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Energy Union and EU global strategy

The undefined link

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THE EU'S EXTERNAL RELATIONS

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Preface

At the launch of the Juncker Commission 2014 it was made clear that considerable amounts of political capital was to be invested in the development of an Energy Union. This was not least manifested by the appointment of two Commissioners responsible for energy matters: Maroš Šefčovič for Energy Union and Miguel Arias Cañete for Climate Action and Energy. The underlying rationale behind the Energy Union project lies in recent years' gas disputes between Russia and Ukraine as well as the ongoing armed conflict in Ukraine's eastern parts, but also in the ever apparent need for various central and eastern EU states to reduce its dependence on a single supplier of hydrocarbons in their energy mix.

The Energy Union maps out a broad palette of policy objectives ranging from supply security and integration of internal energy market to energy efficiency and emissions reduction. Since an important part of the foundation of the Energy Union stems from foreign policy considerations, the various objectives of the Energy Union strategy will also have direct and indirect implications on EU foreign policy. This is an area characterized by important divergences and long-lived national security particularities among member states, which will also affect the development of the Energy Union. In this SIEPS report, Richard Youngs and Shahrazad Far map out the foreign policy implications of the Energy Union and assess the degree of policy coherence between the various priorities outlined in the Commission's strategy.

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Table of contents

Executive summary

The Energy Union strategy is the latest attempt to upgrade EU energy policy. The EU's global energy and climate policies are going through a period of intense change, and this change has implications for the EU's foreign and security policies. There is much fluid debate about how the EU should confront the emerging set of challenges that derive from the link between energy policy and security strategies. While efforts are underway to deepen unity among the Union's member states, doubts remain about how well positioned the EU is to navigate both the positive and negative sides of the evolving international energy and geopolitical context.

Against this background, the relationship between energy policies and foreign policy remains under-defined within the new Energy Union. We make **five arguments** about the Energy Union's external dimensions.

> **First**, as it is currently formulated the Energy Union's impact on foreign policy is likely to be indirect and implied, rather than direct and purposive.

While the EU has for several years promised to tighten the link between energy policy and foreign policy, the Energy Union does not create strong mechanisms capable of giving tangible form to this commitment. The Energy Union assumes that developments to internal energy policy will have beneficial effects on the EU's foreign policy manoeuvrability. It takes an inside-out rather than outside-in approach to external energy security. It assumes internal EU markets and rules by extension create an external energy strategy. The Energy Union does not map out what EU geopolitical interests actually are or how EU internal markets and rules are then to be harnessed to these interests. In all these respects, the Energy Union's external dimensions are likely to fall short of the required upgrade.

> **Second**, the *direction* of linkage between energy policy and foreign policy remains unresolved.

A key question is whether energy policy should more strongly condition foreign policy, or inversely whether foreign policy objectives should be able to steer energy policy. While there is consensus on the need to make sure that energy and foreign policy are better dovetailed with each other, the EU and its member states are still ambivalent on the direction of this linkage. The Energy Union is not the source of this tension, but neither does it clarify the tactical choice; indeed, it opens the doors to a protracted struggle between different actors on this question.

For a long time, critics have said that energy policy has trumped EU geo-strategy. It is not clear how far the Energy Union moves towards a reverse situation where energy policy acts in the service of geo-strategy. European governments have contrasting views on this. This is because they have contrasting views on what external energy security is really about.

Despite having signed up to the common Energy Union document, member states still differ on whether a fully-fledged EU external energy policy can best address their varied short and medium-term security concerns. While policy-makers now deliberate more on how energy policies inhibit foreign policy manoeuvrability, there is still little thinking evident on what kind of overarching foreign policy changes are required to meet energy policy goals – something we believe to be the overriding priority.

> **Third**, the Energy Union's concern with the 'Russia factor' has clouded a coherent global security vision**.**

It is well-known that the Energy Union was motivated by many member states' desire to reduce their dependence on Russian supplies, in a context of broken strategic partnership with Moscow. Yet, the Energy Union does not contain well-worked plans for a balanced set of global energy partnerships. Nor does it indicate how EU foreign policies would need to change to create effective partnerships with other suppliers. The EU still frames energy security as security of supply into European markets; it does not approach energy policy as a factor that affects the broader degree of stability in other countries.

The EU cannot put in place effective energy partnerships with other suppliers without deepening a comprehensive foreign and security policy engagement with these countries, both multilaterally and bilaterally. Nor can the Energy Union do the heavy lifting of a common European foreign policy - to some extent it presupposes that the latter is further developed, whether in relation to Russia, the Middle East or other potential supplier countries.

