

# When Decarbonisation meets Disinformation: EU-Russia Energy Relations

Issue 2016/15 · June 2016

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## Introduction

What does decarbonisation mean for the energy relationship between the EU and Russia? With the EU's objective to reduce its emissions of greenhouse gases (GHGs) by 80-95% by 2050 comes the requirement to shift away from dependence on fossil fuels. The EU and Russia have long been coupled through interdependent energy needs – the EU needs to import a high proportion of fossil fuels to meet its energy demand, and Russia needs to export its fossil fuels for economic stability. As the EU shifts towards alternative sources of energy and heightened energy efficiency, it is worth reflecting on the implications of such a shift for this important energy relationship. How does or could the EU's objective to transition to a low-carbon economy change the narratives around energy security on both sides of the relationship?

This policy brief explores the interests and narratives of both the EU and Russia on how their energy relations will evolve under decarbonisation. I describe the Russian strategy to promote natural gas in particular, to negotiate on a bilateral basis with member states and to propose new gas pipelines and routes in direct response to the EU's stated aim to improve security of supply through diversification. I also discuss the EU's response to Russian tactics. This includes a brief overview of the institutionalised actions the EU can take through a renewal of the Energy Dialogues and the implementation of the Third Energy Package, the reality of a divided EU in the face of Russia, and the rhetoric on decarbonisation internally not matching policy action. Finally, I conclude by highlighting potential opportunities to break free from the Russian narrative that promotes sticking to the status quo – opportunities that require political leadership from the EU on decarbonisation, but also mean linking to regional and local levels in Russia to overcome political barriers for further economic integration in the context of decarbonisation.

The context of decarbonisation challenges the perception of threats and opportunities on both sides of the energy relationship, and narratives that link to the long-term goal of transition can more prominently underline positive interlinkages and opportunities than short-term concerns. In particular, there is considerable potential for the EU to continue to engage with Russia in energy trade based

The EU agreed in 2009 to reduce its greenhouse gas emissions by 80-95% by 2050, compared to 1990 levels. This 'decarbonisation' objective means a massive shift away from fossil fuel consumption. Currently, EU-Russian energy relations are based on interdependence of fossil fuel import and export. As the EU promotes its climate and decarbonisation objectives, Russia has countered with tactics supporting a narrative in favour of the status quo. So far, the EU's response to Russian narratives has been uncoordinated, but there is considerable potential for the conflicting narratives of decarbonisation and status quo fossil fuel consumption to move to an emphasis on 'opportunities'. In such a narrative, both the EU and Russia would benefit from the innovative and modernising effects of a serious engagement with decarbonisation, including continued relations based on renewable energy trade.

on renewable sources of energy, if only a long-term transition narrative could become embedded within the relations. This is a case of competing narratives in the present drowning out potential win-win scenarios for both the EU and Russia into the future.

## Background: EU-Russian energy relations and decarbonisation

Energy relations between the EU and Russia have long been based on (relatively stable) trade in fossil fuels. In 2014, the EU was 53% dependent on imports of fossil fuels to meet its energy needs (Eurostat, 2016), and Russian oil and gas, in particular, comprised a great share of such imports. The remarkable stability in security of supply and demand between the EU and Russia has been questioned since the mid-2000s, with a number of gas

supply crises in the EU due to Russia's conflicts with Ukraine, and the more recent annexation of Crimea that has led to a cooling of relations (Bosse and Schmidt-Felzmann, 2011; Le Coq and Paltseva, 2012). Energy has been used as a foreign policy tool by Russia, and its interactions with the EU follow a similar logic. Where the EU is dependent on Russian energy, some suggest it is held hostage and has little room for manoeuvre to respond to broader Russian belligerence in its neighbourhood. A counter argument suggests that Russia is just as dependent on the EU as the EU is on Russia, leading to complex political games where neither side wishes to upset the other (Harsem and Harald Claes, 2013). As such, EU-Russian energy relations are embedded in a broader (geopolitical) understanding of foreign relations.

Added to this complex energy-foreign policy arrangement is the EU's objective to decarbonise its economy by 2050 (Dupont and Oberthür, 2015). This objective will mean a huge decline in demand for fossil fuel imports, severely impacting Russian economic interests. In 2013, oil and natural gas exports accounted for 68% of total export revenues for Russia.<sup>2</sup> In 2014, Russia saw a year-on-year decline in total pipeline exports of natural gas of 11.8% (BP, 2015). Compounding the political context of sanctions in the wake of the annexation of Crimea, the EU's climate policy objectives are perceived as a further threat to the economic interests of Russia that relies to a great extent on fossil fuel exports (Casier, 2015; Khrushcheva and Maltby, 2015). Furthermore, in the context of low global oil prices, Russia is keen to keep its fossil fuel markets intact, and the EU is under pressure to demonstrate real commitment to the planned transition away from dependence on cheap fossil fuels.

