

Centre International de Formation Européenne  
**Institut Européen des Hautes Etudes Internationales**



**Diplôme des Hautes Etudes Européennes et  
Internationales**

Trilingual branch

Academic year 2010/2011

**Between conflict and cooperation: the relations  
between the European Union and the Russian  
Federation in the field of energy**

**Author: Edoardo De Silva**

**Advisors: Prof. Tobias Buetow**

**Prof. Ragnar Leunig**

# **Index**

<b>Introduction</b>	<b>p.2</b>
<b>Part I</b>	
1.1. European foreign policy before and after Lisbon	p.5
1.2. European Union policies towards Russia	p.8
1.3. Russia after the Soviet Union and its policy towards the EU	p.15
<b>Part II</b>	
2.1. The energy policy of the European Union	p.23
2.2. European energy policy and strategy towards the Russian Federation	p.28
2.3. Russia's energy policies and strategies	p.37
2.4. Russia's energy strategy towards the EU	p.43
<b>Part III</b>	
Case Study: Nabucco and South Stream	p.54
<b>Conclusion</b>	<b>p.60</b>
<b>Bibliography</b>	<b>p.62</b>

## **Introduction**

To write this script on the topic of Euro-Russian energy relations I took the needed documentation from several different sources, ranging from books to online articles which have proven to be useful for getting information about the most recent happenings, since many interesting works I found did not deal with the most recent events.

The book “the foreign policy of the European Union” has proven to be useful for the first part of the work, while for the second part Jian Cheng’s script “Relations between Russia and Europe from the Perspective of Energy Strategy” provided a good basis for analyzing Euro-Russian energy relations. Worth of mention is also a study on relations between Russia and the EU written by Sabine Fischer with the German title. “Die EU und Russland- Konflikte und Potentiale einer schwierigeren Partnerschaft“. The policy briefs of ISPI (Istituto per gli Studi di Politca Internazionale) gave me the opportunity to get recent material on the different subjects dealt in my work.

For the case study the websites of Nabucco and South Stream provided the basic points while Erdogdu, Erkan’s script “Bypassing Russia: Nabucco project and its implications for the European gas security” offered important and recent information, a series of articles from “Euroactiv”.

For statistical data “Europe’s Energy Portal” contained much of the needed material, although statistics for 2011 is still not available when this work was written.

The complete list of the sources can be found in the bibliography.

Energy is nowadays one of the most important issues that concern the future and the development of most of the countries. The last decades were marked by the phenomenon known as globalization, a continuous growth of the world’s

population and the rise of the countries like China, India and Brazil to the rank of industrial powers. In such a scenario the need for energy supplies has augmented considerably on a global level and to assure it is a priority for all these states that have to import their energy for outside. This is particularly true for the majority of the countries that form the European Union. Despite the attempts made to introduce alternative and cleaner forms of energy fossil fuels like oil, coal and natural gas remain the most used energy sources. To assure their energy supplies these states have to rely mostly on external sources in order to meet their increasing internal demands. For the EU the most important energy exporter is the Russian Federation.

The aim of this work is to analyze the energy relations between the EU and Russia from the collapse of the Soviet Union up to the present days. This relation has proven to quite a turbulent one, shifting from moments of good and profitable cooperation to periods of crisis that made some think of a renewal of the Cold War. Most of the experts, despite divergent opinions, tend to agree on one fact, namely that both the EU and Russia need to cooperate in several crucial fields in order to remain competitive on the international stage. Energy is one of the most important. Both actors have their own objectives to pursue which in several cases can be divergent and lead to contrasts, what will be tried to understand in this work is if it is possible to establish a Euro-Russian partnership in the field of energy that brings advantages to both or if profit can only be made at the expense of the other, or better said, if will end only in a zero sum game.

The text is divided in three main parts excluding introduction and conclusion. The first part does not deal immediately with energy, it has the objective to describe, analyze and confront the foreign policies and strategies of both the EU and Russia. For this reason it is divided in more chapters explaining facts from a European and then from a Russian perspective. The first is about the European foreign policy before and after Lisbon, the second deals more specifically with the European Union policies towards Russia, while the third describes the situation in Russia after the Soviet Union and its policies towards the EU. The second part is

focused on energy, the central topic of this research. The chapter subdivision is similar to that of the first part, dealing first with the energy policy of the EU and its energy strategies towards Russia in two chapters. Other two chapters are about the energy policy of the Russian Federation and its strategies towards the EU. The third part is a case study about Nabucco and South Stream gas pipelines. This case study has been added because it permits of examine the topics debated in the previous pages and chapters in a more concrete way and because it deals with an issue of great actuality.

Finally in the conclusive part the results of this research will be resumed and the last points will be added, in order to end the work in a complete and logic way, although there will not necessarily be a sure answer for every question posed. In some cases it is not possible to draw conclusions, meaning that only conjectures can be made. Energy geopolitics are not a fixed issue, but they change and evolve constantly influenced by the events, so that it is very difficult, if not impossible to make predictions, especially for the long term.

# **Part I**

## **1.1. European foreign policy before and after Lisbon**

The European integration process evolved from a primarily economical dimension of the years which followed the Second World War to an increasingly political and also foreign political one. However due to the failure of the institution of the European Defense Community in 1954 and the predominant role played by NATO in matters of defense and security meant that the young European Economic Community instituted with the Treaty of Rome in 1957 would have remained a predominantly economical institution. Nevertheless the EEC managed to develop and establish external relations with foreign bodies becoming gradually a foreign policy actor despite lacking clear foreign policy competences.

A further step in this direction would have been made in 1970 with the creation of the European Political Cooperation (EPC) with which some basic patterns and policies were set. A major improvement came then in 1992 with the famous Maastricht that gave birth to the European Union with its three-pillar structure. The second pillar would have been the so called “Common Foreign and Security Policy” (CFSP), which had to substitute the EPC. The CFSP, however, did not prove its efficacy during the years that followed its adoption, especially with regards to the events in Yugoslavia, where the EU did show impotence and disarray. In fact the CFSP performed badly due to the fact that the member states showed reluctance to act in a common and cohesive way.<sup>1</sup>

During the end of the 1990s there were two major attempts to adjust the deficiencies of EPC and CFSP, namely the Amsterdam Treaty of 1997 and the

---

<sup>1</sup> For further information see also: Keukeleire, Stephan, MacNaughtan, Jennifer : The Foreign Policy of the European Union, the European Union Series, 2008

“European Security and Defense Policy” (ESDP).<sup>2</sup> One important achievement of this treaty has been the institution of “Secretary General/High Representative of the CFSP”, which meant that for the first time CSFP would have enjoyed the support of a permanent and visible actor, who would have giving assistance and advisement to the Council and the Presidency. One other innovation that came with the Amsterdam Treaty was the creation of the “common strategies” instrument, but was later dropped since it didn’t really offer any added value to the elaboration of strategies towards foreign partners. The creation of the ESDP was also an important step towards European integration, since for the first time it was possible to overcome to a certain degree the conflicts between European integration versus Atlantic solidarity and civilian versus military power, permitting the EU to start to develop a common defense policy, a topic regarded till then as a sort of taboo considering also the failure of the EDC in the early 50s<sup>3</sup>. With the entry in vigor of the Lisbon Treaty the 1st December 2009 the foreign policy of the European Union should be reinforced and become more stable. This treaty also called the “Reform Treaty” has been signed in order to remedy to the crisis which followed the rejection of the European Constitution after the negative result of the French and Dutch referendums in 2005.

Anyway most of the content and the innovations of the rejected constitutional treaty has been maintained, leaving aside the most symbolic and “constitutional parts and terminology. With regards to foreign policy for example the “Union Minister for Foreign Affairs” has been renamed in “High Representative of the Union for Foreign Affairs”.<sup>4</sup> The rules dealing with the foreign policy of the Union are dealt mainly in Title V of the treaty, under the definition of “General Provisions on the Union’s External Action and Specific Provisions on the Common Foreign and Security Policy.” The role and the competences of the High Representative and the other major institutions are here defined, it is explained in art. 21 how “The Union shall ensure consistency between the different areas of its external action and between these and its other policies. The Council and the

---

<sup>2</sup> Cf: ibit, p.54

<sup>3</sup> Cf: ibit, p.57

<sup>4</sup> Cf: ibit, p.63

Commission, assisted by the High Representative for Foreign Affairs and Security Policy, shall ensure that consistency and shall cooperate to that Effect.”<sup>5</sup>

It is hoped that the nomination of the European President of Council and the High Representative for Foreign Affairs the EU will be finally able to unite the political will of its different member states and speak with a common voice. Internally it can be considered positive that the EU shows a diversity of currents and opinions in accordance with its motto “United in Diversity”, but when it has to act on the international stage and to face issues of crucial importance it is necessary a more unified and cohesive approach, where it is able to speak with a single voice and where the national interest of the various member states does not prevail over it.

However the nomination of Mrs. Katherine Ashton as the first High Representative is considered by most as a wrong move, since by choosing a figure that is almost unknown instead of more important personalities on the international arena, like for example Xavier Solana, the Union seems to want to give the impression to other countries that it has not the intention to play a strong and incisive role internationally.<sup>6</sup> The member states did not want to give away too much of their autonomy in foreign policy and by choosing an unimportant High Representative they managed to tone down the importance given to it in the Lisbon Treaty. Considering also that this was the first nomination for such an important office, choosing the right person is of particular importance, because it serves as a sort of declaration of the importance this institution is intended to have.

---

<sup>5</sup> Cf: Official journal of the European Union, Volume 53, March 2010

<sup>6</sup> Cf: BBC News: EU foreign affairs chief Lady Ashton dismisses critics, November 2009, <http://news.bbc.co.uk/2/mobile/europe/8369730.stm>



## 1.2. European Union policies towards Russia

This work is concerned principally with Euro-Russian relations, cooperation and conflicts in the field of energy, but before focusing on this specific area, it is better to examine the development and the events of the last years on a more general level.

The two decades that followed the fall of the Berlin Wall and the dissolution of the Soviet Union were marked by an important series of events on the geopolitical, economical and social level, especially with regards to the Euro-Russian region. The end of the Iron Curtain and of the division of the continent in two blocks which marked the history of the continent during the Cold War permitted an advance of the process of European integration, this time with the aim to include the former members of the Communist Bloc, that culminated with the admission respectively in 2004 and in 2007 of many central and Eastern European countries to the EU and permitted the establishment of a more systematic and concrete policy towards its neighbors.<sup>7</sup> These were also the years of the Treaties of Maastricht, Amsterdam, Nice, and of course the failure of the European Constitution and the subsequent approval of the Lisbon Treaty as well as the introduction of the Euro. While these events can surely be considered as a success for Europe, it is also true that the dramatic increase of the dimensions of the EU, of the number of its member states, which are currently 27, and its expansion eastwards poses also a series of challenges and the need for the EU to improve its structures and functioning, especially with regards to the development of a common foreign policy. One of the posed challenges regards the relations with the most important country emerged from the dissolution of the Soviet Union, namely the Russian Federation.<sup>8</sup>

---

<sup>7</sup> Cf: Weidenfeld Werner, Wessels Wolfgang: Europa von A bis Z, Taschenbuch der europäischen Integration, 11. Auflage 2009, p.163

<sup>8</sup> Cf: Polansky Zbigniew, Winkler Adalbert: Russia, EU enlargement and the Euro, European Central Bank, Occasional Paper Series, No 93 / August 2008

For the EU the establishment and maintenance of good and stable relations with Russia is of primary importance and encompasses several areas. This has become even truer after the enlargements of 1995 and 2004, when for the first time the EU (five of its member states to be precise) and Russia shared part of the same border, with the Kaliningrad (Konigsberg) Oblast becoming a Russian enclave in EU-territory.<sup>9</sup> After the collapse of the communist regime it was hoped by European and also American side, that the new Russian Federation (and the other former Soviet republics) would develop in liberal democracies and accept Western values of democracy, constitutionalism and free market economy. It can be said that the EU policy towards the post-soviet region has also an internal dimension because this dimension is closely connected with the development of its common foreign and security policy structures.

The EU was forced by the dramatic events of 1989-91 that lead to the collapse of the Soviet empire to act quickly in order to adapt to the new international realities. While during the Cold War the situation on the eastern border of Europe was strictly determined by the division between East and West and on a confrontation on a bipolar level between the two superpowers and their allies, the situation in Europe after its end became much more various but also more complicated to deal with, especially considering the power vacuum left by the Soviet Union. Considering these facts the EU developed different strategies and approaches drawing a distinction between the central and Eastern European states that were once members of the Eastern Bloc and the former Soviet republics.<sup>10</sup> For the formers there were quite early association treaties and perspectives for a future membership and a leading role was played by the Commission showing the possibilities of a joint and unified EU-policy. The establishment of relations towards the latter was different, since this time most of the work was done by the European Council and the member states.

---

<sup>9</sup> Cf : Fischer Sabine :Die EU und Russland- Konflikte und Potentiale einer schwierigeren Partnerschaft, SWP- Studie S 34, Berlin, December 2006, p.8

<sup>10</sup> Cf: ibit, S.7

These two approaches revealed also dichotomies between supranational and intergovernmental EU-institutions, but also contradictions between different national states. Since of all the former Soviet republics Russia is the most important and the only one that can pretend to play a global role and thus it can be regarded as the successor of the Soviet Union on the international stage (it inherited the soviet siege in the UN-Security Council), it is obvious that the country will be the prominent target of interest from European side.<sup>11</sup>

The relations with Russia started very early, already in 1991 a bureau of representation of the EU was opened in Moscow and the assistance program called TACIS (Technical Assistance for the Commonwealth of Independent States) had been launched. One of the aims of this program, since it was directed towards all CIS members, was to try to move the countries from Eastern Europe, Southern Europe and Central Asia away from an orientation that was only directed towards Russia and to facilitate and support the transformation in direction of free-market economy and democracy. Anyway the major beneficiary of TACIS was Russia that received between 1991 and 2006 about € 2.7 billion, which was invested in about 1500 projects in 58 different regions.<sup>12</sup> Another important step that made this relation more concrete was the signature of the Partnership and Cooperation Agreement (PCA)<sup>13</sup> in June 1994 at the euro-summit of Corfu that would have entered in vigor only in 1997 because of a period of interruption due EU sanctions as a sign of protest against the First War in Chechnya. This treaty is considered a cornerstone for the Euro-Russian relations since it boosted the dialogue at a political level and defined the relations in term of equal partnership. This agreement was intended to last for 10 years; in it the objectives of the EU for supporting and promoting peace, freedom and democracy and to assist Russia in the transition towards a free market economy that would have been hopefully soon followed by the creation of a free-trade zone. At this conditions Russia would have the possibility to join the World Trade Organization

---

<sup>11</sup> Cf: ibit, S.8

<sup>12</sup> Cf: Komen, Janina: EU-Russia relations- Where are we now?, Euro Power, March 2009

<sup>13</sup> Cf: Handke, Susann: EU-Russia energy relations- Some political and economic aspects, CIEP, Hong Kong, 18 April 2007

(WTO). The policy areas encompassed by the PCA were several and had to strengthen the ties between the two partners on the economical, commercial, political and cultural level.

