reciprocity clause for external suppliers, these measures were blocked by the Council. The member states were concerned to lose relative gains for national gas companies and national gas markets, additionally some were interested in keeping a good relationship with Russia, whose gas company Gazprom is state-owned and, consequently is not interested in unbundling. The original proposal for a joint gas-buying mechanism was also altered to be

only on a voluntary basis, because of protests that it was a protectionist move, and that it does not comply with the rules of a free market. Besides, some member states feared that it would give them less desirable gas contracts. Concerning the EU's climate goals, member states repeatedly stress the importance of national sovereignty over the energy mix, and as such, a state can decide for itself how to reach the set targets. This can be done by increasing the share of natural gas in the energy mix, as it is the cleanest fossil fuel, whereas other member states rather focus on using renewable energy or nuclear power. The downside to this is that investments are costly. Moreover, in order to have a common external energy policy, there must be a common internal energy policy, but this is not yet the case. The internal energy market should be completed in order to deal with the challenges to European energy security. A complete internal energy market has to be fully functional, fully interconnected and integrated, only then can it properly enhance the security of supply and be a successful component of external energy relations.

The most divisive point which is said to hinder a common external energy policy in the EU, however, is the issue of gas pipeline diversification, both over suppliers of natural gas and pipeline routes. This is again influenced by the degree of Russian gas import dependency as well as member states' perceptions of Russia. The total EU import dependency on natural gas in 2012 was 65 %, and 15 member states had an import dependency of 90 % or more. Such a high degree of natural gas import dependency makes the EU vulnerable to supply disruptions and price shocks. The eastern enlargements increased the overall vulnerability to the security of gas supply in the EU, and also increased divisions among the member states. New member states want to lessen their dependency on Russia, whilst old and big member states are more inclined to care about energy interests which suit their own needs, i.e. to keep good relations with Russia. Most of the new member states rely only on Russia for gas imports, and these supplies mainly run through a single pipeline route, which unfortunately, considering the ongoing conflict, runs through Ukraine. Many of the old member states are also greatly dependent on Russian gas. As such, the member states could be subjected to the market power of the supplier. This revealed itself as a risk to EU gas security both in 2006 and 2009, and there is also currently a security risk since Gazprom cut off gas supplies to Ukraine again in late June 2015. The degree of import dependency has implications for a state's manoeuvrability and political will in the international arena in regards to Russia. The EU member states' responses to the diversification goals, which appeared after the gas crises, suggested that the EU was far from adopting a common position on gas imports. This was mainly because big member states such as Germany and Italy primarily see the security of

energy supply in national rather than European terms, and thus they prefer to deal separately with Russia in order to manage their own import dependency. The gas crisis in 2009 demonstrated a lot of symbolic solidarity in the EU, but real solidarity was physically obstructed due to the lack of a sufficient pipeline infrastructure in the EU, and thus, the EU was unable to supply gas to those member states in need (Cameron, 2009, p. 25).

The pipeline projects which have caused the most fragmentation within the EU are the Nord Stream, and the formerly competing Nabucco and South Stream pipelines. However, the result of the EU's goal of a diversification of suppliers and transit routes is currently improving due to the construction of the TAP and the TANAP in the Southern Gas Corridor which will allow gas import from the Caspian region. Meanwhile, Greece has recently struck its own deal with Russia on gas supplies across the Black Sea, via Turkey, which possibly can create new tensions among the EU member states. Nonetheless, future prospects are that Russia, is and probably will continue to be in the near future, the EU's biggest supplier of gas. Norway, a non-EU member and EEA-country, is another large exporter of natural gas to the EU, however, since it participates in the EU internal energy market, Norway is considered a much more stable and reliable partner than Russia. Nevertheless, Norway cannot replace Russia as a supplier of gas because Russia has vastly larger resources of natural gas than Norway. The suppliers in the Caspian Region are rich in energy resources, but there are expressed concerns that it is not 'true diversification' to go from being dependent on one supplier to another. There are also misgivings about supporting authoritarian regimes with good energy deals, without setting demands for the enforcement of human rights.