The narrow prism of bilateral and single-sector approaches that characterize EU strategic partnerships undermines the Union´s credibility in its desire to secure energy supplies from countries which remain by and large autocratic, fragile and unstable. The external dimension of the Energy Union cannot limit itself to the EU signing formal and very traditional cooperation deals with supplier countries in the Caucasus or Middle East. Rather, it must entail EU foreign policy helping to ensure that energy sector management become a factor of stability in a broader and more holistic sense. A particular lacuna is that the EU continues to neglect strategic deliberation on energy in North Africa and the Middle East. Curiously, if the EU risks over-securitizing its energy policy with Russia, it still under-securitizes its approach to other suppliers.

Fourth, the Energy Union so far does little to cohere and streamline the different components and objectives of external energy policy.

The EU will continue to be an amorphous actor trying to balance between different objectives and the Energy Union can only be expected to manage rather than resolve this situation. Yet there are further improvements that could be made. Even when taking into account the important council conclusions on energy diplomacy adopted in July 2015, there seems to be an assumption that gearing more funds from different EU instruments towards a particular strategic energy sector will result in coherent action. It is true that the energy diplomacy action plan does fill some policy gaps by promising to harness the multiplier effect of the EU's global outreach for energy aims. In practice, however, the division of labour between different European institutions remains unclear, leaving room for the kind of inter-institutional turfism that undermines global strategic effectiveness. The European External Action Service (EEAS), in particular, still needs a clearer and stronger energy policy mandate.

Again, the Energy Union is not the cause of existing stresses between different EU objectives; in some ways it registers these tensions and sets the foundation for a more clear-eyed debate over competing priorities. Yet, the Energy Union will need to be structured in a way that does not worsen incoherencies. At present, EU's Energy Union strategy sends mixed messages to supplier states. It talks of new external partnerships but also of decreasing consumption. The Energy Union will need to define more clearly the relation between its different objectives.

Fifth, the Energy Union will have implications for the relationship between climate change policies and broader security objectives.

At present, the Energy Union does not spell out the nature of the link between its climate objectives, on the one hand, and EU foreign policy instruments and aims, on the other hand. Many commentators have already pointed out that energy security cannot displace the need for a fundamental energy transition to a low carbon economy. But the Energy Union also needs to go beyond the normal parameters of 'energy transition' if it is to provide genuine 'security' against climate change. While the EU takes the lead on pushing for an ambitious agreement on emissions targets at the December 2015 Paris Conference, it still needs to develop a full-spectrum 'climate foreign policy'. A forward-looking climate policy cannot be confined to negotiating targets with large emitters in high level conferences but ought to also be embedded in the heart of the EU's wide range of cross-cutting initiatives and external actions with third countries at the regional, national and local levels.

1 Introduction

In February 2015, the European Commission published its strategy for an Energy Union. This strategy coalesces many different strands of EU energy policies. The strategy was proposed by the Council's president Donald Tusk and is being implemented by the vice President of the Commission for the Energy Union Maroš Šefčovič, together with the Commissioner for Climate Action and Energy Miguel Arias Cañete. The Energy Union enshrines the advances made under several energy policy initiatives during recent years, and promises to extend this progress further.

In this report we focus on just one element of the Energy Union: namely, the **external dimension**. The report assesses the external implications of the Energy Union at several levels. It does not attempt an analysis of the whole spectrum of EU energy policies, but rather examines the more specific question of the Energy Union's consequences for EU foreign and security policy. We proceed from the assumption that the Energy Union's aims will require upgraded EU external engagements, in both energy policy and broader security and development strategies.

The putative Energy Union is potentially of profound importance for the EU's foreign policy. Of course, the on-going crisis with Russia was a major driver of the Energy Union strategy. More broadly, while much of its focus is on completion of the internal market in energy, the Energy Union cannot be separated from the EU's fast-changing position in the international system. Divergences in energy policy have long militated against unity between member states in foreign policy. The Energy Union could provide a decisive impulse toward a more united and effective EU geo-strategy – and the Energy Diplomacy action plan agreed in July 2015 usefully begins the process of operationalizing this new strategy. However, as we will see, the foreign policy outcome of the Energy Union remains uncertain and under-defined. A mutually-reinforcing link between energy policies and EU external relations has not yet been clearly conceptualized – let alone implemented.