The end of the 90ies was for Russia a period of political and economical incertitude, due to the economical crisis in 1998 and the succession of President Boris Yelstin in 1999. It was also the epoch of the NATO military intervention in former Yugoslavia, an event that caused attritions between Russia on one side and Europe and USA on the others. In front of these events the EU acted in order to try to fix and stabilize the cooperation path for the future. In June 1999 a *Common Strategy for Russia* (CSR) had been adopted, to which Russia answered some months afterwards.<sup>14</sup> Another important event was the EU-Russia summit of 2003 in St. Petersburg, which brought to the creation of the policy of the *four common spaces*. Originated from a Franco-German proposal, these four common spaces should cover the areas of *economy, freedom, security and justice, external security and research, education and culture*. Also from both side has been stressed the importance of cooperation in several domains of strategic importance like climate change, organized crime, drug and human traffic, non-proliferation and counter-terrorism. The EU and Russia also share the membership of important international organizations such as the United Nations, the Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe.

Two very important factors of cooperation are the economical and energetic ones; the latter will be dealt in detail in the next chapters. The volume of trade exchanges between member states of the EU and Russia increased continuously during the years with Europe becoming Russia's most important trading partner, with about 57,4% of external exchanges in 2005.<sup>15</sup> The beginning of the 21<sup>st</sup> century has also witnessed several events that caused contrasts between the aforementioned international actors like the war in Iraq in 2003, the EU and

---

<sup>14</sup> Cf: Freire, Maria Raquel: Looking East: The EU and Russia, Oficina do CES n° 261, November 2006, p.9

<sup>15</sup> Cf: Gomart, Thomas: Quelle place pour la Russie en Europe?, Questionnes internationales n°27, September-October 2007, p.42

NATO enlargement eastwards, the Ukrainian Orange Revolution in 2004 and the Georgian War in 2008.<sup>16</sup>

During these years relations between the two partners have steadily increased, despite being rather turbulent and not without contrasts. While on one side the policies of the EU directed towards Russia have surely met important achievements, it is also true that they failed in several others and in many cases the EU showed lack of the much needed cohesion while dealing with its neighbor in matters of crucial importance.

In particular the expectations from European side that through their action they could help Russia to transform itself in a democratic state by adopting Western values can be considered as failed.<sup>17</sup> During the years of crisis that followed the end of the Soviet Union it looked like that Russia had no other option than to adopt unconditionally Western values; however while during these years the country experienced massive waves of privatizations and liberalizations in several crucial sectors, it did not mean that these phenomenon was accompanied automatically by an effective and durable process of democratization. The importance of the Euro-Russian partnership and cooperating is recognized by both sides, but especially since the years of Vladimir Putin, who succeeded Yelstin as President of the Russian Federation in 2000 it became apparent that the EU could do little to contribute to its democratization and liberalization. The evolution of Putin's policy on a more authoritarian direction has been strongly criticized by Western Medias, but this did not change the overall situation. What is clear is that, while Russia and its leadership is pragmatic enough to understand the importance of a strategic partnership with the EU, it will oppose to any action or policy that is perceived as a threat against its sovereignty and internal affairs.<sup>18</sup>

---

<sup>16</sup> Cf: Foucher, Michel, Giuliani Jean-Dominique: L'Union Européenne la face de la guerre russo-géorgienne, Fondation Robert Schuman, Questions d'Europe n°108, September 2008

<sup>17</sup> Cf: Torreblanca, Jose Ignacio: Russia is shifting, European Council on Foreign Relations, June 2010, p.1

<sup>18</sup> Cf: Perret, Quentin: La paix froide: stabiliser les relations entre l'UE et la Russie, Fondation Robert Schuman, Questions d'Europe n°65, p.3

The reasons of the weakness shown on European side are several and have also to do with the enlargement processes of 2004 and 2007, when the EU arrived at counting 27 member states, since with the admission of so many new states it became increasingly difficult to reach easily common positions when needed. Especially towards Russia it has been complicate to develop a coherent strategy on a common European level, thus reducing the superiority the EU has towards Russia in many fields, in terms of population, economy and military spending. The contradictions between supranational and intergovernmental EU-policy followed by Commission and Council respectively, together with different positions between the various member states with regards to issues regarding security and foreign policy, are amongst the principal causes of it. It is commonly accepted that there is a divergence between the positions of the old and the new EU-members, the latter being principally countries from Central and Eastern Europe that joined the EU in 2004 and 2007.

However, according to Mark Leonard and Nicu Popescu these divisions are more complicated and can be subdivided in five specific categories.<sup>19</sup> On one side there are the so called “Trojan Horses” (Cyprus and Greece) that support often Russian positions, arriving even to pose a veto on common European position. Then there are the “Strategic Partners” (France, Germany, Italy and Spain) who tend to be in quite good relations with Russia due to the special partnerships they enjoy and can sometimes go against common policies. Another more moderated group is formed by countries like Austria, Belgium, Bulgaria, Finland, Hungary, Luxembourg, Malta, Portugal, Slovakia and Slovenia, the “Friendly Pragmatists”, that prefer to give preference to business interests and maintenance of good relations, more critically oriented are the “Frosty Pragmatists” (Czech Republic, Denmark, Estonia, Ireland, Latvia, the Netherlands, Romania, Sweden and the United Kingdom), that are more prone to speak with a critical voice towards Russia with regards to issues like human rights. And finally there are the “New Cold Warriors” (Lithuania and Poland), whose position towards Russia had been openly hostile and are willingly to bloc EU-Russian negotiations.

---

<sup>19</sup> Cf: Leonard, Mark; Popescu, Nicu: A power audit of EU-Russia relations, European Council on Foreign Relations, 2 November 2007, p.2

By simplifying the whole it can be affirmed that among the EU-states there is a division between those that consider Russia an important partner that can be integrated into the EU orbit and the ones that view it as a potential threat. On one extreme side the maintenance of good ties with Russia, especially in the sector of energy, is considered of great importance, so that eventual rule breakings made by Russian side are sometimes overlooked. On the contrary, for those states that feel threatened by Russia, every measure meant to contain its influence is welcomed, so they encourage NATO expansion eastwards, support for anti-Russian regimes, building of a missile shield and reduction of energy dependence from Russia. Reducing energy dependence, however, is a problem that concerns the whole EU, not only these states. The reasons for such different behaviours are several and are determined by their geographical location, by events from the past, by the amount of contacts and ties they have with Russia and by the policies followed by their respective governments.

However it has to be added that these different positions are not eternally fixed and that during the last years there have been some changes of attitude in some states. Poland, for example, has taken with the Tusk government a more Russian-friendly behaviour than his predecessor Kaczynski<sup>20</sup> and the overtly pro-Russian stance of Gerhard Schroeder's Germany has been somewhat tempered down under Angela Merkel's chancellorship.<sup>21</sup>

Despite the various experts and scholars have different opinions about the strategies the EU should follow with regards to Russia, they tend to agree on some points, namely that the EU should be capable to speak with a common voice and that a good partnership with Russia can be only built on an equal basis.<sup>22</sup>

---

<sup>20</sup> Cf: Russie-Pologne: des relations meilleures que jamais (Tusk), RIANOVOSTI, 09/2009 <http://fr.rian.ru/world/20090901/122922219.html>

<sup>21</sup> Cf: Klusmann, Uwe, Schepp, Matthias: A Loveless Berlin-Moscow Romance, Spiegelonline International, 10/2006 <http://www.spiegel.de/international/0,1518,441699,00.html>

<sup>22</sup> Cf: Frank, Johann: Die Beziehungen zwischen Russland und der EU- Eine Bestandsanalyse, InterneInformation zur Sicherheitspolitik, Wien, im Juni 2007, p.4

### 1.3. Russia after the Soviet Union and its policy towards the EU

Regarded from a geopolitical perspective the European Union and the Russian Federation are two systems that bear several differences; Laurynas Kasčiūnas and Žygimantas Vaičiūnas talk of “the dichotomy of a post-modern geopolitical actor (EU) and the traditional geopolitical actor (Russia)”<sup>23</sup>.

In fact the EU shows several peculiarities that makes it a quite unique system on the international stage. It is not a real independent international actor, since the member states that form it delegate parts of their decision-making power to a supranational (European) level. Nevertheless this power delegation is not absolute, since the member states show a certain reticence in renouncing too much to their autonomy and sovereignty in favour especially of the European Commission. It is probable that the EU will maintain this particular structure for the given future, since for the moment it is difficult to think that nation states will give up their prerogatives.

Russia, on the other hand, has followed a different path. In its structures and way of acting internationally it has remained anchored to the old logics of the balance of power and *divide et impera*, an approach more close to the realistic paradigm. To understand Russian behaviour one should look back at the events that characterized the history of this country and its quite turbulent relationship with the rest of Europe over the centuries. Since the reign of Tsar Peter the Great Russia tried to modernize itself by adopting many Western European costumes and institutions in order to reach the rank of a modern great power capable of playing an important role on the international arena. More recently, during the last century, Russia had to face two traumatic experiences, the October Revolution of 1917, and the dissolution of the Soviet Union in 1991.

---

<sup>23</sup> Kasčiūnas, Laurynas; Vaičiūnas, Žygimantas: Russia’s policy towards the EU: the search for the best model, p. 41



These two important historical events had been followed in Russia by internal changes as well as by relevant territorial losses that left a sense of humiliation and loss of prestige.<sup>24</sup> Especially during the years that followed the end of the Soviet Union, there was the impression that foreign powers with the USA and NATO at the forefront were attempting to take advantage of Russia's relative weakness and of the power void left by the dissolution of the SU in order gain a foothold and to extend their influence towards Eastern Europe and former Soviet republics like Ukraine or the states of Caucasus and Central Asia. During the 90's there was the strong belief that Russia was on the road towards a complete integration with the West. It was hoped that this integration would have increased the possibility of investing in Russia for American and European companies.

However with the beginning of Vladimir Putin's presidency in 2000 reality proved to be different;<sup>25</sup> these years have been marked by a strong commitment towards the reestablishment of internal stability through a series of reforms, but also by a loss of pluralism and repression of the political opposition.<sup>26</sup> A particular effort from side of Putin's government has been directed against the powerful oligarchs, who managed to take control of huge sectors of Russia's newly privatized economy and industry during the Yelstin presidency. At the end those oligarchs who did not submit to the government were either arrested or forced into exile and much of their property has then returned into state control, especially in the case of the key sector of energy. For the Kremlin's ruling elite the concepts of political and economical pluralism and freedom are not considered as essential as in the West for the correct functioning of a country. For them freedom means on the internal side the possibility of choosing a political regime without any interference and on the external side the possibility to act without constraint of other powers. Economical freedom is regarded as the mean to reach prosperity and build up a strong state. In fact during the years of the Putin presidency

---

<sup>24</sup> Cf: Torreblanca, Jose Ignacio: Russia is shifting, European Council on Foreign Relations, 1 June 2010, p.1

<sup>25</sup> Cf: Alcaro, Riccardo, Alessandri, Emiliano: Re-setting US EU-Russia Relations- Moving beyond Rhetoric, Istituto Affari Internazionali, Documenti IAI 09, July 2009, p.3

<sup>26</sup> Cf: Petro, N. Nicolai: The Great Transformation: How the Putin Plan Altered Russian Society, ISPI Policy Brief, N.132-May 2009

democracy has been often regarded with mistrust, considered a synonym of weakness and an attempt of the West to introduce a system that is alien to Russian society and culture and that cannot permit the proper functioning of the state, a bad remembrance of the chaotic situation of the Yelstin era.

Under Putin Russia has worked to regain its status of a great power. The continuous expansion of NATO in an area still considered by Russia as integral part of its sphere of influence and security was considered unacceptable by the Kremlin, that did much in the last years to counter attempts of NATO expansion in Ukraine during the “Orange Revolution” and in the Caucasian republics like Georgia fearing encirclement.<sup>27</sup> There were also moments of attrition with eastern members of the EU like Poland because of NATO attempts of installing a system of anti-missile defences in proximity of Russia’s western frontier with the declared aim of protecting Europe from a possible missile attack from Iran, but that Moscow perceived as directed against Russia. The unilateralism showed in foreign policy from American side during the years of the Bush administration also contributed to the worsening of the relations between Russia and the West. Through their actions the USA showed little consideration about Russian mentality and interests.<sup>28</sup>

Historically Russia, despite its enormous size, has often felt the danger of being encircled and isolated by enemy powers, with the result of being cut off from access to vital resources and regions of high strategic importance. Among these can figure ports that are free from ice the whole year, like Sevastopol in the Black Sea now part of Ukraine, but still used as base for the Russian fleet and the control of regions rich of natural resources, especially of these fossil fuels, gas and oil, which play a vital role in Russia’s attempt to regain and maintain its great power status. The new Russia, according to the plans of its leader has to play an important role in a multi-polar world and because of this the unilateralism of the

---

<sup>27</sup> Cf: Popescu, Nicu, Wilson, Andrew: *The Limits of Enlargements-lite: European and Russian Power in the troubled Neighbourhood*, European Council on Foreign Relations, Policy Report, June 2009, p.11

<sup>28</sup> Cf: Perret, Quentin: *La paix froide: stabiliser les relations entre l’UE et la Russie*, Fondation Robert Schuman, Questions d’Europe n°65, p.2

Bush administration has been vehemently opposed and not without success. Considering all the events that followed the terrorist attacks of 9/11, the fact that the USA acted in such a way to deprive themselves of an important ally in the fight against Islamic fundamentalism can be considered a serious mistake made by its administration.

With the new Obama administration a more reconciliatory approach has been chosen. The cancelation of the Central European missile defense system plans has been welcomed by the Kremlin.<sup>29</sup> In April 2010 the START Treaty on reduction of nuclear warheads was signed by USA and Russia after the old treaty had expired in December 2009, an event that can be seen positively with regard towards the reestablishment of good relations between the two powers.<sup>30</sup>

Russian behaviour towards the EU has been ambivalent, while the importance of establishing good relations is recognized due to the importance Europe has for Russia's economy, it is also true that Russia will take advantage of every weakness shown on European side to make sure that the initiative remains in its hands. While on European side the concept of interdependence as a mean to achieve peace and stability has been emphasized, Moscow is aiming at creating a situation where the two actors work together, but where the EU needs Russia more than Russia needs the EU. One could talk of "asymmetric interdependence". In many fields Russia is weaker than the EU, but while the latter suffers from a difficulty to conciliate the interests of its various members, Russia has the important advantage to be able to speak with a single strong voice. The EU integration process is not really contested from Russian side;<sup>31</sup> problems arise when they feel it connected with NATO expansion. For example in the case of the Baltic States the fact that they joined the EU in 2004 was not regarded as a problem while their entrance in NATO was highly contested.