The analysis in the thesis shows, that there is not much common ground to build a united external energy policy towards Russia. Even though the Commission and the Council have repeatedly called for the EU to 'speak with one voice' in its external energy affairs, only a few steps have been made in the progress of achieving a coordinated EU external energy strategy. Thus, the member states still dominate the external aspect of the energy policy due to concerns about relative gains and national energy security. Neo-realism shows that the member states privilege their national energy interests over a common EU voice towards Russia. The EU member states are split between those member states which prefer bilateral deals with Russia, and those which prefer the EU to speak with a common voice. The latter group feel that their bargaining-power increases as one EU-block, which decreases the external suppliers' possibility of using energy as political leverage. Big member states like Germany, France, and Italy are pragmatic, and wish to have a good working relationship with Russia, and trust Russia as a supplier of natural gas. However, central and eastern member



states, the Baltic States, Poland, Romania, the Czech Republic and Slovakia, want to decrease their dependency on Russia, an actor they consider being an unreliable supplier of gas, thus they are more in favour of a common approach. Also, as seen in the development of the EU policies throughout history, it is the big member states which have played the largest roles in the major policy shifts, which have been deemed as vital to national interests.<sup>37</sup> The lack of a common approach on the external energy policy, as well as little solidarity between the member states, is to blame for the EU's energy insecurity. The member states' gas dependency on Russia varies, and the member states have different experiences and perceptions of Russia, which affects their positions on a common external energy policy. Elements of neo-realist theory show that the absence of common interests among the member states leads to individual energy policies instead of a joint approach.

Today, there is fear of another gas disruption crisis because of Russia's annexation of Crimea. The on-going conflict between Russia and Ukraine, especially over payments for gas supplies, accelerated the views in the EU regarding the fact that it is time to have a common voice in its external energy policy. Gazprom has cut off gas supplies to Ukraine several times over the past year, and this acts as an immediate risk to the EU's energy security, as there is a constant fear that gas to the EU will also be cut off again. This led the Commission to propose an Energy Union Package in February 2015, which both the European Council and the Energy Council have greatly endorsed. Nevertheless, the Energy Union Package is very limited in the way that it only repeats previous communications and strategies from the Commission on energy policy since 2000. There are no proposals for concrete actions to be taken in this general and vague framework. Additionally, the member states continue to stress the importance of national sovereignty over the energy mix, and over individual commercial deals with Russia. As such, the general outlook is that unless the member states transfer this power to the Commission, external energy policy will remain 'business as usual', divided between the 28 individual EU member states.

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<sup>37</sup> An example here is the establishment of the European Security and Defence Policy, which was initiated by France and the UK in 1998.



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## Appendix A: EU natural gas import dependency per country 2013

Netherlands -86.8 %	Denmark -23.1 %	Romania 11.9 %	Croatia (31.8 %)
UK 50,1 %	Hungary 72.1 %	Poland 74.2 %	Austria 75.5 %
Germany 87.2 %	Italy 88.1 %	Bulgaria 93.2 %	Slovakia 95.6 %
Ireland 95.9 %	France 97.4 %	Spain 98.6 %	
Sweden 99.1 %	Luxembourg 99.6 %	Slovenia 99.6 %	Finland 99.9 %
Estonia 100 %	Lithuania 100 %	Greece 100 %	
Czech Republic 100.2 %	Belgium 100.5 %	Portugal 101.5 %	Latvia 115.6 %