Our report offers an overview of the EU's shifting pattern of energy security interests at the international level. It examines how far the crisis in Ukraine and in relations with Russia has really increased member states' determination to shift the configuration of their energy supplies. It also pays special attention to the Middle East: the EU now talks of this region being more important if the Union is to decrease its dependence on Russia. We assess how much potential exists for the EU to improve its energy security policies in the Middle East, in light of geopolitical tensions in this region. In doing this, we suggest that EU energy policy needs to be nested within a more comprehensive and mutually-beneficial strategic partnership with the Middle East. And finally the report unpacks the

link between the energy security and climate change components of the Energy Union. It uncovers tensions between these two stands of EU policy, and more broadly between medium and long-term objectives – including general security objectives.

We make five core propositions, arguing that:

- The Energy Union makes an indirect rather than overt and fully defined link between energy and foreign policy;
- The *direction* of linkage between energy and foreign policies will be a crucial question in the future development of the Energy Union;
- Doubts remain of over how far the EU is committed and able to take forward a comprehensive set of energy security partnerships to lessen dependence on Russia;
- The Energy Union still has to find ways to manage tensions between different sets of energy and foreign policy objectives; and
- The Energy Union will need further innovation if it is to address fully the security implications of climate change.

The report is structured as follows. The first chapter maps the incremental evolution of EU energy policy that led to the Energy Union. Chapter two assesses the potential implications of the Energy Union strategy for foreign policy issues. In chapter three, we examine how far the Energy Union strategy seeks to delink the EU from Russian energy supplies. In chapter four, we look at the alternative energy partners identified in the Energy Union strategy. In chapter five, the report analyses the importance of climate change mitigation as a cornerstone of the EU's overarching security interests. The report concludes with a series of suggestions for how the EU can best harness the Energy Union to further its geo-strategic influence – and vice versa.

2 Incremental energy policy innovation

The EU's commitment to complete an Energy Union is the result of several factors. It is the product of both long-term trends and the emergence of more immediate policy challenges.

Against the background of a global energy landscape undergoing tectonic change and with the EU's neighbours posing acute security threats, the Energy Union strategy aims at responding to three policy challenges. First, the EU aims to create a competitive economy by leading a continent-wide green energy transition. Second, it needs to secure external energy supplies, particularly of natural gas. Third, the EU aims to retain global leadership in climate change mitigation. The Energy Union text recognizes that energy policy needs a major upgrade to meet the challenges and strategic interests that are now at stake. In this sense, the strategy seeks to combine short, medium and long-term objectives as well as attempting to balance normative power projection with realist interests.

The Energy Union framework strategy can be best depicted as an umbrella strategy that encompasses former initiatives for closer cooperation on all energy-relevant issues, including foreign policies. Notwithstanding its advances, the strategy does not exhibit enough policy innovation or new means for ensuring policy coherence. In both cases, the litmus test for the Energy Union's true added value on the internal as well as external energy policy fronts will be found in the political support that EU member states and the Commission give the initiative. For now, it remains unclear how strong this support will be.

Most visibly, the Energy Union was spurred by Russia's actions in Ukraine. These actions have intensified many policy-makers' conviction that the EU needs more far-reaching energy diversification. Russia is not the only factor, however. Instability in the Middle East and North Africa suggests that the EU faces enormous foreign policy challenges in maintaining other external supply sources too. At the same time, broader, structural changes to international energy markets present long-term foreign policy considerations for the EU.[1] Moreover, international climate change policies are approaching a defining moment, as the Paris Conference of the Parties (COP 21) in December 2015 will have a profound read over to wider international relations. All these issues will need to be tied together within the EU's new Global Strategy for foreign and security policy, which is expected by June 2016.

[1] D. Buchan & M. Keay, Europe's Energy Union Plan: a reasonable start to a long journey, Oxford Energy Comment, The Oxford Institute for Energy Studies, March, 2015, p. 4.

The new energy panorama is one of both sharper threats and positive opportunities. The importance and clustering of so many energy-related challenges explains why member states have agreed to a major leap-forward in energy policy cooperation. With so many of these challenges revolving around international factors, the nexus between the Energy Union and EU foreign policy will be of defining significance. It is a nexus that remains for now relatively undefined. This report offers thoughts on the issues at stake in the Energy Union's external dimensions.

If most elements contained in the Energy Union strategy were already present in previous policy documents, the term 'union' is new. This raises the question of the ultimate meaning behind this word. Is it essentially a symbolic and rhetorical message to third countries that they should henceforth expect greater strategic unity and solidarity between member states? Or does it signal a step towards a fully supranational energy policy?