---

<sup>29</sup> Cf: Obama: Resettling Relations with Russia, Journal of Turkish Weekly, January 2010, <http://www.turkishweekly.net/news/95624/-obama-resettling-relations-with-russia.html>

<sup>30</sup> Cf: Barack Obama et Dimitri Medvedev signent le traité Start, à Prague le 8 avril dernier, Russia.fr, December 2010 <http://www.russia.fr/barack-obama-et-dimitri-medvedev-signent-le-traite-start-a-prague-le-8-avril-dernier.html>

<sup>31</sup> Cf: Gomart, Thomas: Quelle place pour la Russie en Europe?, Questionnes internationales n°27, September 2007, p.6

When dealing with Europe, Moscow has preferred in many cases to entertain bilateral relations with the single EU member states instead of addressing to the EU as a whole.<sup>32</sup> This strategy has been quite successful especially with the most Russia-friendly states and has also managed to avoid that the EU took a too strong position in areas like Ukraine or Central Asia with the possibility of interfering in vital Russian interests and it fits more with its more traditional approach in foreign policy as pointed out by Konstantin Kosachev, the chair of the Duma's international relations committee: "We are sick and tired of dealing with Brussels bureaucrats. In Germany, Italy, France, we can achieve much more. The EU is not an institution that contributes to our relationship, but an institution that slows down progress."<sup>33</sup> In fact, while during the Putin era the EU has practically failed to export its model of rule of law and pluralism, Russia has had a great impact on the EU with regards to its energy and neighbourhood policy. Energy in particular has developed in the last years as an important instrument of foreign policy in Russian hands, which enables it to have an influence over neighbouring countries.<sup>34</sup> During the years the balance between EU and Russia has shifted from side to side, influenced by several events.

Putin's achievements have been also possible thanks to a man, Gleb Pavlovsky, who has been the architect of his two election victories. He belongs to a group called "technologists", that during the 90s looked for a proper successor of Yelstin and that contributed decisively to the rise of Vladimir Putin in order to help the Kremlin to regain control of the country's economy and society, while also giving an appearance of pluralism in order to maintain the prestige given by having the status of a democracy. The so called "Putin consensus" and "Sovereign Democracy" concepts promoted by the Kremlin seem to have served Moscow's policies effectively, inside they managed to establish a firm control over state and

---

<sup>32</sup> Cf: de Grossouvre, Henri: La Russie nouvel arbitre européen?, Infoguerre.com, p.3

<sup>33</sup> ECFR interview in Moscow, 4 July 2007, taken from: Leonard, Mark, Popescu, Nicu: A power audit of EU-Russia relations, European Council on foreign relations November 2007, p.14

<sup>34</sup> Cf: Vinatier, Laurent: Les Relations UE-Russie: Moscou pose ses conditions, Notre Europe, Etudes & Recherches, Policy Paper no°20, March 2006, p.6

society while making attempts to present themselves in a clean way to external observers, by faking the reality concerning political pluralism, real power of the country, interest for globalisation and respect for the rule of law. By acting in such a way they managed to hide Russia's weaknesses and confuse European states when they are dealing with Moscow. In fact many of the political parties, media and NGOs are controlled by the state and the protection of national industries has made it difficult for foreign entrepreneurs to invest in Russia. The latter is surely not a gesture of openness to the logic of globalisation. This strategy, while assuring that the country's key sectors remain under state control, can also have negative effects on its economy since it discourages foreign investment making Russia an economically less attractive country and thus hindering its modernization process. For Russia's "Sovereign Democracy" issues like security economic growth, social benefits and consensus are considered more important than that the government in charge is elected on the basis of free and democratic elections. An important way to strengthen and maintain this consensus is by showing a continuous series of successes and achievements made by the government. The risks are however that this need for showing success makes the appearance more important than concrete facts with a consequent loss of pragmatism shown by Russian side.<sup>35</sup>

Returning to the relations with the EU it has to be mentioned that the European Neighbourhood Policy (ENP) directed towards countries that were once part of the Soviet Union together with the support given to revolutionary movements in Georgia (2003) and Ukraine (2004) increased Russia's suspicions since it regarded what she still considers its courtyard. At the conclusion of the EU-Russia of 2007 in Samara the partners were not even able to reach joint statement. Also during the Munich Conference on Security Policy in the same year there were from Putin's side criticisms about NATO enlargement and the treaty on Conventional Forces in Europe (CFE). 2007 can be considered one of the worse years for EU-Russia relations.<sup>36</sup>

---

<sup>35</sup> Cf: Leonard, Mark; Popescu, Nicu: A power audit of EU-Russia relations, European Council on foreign relations 2 November 2007, p.11

<sup>36</sup> Cf: Komen, Janina: EU-Russia relations- Where are we now?, Euro Power, march 2009, p.3

With the election of Dimitri Medvedev as President of the Russian Federation in December 2007 it seems that Russia has decided to take a more soft approach. Medvedev's electoral victory should not be seen however as a moment of rupture from his predecessor. Medvedev was considered the natural successor of Putin, since he could not present himself a third time at the presidential elections and for this reason it was not surprising that he won by a large margin. In any case Putin has taken the place of Prime Minister and that means that he still remains an important figure in the Russian government. In the Russian constitution the figure of the President is more important than that of the Prime Minister and disposes of relevant powers, but nevertheless as a Prime Minister Putin should still be able to play an important role. The Medvedev presidency is considered to follow a less aggressive agenda than that of its predecessor, but to external observers it is not so clear if he is simply playing the role of the "good cop"<sup>37</sup> while still following Putin's line and thus forming a sort of "diarchy", or if he has managed to develop a policy that is more autonomous from that of his predecessor.

The Georgian War of 2008 has caused tension with the West and from Russian side there had been attempts to revise the NATO-centric system of European security already by the time of the war in Yugoslavia in 1999 and the expansion eastwards. Following this event the EU should learn to be more reactive and able to respond more quickly towards Russian actions.<sup>38</sup> Under Medvedev there has been the proposal for a new European security pact, but from European side there has been not a real interest in taking over the role of NATO in security issues.<sup>39</sup>

In any case there have been some changes in Russian policy during the last years, due also to external factors like the world economic crisis that began in 2008. In Russia the effects of this crisis are particularly felt, since the country has not

---

<sup>37</sup> Cf: Bernstein, Jonas: Kremlin critics say the Putin-Medvedev tandem will play "good and bad cop", Eurasia Daily Monitor Volume: 5 Issue: 37, February 2008, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=33412](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=33412)

<sup>38</sup> Cf: Moshes, Arkadi: Russia and Europe in the Aftermath of the Georgian Conflict: New Challenges, Old Paradigms, Chatam House, REP BN 08/04, September 2008

<sup>39</sup> Cf: Duleba, Alexander: Searching for new momentums in EU-Russia relations- *Agenda, Tools and Institutions*, 2009, p.20

managed to modernize itself enough during the last years. One of the main mistakes made during Putin's presidency has been that of relying too much on the export of natural resources like oil and gas. With the crisis the demand of energy from Europe, Russia's main energy importer has decreased exponentially with serious consequences for the country's economy. Medvedev has tried to remediate to this situation by giving more emphasis to the improvement of technologies and industries and with the diversification of sectors of the economy.<sup>40</sup> This excessive commitment towards energy risked to transform Russia in a state capable of exporting only natural resources, like many Third World countries.

The economic crisis had also the effect to weaken the position of Russia towards the EU since it was hit in a sector (energy) that is also crucial for its relations with Europe.<sup>41</sup> Anyway with the crisis and the revolts in North Africa of the beginning of 2011 the situation can have changed again in favour of Russia, since due to the problems in these countries that are for Europe also important energy exporters the EU will have to rely more to Russia for energy, not forgetting the fact that countries like Germany are again growing and thus in need for energy supplies. In this case Putin's line could become again advantageous.

One last question that has still to be answered regards the presidential elections of 2012; this time Putin can present himself again for the role of President and it seems that Medvedev will be his concurrent. Now it is still too early to draw conclusions about the outcome of these elections. They could represent a continuation of the previous system, like for example with Medvedev taking the role of Prime Minister in case of Putin's victory or, if Medvedev prevails Putin could remain Prime Minister. The outcome of these elections will probably have an impact on the relations with the EU, at which level, however, is still difficult to say.<sup>42</sup>

---

<sup>40</sup> Cf: Eyl Mazzega, Marc-Antoine: Les Relations entre l'Union Europeene et la Russie: l'Amorce d'un Partenariat de Raison?, CERI/Sciences Po, p.8

<sup>41</sup> Cf: Garibaldi, Ida: Moscow's Economic Losses and Brussels Energy Gains, ISPI policy brief, N. 140, June 2009

<sup>42</sup> Cf: Bryansky, Gleb: Russia PM Putin says may take part in 2012 election, Reuters, April 2011, <http://in.reuters.com/article/2011/04/13/russia-putin-poll-idINLDE68C16G20110413>

## **Part II**

### **2.1. The energy policy of the European Union**

The European continent has been the first to experience industrialisation during the 19<sup>th</sup> century and because of that most of European countries have been since quite a long time in need for massive amounts of energy and resources and have also ranked amongst the world largest consumers. However, while since the first Industrial Revolution the vital resource had been coal that could be found in abundance in those countries that took a the leading role in the process of industrialization like Great Britain, Belgium, Germany and France, nowadays oil and natural gas have become the most needed fuels and for the most part they have to be imported from outside. Since nuclear and alternative energy are still not capable to cover most of the demand, Europe still relies massively on fossil fuels. In the era of globalisation the energy issue has become even more crucial. The world demand is continuously growing due to the dramatic increase of the human population and the rise of the so called emerging countries like China, India and Brazil, which are experiencing a relevant economic growth and thus are becoming also important energy demanders. This has important consequences also with regards to the energy markets leading to an increase of prices in a sector that in the past saw the almost absolute predominance of Western countries.

Returning to Europe and in specific to the European Union the energy issue is one of the most important challenges that it has to face and will remain at top of the agenda also during the following years.<sup>43</sup> As affirmed by the European Commission in January 2007 while addressing to the Council and the Parliament about a European energy policy, energy is of central importance for the

---

<sup>43</sup> Cf: European Commission: Energy, European strategy, [http://ec.europa.eu/energy/strategies/index\\_en.htm](http://ec.europa.eu/energy/strategies/index_en.htm)



functioning of Europe.<sup>44</sup> Thus according to the Commission the EU has to put its energy policy among its most important policies. Energy has always been present since the beginning of the European Integration process, although it has become an issue of primary importance on the European agenda only in more recent years. After all what is now the European Union began in distant 1950 as the “European Coal and Steel Community” (ECSC).<sup>45</sup> The principal aim of this organisation was as declared by its principal promoter, Robert Schumann, “to make war not only unthinkable but materially impossible”, nevertheless to achieve that goal it was decided to put in common the two resources that at that time made possible to conduct a war. Coal represented also the main energy source, vital for the functioning of European industries. In 1957 the Treaty of Rome was signed leading to the creation of the “European Economic Community” (EEC) and to the “European Atomic Energy Community” (EAEC) or “Euratom”. These were for post-war Europe times of exceptional economic growth and this led consequently to an increase of the energy demand.

The oil crisis of 1973 had a serious and decisive impact on Europe, from one side it showed its dependence from external energy exporters, but from the other it showed the importance of the diversification of energy sources and the developing of alternative ones, thus encouraging research in this sector. The Commission approved an energy policy that mentioned goals that had to be reached by the mid-1990s and that can be considered an important step towards a common energy policy. The European Commission approved in December 1995 a “White Paper: An Energy Policy for the European Union”. In it were described the principal objectives of the Union’s energy policy. At that time the key issues were quite limited involving mainly the internal market, protection of supplies and ecology. A green paper dealing with energy strategy had also been approved in 2000; in this case an emphasis was put on the necessity of ensuring external

---

<sup>44</sup> Cf: Europäische Kommission, Mitteilung an den Europäischen Rat und das Europäische Parlament- Eine Energiepolitik für Europa, v.10.01.2007 (im Folgenden: KOM (2007) 1 endg. (Mitteilung Energiepolitik)), taken from: Schulemberg, Sebastian: Die Energiepolitik der Europäischen Union, 2009, p.17

<sup>45</sup> Cf: Weidenfeld, Werner, Wessels, Wolfgang: Europa von A bis Z, Taschenbuch der europäischen Integration, 11. Auflage 2009, p.115

energy sources. Another green paper followed in 2006 with the title “A European Strategy for Sustainable, Competitive and Secure Energy”. In it the three principal objectives for a common European energy policy were established. Among these objectives there is the attempt to ensure a sustainable economic development, establish competitive energy industries and to secure the energy supply for the Union. These policies have played an important role in the foundation of a common energy policy and have then become the guideline for the future common energy diplomacy of the European Union.<sup>46</sup>

One of the main obstacles to the implementation of a common internal energy market is the difficulty of harmonising the different energy policies of the 27 member states, for this reason it is necessary to make the policy of the EU-members more coherent with that of the Union. Of the European institutions the main role in the energy policy is played by the European Commission. The article 194 of title XXI of the Treaty of the European Union is the one concerning with energy and the establishment of the internal market and states that “Union policy on energy shall aim, in a spirit of solidarity between member states, to: (a) ensure the functioning of the energy market; (b) ensure security of energy supply in the Union; (c) promote energy efficiency and energy saving and the development of new and renewable forms of energy; and (d) promote the interconnection of energy networks.”<sup>47</sup> In order to achieve these objectives it is also stated in paragraph 2 that “the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish the measures necessary to achieve the objectives in paragraph 1. Such measures shall be adopted after consultation of the Economic and Social Committee and the Committee of the Regions.”, and that “Such measures shall not affect a member state’s right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply, without prejudice to Article 192(2)(c).”<sup>48</sup>

---

<sup>46</sup> Cf: Jian, Cheng: Relations between Russia and Europe from the Perspective of Energy Strategy, Heft 150, Hamburg, February 2008, p.8

<sup>47</sup> Cf: Official journal of the European Union, Volume 53, 30 March 2010, p.135-136, title XXI, art.194, par.1

<sup>48</sup> Cf: ibid, par.2

In the field of energy policies the EU has always given a particular importance to the development of a constructive cooperation with its energy suppliers like for example the Russian Federation or the North African states with regards to the political and economical field. With these countries several bilateral and multilateral treaties of certain relevance have been signed. A particular emphasis has also been given to the strengthening of the EU diplomacy in the domain of energy in order to develop and implement long term cooperation frameworks with these countries that play a vital role for the EU's energy interests. The EU places great importance to the aforementioned countries also because despite being non-EU states they are able to have a great influence due to the fact that they control a substantial part of and participate in the development of a trans-European energy infrastructure. Considering that with its about 480 millions consumers the EU forms the second biggest world energy market means that it represent a very lucrative and fundamental customer fro the energy exporters.<sup>49</sup>

The rising of the energy prices can contribute to the study and the research of alternative energy sources and energy saving technologies that could permit a higher degree of autonomy from its energy suppliers, though until now external dependence remains strong. In recent times this need for more energy autonomy has been particularly felt. By now the EU-27 relies mostly on fossil fuels for its energy needs. It is estimated that about four fifths of its primary energy consumptions are covered by oil (36%), natural gas (24%) and coal (18%), with the rest covered by nuclear energy (13%) and renewable sources (8%). In the case of fossil fuels an increase of the dependence from external exporters is expected, especially in the case of oil and gas supplies. While Europe still manages to cover its coal supplies for three fifths from internal sources the importations percentages of oil and gas measure respectively about 83 and 60%, a huge number indeed. To make the situation worse the oil fields in the North Sea are expected to decline, meaning that if the EU does not manage during the next years to increase its percentage of energy obtained through renewable sources its dependence from