*No data available for Cyprus and Malta.*

*Source: Eurostat (2015a).*



## Appendix B: EU gross inland natural gas consumption 2013, definite numbers

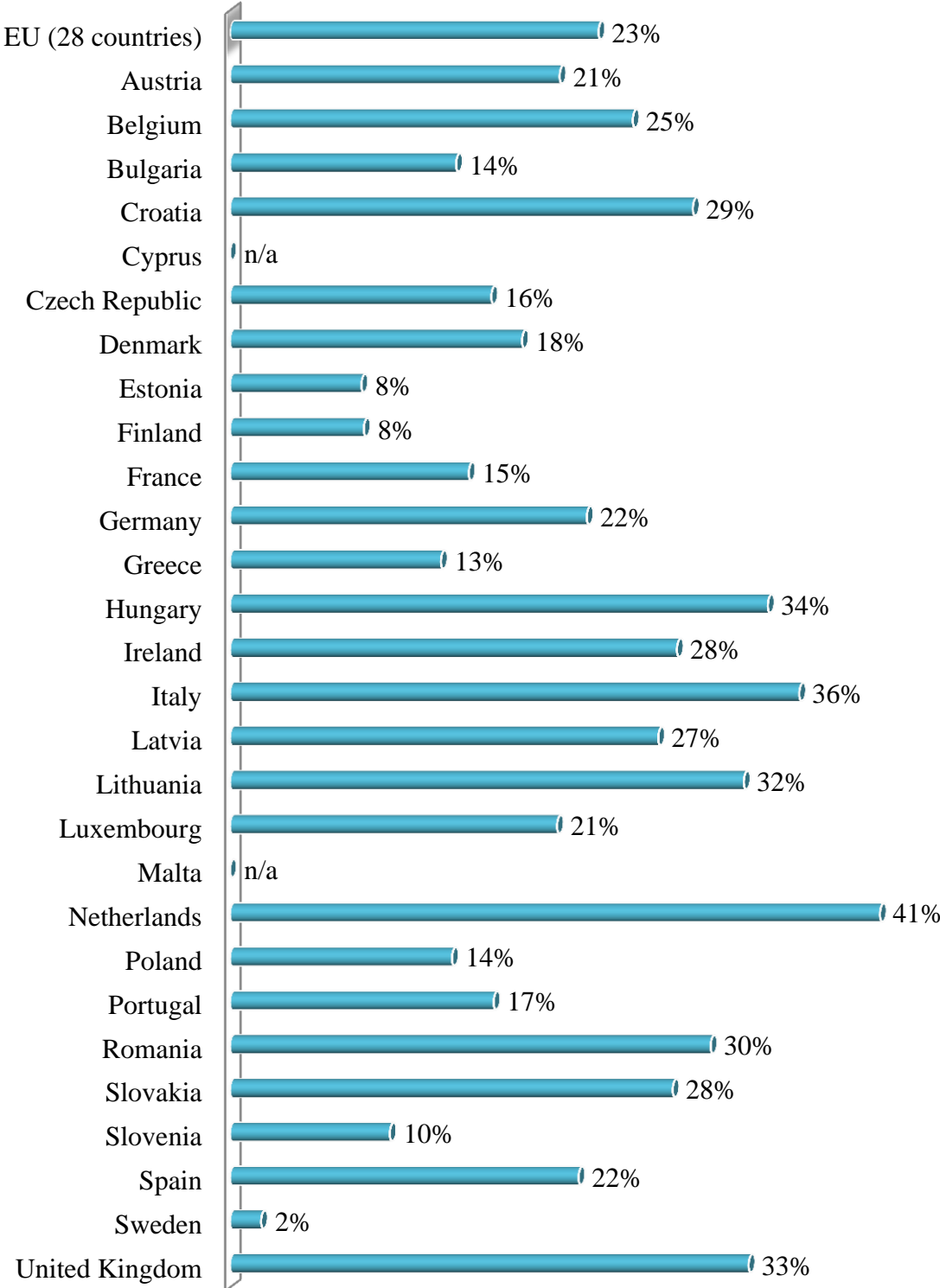
	Malta 0	Cyprus 0	Estonia 554,9
	Slovenia 691.6	Luxembourg 893.7	Sweden 963,5
	Latvia 1,204.7	Lithuania 2,164.5	Croatia 2,281.9
	Bulgaria 2,387.9	Finland 2,859.6	
	Greece 3,236.3	Denmark 3,330.7	Portugal 3,755.9
	Ireland 3,867.9	Slovakia 4,814.4	
	Czech Republic 6,946.4	Austria 7,011.7	Hungary 7,705.2
	Romania 9,793.9	Poland 13,727.4	Belgium 14,395
	Spain 26,083.2	Netherlands 33,236.2	France 39,008.2
	Italy 57,386.7	The UK 65,683.5	Germany 72,884.9