There has been much talk of the Energy Union serving the much wider purpose of giving the EU a new project to help pushback against a rising tide of euro-scepticism. Further integration in such a strategic policy field could certainly be a game changer for the whole European integration project – and this in turn would have major foreign and security policy implications. No wonder the Energy Union has raised the hopes of many euro-enthusiasts who see it as an updated version of the Coal and Steel Community that kick-started the whole European project.[2] Achieving a true Energy Union with deeper integration and wider policy convergence in one of the EU's last integration frontiers would be a quantum leap forward in the European project. Whether member states are really ready to sacrifice their national autonomy in energy policy for the sake of rescuing the EU project might be profoundly doubted, however.

2.1 A trajectory of EU energy policy

The Energy Union is the latest increment in a series of EU energy security strategies and commitments. The EU has long struggled to define a common energy policy. In response, member states have agreed to a number of EU policy upgrades in the last five years that touch specifically on the international dimensions of energy security.

The gas pipeline crisis in 2009 prompted several steps forward in external EU energy security policy, in the same way that the current Ukraine-Russia crisis has acted as another catalyst. Since the 2009 gas crisis when Russia cut supplies across Ukraine, the EU has made important advances in energy cooperation. Subsequently, an EU Regulation on security of gas supply brought in a common EU framework for preventive action and emergency plans to deal with supply disruption; develop reverse flows; and encourage the construction of more

[2] S Andoura and J-A. Vinois, *From the European energy community to the energy union: a policy proposal,* Notre Europe Jacques Delors Institute, 2015.

Liquified Natural Gas (LNG) terminals. From 2011, the EU agreed on a number of new documents that promise to strengthen Europe's presence in international energy policies. These included an *EU Energy 2020 strategy*, a communication on climate diplomacy, and an *Energy Roadmap 2050* that presented scenarios for the next four decades.

In 2012, the Commission gained limited powers to assess the compatibility of member states' bilateral energy agreements with EU rules. This 2012 Intergovernmental Agreement (IGA) encourages member states to share information on their deals with third countries – although it enables the Commission merely to offer advice and only where invited to do so by member states. Since 2011 the EU has signed a plethora of bilateral energy memoranda with Central Asian states, Azerbaijan, Algeria, Egypt, and others. Member states granted the Commission a mandate to negotiate agreements with Turkmenistan and Azerbaijan on the Trans-Caspian pipeline.

The EU also began to incentivize reverse flows to deliver gas to where supplies are most vulnerable; more investment in LNG terminals; and strategic coordination on pipeline projects so that one member state cannot decide on a project that undermines the security of another member state. The EU also recommended an eventual enlargement of the southern gas corridor through the inclusion of Iraq, Iran, and Turkmenistan, a deepening and extension of the Energy Community through the EU's neighbourhood.

In January 2014, the European Commission published its energy policy guidelines up to 2030. The 2030 package proposed: a binding EU target of 40 per cent cut in greenhouse gas emissions with binding national objectives; a binding EU target of at least 27 per cent in renewable energy with non-binding national action plans; and an indicative energy efficiency target of at least 27 per cent with non-binding national action plans.

In May 2014, the EU published the *European Energy Security Strategy.* This had an unprecedentedly geopolitical tone and is remarkably open in its stated aim of pushing back against Russian influence. The paper proposed a whole battery of policy moves: completion of the internal energy market, increased storage capacity, and strengthened solidarity mechanisms to provide concrete protection, especially for the half-dozen states still entirely dependent on Russia for energy imports.

In parallel to these policy developments, a number of gas pipeline projects have evolved notably in the last five years. The Nord Stream pipeline, which directly connects Russia with German markets, started pumping in November 2011 and is now set to be expanded. While the Nabucco pipeline from Turkey to Austria has been scrapped, the Trans-Adriatic pipeline will bring supplies into southern Italy, albeit in lower quantities and farther removed from Central European

markets. The Commission has repeatedly promised support for the submarine Trans-Caspian pipeline from Turkmenistan to Azerbaijan. Less noted efforts have been made to advance with the more challenging Trans-Saharan pipeline.

In this context**,** it is important to remember that the EU remains a highly complex and *sui generis* actor in the field of energy policy. There is an intricate division of energy competences between the Union's supranational bodies and the member states. The EU is a foreign policy actor in energy issues but is also itself a set of energy market rules. It relies heavily on a regulatory approach to energy questions. Common EU rules co-exist with fiercely independent member-state policies, especially in the international arena. The division of labour between the European Commission, the European External Action Service (EEAS), and member states is not always clear-cut. Some aspects of European global energy policies constitute highly geopolitical paths followed by member states' national governments. Other aspects rely more on EU cooperation processes and common technical regulations.