---

<sup>49</sup> Cf: Jian, Cheng: Relations between Russia and Europe from the Perspective of Energy Strategy, Heft 150, Hamburg, February 2008, p.8

imports will further increase. According to estimates made by the European Commission, if the trends continue like this, by 2030 not only consumption but also imports of fossil fuels will increase with the latter reaching a 94 and 84% for oil and gas respectively. For both resources is the Russian Federation the source of energy imports for the EU, followed by countries like Libya and Norway for the oil sector and again Norway and Algeria for the gas sector.<sup>50</sup> To be more precise, according to statistics given by “Europe’s Energy Portal” in 2008, 33% of oil imports and 40% of gas imports came from Russia and 16% and 23% from Norway respectively.<sup>51</sup>

Already in the past years the EU has developed policies and established frameworks concerning energy with many countries, with whom it remains in continuous contact energy security interests are also taken into account, a great importance is given from side of the EU to the implementation of international agreements in order to resolve the issues concerning the transit of energy supply towards its market. A good example is the so called “European Energy Charter”, later renamed simply “Energy Charter”, which was launched in 1991, so before the most important steps towards the implementation of a common energy policy had been made. The principal aim of the Charter was to strengthen the energy cooperation with Russia and countries in Eastern Europe, through the development of certain principles and rules concerning energy trade, transit shipment and investment. Today the Charter counts about fifty two members with others holding the status of observers, including twenty four states and ten international organisations like ASEAN, World Bank and WTO.<sup>52</sup>

It can be said that in during the last years the EU has managed to do many important steps towards the development and the implementation of a common energy policy, but many more have still to be made in order to achieve this goal. Energy policy has still not become an area that is fully under communitarian

---

<sup>50</sup> Cf: Geden, Oliver, Droge Susanne: Integration der europäischen Energiemärkte, Notwendige Voraussetzung für eine effektive EU-Außenpolitik, S13, May 2010, SWP-Studie, Berlin, p.7

<sup>51</sup> Source: Europe’s Energy Portal, May 2011, <http://www.energy.eu/#dependency>

<sup>52</sup> Source: Energy Charter; Members & Observers, <http://www.encharter.org/index.php?id=61>

competence. While in the field of climate policy and energy internal market relevant competence are held by the communitarian organs, in the case of energy foreign policy and also the decisions about energy taxation still remain predominantly in the hands of the member states. It is still a prerogative of the states to decide for their energy policy. As mentioned before, European common energy policy started to emerge in late 1980, when the realisation of a single market and a climate policy became important objectives to be realized. The sector of energy is an instable one and it is difficult to say, also by taking into account the most recent events that affected the international stage, how the situation will develop in the next years, and which will be the consequences for the European Union.

## **2.2. European energy policy and strategy towards the Russian Federation**

If we look at statistics concerning the imports of fossil fuels to the EU from Russia, we can notice that the percentage of imported energy has risen during the last years. If in 2004 about 26% of oil and a 29% of gas was imported from Russia,<sup>53</sup> in 2008 it has been about 33% and 40% respectively.<sup>54</sup> If Russia is for the EU the most important energy importer, then Europe represents its most prominent customer in this field, with important consequences for both. It has to be said that already before the fall of the Soviet Union, from the 70s onwards, important agreements concerning natural gas trade between Soviet Union and several European countries like Germany, France and Italy were signed. These agreements were called “compensation agreements” since from one side western European countries would provide the funds and the technology needed for building the gas pipelines, while the SU would have give its gas to them. This connection between European countries and Russia predates its independence

---

<sup>53</sup> Cf: Tian, Fan: “EU seeks for energy security by integration, “China Petrochemical News, 24 February 2005, taken from: Jian, Cheng: Relations between Russia and Europe from the Perspective of Energy Strategy, Heft 150, Hamburg, February 2008

<sup>54</sup> Source: Europe’s Energy Portal, May 2011, <http://www.energy.eu/#dependency>

from the SU and since that time it has continuously increased reaching the aforementioned levels.

Although the need for Russian energy imports is surely unavoidable and thus the maintenance of good relations with its important eastern neighbour is for Europe of primary importance, it is also true that the EU has to avoid to remain too dependant from a single energy furnisher and one of its primary goals, together with assuring a constant energy supply as well as developing alternative energies, is to diversify its sources. When we speak of European Union we have not to forget that it is not a single entity capable of speaking only with one voice and the role that member states still play and that can go against the common policies established by the Union. This diversity in structure and needs becomes apparent in the case of energy supplies; not every state imports the same amount of energy nor does it do it from the same furnisher that means also that the level of dependence they develop from a certain furnisher varies from state to state and so also its relation and policy towards it. This is also evident in the case of Russia. Of the 27 members of the Union only Denmark can be considered self-sufficient with regards to energy production, with an energy dependence percentage of about -36,8% making it a net exporter of energy.<sup>55</sup>

As mentioned before, several European countries signed important agreements with Russia and developed an energy dialogue with it. But steps in this direction have been take also on a European level, in September 2000 the so called “Prodi Plan” was announced. Named after the President of the European Commission Romano Prodi, its aim was that of strengthening the dialogue with Russia in the energy field and also establishing a more coordinated policy from side of the EU, it was also planned to double the gas imports from Russia to 240 billion cubic meters by 2020.<sup>56</sup> This energy dialogue with Russia has continued on a regular basis like at the summits in Paris (30 October 2000) and in London (October 2005). In the Partnership and Cooperation agreement article 65 deals with energy relations and it states that the cooperation includes “improvement of the quality

---

<sup>55</sup> Source: Europe’s Energy Portal, May 2011, <http://www.energy.eu/#dependency>

<sup>56</sup> Cf: Aalto Palmi: The EU-Russian energy dialogue: Europe’s future energy security, 2008

and security of energy supply”.<sup>57</sup> Anyway the PCA deals several areas of cooperation with Russia and so it was not sufficient for such an important topic like energy. Thus the energy dialogue has been developed, taking art.65 of the PCA as the basis for improving cooperation and integration. In fact integration of energy markets has to be the principal aim of the energy partnership. It has also been mentioned by the responsible for the energy dialogue, the Directorate General of Energy and Transport of the European Commission that this dialogue must not be perceived as an attempt against private companies, on the contrary the private sector will maintain its freedom, after all the EU has always acted in order to grant the free concurrence and the free circulation of goods. The role of the institution is more to supervise and define the politics that can better grant cooperation and secure the energy supply for Europe, leaving all the practical and technical issues to the discretion of the private actors.<sup>58</sup>

Numerous have also been during the years after 2000 the “round tables” that discussed about several subjects related to energy like gas or energy. The need for both parties to remain constantly informed about the latest news concerning the energy sectors explains why these encounters are so frequent. As explained before, when dealing with energy, changes can come completely unexpected and affect the various parties involved either in a positive or in a negative way, but in any case every development has to be immediately get by the interested subject so that it can set up the measures best suited for dealing with it. The dialogue between Russia and the EU has continued also in several fields, for example with Europe aiding Russia for its admission in the WTO and also for the ratification of the Kyoto, that has been done in October 2004 and came later in force in February 2005. Another initiative taken by the EU has been the promotion of an “Observation System for Oil and Gas Supply”, whose purpose is to monitoring the effectiveness and efficiency of the supplies and the application of the

---

<sup>57</sup> Cf: Haghighi, Sanami: Energy security: the external legal relations of the European Union with major oil and gas supplying countries, Modern Studies in European Law, 2007, p.344

<sup>58</sup> Cf: ibit, p.345

legislation. The purpose is also to bind Russia to this observations system in order to ensure a major transparency and security for the energy supplies.<sup>59</sup>

Two other fields have to be taken into consideration with regards to the Euro-Russian energy relations, namely technologies and climate investment in Russia. Cooperation and exchanges are particularly demanded in these areas, since Russia needs to modernize its industries and infrastructures and transport networks, gas and oil pipelines comprised not to mention the environmental standards that leave much to be desired. So cooperation can be of mutual benefit for both actors, for Russia for the aforementioned reasons, for Europe because a modernized Russian pipeline network will ensure more efficient supplies, without forgetting the improvements on the environmental side which are of mutual benefit for all.<sup>60</sup> Contributing decisively to the improvement and the modernization of Russian infrastructure would also permit the EU, according to Pawel Swieboda, to “shift the debate from energy solidarity from vacuous rhetoric to practical action” and “should also encourage the construction of more interconnections between national power and gas markets so that those countries that rely heavily on Russian gas ( most Central and Eastern European countries) and electricity (the Baltics) are better linked to the wider European market.”<sup>61</sup>

The importance of reasoning on European instead of just national terms is shown to pragmatic and rational. These measures have to be seen for the advantages they can bring in the long term, which is the case for such important enterprises. It has to been said however, that “about 14% of the 15,490km gas pipeline network is overdue for replacement, and 80% were in urgent need of maintenance.” And that, “according to an estimate from “Russia’s Energy Strategies before 2020,” by 2020 Russia will need about 480-600 billion US dollars in investment to support its entire energy economy.<sup>62</sup> Even with its advantages the cost will be high indeed. It

---

<sup>59</sup> Cf: ibit, p.346

<sup>60</sup> Cf: ibit, p.347

<sup>61</sup> Cf: Pipelines, politics and power, the future of EU-Russia energy relations, Centre for European Reform, p.9

<sup>62</sup> Cf: Jian, Cheng: Relations between Russia and Europe from the Perspective of Energy Strategy, Heft 150, Hamburg, February 2008, p.13



remains also to be seen with Europe's growing need for energy if Russia will always be able to cover always its demands, considering the aforementioned weaknesses and inefficiencies and the need to cover its internal demand of oil and gas. In any case the need for modernization and increase in efficiency is surely a priority for the future of the Russian energy industry.

Of course not always has the cooperation between EU and Russian Federation been without contrasts where the two parties could not find a common agreement or where it went against the interests of one of them, as with the issue of pipelines like south Stream and Nabucco, or the ratification of the Energy Charter. Not always has been the Common Strategy on Russia crowned by success. In many cases it has remained too vague and failed also because of divergent interests of the member states. In recent years there have been incidents of a certain entity that had a negative effect on the EU-Russian relations. Causes of attritions were not automatically related to energy issues. Especially during Putin's presidency there have been contrasts with some European states like Poland, which had for historical reasons often taken an anti-Russian stance.

The division within the EU at the time of the war in Iraq of 2003 had also its repercussions. Russia had taken position against the war and in the following years the attitude towards the West was marked by several contrasts. Also Putin's authoritarian rule was disliked by public opinions in Europe, like for example in the case of the so called "Yukos Event" in 2003, where the Russian government managed to brink this important oil and gas company to bankrupt and send its owner, the oligarch Mikhail Khodorowsky, into prison because of its anti-Putin stance. For this action Russia has been condemned in 2005 by the Parliamentary Assembly of the Council of Europe with the Resolution 1418 (2005)<sup>63</sup>.

There were then countries like Germany that under the chancellorship of Gerhard Schroeder pursued an overtly pro-Russian policy aimed at constructing a

---

<sup>63</sup> Cf: Council of Europe: Resolution 1418 (2005), The circumstances surrounding the arrest and prosecution of leading Yukos executives, <http://assembly.coe.int/Main.asp?link=/Documents/AdoptedText/ta05/ERES1418.htm>

“strategic partnership”, which was also pursued in the field of energy through bilateral agreements that went often against the interests of other European states, especially the Eastern countries which lie near Russia. The most prominent example is the project for the “North Stream” gas pipeline that should be completed in 2012. The pipeline will transport gas directly from Russia to Germany through the Baltic Sea while skipping other countries like the Baltic States or Poland. This pipeline shall have a transport capability of about 55 billion cubic metres/year and has been built by a group of companies formed by Gazprom 51%, BASF/Wintershall 20%, E.ON Ruhrgas 20%, Gasunie 9%.<sup>64</sup> Shortly after the end of its chancellorship Schroeder was nominated by the important Russian gas consortium “Gazprom” head of the shareholders’ committee of North Stream AG raising much criticism.<sup>65</sup> Under the actual Angela Merkel the German government has continued to support the North Stream project, although lessening the overtly pro-Russian stance of her predecessor, who even arrived at defining Vladimir Putin as a “flawless democrat” on 22 November 2004 during the “Orange Revolution” in Ukraine.<sup>66</sup>, and rejecting a proposal for a special partnership with Russia, but on the European side a common position towards Russia has still not been reached.

Without forgetting the importance of maintaining good relations with the Russian Federation, it has to be reminded that one of Europe’s goals has to be to diversify the sources of its energy imports. Following this path one important project is the one developed by the non-profit organisation known as “Desertec Foundation”, which aims at utilising on a massive way solar energy through building extensive nets of solar plants in the desert in order to obtain a huge quantity of energy from a renewable source that in the intention of the promoters should reduce drastically the problem of energy demand. Of particular interest is the projects related to the “Region EU-MENA”, an area that encompasses the territory of Europe, the Mediterranean and North Africa. A network of scientists and industries from

---

<sup>64</sup> Source: Europe’s Energy Portal, May 2011, <http://www.energy.eu/#non-renewable>

<sup>65</sup> Cf: BBC News : Schroeder attacked over gas post, December 2005, <http://news.bbc.co.uk/2/hi/europe/4515914.stm>

<sup>66</sup> Cf: Spiegel Online International: From Russia with love, September 2009 <http://www.spiegel.de/international/0,1518,373853,00.html>

several of the interested countries is working on this ambitious project: “In 2009, the non-profit DESERTEC Foundation founded the industrial initiative Dii GmbH together with partners from the industrial and finance sectors. Its task is to accelerate the implementation of the DESERTEC Concept in the focus region EU-MENA. A long-term objective is to be able to meet a considerable part of the increasing electricity demand of MENA countries and, in addition to that, to cover about 15 percent of Europe's energy demand with clean power from deserts by the year 2050.”<sup>67</sup> The Sahara will be the place where the solar plants will be constructed arriving to the establishment of an extended network that will encompass the whole region from North Africa till Europe providing the much needed energy.

These at least are the expectations, since reality could be different. The recent disorders and uprisings that are affecting a good part of the countries in North Africa and in the Middle East represent a destabilizing factor of considerable relevance that in the case of Lybia has degenerated in a situation of open conflict. With these premises it has become of course much more difficult to implant such an ambitious project like the one envisioned by Desertec Foundation. Basic requirements such as peace and stability are lacking, not to mention a readiness for cooperation from side of all the involved countries. Now it is still early to have a clear idea of how the situation in the Arab countries will develop, either in a negative or a positive way. But the possibility to continue with this project depends from it.