1,000 tonnes of oil equivalent.

Source: Eurostat (2015c).



**Appendix C: Share of natural gas in total gross EU inland energy consumption 2013**



*Data compiled by the author from Eurostat (2015c).*



Appendix D: Nord Stream, Nabucco, and South Stream pipeline routes

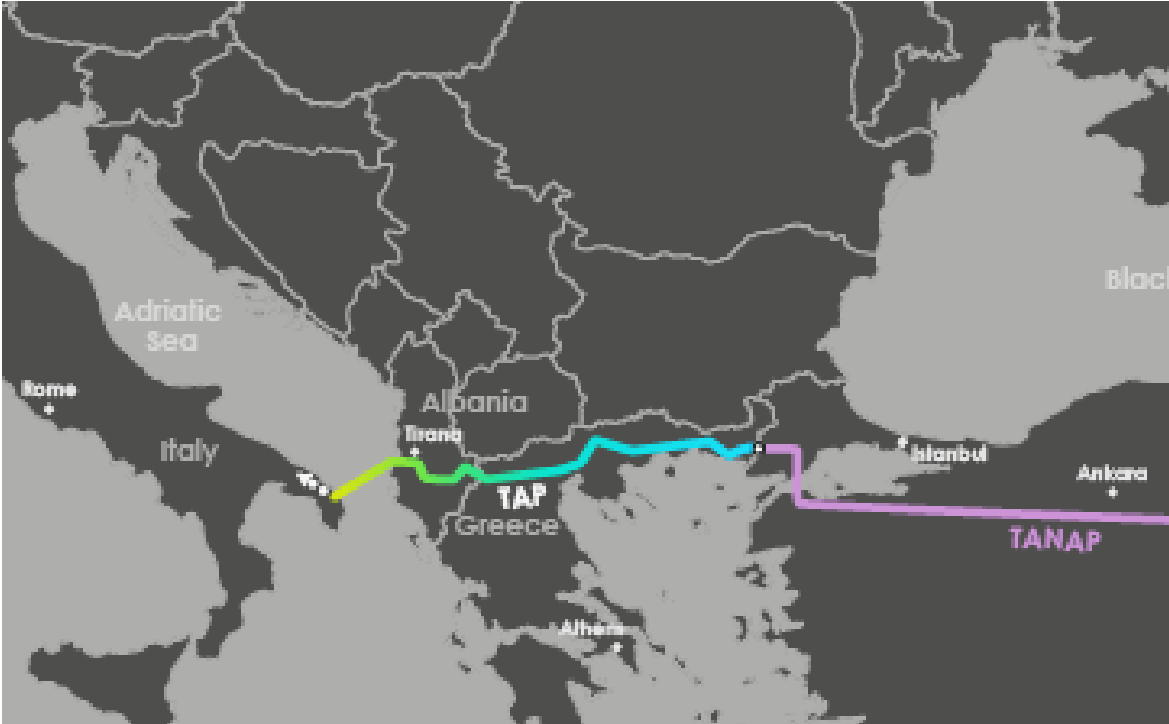


Source: BBC News (2010).





Appendix E: Southern Gas Corridor. TAP, TANAP and SCP pipeline routes.



Source: Trans Adriatic Pipeline (2015)