This complexity means that EU external energy security policies cannot be directly equated with those of the United States or China. Member states have traditionally pursued their own interests in securing oil and gas supplies. They have not sought or wanted to be constrained by common EU guidelines in relation to hydrocarbon diplomacy. This has undermined other EU foreign policy objectives. The EU has struggled to develop united policies toward the geopolitics of oil and gas supplies much more than in the area of climate diplomacy. It has long been lamented that the EU lacks a common external energy security policy.

Crucially for this report, the trajectory of energy strategies since 2011 shows an increasing realization of the foreign policy dimension. The EU has long assumed that its global energy interests could best be advanced by getting other countries to incorporate the rules of the EU's own internal market. This would give a framework of firm, multilateral rules to help guarantee predictable and cost-effective oil and gas supplies. The EU has gradually realized that today's geopolitical context requires a less technical approach and deeper reflection on the relationship between energy and foreign policy actions.

Hence, while the core ideas that sit at the heart of the Energy Union document have been around for some time, European governments felt that progress was insufficient. The amount of funding allocated for infrastructure projects has been only a fraction of what is needed. Moves towards a perfectly connected and efficient internal EU energy market that can dramatically reduce external dependency have been constantly held back. National companies remain reluctant to give up their exclusive private contracts in deference to a common EU external energy strategy. The crisis in relations with Russia exposed the costs and dangers of these failures to coordinate more fully on energy security.

2.2 Broader changes to global energy markets

The Energy Union cannot be understood only in relation to internal EU policy innovations. It is also situated within a series of changes to the global energy context. Overarching trends include the likelihood of an extended period of low oil prices and flat energy consumption. For the first time, emissions are going down in Europe in a time of growth.

The foundations of the EU's energy policy rest upon core features of energy markets that are experiencing fundamental shifts. The patterns of global oil and gas supplies are shifting in a way that has implications for EU foreign policies. While the recent oil price collapse was relatively predictable and paralleled former price collapses since the 1970s, it is in some senses distinctive and structurally significant. This is because it is linked to both a surge in non-OPEC supplies and weak demand.[3] The expansion of global oil production in 2014 was more than double that of consumption.[4]

The impact of the US's new energy landscape on the global energy context is far-reaching. The US has now replaced Saudi Arabia as the world's largest oil producer. The rate of growth in US oil production has been faster over the last three years than the growth previously experienced by any other producer.[5] The surge in oil supply is mostly attributed to the technological advances in US tight oil extraction. This has untapped an abundant source that was hitherto out of bounds. It in turn profoundly upsets the respective weights of OPEC versus non-OPEC production in global oil markets.[6] The impact of this is further strengthened by a general global trend of decreased reliance on oil in the energy mixes of both emerging and developed economies.[7]

In relative terms, the EU's energy profile exhibits diminished structural power combined with persistent vulnerability. The EU's share of global energy consumption has decreased dramatically in the last two decades, meaning it has less influence over the structuring of global markets. Yet the EU is the only major consumer that is still highly vulnerable to international developments. EU net imports are predominantly petroleum products (58 per cent) and gases (28 per cent).[8] In 2013, Russia accounted for 39 per cent of the EU's total fossil fuel imports; it was followed by Norway (29.5 per cent) and Algeria (12.8 per cent). Qatar had a share of 6.7 per cent, followed by three countries contributing with less substantial volumes; namely Nigeria and Libya both at 1.8 per cent and Trinidad and Tobago with 0.8 per cent.[9]

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3 Organization for Economic Co-operation and Development and International Energy Agency, Medium-Term Oil Market Report, 2015, p. 10.

4 British Petroleum BP Statistical Review of World Energy, 2015, p. 3.

5 Ibid, p. 5.

6 OECD and IEA, *op. cit*, p. 10.

7 Ibid.

8 European Commission, EU Energy in Figures, Statistical Pocketbook 2015, p. 39.

9 Ibid, p. 26.

A defining question is whether the EU will really need more gas. Some experts say this is a questionable basis upon which to base the Energy Union. In 2014, the EU's energy consumption fell by 4 per cent – and of natural gas by 11.6 per cent.[10] The key trends that have emerged in recent years include an oversupply of gas relative to tapering demand and the return of coal as carbon prices have plummeted. Most prognostics predict that EU gas consumption will not rise dramatically up to 2030.