Given the shift away from fossil fuels required to achieve decarbonisation, the EU's objective and its broader climate policy goals are perceived as in conflict with Russian economic interests. Russia's interests in the energy relationship with the EU are currently linked to ensuring continued fossil fuel trade. In other words, Russia argues in favour of propping up the status quo of EU dependence on imports, while cloaking this within the language of natural gas as a secure and 'clean' fossil fuel.

### The Russian response – narratives to support the status quo

There are three main ways Russia has reacted to the possibility of transition in the EU's economy: lobbying the EU in favour of natural gas, negotiating with EU member states bilaterally, and proposing new business opportunities through further pipeline connections between the EU and Russia. Each of these tactics aims to support the narrative of keeping the status quo for the benefit of security of supply and demand for both sides. Climate change does not feature highly in Russian politics (Khrushcheva and Maltby, 2015), so there is little room for change in narrative internally within Russia in favour of a transition away from fossil fuels.

First, lobbying efforts focus on keeping natural gas as a key element of a more 'climate-friendly' energy system. Natural gas is touted as a flexible complement to any power system moving to variable renewable energy sources, or as a 'bridging fuel' to a more sustainable energy system. Russia supports a disinformation campaign around the 'cleanliness' of natural gas. While it may be less climate damaging than coal, for example, it is still a fossil fuel with high emissions of GHGs. At the EU level, Russian lobbying works through the state-led Gazprom energy company. Officially, Gazprom employs ten people, with four full-time equivalents, to lobby the EU institutions on issues surrounding the Energy Union, EU energy security, GHG emissions and environmental policies, resource efficiency, and the impact of TTIP on the European energy market.<sup>3</sup> In addition, Gazprom outsources further activities to the consulting company G Plus Ltd, which employs 35 people.<sup>4</sup> Between January 2015 and March 2016, most official meetings between the European Commission and Gazprom focused on discussions around the Energy Union. In 2016, Gazprom met specifically with climate and energy Commissioner Miguel Arias Cañete to discuss the gas market and gas infrastructure projects.<sup>5</sup> Research on the type of lobbying activities carried out by Gazprom highlights the perception from the EU institutions of the use of 'aggressive' tactics that are not necessarily intended to inform but rather to disinform or to pressurise. For example, certain interviewees in a study by Tsvetanov (2015) indicated that Gazprom's communication tactics were intrusive and that their lobbying efforts often included lavish gifts or events, leading to the impression that they were willing to go farther in their efforts to get what they wanted. These type of activities were seen in contrast to other energy lobby groups that stick more closely to the EU rules on transparency in lobbying activities (Tsvetanov, 2015).

Second, Russia also engages in a game of 'divide and rule' (de Jong, 2016). When it comes to supporting natural gas over renewable energy and energy efficiency, Russia does not need to spend too much time lobbying the EU-level when it can negotiate contracts for sales of gas and new pipeline projects directly with member states. Russia has a strong history of bypassing the EU-level to meet country's immediate energy needs and thereby weakening EU solidarity and unity. The EU's Energy Union was initially proposed (by then Polish Prime Minister Donald Tusk) to avoid such scenarios and ensure heightened EU-solidarity in external energy negotiations – particularly by negotiating as a bloc for supplies of fossil fuels (Szulecki et al., 2016). The idea has since become embedded in EU energy policy, but has broadened considerably from the energy security dimension to encompass also energy efficiency, research and innovation, the internal market, and decarbonisation (European Commission, 2015). The solidarity mechanism proposed by Tusk has evolved into a repackaging of EU energy and climate policy, but energy security issues de facto remain largely in the hands of member states. Russia has capitalised on this diffusion of competence

on energy issues and negotiated bilaterally with several member states to the detriment of EU unity and the overarching EU decarbonisation vision. The longer the EU's member states negotiate their own supplies of fossil fuels outside of a solidarity mechanism among all 28 – as Russia wishes – the harder it will be to move away from fossil fuels and to achieve decarbonisation (Pfeiffer et al., 2016).

Third, Russia acts to support new natural gas pipeline projects that could by-pass Ukraine. Russia has long blamed any gas instability in the EU on problems with Ukraine as a main transit country. Business opportunities for new pipelines are negotiated bilaterally with particular EU member states (such as with Germany in the case of the Nord Stream pipeline), with states in the EU's neighbourhood (such as Turkey) or are unilateral projects that then require follow-up with affected states for buy-in (as was the case with the now-cancelled South Stream pipeline project). Infrastructure projects provide long-term reassurance to Russia that their interests to continue selling natural gas to Europe are more likely to be fulfilled, in the face of climate change objectives. Such pipelines typically have a lifetime of 50 years or more, and given the investment costs, stakeholders' interests preclude the full operation of the infrastructure for secure returns. New projects are developing even in the face of already-dwindling European demand for gas (BP, 2015) and long-term EU climate objectives that exclude all but a tiny portion of fossil energy. Such long-term security strategies heighten the incoherence between EU-level climate policy and member state interactions with Russia on energy security (Dupont, 2016).