It seems however by reading some of the most recent articles about this topic, that there could be some good news.<sup>68</sup> Despite the troubles it seems that building plans are continuing, with the construction of the first solar plant in Morocco starting in 2015 followed probably by another in Tunisia a country that, differently than its neighbors like Algeria and Libya, is relatively poor of natural resources like oil

---

<sup>67</sup> Cf: Desertec Foundation: The focus region EU-MENA, <http://www.desertec.org/en/global-mission/focus-region-eu-mena/>

<sup>68</sup> Cf: O'Dongue, Allegra: Revolution offers a ray of hope for solar energy, Al-masry Al-Youm, March 2011, <http://www.almasryalyoum.com/en/node/381774>

and gas. The demand of energy in this region is however strong, also because it is needed for the industrial development of the countries in North Africa. This explains why the series of revolts and insurrections that are affecting the region have seemingly not undermined the will to continue this very ambitious project. It remains to be seen how the situation will develop in the next months and years. In the case of energy policy, predictions are almost impossible to make, since a single event can have an unexpected effect on several other areas.<sup>69</sup>

Besides North Africa and the Middle East another region that is rich of fossil fuels is Central Asia. Once part of the Soviet Union, this region is now formed by several independent countries that, especially in the case of Kazakhstan and Turkmenistan, house considerable oil and gas reserves.<sup>70</sup> The access to these resources is of great importance for Europe. These Central Asian states managed to profit from the power vacuum caused by the dissolution of the Soviet Union to establish themselves as new sovereign countries, although they are still part of the Community of Independent States, like the former Soviet republics of Caucasus (Georgia, Armenia and Azerbaijan), which also play a very important role in this “Great Game” of energy, since they are in a strategic positions, between Central Asia and Europe, between the Caspian and the Black Sea. Azerbaijan itself is an important oil producer; the region of Baku itself is full of important oil fields and has been it since the early days of the development of the oil industry.

The Caucasus is also the region where the “Nabucco” pipeline has to be built, enabling the EU to receive gas from Turkmenistan without passing through Russian territory and thus reducing its energy dependence from Moscow. Naturally from Russian perspective this plan is viewed negatively for the aforementioned regions, we should not forget that especially under Putin’s Presidency energy represents for Russia a primary tool of foreign policy. And thus the construction of a pipeline that brings energy towards Russia’s most important

---

<sup>69</sup> Cf: Wustenstrom aus Marokko und Tunesien, Science.Orf.at, 12.04.2011, <http://science.orf.at/stories/1681181/>

<sup>70</sup> Cf: U.S. Department of State, Background Note: Turkmenistan, Bureau of South and Central Asian Affairs, October 2010, <http://www.state.gov/r/pa/ei/bgn/35884.htm#econ>

economic partner without having any influence on it is not accepted without complaints. Much more favoured by Moscow is the “South Stream” project, developed by Gazprom together with the Italian energy consortium ENI and announced on the 23 June 2007. The objective is the construction of a pipeline that brings natural gas to Europe from Russia passing under the Black Sea and then through the Balkans.

Also in this case a lack of cohesion has been shown from the side of the EU-member states. As mentioned before, despite the efforts made by the institutions and the Commission *in primis* to establish a common energy policy, the decisional power still remains in the hands of states and governments. If a state decides to follow a particular policy in the energy sector, like for example improving its nuclear capabilities it has not to ask the permission to Brussels to do it. And that’s the case for the agreement with Russia, North Stream can be of course profitable for Germany, but not for Poland or the Baltic States<sup>71</sup> and also the Nabucco-South Stream confrontation has its gainers and losers, though the outcome and the results are still uncertain. Due to its energy power, Russia is seen in Europe either as a threat, or as an unavoidable partner, or both.

Returning to the Central Asian and Caucasian states, it has also to be reminded that they are situated in a geographical area that Moscow still considers for historical and geopolitical reasons its personal area of influence. Thus under Putin Russia has made several attempts to regain this influence the prestige and the status of great power it had in part lost after the fall of the Soviet Union and the years of decline of the Yelstin presidency.<sup>72</sup> And this concerns of course also the energy issue. It remains to be seen if the EU will manage to establish good and stable contacts and effective agreements with these important fuels exporters or if this extremely lucrative market will be monopolized by the Russian Federation.<sup>73</sup>

---

<sup>71</sup> Cf: Trenin, Dimitri: Pipelines, politics and power, the future of EU-Russia energy relations, Centre for European Reform, p.20

<sup>72</sup> Cf: Barysh, Katinka: The EU’s new Russia policy starts at home, Center for European Reform, briefing note

<sup>73</sup> Cf: Vinatier, Laurent : Les Relations UE-Russie: Moscou pose ses conditions, Notre Europe, Etudes & Recherches, Policy Paper no°20, March 2006, p.20

Again the outcome will depend by the capability of the EU to act as a single subject, but to do this the EU capabilities should be reinforced at the expense of some relevant part of the states sovereignty. It happened with the introduction of the Euro, where the important decision made by some states of renouncing at their national currency, one of the symbols of sovereignty, was made. But it seems that now EU-members are not ready to further renounce to it. In order that the partnership with Russia is set up on an equally profitable basis for both actors the European Union has to overcome these obstacles.

### **2.3. Russia's energy policies and strategies**

The Russian Federation is considered to be part of the so called “emerging countries” like China, India and Brazil (also known as BRICS). These countries have been experiencing in the last years a very strong economic growth, especially when compared with that of the developed states that have to face the arrival and presence of these new and dynamic actors on the international stage. After a period of decadence under Yesltn during the 90s and after the financial crisis of 1998 Russia experienced a high GDP increase with an average annual growth of about 7%<sup>74</sup> that lasted till the world financial crisis of 2008, when it experienced a decline that lasted until 2010 when it recovered and is considered now to be at about 4, 5%.<sup>75</sup>

Under Putin and Medvedev Russia has made substantial improvements and regained part of the power it has lost with the fall of the Soviet Union. Maybe it would be better to define Russia more as a “re-emerging country”, since although it shares similar characteristics with the aforementioned states, it is also true that it has been one of the major European and then world powers form the times of

---

<sup>74</sup> Cf: Petro, Nicolai N.: The Great Transformation: How the Putin Plan Altered Russian Society, ISPI Policy Brief, N.132-May 2009, p.1

<sup>75</sup> Source: Trading Economics: Russia GDP Growth Rate, 2010, <http://www.tradingeconomics.com/Economics/GDP-Growth.aspx?Symbol=RUB>

Peter the Great till the end of the Soviet Union, that was during the Cold War together with the USA the only remaining superpower and the second economic power. If during the 90s there were great hopes and expectations that the newly independent Russia would have been fully incorporated in the Western world. With the rise of Vladimir Putin it has however become clear that Russia has maintained its imperial ambitions and is not prone of accepting external interferences in what it considers its own affairs.<sup>76</sup> If the strength of the Soviet Union was in its military and especially in its nuclear capabilities, now it seems that the new tool to conduct an ambitious and in many cases aggressive diplomacy and foreign policy has become energy.

In a world where the demand for energy is constantly increasing Russia has the means and the capabilities to be an energy superpower. Thanks also to its enormous size the land houses massive amounts of natural resources, especially with regards to natural gas reserves that amounted in 2009 at about 43.30 of the world's total. Russia is with the USA the most important gas producer with a yearly production that reached about 601, billion cubic meters in 2008; the effects of the crisis has been felt also in this sector and the production declined to 539, 6 billions in 2009. In any case Russia remains the major gas exporter with about 174, 72 cubic meters exported in 2009. Of great importance is the oil sector. In fact Russia houses also a relevant part of the world's oil reserves, being placed 7<sup>th</sup> with about 75, 3 billions barrels, while in 2009 it produced some 10,233 barrels per day, even more than Saudi Arabia, although this changes form year to year, while with regards to oil exports it ranks second after Saudi Arabia with an export ratio of about 5,294 crude oil barrels per day.<sup>77</sup> As is showed by these statistics, despite the breakdown of the Soviet Union and all its negative consequences, Russia managed to maintain a strong energy industry.

With such impressive energy capabilities at disposal it is natural that they can bring many advantages to Russia's ambitions. Already under Yelstin great

---

<sup>76</sup> Cf: Alcaro, Riccardo, Alessandri, Emiliano: Re-setting US EU-Russia Relations- Moving beyond Rhetoric, Istituto Affari Internazionali, Documenti IAI 09, July 2009, p. 20

<sup>77</sup> Source: Europe's Energy Portal, May 2011, <http://www.energy.eu/#non-renewable>

expectations were placed on the energy industry since it could contribute significantly to the country's development. To establish an effective energy strategy has been regarded as a fundamental step by Russian presidents. In August 2003 "The Energy Development Strategy of The Russian Federation before 2020" was approved in order to establish the guidelines for the future. The strategy is intended to be of broad amplitude encompassing several areas in order to be the most effective. One central aim is the improvement of energy efficiency, so this means that the sector needs a series of improvements on the structural level that will permit to reduce the costs, increase the industrial and managerial capability, thus permitting a more efficient use of the resources and a major competitiveness on the international market .<sup>78</sup>

The strategy should also bring to a reduction of the environmental impact as well as to realize the concept of sustainable development, something that Russia has not cared too much about until now. It is expected that till 2020 the country will envisage, thanks to this strategy, a relevant GDP increase that in the best case will be of about 4,7% to 5,2% per year, while in more pessimistic scenarios will not be above 3,5%, and a positive economical growth, not forgetting a rising of the internal energy consumption rate. Much is invested in the development of the natural gas and oil sectors, better profits should be made through improvements of the subsoil use and an of the taxation system. Also other sectors of energy have to be improved, like the hydroelectric, the thermal and the nuclear; these three should achieve in the best previsions a power generation capability of about 1375 TW by 2020.<sup>79</sup> The immense size of the country and its territorial and regional diversity means also that the energy strategy is different from region to region.

In the European part of Russia for example is planned to maximize the development of nuclear plants, it seems that despite the disaster of Fukushima in march 2011 Russia does not intend to put an halt to its nuclear program, which goal had been prior of the catastrophe "to increase the fraction of electricity from

---

<sup>78</sup> Cf: Mastepanov, Alexey M: Energy Strategy of the Russian Federation to the year 2020

<sup>79</sup> Cf: ibid



reactors to 25 to 30 percent by 2030, from 16 percent now.”<sup>80</sup> Anyway the existing plants will be tested in order to check their reliability. Also the construction of coal fired thermal plants is envisaged, which is also the case for Siberia, where emphasis is given to hydro energy, the Russian territory comprises many important rivers of relevant length and water capacity, enabling thus the utilisation of this renewable energy source. For the Far East ameliorations for the utilisation of all the aforementioned energy sources are planned to be covered. When thinking about Russia and energy the most typical image of it is essentially that of an energy exporter dealing with neighbour countries and other foreign powers, while forgetting that there is an internal need for energy too. The energy strategy does cover both the internal as well as the external energy market. As mentioned before Russian governments, especially Putin’s, give a huge importance to the energy sector as a way to achieve economical prosperity and growth for the country.<sup>81</sup>

This work is mainly focussed on Russia and Europe, but while dealing with Russia is interesting also to examine the strategies followed by it that concern also an extra European space, without this meaning that they have no impacts on the relations with Europe. Europe remains and most probably will remain Russia’s biggest market for the up foreseeable future, but this does not mean that there are not other countries with which Russia has established partnerships with regard to the energy sector. Of particular importance are the East Asian countries like China, India, South Korea and Japan, which represent the main market for Russia’s energy exports in the region. China and India in particular can be considered two promising markets for energy exporters since they are both countries with more than one billion inhabitants that are experiencing an impressive economic growth and industrialisation, which means an increasing need for energy. Important investments and regulations are then needed to improve the infrastructural capabilities of the energy networks towards these

---

<sup>80</sup> Cf: Wald, Matthew L.: Russia to Test Nuclear Plants for Ability to survive quakes, New York Times March 24, 2011, [http://www.nytimes.com/2011/03/25/world/europe/25nuclear.html?\\_r=1](http://www.nytimes.com/2011/03/25/world/europe/25nuclear.html?_r=1)

<sup>81</sup> Cf: Pipeline politics? Russia and the EU’s battle for energy, Euractiv.com, latest update January 2009, <http://www.euractiv.com/en/energy/pipeline-politics-russia-eu-battle-energy/article-177579>

countries, in particular in the region of East Siberia, which houses important oil and natural gas reserves.

This increase of countries with pressing energy needs can be considered positive and lucrative for Russia, but from the other side it remains to be seen if the country, despite its huge reserves will manage to satisfy their demands while facing the European demand and its internal needs. For the moment however “Russia lacks the resources and time to re-direct its pipeline system – which runs west – to China and Asia, as some fear.”<sup>82</sup> Europe will remain Russia’s first customer. Most probably in the next years an augmentation of prices has to be taken into account, if new important reserves are not discovered. Surely to maximize its capabilities Russia need to modernize and rationalize its energy industry.

China however, while representing a promising energy market, poses also several problems due to the fact that Russia shares part of its Siberian border with it. The dramatic population decrease from Russian side sharply contrasts with the huge population of its southern neighbour. Especially in the Far East there are growing fears of an increasing Chinese penetration from the Manchurian border, although the population decrease in the region makes that Chinese immigration is much needed for the future.<sup>83</sup>

Another region that in the last years has drawn the interests of the Russian Federation is the Arctic. The reasons are several: the increase of the global temperature has reduced the surface of the ice around the North Pole which encompasses a relevant part of Russian territorial waters. If these remain free from ice, probably in the next 20 years this area of the Arctic Ocean will become open to commercial shipping; it means that Russia can take advantage from the fact that the mythical North-West Passage is finally a reality. This new route

---

<sup>82</sup> Cf: Alcaro, Riccardo, Alessandri, Emiliano: Re-setting US EU-Russia Relations- Moving beyond Rhetoric, Istituto Affari Internazionali, Documenti IAI 09, July 2009, p.9

<sup>83</sup> Cf: Zayonchkovskaya, Zhanna,: “Chinese Immigration to Russia in the Context of the Demographic Situation”, <http://gsti.miis.edu/CEAS-PUB/Zayonchkovskaya20030914.pdf>

seems to have several advantages compared to the other classical maritime transit ways like Suez and Panama in terms of distance and transport costs, and thus an increase of sailing activity in the Arctic can be expected in the foreseeable future. The region is considered by Russia of crucial importance also and mainly because of the unexplored resources that lie under the sea, it seems that “Arctic resources account for about 22% of the undiscovered, technically recoverable resources in the world: namely 13% of the undiscovered oil and 30% of the undiscovered natural gas” and also “that most of the gas (60%), which is the predominant hydrocarbon resource in the Arctic region, lies in the Russian sector.”<sup>84</sup> This explains why Russia has such an interest in this region. However to be able to get to this resources is another matter, it has to be seen if the country disposes of the adequate resources and technology to obtain profitable gains. These deficiencies were already mentioned before but in this case it becomes apparent that Russia needs the cooperation of the West in order to fulfil its goals in this specific sector. The problem is that with the global crisis of 2008 these projects could be too expensive.