The Russian share of EU import volumes of crude oil and LNG is high but has been falling for several years.[11] There was a decrease in gas imports from Russia between 2005 and 2010, explained by the 2008 financial crisis and the 2009 gas crisis with Ukraine. Between 2012 and 2013, volumes increased again.[12] Two-thirds of gas imported into the EU now enters on a market basis, not through fixed contracts. The world market has an over-supply of LNG, which at present is flowing smoothly into Europe as Asian growth falters. In parallel, coal imports have been on the rise since 2010,[13] with coal imports from Russia having increased steadily since 2010.[14] Import volumes of Crude and Natural Gas Liquids from the main exploring countries (Russia, Norway, Saudi Arabia and Nigeria) have been in decline.[15]

Given this structural context, the imperative is not so much to decrease the overall EU dependence on Russian gas, but to make sure that East European states have a more balanced access to energy sources from elsewhere in the EU. Gas price differentials have widened between member states – particularly given high gas prices in East European states heavily reliant on Russia. The urgent policy issue is not the overall level of EU dependence, but whether supply can be switched to alternative sources in case of disruption.

Shale gas is, of course, the most talked about aspect of the new energy panorama – and it will have foreign policy ramifications that are as yet under-explored. The advent of shale gas will require the EU to reconsider its patterns of international alliances, with potentially far-reaching effects for EU geopolitics. Countries like Algeria claim that they have more shale gas than natural gas. Other shale basins exist in Norway, Poland, Ukraine, Turkey, and East Africa. Some industry analysts talk of an impending end to pipeline politics. If the US allows shale gas exports to the EU, this could fundamentally change the energy security scenario. Yet, a huge risk is that the US's newfound energy independence will led to a divergence between it and the EU on energy security aims. Whether president Obama's climate plan introduced in summer 2015 suffices to safeguard transatlantic convergence remains to be seen.

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[10] BP, *op. cit*, p. 4.
[11] European Commission, EU Energy in Figures, *op. cit,* p. 64.
[12] Ibid, p. 65.
[13] Ibid, p. 67.
[14] Ibid, p. 64.
[15] Ibid.

With shale gas present in many stable, advanced, and friendly countries, energy security worries may appear less acute. However, shale supplies are unlikely to untangle the EU from difficult international challenges. China may have even larger reserves of shale gas than the United States. The Ukraine crisis has already had an impact on shale gas production: NATO has accused Russia of funding anti-fracking groups in Europe. EU member states' very different views on shale gas risk magnifying divergence among their foreign policy positions too.

Changes are also afoot to the structure of global energy governance. Multilateral forums are subject to increasingly fierce competition between different national and regional interests. Emerging economies are becoming increasingly assertive in reshaping the global economy and their unquenchable thirst for energy supplies is giving them weight in the global energy governance architecture. There is a sharper dichotomy between these economies' insatiable demand for energy, on the one hand, and their growing energy poverty, on the other hand – both of these trends present the EU with security challenges. In addition, a new race for coal among emerging economies risks undermining the EU's global climate leadership and cancelling out recent reductions in emissions. India's increase in coal consumption in 2014 was the largest ever recorded.

The EU's exposure to energy insecurity and foreign policy threats emanating from its immediate neighbours will become increasingly interwoven. This will remain a constant reminder of the need for a more robust EU-wide external energy policy that addresses challenges in the energy and geo-strategic domains simultaneously and effectively. As long as member states retain competence over their respective energy mixes, then it will be difficult for the EU to pull its full weight in the external dimension – and the risk of fragmentation will exist. A case in point is the unabated use of coal by some member states, which undermines the EU's climate positions with mega coal producers among the BRICS countries.

In sum, the Energy Union proceeds against a background of profound changes to the global energy context. These changes carry with them both risks and opportunities. Certainly, many of the challenges they present are great. Consistently high energy import dependency within a global energy landscape that is undergoing structural changes leaves the EU not only exposed to vulnerability but is also set to diminish the Union's bargaining power and leverage over the emerging global energy architecture. Even where demand patterns may modestly free the EU from such acute external dependence, the processes of adjustment to a new energy panorama will be difficult and unsettling.

3 The Energy Union's foreign policy issues

The Energy Union strategy incorporates commitments to external energy issues that will have a bearing on EU foreign and security policy. The text mentions specific suppliers (especially the catalyst provided by the Russia-Ukraine crisis), specific infrastructure projects, specific EU instruments (like the Energy Community), specific energy sources (like LNG) and talks of the need for an extended network of external energy partnerships. Yet, deeper questions about the link between the Energy Union and EU foreign policy strategies are touched upon in only relatively vague terms.

3.1 External dimensions

As indicated, the Energy Union strategy contains a wide range of commitments. Most of these are internal to the European Union. At the same time, the document also includes elements that are directly relevant to EU foreign and security policy.