### The EU response – still developing

So far, the EU response to Russian narratives in support of the status quo has been uncoordinated and diffuse, resulting in a strengthening of the Russian story. This is particularly evident in the weakening of EU unity on internal energy and climate policy (Skovgaard, 2014). The Visegrad group of countries have become less interested in ambitious climate policy (Dupont and Oberthür, 2016) and EU internal policy discussions reflect the lack of unity. But potential exists to counteract Russian narratives, particularly by drawing on existing institutional tools and supporting policy rhetoric with policy action on energy efficiency and renewable energy.

First, there are institutional tools available that can be used to counter the Russian fossil narrative with one highlighting modernisation in a climate-friendly manner. These include the implementation of EU internal energy market rules and the (now suspended) EU-Russia Energy Dialogue. When it comes to the EU's internal energy market, the European Commission has been invited to participate in country-level negotiations to ensure that EU unity on energy policy is upheld. Both Poland and Lithuania have invited Commission officials to participate

in their negotiations with Russia (Pakalkaite and Thaler, 2016) – one effective way to counteract Russian tactics to 'divide and rule'. This has allowed these member states more leverage in the negotiations by relying on the EU 'rules' to bind the room for manoeuvre. Furthermore, the EU-Russia Energy Dialogue once proved a fruitful discussion area for the promotion of renewable energy and energy efficiency in Russia, but this forum has been suspended as a result of the Ukraine crisis (Khrushcheva and Maltby, 2016). It showed particular potential to link to regional and local governance levels within Russia, where a willingness to engage with clean energy alternatives and energy efficiency strategies seemed more pronounced than at the Russian national level (ibid.).

Second, the EU can counter Russian narratives by getting serious about its decarbonisation objective. Climate and energy policy are intertwined – the more climate-friendly our energy system becomes, the less there is a need for fossil fuel imports and the more the EU is 'free' from Russian influence (Casier, 2015; Khrushcheva and Maltby, 2015). Energy efficiency, in particular, is identified as a far better energy security strategy than seeking out new supplies of fossil fuels. It is a strategy that not only ensures better security, but also reduces costs and emissions (van Rensen, 2014). The EU needs to heighten coherence between its long-term decarbonisation objective and short or medium-term energy policies. Where decarbonisation is seriously pursued, no more fossil infrastructure will be contemplated (Dupont, 2016).

### Way forward?

For both Russia and the EU, there needs to be a change in narrative for productive and modernising transformation. The Russian narrative in support of continued fossil fuel use is old-fashioned. International support for climate action was clearly present during the climate negotiations in Paris in 2015, culminating in the Paris Agreement (Dröge et al., 2016). Russia must consider its role in a world where its near neighbours will be transitioning away from fossil fuels. The EU needs to consider its own policy objectives in harmony with its external energy relations. Short-term concerns cannot trump long-term objectives when they result in conflicting outcomes and come with the risk of 'lock-in' to a fossil system. The decarbonisation rhetoric needs to be backed up with stronger policy instruments.

For both the EU and Russia, the current conflicting narratives on decarbonisation and continued fossil fuel use lead to a patchwork of status quo projects developed at multiple levels of governance. For both sides, the status quo cannot continue. Carbon-based energy systems will soon be out-dated, and innovative countries and regions will reap the benefits of the transition to a sustainable society (Siddi, 2016). What both sides need to emphasise is the opportunity that comes with decarbonisation. Decarbonisation means changing the type of energy consumed, but energy will

still be required. By updating energy systems to allow for trade in renewable energy rather than fossil fuels, the EU–Russian energy relation can be climate-proofed, particularly considering the great untapped potential in Russia for renewable energy resources (Casier, 2015; Khrushcheva and Maltby, 2015). Where EU–Russia energy relations have been based on out–dated understandings of fossil–based energy systems, decarbonisation need not represent a threat to Russia economic interests or EU political interests, but rather form the basis of a new relationship towards the modernisation of both systems. A new ‘decarbonisation opportunity narrative’ is required.

## Footnotes

<sup>1</sup> I would like to thank Tomas Maltby, Olga Khrushcheva, Mikhail Krutikhin, Andrei Belyi and two anonymous reviewers for helpful comments and feedback.

<sup>2</sup> See: <http://www.eia.gov/todayinenergy/detail.cfm?id=17231>, accessed 25 May 2016.

<sup>3</sup> See: <http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=622135013267-04>, accessed 25 May 2016.

<sup>4</sup> See: <http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=7223777790-86>, accessed 25 May 2016.

<sup>5</sup> See: <http://www.integritywatch.eu/>, accessed 25 May 2016.

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Policy briefs are published by the Institute for European Studies

Jean Monnet Centre of Excellence at the Vrije Universiteit Brussel

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