Due to its richness hidden under the surface of the Arctic Ocean Russia is interested to claim influence over as much as possible of the area. For this reason Russian scientists are trying to prove that the undersea mountain chain known as the Lomonosov Ridge is the extension of the Siberian continental platform. In 2007 a Russian undersea expedition planted the national flag some 4000 under the North Pole, as a gesture to claim the area for them.<sup>85</sup>

The region is particularly rich of hydrocarbons as well as precious metals. Because of this Russia tries to claim it for itself, but this view is of course not shared by other countries like Denmark, Canada, and of course the USA which also share part of the Arctic waters in their northern borders and will oppose to Russian attempts to monopolize the area, since Russia is not the only country that looks at the riches of the Arctic with interest. The need for energy resources has

---

<sup>84</sup> Cf: Penkova, Tomislava: Russia in the Arctic race, ISPI policy brief, N.124-March 2009, p.1

<sup>85</sup> Cf: Georgescu, Ioana: Arctic Geopolitics-The Time for a New Regime, Centre International de Formation Européenne, Institut Européen des Hautes Etudes Internationales, 2009-2010, p.8

made that also the Arctic has become an area of international tensions, although it is still early to know how the situation will develop.

After having analysed Russia's energy policy and strategies on a more general way, it is time now to focus on its strategy towards the European Union.

## **2.4. Russia's energy strategy towards the EU**

Russia's behaviour has been, when regarded with European eyes, often enigmatic and complex. Despite the many efforts made since the time of Peter the Great to adequate the country to (Western) European standards, Russia remained still something foreign; also the years of the Soviet Union and of the Iron Curtain contributed to this sense of separation and mistrust, that continues in part still nowadays, especially during the Putin presidency. The Russian president himself affirmed once the Russian sense of belonging to Europe by saying that "In terms of spirit, history and culture, Russia is a natural member of the European family."<sup>86</sup> Still there has been during several periods of Russian history a division between those who feel more attracted towards Western Europe and its values and those, sometimes known as Slavophiles or Eurasianists, who feel that Russia has an own distinct identity separate from the rest Europe. To paraphrase Dostoevsky in Europe Russians have been seen as Tartars and in Asia as Europeans.<sup>87</sup>

What is sure in any case is that at our present time Europe is for Russia a subject of main importance, the EU is Russia's most important trading partner and for what concerns energy its principal importer. During the post-soviet time the amount of contacts and relations has increased, since during these turbulent years the newly born Russia Federation was in urgent need of capitals and investments

---

<sup>86</sup> Putin, Vladimir: Europe has nothing to fear from Russia, Financial Times, 21 November 2006, <http://www.ft.com/cms/s/0/ddc234d6-7994-11db-90a6-0000779e2340.html>

<sup>87</sup> Cf: Gomart, Thomas: Quelle place pour la Russie en Europe?, Questions internationales, n° 27- septembre- octobre 2007

from the West.<sup>88</sup> The mutual advantages that could be gained were evident in the field of energy. Philip Hanson speaks of a mutual dependence between the two powers; Europe needs Russia's oil and natural gas, while Russia needs Europe's capital. During the 2006 G8 Summit in St. Petersburg the Declaration of Global Energy Security was made. According to its dispositions Russia and the EU would have liberalized their energy markets while there would have been an expansion of European investment in Russia. This makes them closely bound one to the other, but this partnership remains not without concerns expressed from both sides. If Europe is worried about to rely too much from one supplier, Russia would also like to diversify more its importers.<sup>89</sup>

Under Putin energy has become the key strategy to bring Russia back to a position of strength and influence on the international level, and sometimes an aggressive use of it has been made by Russia, like when it threatened Ukraine in the time after the Orange Revolution of 2004. One of the reasons of the sense of insecurity that followed the events in Ukraine is that about 80% of the Russian gas passes through Ukraine and so an energy crisis in this region has effects on a much broader territory. In these years there were several displays of strength made by the Kremlin against its neighbours; when Russia raised the energy prices in 2006 and 2007 for Georgia, Ukraine and Moldova, even arriving at cutting temporarily off the supplies for Ukraine in 2006 and Belarus in 2007. The effects of this move were felt also in Europe, where several countries suffered from oil and gas shortages, in some cases with a fall of the supplies between one quarter and one third.<sup>90</sup> At the end both Ukraine and Belarus compromised with Russia, but from European side Russia's reliability was put into question and the need to further diversify their energy imports was again put into evidence.<sup>91</sup>

---

<sup>88</sup> Cf: Cheng, Jian: Relations between Russia and Europe from the Perspective of Energy Strategy, Hamburger Beiträge zur Friedensforschung und Sicherheitspolitik, Heft 150, Hamburg, February 2008, p.19

<sup>89</sup> Cf: Hanson, Philip: Russia and Europe are doomed to cooperate, "Russia in Global Affairs", N°1 January-March 2008, p.1

<sup>90</sup> Cf: Keukeleire, Stephan, MacNaughtan, Jennifer : The Foreign Policy of the European Union, the European Union Series, p.241

<sup>91</sup> Cf: Cheng, Jian: Relations between Russia and Europe from the Perspective of Energy Strategy, Hamburger Beiträge zur Friedensforschung und Sicherheitspolitik, Heft 150, Hamburg, February 2008, p.35

Until now there has not been a crisis of such seriousness between Russia and EU that brought to a new Cold War, despite the happening of events like the Ukrainian-Russian gas crisis in 2006 and the Georgian War in 2008 that undermined the good relations between the two actors. Despite from a political perspective during the last years there have been many contrasts between EU and the Russian Federation, it seems that on the field of energy cooperation the trend remains positive, probably due to the fact that energy is a sector of such importance, probably the main issue for the future, that does not allow the two parties to take it superficially.

The case of Ukraine is interesting; after the Orange Revolution in 2004 the new government presided by the duo Viktor Yushenko and Yulia Timoshenko took an overtly pro-western stance arriving even to demand Ukraine's entrance in NATO, which went against the interests of the Kremlin. The next years would have been marked by governmental instability and energy crisis with Russia who used energy as a weapon to impose its will and its influence in Ukraine. The former allies Yushenko and Timoshenko became rivals, with the latter becoming part of the new government coalition of the pro Russian Viktor Yanukovich after the elections in 2007. In 2010 he would have won again the elections, defeating Timoshenko by a small margin.<sup>92</sup> For Russia this result can be considered positive since it hindered NATO attempts to include Ukraine in the organisation have not succeeded and the presence of the Russian Black Sea fleet in the Crimean harbour of Sevastopol will be extended for the next 25-30 years.<sup>93</sup> In exchange Yanukovich got a 10 years discount for the gas price, which should grant a profit of about \$40 billion over the following decades. What remains questionable is who will take profits of these gains and if ceding such an important naval base as Sevastopol is to Russia favours Ukrainian interests or has to be interpreted has a sign of submission towards its strong neighbour.<sup>94</sup>

---

<sup>92</sup> Cf: Fisher, Sabine: Has the EU lost Ukraine?, ISS Analysis, February 2010, p.1

<sup>93</sup> Cf: Torreblanca, Jose Ignacio: Russia is shifting, European Council on Foreign Relations, 1 June 2010, p.1

<sup>94</sup> Cf: Emerson, Michael: President Yanukovich's Dubious Deal, Center for European Policy Studies, May 2010, p.1

A major source of concerns from European side is the capability of Russia to ensure these for Europe vital energy supplies. The Russian production of hydrocarbons should continue to rise until 2030 when it is expected to stabilize itself, so it is important to maximize the production and the efficiency of it. Among the main European investors in Russian territory there are major countries like Germany, France, Britain and Italy, whose companies invested much in important sectors of the Russian industry that is in great need of technical improvement.<sup>95</sup> For the energy industry there have been important projects like those on Sakhalin Island and the Kovytko gas field. To get the access to new technologies produced abroad Moscow must possess the political and diplomatic ability to encourage and incentive foreigners to invest directly on its territory. This foreign participation is necessary for the development envisaged by "Russia's Energy Strategy". From foreign side and in particular European side, as mentioned before, there is a strong interest towards investing in Russia. In the case of the energy industry that can lead to a cooperation that bring benefits to both sides. In fact here lies one of the main problems, namely that foreign investors are hindered by barriers placed against direct investment from abroad despite declarations of openness from governmental side.

The Kremlin's attempts to strengthen Russia through assuring that the country remains as much independent from outside interference as possible shows in this case its weaknesses. In the era of Globalization it is quite difficult for a country to be a protagonist on the international stage while trying at the same time to avoid ties with other international actors in fields like trade, business, and of course energy.<sup>96</sup>

One area in which cooperation between EU and Russia can be profitable and constructive is that of energy efficiency. As explained before in the next years the

---

<sup>95</sup> Cf: Trenin, Dimitri: Pipelines, politics and power, the future of EU-Russia energy relations, Centre for European Reform, p.18

<sup>96</sup> Cf: Cheng, Jian: Relations between Russia and Europe from the Perspective of Energy Strategy, Hamburger Beiträge zur Friedensforschung und Sicherheitspolitik, Heft 150, Hamburg, February 2008, p.21

global demand for energy supply will raise constantly and this will affect importers as well as exporters, with rising of prices and need to assure a constant supply. In this optic energy efficiency plays a key role in maximizing the gains, reducing the costs and by assuring the well-functioning of the supply system. This remains a quite recent topic that has still to develop into something more concrete, but it seems that its importance has been recognized by the interested parties. According to researcher Vadim Kononenko “Russia’s government has given its energy efficiency policies a hard push forward; the new policy initiatives are being driven largely by the imperative of technological modernization and rising prices at home”<sup>97</sup>.

From Russian side it is demanded that the government favours a series of policies and legislatives acts that permit an implementation of the right conditions for obtaining energy efficiency, while the EU can contribute through the transfer of the technologies needed for it. In 2009 a legislation on energy efficiency has been adopted by the Russian Federation that has been regarded positively as an important step towards closer and for both profitable cooperation, although it has also to be said that the issue of energy efficiency had been discussed already since 2000 with the start of the Russia-EU energy dialogue.<sup>98</sup> More recently however little has been done from Russian side to improve concretely the situation.

In the last years the situation seems to have changed with President Medvedev recognizing the importance of energy efficiency for Russia and for its capability to be competitive. Under Medvedev great importance has been appointed to modernization, recognizing the fact that Russia has remained backwards in several key sectors like industry and technology. The financial crisis of 2008 spread also to Russia, with negative consequences for the country. The attempt of Putin to exalt Russia’s independence from outer interference did not save the country from being involved in a crisis that contributed to reveal the structural

---

<sup>97</sup> Kononenko, Vadim: Russia-EU Cooperation on Energy Efficiency, The Finish Institute of Foreign Affairs, Briefing Paper 68, 16 November 2010, p.2

<sup>98</sup> Cf: Kononenko, Vadim Russia-Eu Cooperation on Energy Efficiency, The Finish Institute of Foreign Affairs, Briefing Paper 68, 16 November 2010, p.3



weaknesses of the state.<sup>99</sup> In the case of energy export the fact that the European countries were in economical difficulties reduced the demand for fuel; since under Putin energy had been a cornerstone of its policy, with the effect of relying too much on it at the expense of other sectors of Russia's economy that were in urgent need of improvement and modernization, this event had a negative effect on Russia's economy.<sup>100</sup>

This explains also the change of policy made by his successor Dimitri Medvedev to focus more on modernization of the country's industry and on technological improvement as it suits for a developed country. Energy efficiency is also part of Medvedev's strategy to modernize Russia. A new legislation from 2009 has the goal to improve the legal framework and to implement what is provided on the paper on a more concrete way than before. Rules on taxation, efficiency standards for buildings and structures are comprised in this legislation. It is important then, according to this logic, to reduce the considerable amount of wasted energy, especially in the case the case of public buildings and households, despite subsidies there has been an increase of prices for domestic consumers, and it has to be mentioned again that inefficiency of the energy infrastructure is cause of losses and scarce performance that has a negative effect on Russia's economy too.<sup>101</sup>

In fact, despite the potential advantages that can derive from implementing an energy efficiency policy, it will not be an easy task to overcome the several obstacles that stand before it. These problems do not only have to do with outdated infrastructures and lack of new technologies, but also with a too rigid bureaucratic and administrative structure that makes it difficult to implement the required legislation. Too many decisions in Russia are taken top-down, probably a heritage of the soviet time. This makes the implementation of the needed policies slower and less effective. Also the level of awareness about this subject by most

---

<sup>99</sup> Cf: Giusti, Serena: La crisi economica in Russia: implicazioni e prospettive, ISPI policy brief, N.134, May 2009

<sup>100</sup> Cf: Russia's economy under Vladimir Putin: achievements and failures, Rianovosti, March 2008, <http://en.rian.ru/analysis/20080301/100381963.html>

<sup>101</sup> Cf: Kononenko Vadim: Russia-EU Cooperation on Energy Efficiency, The Finish Institute of Foreign Affairs, Briefing Paper 68, 16 November 2010, p.4

of the people is quite low and not really understood and so there is not a real participation from the bottom in favour of energy saving measures. Cooperation from side of the EU would be much needed, especially in terms of skills, technologies and capital, but one consequence of the abovementioned deficiencies of the Russian apparatus, beside the obvious domestic problems, is that investors from Europe are less attracted by the Russian market as it could be with the right conditions.

From European side several documents concerning various projects have been signed in the last years, either on a bilateral or multilateral way. According to Kononenko “The EU-Russia structures can focus on the harmonization of standards, and the transfer of best practices in energy management, whereas bilateral programmes can be geared towards the European companies and specialists in the Russian market and vice versa.”<sup>102</sup> For the various companies interested in investing in Russia the support of their national state can be helpful for them in terms of acquiring the licences and certifications needed to operate on Russian soil, although it can do less against the internal deficiencies of the Russian system especially with regards to bureaucratic difficulties. One important achievement in EU-Russian cooperation in energy efficiency would be to facilitate the establishment of energy saving companies (or ESCOs) in Russia, that exist since many years in European countries and especially in the Scandinavian states that have long experience in this sector. Still the obstacles to overcome are many and it will take time until significant improvements are made and this form of cooperation develops from pilot projects to something more concrete.<sup>103</sup>

In any case the fact of being one of the most important energy powers in the world permits Russia to play internationally an important role, and this is evident in its relation with the EU. The need for cooperation with Europe is recognized as

---

<sup>102</sup> Kononenko, Vadim: Russia-EU Cooperation on Energy Efficiency, The Finish Institute of Foreign Affairs, Briefing Paper 68, 16 November 2010, p.6

<sup>103</sup> Cf: Kononenko, Vadim: Russia-EU Cooperation on Energy Efficiency, The Finish Institute of Foreign Affairs, Briefing Paper 68, 16 November 2010, p.7

essential, but one can ask if it is based on equal terms and reciprocity.<sup>104</sup> Surely it has been problematic. The Georgian conflict of 2008 brought to a worsening of the Euro-Russian dialogue; there was the impression that Russia was conducting an aggressive foreign policy towards its neighbour, although it has to be said that in this case the responsibility for the start of the hostilities lied in the hands of the government in Tbilisi not of the Kremlin.