The document makes a number of commitments to strengthen the international aspects of EU energy policy. It says:

– 'the EU will use all its foreign policy instruments to establish strategic energy partnerships with increasingly important producing and transit countries or regions such as Algeria and Turkey; Azerbaijan and Turkmenistan; the Middle East; Africa and other potential suppliers'.[16]

– 'When the conditions are right, the EU will consider reframing the energy relationship with Russia … Particular attention will be paid to upgrading the Strategic Partnership on energy with Ukraine. This will address issues related to Ukraine's importance as a transit country as well as those related to Ukraine's energy market reforms, such as the upgrade of its gas network, the setting up of an appropriate regulatory framework for the electricity market and increasing energy efficiency in Ukraine as a means of reducing its dependence on imported energy.'[17]

– 'In our immediate neighbourhood, the Commission will propose to strengthen the Energy Community, ensuring effective implementation of the EU's energy, environment and competition acquis, energy market reforms and incentivizing

[16] A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, COM (2015), 80 final, p. 6.
[17] Ibid, p. 7.

investments in the energy sector. The goal is closer integration of the EU and Energy Community energy markets. The energy relationships with the European Neighbourhood Partnership (ENP) countries will be considered in the ongoing ENP review.'[18]

– 'To ensure the diversification in gas supplies, work on the Southern Gas Corridor must be intensified to enable Central Asian countries to export their gas to Europe. In Northern Europe, the establishment of liquid gas hubs with multiple suppliers is greatly enhancing supply security. This example should be followed in Central and Eastern Europe, and in the Mediterranean area, where a Mediterranean gas hub is in the making.'[19]

– The EU will prepare an LNG Strategy and deploy the European Fund for Strategic Investments (EFSI) to further external objectives.[20]

– 'The EU will further develop its partnership with Norway, the EU's second largest supplier of crude oil and natural gas. The EU will continue to integrate Norway fully into its internal energy policies. The EU will also develop its partnerships with countries such as the United States and Canada.'[21]

– Beyond the formal text but as part of plans for its implementation, policy-makers point to a guiding aspiration of helping all member states have at least three different external energy suppliers.

– A Commission vice-president has been named specifically for the Energy Union (Maroš Šefčovič), to improve coordination between different institutions and energize implementation of commitments. This appointment is presented as evidence of the intention to link energy and foreign policies far more tightly than hitherto.

Behind this series of textual references and commitments lie a number of issues that need to be interrogated:

3.2 Trade and energy policy

The trade policy component of energy security is the pivot around which many external implications revolve. Experts have long advocated an 'energy trade policy' in the form of EU agreements signed specifically to facilitate trade in energy supplies, bargaining access to the internal market against EU access to new energy supplies, and insisting on stricter reciprocation measures than currently exist in the third energy package. This would need to be predicated

[18] A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, *op.cit*.
[19] Ibid, p. 4.
[20] Ibid, pp 4,5.
[21] Ibid, p. 7.

upon an integration of energy into general EU external policy and would require a common EU agency dedicated to providing common analysis and strategic thinking in the field of energy.[22] The Energy Union strategy does not itself point towards these kinds of ambitious changes.

One notable measure was *not* included in the strategy: a mechanism for purchasing gas on a joint EU basis. This idea was central to Poland's original push for an Energy Union and had been supported by other member states, mainly in central and eastern Europe. However, most member states rejected such a pan-European purchasing commitment. Commission officials feared the measure would sit uneasily with competition rules – the same rules the EU is using to curb the power of Russian energy giant Gazprom (see below). The Energy Union talks of voluntary common purchasing arrangements between small groups being possible.

Doubts in this issue stem from a deeper shortcoming: changing patterns of external supplies will affect member states in different ways; the costs and gains will not be evenly shared across member states. Yet, there has been no systematic assessment of what such geo-economic shifts are likely to occur as a result of the Energy Union.[23]

More modestly, European heads of state have agreed 'in principle' to increase transparency in the exchange of information on energy contracts. The Commission still hopes to gain the right to vet energy contracts concluded by member states with third countries. This has unleashed a debate that pits Germany, which has negotiated successfully with Gazprom, against Poland, which pays higher prices and would welcome greater EU involvement. The Commission's powers over member states' bilateral agreements are currently far too weak to have a significant impact on external geo-economic or foreign policy differences.

Policy-makers are still debating the details of the slimmed down version of the original single purchasing proposal. This is a matter of how and when exactly the Commission could still act on behalf of a small subset of member states involved in a particular energy project. The Commission may propose to make this obligatory in the case of a supply crisis where states rely on one external supplier. Some governments have still not completely given up on the idea of a single purchasing arrangement vis-a-vis particularly difficult third country suppliers.

