

Russian belligerence and Europe's energy security

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Recent Russian actions have unequivocally underlined that it does not play by the rules. This provides a wake-up call and should alert not only the countries of the former Soviet Union, but the EU as a whole. For the EU, this has one clear implication: it cannot continue to depend on an unreliable energy supplier, which is prone to use energy as a political tool.

Luckily for the EU, summer is approaching and Europeans will need less Russian gas for heating. However, potential gas supply disruptions remind Europe of its energy vulnerabilities, and of the 2006 and 2009 winters, when Russia's decision to stop the flow of gas to Ukraine led to supply crises in a number of EU Member States.

As the EU's heads of states and governments gather in the European Council on 20 and 21 March, the developments in Ukraine and the possible Russian illegal annexation of Crimea will undoubtedly dominate the discussions. Securing energy supply will figure on the agenda, but energy should also be seen as a means to pressure Russia. It is important that the Member States use the occasion to commit to working together on energy security. If this is addressed in a holistic way, it can also support European industry and climate policy – the other issues on the Council agenda that run the risk of being forgotten.

The EU has foolishly put all its eggs in one basket

While the EU's energy policy has built on the objective to secure cheap and sustainable, reliable supplies of energy, its vulnerability is of its own making. The EU-28 import over 53% of their energy and, contrary to conventional wisdom, the EU has put all its eggs in one basket. Russia remains the main supplier of crude oil (35% of EU-27 imports in 2011). Member States have naively handed Moscow undue weight in the European gas market through their bilateral agreements. Russia is still the largest supplier of natural gas (30% of imports in 2011). It has also become the main supplier of solid fuels including hard coal to the EU (26% of imports in 2011). Germany is the largest importer of Russian gas in the EU, and in Member States such as Lithuania, Latvia, Estonia, Poland, Hungary, Slovakia, Bulgaria and Finland the share of Russian gas and/or oil in their national consumption is over 90%.

This vulnerability has been recognised and in the past years the EU has taken a number of actions to promote energy security. The 3rd energy package, adopted in 2009, aims to open up the EU's gas and electricity markets. The 2020 climate and energy objectives, especially those of increasing the share of renewables to 20% and energy efficiency by 20%, also supported this objective. Recent developments, however, remind Europeans that the progress has been too slow and much more needs to be done now.

The Member States should use the European Council meeting to commit to breaking this unhealthy energy dependency once and for all. The EU has a common energy policy on paper, but so far implementation has remained weak. European energy security has been undermined by an internal challenge: a patchwork of national mini-markets, bilateral deals with Russia, lack of political cohesion and solidarity. Recognising the implications of Russia's actions for the whole of Europe, and acknowledging the EU's vulnerability vis-à-vis this unreliable supplier should finally provide the needed momentum for a change.

Energy security starts with an integrated energy market...

Europe needs a truly integrated energy market that will increase efficiency in the distribution and use of energy, thus security of supply. All Member States have agreed to complete the internal energy market by the end of this year, and they must commit to fulfilling this objective. European consumers should be allowed to switch suppliers for gas and electricity, national markets and network operation rules for gas and electricity should be aligned and further investments are needed in cross-border energy infrastructure. Member States must act now if they want to develop interconnections for gas and electricity by 2015. Strengthening infrastructure by integrating alternative sources and increasing lines of supply would help to ensure that no EU country is left alone in case of a disruption.

... benefits from a smarter approach with renewables and EU's own resources

Developing greener sources of energy, seeking the best return on investment and making sure renewables are integrated to the network will help to make them more affordable and available for consumers across the EU. The first step is to create a functioning smart grid that will integrate both existing and new renewables in the electricity network. This would allow large amounts of different renewable energy sources, including new offshore wind capacities, to be connected to the grid, while providing an incentive for further investments. It would increase network security and reliability, and enable consumers to control their use of energy, thus encouraging

energy savings. Secondly, Member States should cooperate in placing production capacity where the sun shines and the wind blows, and stop expensive support schemes in sub-optimal places. Thirdly, it is time to be more creative and learn from each other: in Malmö, Sweden, 60% of heat is produced from its own waste, while in Lille, France, buses run on biogas produced from organic waste. Not bad alternatives for Russian gas.