It is important however that the EU manages to conduct a rational and responsible foreign policy towards countries that lie on its eastern frontier like Ukraine, Belarus, Moldova and the Caucasus states, on whose territories the majority of the pipelines bringing Russian oil and gas pass through, without leaving the initiative only in Russian hands.<sup>105</sup> Europeans should not exaggerate about the threat posed by Moscow on them with its energy power and surely it has to be avoided to return to an atmosphere of Cold War, although the aggressive policy pursued by Putin, while effective in many occasions, contributed to this perception of a resurgent and dominating Imperial Russia. In fact it is true that Russia has ambitions as a great power and wants to maintain its own sphere of influence, but it is surely not the only state acting in this way, and as Henri de Grosseuvre points out, it seems that from a European perspective this fact is not really considered as if European observers and analysts would live outside this world and its history.<sup>106</sup> The lack of cohesion and of a common strategy represents an important weakness for the EU when dealing with Russia and this fact puts it often in a weaker position as it should be considering the strengths and advantages a truly united Europe can have when dealing with Russia. After the introduction of the Euro there has been a strong reluctance from side of the EU member states to give up further relevant parts of their sovereignty to Brussels. The fact that energy represents one of the cornerstones of a state's national interests explains the reason of the difficulty of setting up a common energy policy.

---

<sup>104</sup> Cf: Yastrzhembsky, Sergey: Trust not double standards: What Russia expects from the EU: Pipelines, politics and power, the future of EU-Russia energy relations, Centre for European Reform, p.39

<sup>105</sup> Cf: Moshes, Arkady, Russia and Europe in the Aftermath of the Georgian Conflict: New Challenges, Old Paradigms, Chatam House, REP BN 08/04, September 2008, p.4

<sup>106</sup> Cf: de Grosseuvre, Henri: La Russie nouvel arbitre européen?, Infoguerre.com, p.4

From Moscow's side there has been the tendency to prefer bilateral dealings and agreements on the national level over the European one, since they can be more advantageous and effective and permit Russia to use better its strength as an energy power, where an important role is played by the country's principal energy companies as Gazprom and ROSNEFT (the Russian oil company), a leitmotiv of the Putin's era. According to Cheng Jian the Russian Federation has managed in the last years to improve and to enjoy the benefits of its energy diplomacy, with energy substituting the military might of the Cold War and permitting the Kremlin to maintain its influence on the CIS states and use the division of the EU for its own benefits, without forgetting the advance towards the Asian markets. However, despite the obvious advantages deriving from this strategy, it seems that its benefits are mainly for the short term while on the long term it can prove to be unable to achieve important goals and risky. As a good example for an ineffective aggressive use of energy diplomacy is taken the behaviour of the OPEC countries during the oil crisis of 1973 and the embargo against the Western countries. While the latter reacted to this threat by diversifying their energy sources in order to reduce their oil dependence and also by improving their technologies, the oil producing countries did not made any attempts to modernize themselves and their economy.<sup>107</sup>

The attitude of relying too much on energy to pursue Russia's national interests has also been a weak point of Putin's policy and bears the risk that the country becomes like one of these oil exporting states of the Middle East. Energy, especially natural gas, is for Russia a source of power and a tool for its diplomacy and foreign policy, but at the expense of a much needed modernization that was particularly felt during the financial crisis of 2008. In this case the EU was in a more favourable position towards Russia, especially if it managed to confront it cohesively. Also Medvedev's intention to modernize Russia's industry and not rely only on energy exports seems to be supported by facts. His aim is an

---

<sup>107</sup> Cf: Cheng, Jian: Relations between Russia and Europe from the Perspective of Energy Strategy, Hamburger Beitrage zur Friedensforschung und Sicherheitspolitik, Heft 150, Hamburg, February 2008, p.32

ambitious one and does not cover only the economical and technical side but also the civil and political one. The modernization plan envisages cooperation with foreign countries and organization such as WTO or the EU and on the domestic level it is recognized that democratic institutions remain of scarce quality, the excessive corruption and centralization have to be contrasted in order to enable the growth of a more strong civil society. Object of criticism has also been the excessive privatizations that affected Russia and contributed to decline of the country. Reforms have to affect legislation, taxation and have to encourage initiatives coming from the citizens. Of course this strategy is very difficult to realize and has encountered many difficulties and resistances and it is still early to see real changes.<sup>108</sup>

However energy geopolitics is very unpredictable and their effects can be felt worldwide. The series of revolts and conflicts that affected the Arab world in the last months had influenced the EU-energy relations as well and in this case favouring again Russia after the setback of the financial crisis. The instability in North Africa, especially in the case of the important oil exporter that is Libya, now involved in a civil war, favours Russia as a remaining reliable energy exporter.<sup>109</sup> This can also have the effect to reevaluate Putin's stance, with possible consequences for the 2012 presidential elections.

More recently, the consequences of the nuclear catastrophe of Fukushima that affected Japan in March 2011 did not remain confined to that area.<sup>110</sup> Like at the times of Chernobyl, the shock caused by the disaster had a profound impact on many countries, especially in Europe, where the employment of nuclear power as a way to gain energy was put in question and, in the case of Italy abandoned. With Fukushima the question is again posed, in Germany for example the government wants to try to stop the oldest nuclear plants in order to check the results in terms

---

<sup>108</sup> Cf: Pabst Adrian: Medvedev's "Third Way": The Unrealized Potential. Modernizing Russia and Reforming Global Governance, Russia in Global Affairs, October 2010,

<http://eng.globalaffairs.ru/number/Medvedevs-Third-Way-The-Unrealized-Potential-14997>

<sup>109</sup> Cf: Von Cerstin, Gammel: Russland wirft EU "Enteignung" vor, Süddeutsche Zeitung Nr. 46, 25 Feb 2011, p.8

<sup>110</sup> Cf: Impacts of Fukushima Crisis World-wide, EU Australia Online, March 2011, <http://www.euaustralia.com/2011/03/16/impacts-of-fukushima-crisis-world-wide/>

of energy supply.<sup>111</sup> Up to now it is however not possible to rely on a too great part on renewable energies and if many EU-countries decide to renounce partly or totally to nuclear energy, which seems not to be the case of countries like China and Russia, it means that they will have to rely even more than before on fossil fuels and thus increasing their dependence from natural gas and oil exporters like Russia. In any case to decide which energy policy to follow is a decision that has to be made thinking on the medium-long term, since deciding to build nuclear plants or modern coal plants that emit a low quantity of CO2 can not be done overnight.

The cooperation with Europe is essential for Russia, although many issues still remain unresolved, like for example in the case for the Energy Charter Treaty, signed but still not ratified by Russia in 2009, that instead presented recently its own project for the Convention for energy security. The Charter provides besides ameliorations in supply security and improvements in energy production, transport and distribution also obliges every party to facilitate the energy transit and forbids attempts of stopping or reducing it in case of contrasts between the parts.<sup>112</sup> Looking back to the behaviour Russia had towards its neighbours this refuse should not be too surprising.

Until now Russia's energy strategy have surely produced results that strengthened the country's positions and satisfied in part its ambitions, although not without failures and setbacks. It remains to be seen if the partnership with Europe in this field will be made on an equal basis or if Russia will manage to take advantage of the EU weaknesses and play the dominant role and set the rules of the game.<sup>113</sup>

---

<sup>111</sup> Cf: BBC News Europe, Germany stages anti-nuclear marches after Fukushima, 26 March 2011, <http://www.bbc.co.uk/news/world-europe-12872339>

<sup>112</sup> Cf: Club de Nice «Energie et géopolitique »- L'Europe et la Russie face aux nouveaux défis énergétiques, 6 Décembre 2010, p.3

<sup>113</sup> Cf: de Grossouvre, Henri : La Russie nouvel arbitre européen?, Infoguerre.com, p.1

## Part III

### Case Study: Nabucco and South Stream



Source: Europe's Energy Portal

The issue of pipelines has already been mentioned in the chapter dealing with the energy policy of the European Union, but now, as part of this case study, it will be examined more in detail. This topic was chosen because of its actuality and because it contains many of the issues dealt in the previous pages: the problematic partnership between Russia and the EU and their respective interests, the divergences inside the EU and its need to diversify and assure its energy supply,

the attempt of Russia to exert its influence over the former Soviet republics and to monopolize the energy exports, in this specific case natural gas, directed towards Europe.

Pipelines are essential for the transport of natural gas, that unlike oil it cannot be transported in containers and the technology employed to obtain Liquefied Natural Gas (LNG) remains still too expensive. Despite the quantity imported from Russia to Europe is about one quarter of total, in the case of some individual states like the ones in the East dependence from it is almost total. Also a non EU-country like Ukraine is highly dependent from Russian gas.<sup>114</sup>

The project of the pipeline known as “Nabucco” was originated in order to reduce dependence from Russian gas, but also to permit the access to much needed gas supplies. It is esteemed that by 2030 Europe will be able to assure only 25% of the energy demand through internal sources. The name comes from Giuseppe Verdi’s famous opera because the idea was launched in Vienna in 2002 by a group of executives of energy companies from Austria, Turkey, Hungary, Bulgaria and Romania, who went to assist at this opera after having drawn the plan for the pipeline.

The goal of “Nabucco” is to reach the important Caspian and Central Asian gas fields passing through Turkey and the Caucasus and thus avoiding Russia. The companies involved are BOTAS (Turkey), BEH (Bulgaria), MOL (Hungary), OMV (Austria), RWE (Germany) and Transgaz (Romania) holding each 16,67% of the share.<sup>115</sup> The project is ambitious, it is expected that the construction should start in 2013 and be completed in 2017, when first gas will start to flow.<sup>116</sup> Once built; this 3300 km long pipeline will have a transport capability of 31 billion cubic meters per year. Its successful implementation involves the cooperation of

---

<sup>114</sup> Cf: Pipeline politics? Russia and the EU’s battle for energy, Euractiv.com, latest update January 2009,

<http://www.euractiv.com/en/energy/pipeline-politics-russia-eu-battle-energy/article-177579>

<sup>115</sup> Source: Europe’s Energy Portal, May 2011, <http://www.energy.eu/#dependency>

<sup>116</sup> Source: Nabucco pipeline website, [http://www.nabucco-pipeline.com/portal/page/portal/en/pipeline/timeline\\_steps](http://www.nabucco-pipeline.com/portal/page/portal/en/pipeline/timeline_steps)



several other countries like Azerbaijan, Iran and Turkmenistan. The cost should be of about 7.9 billion Euros. Natural gas consumption in the EU is expected to rise in the next years moving from 533 billion cm in 2008 to 753 billion cm in 2030 and has the advantage of being less polluting than oil and coal.<sup>117</sup>

If successfully implemented Nabucco will bring advantages to the EU in terms of reducing dependence from Russian sources but also to other geopolitical actors, like Turkey. The pipeline will pass for a relevant part through Turkish territory (about 2000 km), thus increasing the influence and the importance of the country towards Europe.<sup>118</sup> Turkey can influence the project either positively or negatively; the country is in great need for energy and has been one of the first supporters of the project, but one reason for attritions with the other partners has been its intention of taking 15% of the supply, meeting the opposition of the other members. At the end it was agreed that Turkey would have received about 60% of the tax revenues.<sup>119</sup> Nabucco can also strengthen Turkey's position towards accession to EU-membership and increase its regional importance due to the strategic geographical location of the country. There is also there is also the problem that Turkey could direct relevant parts of gas coming from Azerbaijan to its internal market and not respect the commitment towards the other Nabucco partners.<sup>120</sup>

Nabucco is not without setbacks, a key point for the achievement of the project to assure the cooperation of those countries that will furnish natural gas, namely Turkmenistan, Azerbaijan and Iran. With Iran is not easy not establish relations also due to US opposition, the other two states seem to be interested in the project, but they are object of pressures from Russian side that tries to exert an energy monopoly over these regions of crucial geopolitical importance.

---

<sup>117</sup> Cf: Erdogan, Erkan : Bypassing Russia: Nabucco project and its implications for the European gas security, MPRA Paper No. 26793, December 2010, p.3

<sup>118</sup> Cf: Talbot, Valeria: La Turchia e i progetti di pipeline verso l'Europa, ISPI policy brief N.110, December 2010

<sup>119</sup> Cf: Erdogan, Erkan : Bypassing Russia: Nabucco project and its implications for the European gas security, MPRA Paper No. 26793, December 2010, p.14

<sup>120</sup> Cf: ibid, p.20

Russia has showed a strong opposition to Nabucco and has made several attempts during the last years to undermine it. Moscow managed in May 2007 to convince Central Asian countries to sell relevant shares of their natural gas to its leading company Gazprom for higher prices, showing the capability to influence these former Soviet countries. However the most important reaction against Nabucco has been the South Stream pipeline project. The idea behind the project is to build a 3200 km long pipeline that connects Russia with Bulgaria through the Black Sea and from there reaches Italy and Austria. This rival pipeline is the result of an agreement made in June 2007 between Gazprom and the Italian energy company ENI, holding each about 50% of the share; the envisioned cost is of around 19-24 billion Euro and it should be completed in 2015. Agreements have been reached also with Serbia, Hungary, Greece, Bulgaria, and Slovenia.<sup>121</sup> There are still unresolved issues with Ukraine and Romania because the undersea pipeline passes through their economic zones. Through bilateral agreements signed with several EU-countries like Italy, Germany or France that seem to be less interested in Nabucco, the Kremlin can further undermine the project. Again the Russian strategy of *divide et impera* backed up by the lack of a common position on European side due to the divergences of the member states could prove to be effective.<sup>122</sup>

All these deficiencies contribute in making the allocations of funds for the project by the EU particularly difficult; despite it enjoys the support of the EU, that during a summit in Brussels agreed for a financial support of 200 billions and especially of the Eastern European countries which declared their support for Nabucco during a meeting in Budapest in 2009, but again the scepticism of countries like Germany and Italy make the allocation of funds difficult. Always in Budapest a financial commitment from side of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) was declared. “However, this “commitment” was conditioned on the project meeting “the requirements of solid project financing”. Without dedicated gas supplies, and

---

<sup>121</sup> Cf: La Slovénie rejoint le projet russe South Stream, Russie.net, 2009, <http://www.russie.net/article4974.html>

<sup>122</sup> Cf: Erdogdu, Erkan : Bypassing Russia: Nabucco project and its implications for the European gas security, MPRA Paper No. 26793, December 2010, p.15

the associated cash-flows, Nabucco may be unable to complete any project financing. Although these tentative commitments from EIB and EBRD, the bulk of the financing will have to come from private sources, at a time when companies are facing severely restricted access to global capital markets.”<sup>123</sup>

Still not assured is the reliability of the exporters from the Caucasus, Central Asia and the Middle East in part because of the instability of these regions (considering also Northern Iraq and Kurdistan) and Russian manoeuvres aimed at undermining Nabucco. The contribution of Azerbaijan is fundamental, but not sufficient since it can provide only half of the supplies needed. Therefore the contribution of Iran and Turkmenistan is necessary. The problem is that in the case of Iran proper relations with the West have still to be established and the country would then need adequate financial aid to develop its pipeline network, while Turkmenistan is, like Azerbaijan under Moscow’s pressure that tries to convince them to sell it its gas. However on the other side these countries have also interest in becoming more autonomous from Russian policies and Nabucco can be a way to achieve this; the constant need of energy supplies from Europe would permit them to sell their resources at profitable prices. For Turkmenistan, that houses huge natural gas reserves, Nabucco would represent the shortest route towards Europe.

The conflict in Georgia in 2008 and the gas crisis between Russia and the Ukraine in 2009 had for Azerbaijan the effect of considering more the possibility of enjoying Western support in case of a crisis; in 2009 a deal between Baku and the EU concerning energy and trade was signed. Still from Gazprom’s side offers are made to buy Azeri gas at good prices. The future of Nabucco will depend much on what will be decided by the government in Baku. Returning to Iran, it is considered that, despite its participation to the project is considered important; due to the many obstacles that have to be overcome in order to implement it, it can become something concrete only in the long term.<sup>124</sup>

---

<sup>123</sup> Erdogdu, Erkan: Bypassing Russia: Nabucco project and its implications for the European gas security, MPRA Paper No. 26793, December 2010, p.13

<sup>124</sup> Cf: Erdogdu, Erkan : Bypassing Russia: Nabucco project and its implications for the European gas security, MPRA Paper No. 26793, December 2010, p.21

The construction of pipelines like Nabucco or South Stream is an expensive and demanding enterprise that will take years to be completed. It has still to be seen which part will manage to realize its respective project. Nabucco are two concurrent gas pipeline projects, although this does not mean that one excludes the other. Nabucco is considered the most favourable option for Europe and its realisation should be considered a priority, but this brings not to the rejection of other projects like South Stream. Recently there have also been rumours from American side that these two projects could merge.<sup>125</sup> Such is the European demand for energy that more that both can be useful and even more will be needed to meet it. What makes Nabucco really valuable and not only for Europe but also for other countries is that it reduces dependence from Moscow and avoids the formation of a Russian monopoly, a sort of OPEC for natural gas. It remains to be seen if the EU and its member states manage to achieve its goals or if Russia will.

---

<sup>125</sup> Cf: US says South Stream and Nabucco could merge, Euractiv.com, latest update January 2011, <http://www.euractiv.com/en/energy/us-says-south-stream-and-nabucco-could-merge-news-501107>

## Conclusion

The first months of this year have witnessed several dramatic events that had a deep impact worldwide. The series of revolts that affected the Arab World and the nuclear disaster of Fukushima had consequences that did not remain confined to their respective geographic areas. As discussed in the previous chapters the Euro-Russian energy relations were influenced by those happenings that changed scenarios that seemed stable and contributed to alter the balance that existed before between the two actors. For example, the financial crisis of 2008 had a serious impact on Russia, revealing the weakness of relying too much on energy and putting it in a condition of disadvantage when dealing with Europe. However the position of Russia became again strengthened by the events in North Africa that reduced the number of reliable suppliers for the EU-countries. And the situation can change again in the next future. Of course future events will not only be determined by indirect causes, but also by decision taken by the involved actors.

In the previous pages about two decades of contacts, cooperation, contrasts and crisis between the European Union and the Russian Federation have been examined and analyzed focussing of course on energy issues. Establishing a constructive partnership in this sector is of crucial importance for the future development of these two powers in a world that is experiencing constant changes. In this script it has been tried to see if there is a concrete possibility to achieve this goal. By resuming briefly the main points it can be said that the European Union and Russia are both two important international actors and both have their respective agenda to follow. This has brought more than once to contrasts between the two involved parts. If for example the EU should have the objective to diversify its energy supply, then Russia has made several attempts to gain a monopoly over natural gas exports towards Europe. This is evident by examining the issue of the gas pipelines that was dealt in the case study. But the need for cooperation is recognized by both as essential, the question could then be: how will this cooperation be? Will it be built on a basis of equality and

reciprocity? Or one part will benefit from it more than the other? In the case of the EU the main problem is its lack of cohesion and of a common energy policy which gives Russia the opportunity to take advantage of its weaknesses and play a more dominant role in this partnership. One of Russia's advantages over the EU is the capability of speaking with one voice when dealing with crucial issues like energy policy. Energy is a subject that goes beyond frontiers and will be one of the most important challenges for the future. European states have to put aside their differences in order to permit to the Union to act with the needed efficiency.

# Bibliography

## Written sources

Fischer Sabine :Die EU und Russland- Konflikte und Potentiale einer schwierigeren Partnerschaft, SWP- Studie S 34, Berlin, December 2006

Frank, Johann: Die Beziehungen zwischen Russland und der EU- Eine Bestandsanalyse, InterneInformation zur Sicherheitspolitik, Wien, im Juni 2007

Jian, Cheng: Relations between Russia and Europe from the Perspective of Energy Strategy, Heft 150, Hamburg, February 2008

Keukeleire, Stephan, MacNaughtan, Jennifer: The Foreign Policy of the European Union, the European Union Series, 2008

Official journal of the European Union, Volume 53, 30 March 2010

Schulemberg, Sebastian: Die Energiepolitik der Europäischen Union, 2009

Torreblanca, Jose Ignacio: Russia is shifting, European Council on Foreign Relations, June 2010

Weidenfeld Werner, Wessels Wolfgang: Europa von A bis Z, Taschenbuch der europäischen Integration, 11. Auflage 2009

## Online sources

### **Internet sources**

Aalto Palmi: The EU-Russian energy dialogue: Europe's future energy security, 2008

Alcaro, Riccardo, Alessandri, Emiliano: Re-setting US EU-Russia Relations- Moving beyond Rhetoric, Istituto Affari Internazionali, Documenti IAI 09, July 2009

Barack Obama et Dimitri Medvedev signent le traité Start, à Prague le 8 avril dernier, Russia.fr, December 2010 <http://www.russia.fr/barack-obama-et-dimitri-medvedev-signent-le-traite-start-a-prague-le-8-avril-dernier.html>

BBC News: EU foreign affairs chief Lady Ashton dismisses critics, November 2009

BBC News Europe, Germany stages anti-nuclear marches after Fukushima, March 2011, <http://www.bbc.co.uk/news/world-europe-12872339>

BBC News: Schroeder attacked over gas post, December 2005, <http://news.bbc.co.uk/2/hi/europe/4515914.stm>

Bernstein, Jonas: Kremlin critics say the Putin-Medvedev tandem will play “good and bad cop”, Eurasia Daily Monitor Volume: 5 Issue: 37, February 2008, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=33412](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=33412)

Bryansky, Gleb: Russia PM Putin says may take part in 2012 election, Reuters, April 2011, <http://in.reuters.com/article/2011/04/13/russia-putin-poll-idINLDE68C16G20110413>



Club de Nice «Energie et géopolitique»- L'Europe et la Russie face aux nouveaux défis énergétiques, December 2010

Council of Europe: Resolution 1418 (2005), The circumstances surrounding the arrest and prosecution of leading Yukos executives  
<http://assembly.coe.int/Main.asp?link=/Documents/AdoptedText/ta05/ERES1418.htm>

Desertec Foundation: The focus region EU-MENA,  
<http://www.desertec.org/en/global-mission/focus-region-eu-mena/>

Duleba, Alexander: Searching for new momentums in EU-Russia relations- *Agenda, Tools and Institutions*, 2009

Emerson, Michael: President Yanukovich's Dubious Deal, Center for European Policy Studies, May 2010

Energy Charter; Members & Observers,  
<http://www.encharter.org/index.php?id=61>

Europe's Energy Portal, May 2011, <http://www.energy.eu/#dependency>

European Commission: Energy, European strategy,  
[http://ec.europa.eu/energy/strategies/index\\_en.htm](http://ec.europa.eu/energy/strategies/index_en.htm)

Garibaldi, Ida: Moscow's Economic Losses and Brussels Energy Gains, ISPI policy brief, N. 140, June 2009

Geden, Oliver, Droge Susanne: Integration der europäischen Energiemärkte, Notwendige Voraussetzung für eine effektive EU-Außenpolitik, S13, May 2010, SWP-Studie, Berlin

Haghighi, Sanami: Energy security: the external legal relations of the European Union with major oil and gas supplying countries, Modern Studies in European Law, 2007

Handke, Susann: EU-Russia energy relations- Some political and economic aspects, CIEP, Hong Kong, April 2007

Impacts of Fukushima Crisis World-wide, EUAustralia Online, Mrch 2011, <http://www.euaustralia.com/2011/03/16/impacts-of-fukushima-crisis-world-wide/>

Klussmann, Uwe, Schepp, Matthias: A Loveless Berlin-Moscow Romance, Spiegelonline International, 10/2006  
<http://www.spiegel.de/international/0,1518,441699,00.html>

La Slovénie rejoint le projet russe South Stream, Russie.net, 2009, <http://www.russie.net/article4974.html>

Mastepanov, Alexey M: Energy Strategy of the Russian Federation to the year 2020

Nabucco pipeline website, [http://www.nabucco-pipeline.com/portal/page/portal/en/pipeline/timeline\\_steps](http://www.nabucco-pipeline.com/portal/page/portal/en/pipeline/timeline_steps)

Obama: Resettling Relations with Russia, Journal of Turkish Weekly, January 2010, <http://www.turkishweekly.net/news/95624/-obama-resetting-relations-with-russia.html>

O'Dongue, Allegra: Revolution offers a ray of hope for solar energy, Al-masry Al-Youm, March 2011, <http://www.almasryalyoum.com/en/node/381774>

Pabst Adrian: Medvedev's "Third Way": The Unrealized Potential. Modernizing Russia and Reforming Global Governance, Russia in Global Affairs, October

2010, <http://eng.globalaffairs.ru/number/Medvedevs-Third-Way-The-Unrealized-Potential-14997>

Penkova, Tomislava: Russia in the Arctic race, ISPI policy brief, N.124-March 2009

Petro, N. Nicolai: The Great Transformation: How the Putin Plan Altered Russian Society, ISPI Policy Brief N.132, May 2009

Pipeline politics? Russia and the EU's battle for energy, Euractiv.com, latest update January 2009,

<http://www.euractiv.com/en/energy/pipeline-politics-russia-eu-battle-energy/article-177579>

Putin, Vladimir: Europe has nothing to fear from Russia, Financial Times, 21 November 2006, <http://www.ft.com/cms/s/0/ddc234d6-7994-11db-90a6-0000779e2340.html>

Russie-Pologne: des relations meilleures que jamais (Tusk), RIANOVOSTI, 09/2009 <http://fr.rian.ru/world/20090901/122922219.html>

Spiegel Online International: From Russia with love, September 2009 <http://www.spiegel.de/international/0,1518,373853,00.html>

Talbot, Valeria: La Turchia e i progetti di pipeline verso l'Europa, ISPI policy brief N.110, December 2010

Trading Economics: Russia GDP Growth Rate, 2010, <http://www.tradingeconomics.com/Economics/GDP-Growth.aspx?Symbol=RUB>

U.S. Department of State, Background Note: Turkmenistan, Bureau of South and Central Asian Affairs, October 2010, <http://www.state.gov/r/pa/ei/bgn/35884.htm#econ>

US says South Stream and Nabucco could merge, Euractiv.com, latest update January 2011, <http://www.euractiv.com/en/energy/us-says-south-stream-and-nabucco-could-merge-news-501107>

Von Cerstin, Gammel: Russland wirft EU "Enteignung" vor, Süddeutsche Zeitung Nr. 46, February 2011

Wald, Matthew L.: Russia to Test Nuclear Plants for Ability to survive quakes, New York Times March 24, 2011, [http://www.nytimes.com/2011/03/25/world/europe/25nuclear.html?\\_r=1](http://www.nytimes.com/2011/03/25/world/europe/25nuclear.html?_r=1)

Wustenstrom aus Marokko und Tunesien, Science.Orf.at, 12.04.2011, <http://science.orf.at/stories/1681181/>

Yastrzhembsky, Sergey: Trust not double standards: What Russia expects from the EU: Pipelines, politics and power, the future of EU-Russia energy relations, Centre for European Reform

Zayonchkovskaya, Zhanna: "Chinese Immigration to Russia in the Context of the Demographic Situation", <http://gsti.miis.edu/CEAS-PUB/Zayonchkovskaya20030914.pdf>

### **Cife electronic library sources**

Barysh, Katinka: The EU's new Russia policy starts at home, Center for European Reform, briefing note, June 2008

Erdogdu, Erkan: Bypassing Russia: Nabucco project and its implications for the European gas security, MPRA Paper No. 26793, December 2010

Eyl Mazzega, Marc-Antoine: Les Relations entre l'Union Europeene et la Russie: l'Amorce d'un Partenariat de Raison?, CERI/Sciences Po

Foucher, Michel, Giuliani Jean-Dominique: L'Union Européene la face de la guerre russo-géorgienne, Fondation robert Schuman, Questions d'Europe n°108, September 2008

Freire, Maria Raquel: Looking East: The EU and Russia, Oficina do CES n° 261, November 2006

Georgescu, Ioana: Artic Geopolitics-The Time for a New Regime, Centre International de Formation Européene, Institut Européen des Hautes Etudes Internationales, 2009-2010

Gomart, Thomas: Quelle place pour la Russie en Europe?, Questionnes internationales n°27, September-October 2007

de Grossouvre, Henri: La Russie nouvel arbitre européen?, Infoguerre.com

Hanson, Philip: Russia and Europe are doomed to cooperate, "Russia in Global Affairs", N°1, January-March 2008

Kasciunas, Laurynas; Vacianas, Zygimantas: Russia's policy towards the EU: the search for the best model

Komen, Janina: EU-Russia relations- Where are we now?, Euro Power, March 2009

Kononenko, Vadim: Russia-EU Cooperation on Energy Efficiency, The Finish Istitute of Foreign Affairs, Briefing Paper 68, 16 November 2010

Leonard, Mark; Popescu, Nicu: A power audit of EU-Russia relations, European Council on Foreign Relations, November 2007

Moshes, Arkadi: Russia and Europe in the Aftermath of the Georgian Conflict: New Challenges, Old Paradigms, Chatam House, REP BN 08/04, September 2008

Perret, Quentin: La paix froide: stabiliser les relations entre l'UE et la Russie, Fondation Robert Schuman, Questions d'Europe n°65

Pipelines, politics and power, the future of EU-Russia energy relations, Centre for European Reform,

Polansky Zbigniew, Winkler Adalbert: Russia, EU enlargement and the Euro, European Central Bank, Occasional Paper Series, No 93 / August 2008

Popescu, Nicu, Wilson, Andrew: The Limits of Enlargements-lite: European and Russian Power in the troubled Neighbourhood, European Council on Foreign Relations, Policy Report, June 2009

Trenin, Dimitri: Pipelines, politics and power, the future of EU-Russia energy relations, Centre for European Reform

Vinatier, Laurent: Les Relations UE-Russie: Moscou pose ses conditions, Notre Europe, Etudes & Recherches, Policy Paper no°20, March 2006