... requires looking at other alternatives internally and externally

Diversifying the EU's energy supply and reducing its dependence on Russian oil, gas and coal will require alternative sources of energy. While environmental and safety considerations must remain the highest priority, Member States should continue to explore possibilities with nuclear power and the potential with unconventional oil and gas within the EU.

Europe needs to find alternative sources of supply also from outside the EU. Some of the options include increasing liquefied natural gas (LNG) imports from Algeria, Qatar or Nigeria, increasing gas imports from Norway and exploring the possibility to export shale gas from the US. There is a great potential with Southern Gas Corridor. Azerbaijan has already committed to providing 10 bcm of gas, and there could be more also from Turkmenistan if negotiations on a Trans-Caspian pipeline are successful. The Trans-Anatolian Pipeline (TANAP) could bring this gas and potentially even more from Iran, Iraq, Israel and Cyprus to Europe. Negotiations on the South Stream pipeline must be put to a halt, and it should be permitted only if also other than Russian suppliers can use the gas transit route.

... calls for greater energy efficiency

Increasing energy efficiency across the EU would not only help to decrease dependency on foreign energy imports, but would also reduce energy costs for consumers and bring down EU emissions. To get Europe going, a thorough review of the Energy Efficiency Directive is needed, and Member States must include energy efficiency measures in their national energy plans. The Union should use standards for buildings and consumer products, including all road vehicles, to promote greater energy efficiency.

... needs the commitment of one Member State more than others: Germany

The EU can only succeed if all Member States stick together and start implementing a common energy policy worthy of the name. Germany, with questionable bilateral energy deals with Russia, has a special responsibility. The European Council is a good place for Berlin to raise its game and to show that it is willing to take a strong stance with rest of the EU vis-à-vis Russia.

A functioning, competitive and open energy market should be in the interest of Germany, German consumers and its industry. The *Energiewende*, Germany's attempt to move from nuclear and fossil fuels towards renewable energy is not working: expensive subsidies for renewables combined with an increase in coal power production is becoming extremely costly for its citizens, economy, its industry and they are not helping the climate either. Germany should show the way in opening its energy markets and investing in the smart grid. It should also delay the shutdown of its nuclear power plants rather than rely on coal and import nuclear energy from neighbouring countries.

A common EU approach to energy would come with great benefits

Building a functioning energy market would bring enormous benefits for European consumers and manufacturing industries. Competition would lead to lower energy prices. All Member States could profit from diversified energy supply and enhanced security of supply. According to the European Commission, a fully integrated gas market could save Europeans up to €30 billion a year and an integrated electricity market up to €35 billion a year.

Closer European co-operation would strengthen the EU's hand in dealing with Russia on energy questions. It is good to remember: Russia needs the EU, its market and its investments more than Member States need Russia. It has an economy the size of Italy, with a GDP per capita ranked 58th in the world in 2012. It depends on its gas and oil exports to Europe, and a period of prolonged uncertainty would have serious implications for Gazprom and with it for Russia. The EU Member States have so far not been united vis-à-vis Russia, signing bilateral deals, fearing its reactions, and thus have continuously undermined EU's economic and political power. The European Commission's ongoing antitrust investigation of Gazprom's supposed abuse of its dominant position on the gas market provides a good basis for a stronger stance. It demonstrates that the EU is ready to challenge Russia to play by the rules. It is time for all EU Member States to recognise that they are stronger together than alone when dealing with Russia.

The EU need not depend on Russian energy as it does today, and it must take the needed steps now to reduce its dependency from this unreliable supplier. It must develop the alternatives necessary to stand up to Russia without worrying about its energy supply. If Member States are united and build an internal energy market together, this will not only benefit its citizens and industry, but it will demonstrate to Russia that it has exceeded the limits of the EU's toleration.

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