The Commission wants to have a seat in companies' negotiations with third country suppliers and the ability to veto deals that contravene EU policy guidelines and legal rules. This would give the Commission a degree of power

[22] S. Andoura and J-A. Vinois, *op. cit,* p. 145.

[23] D. Scholten, I. Ydersbond, T. Sattich and T. H. Inderberg, *Consensus, contradiction, and conciliation of interests: the geo-economics of the Energy Union*, EPC policy brief, July 2015.

going far beyond its current ability to comment on deals after they have been concluded.

European energy companies remain ambivalent about these changes. Unsurprisingly, they seek the benefits of having other companies and third country suppliers pressured to comply by stricter rules, but baulk at any possible restrictions to their own commercial freedoms. Companies fear EU diplomats taking a more prominent role in talks with suppliers and adding political factors that compromise commercial conditions. Common 'energy diplomacy' might be helpful but not if this is pursued in a way that excludes energy company representatives. The same is true with the EU offering new high-level energy dialogues. In some cases, like with Algeria, companies have recently complained that Commission and EAS efforts with respect to such dialogues have unhelpfully cut across companies' own delicate negotiations.

In a separate development of potentially great significance, the EU is about to sign into law new disclosure rules for payments made by European energy companies to third country governments. This is part of an effort to improve global energy governance. Over 80 per cent of EU energy imports come from suppliers with bad quality energy governance – that is, with problems of corruption and weak rule of law that are often fanned by bribes from European companies. It is increasingly recognized that such problems rebound negatively on EU energy security. However, it remains uncertain whether the new rules will be strict enough to make a significant difference.[24]

Other trade issues also remain unresolved. The EU wants an energy chapter within the ongoing Transatlantic Trade and Investment Partnership (TTIP) negotiations with the United States. Getting the US to agree to export shale gas supplies to the EU would help prize European economies away from their reliance on Russian gas. However, there is as yet no clarity on TTIP's role in energy security, despite it being one of the few free trade agreements to have a separate energy chapter. At the time of writing, trade, energy and foreign policy decision-makers are not near to agreeing on this. Moreover, doubts have been raised regarding how much US-EU LNG trade can off-set the current crisis with Russia. Some argue that the benefits of increasing US LNG supply will be significant, even if European states do not engage in direct LNG gas trade with the United States.[25] This is because the additional supplies released onto the global market will reduce prices and thereby boost the EU's bargaining power in global energy relations. But sceptics insist that US LNG supplies are unlikely to be sizeable enough to reduce Russia's pivotal importance for many European states – as we will see below.

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[24] G. Escribano, *The EU and resource governance*, Real Instituto Elcano, October 2015.

[25] J. Bordoff and T. Houser, *American Gas to the Rescue? The Impact of US LNG Exports on European Security and Russian Foreign Policy,* Centre on Global Energy Policy, School of International and Public Affairs, Columbia University, September 2014.

There is also the question of EU anti-dumping duties on cheap Chinese solar panels: some member states see these duties as necessary for energy security, while others argue that such security would be best served by letting China pick up the costs of subsidizing cheap renewables imports into Europe. In addition, the potential of the WTO and other bodies in the energy field remains to be fully determined. The prospective re-launch of the Energy Charter Treaty is another question mark.[26] Many experts suggest this initiative has been a failure and that the EU needs to be more open to revisiting some of its core tenets than has been the case so far.

The point here is the following: While all such trade issues remain contested within the EU, the linkage between economic external relations and security will remain uncertain and under-developed. As the EU moves to define a security of supply strategy in 2016 to clarify rules on commercial deals, this is an area in urgent need of clearer definition.

3.3 Development and energy policy

The EU's development policy in the energy sector of resource-rich developing countries is a crucial aspect of external energy policy. Commissioner Šefčovič has said that helping poor communities in developing countries gain access to electricity though renewable sources is a core component of 'energy security'.

The EU – the Commission and member states collectively – remains the world's largest aid donor, by some margin. Development policy gives the EU a significant part of its international influence. European development budgets have begun to allocate more resources to energy-related initiatives. In its July 2015 energy diplomacy communication, the EU commits to harnessing all such resources towards its strategic objectives in global energy policy. Yet, the Energy Union has not yet fully explained how the EU will go about streamlining development goals with energy policy objectives. The EU will need to address the still unresolved question of how development policy in the energy sector can contribute simultaneously to development goals and energy foreign policy priorities.

For many policy-makers, targeting the energy sector as a sector for development cooperation denotes its de-securitzation. Energy development projects usually take place in partner countries with no substantial non-renewable resources. After the neighbourhood regions were transferred to the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), development cooperation in the energy sector was pushed down the ranking of spending priorities in this area. This is a step in the wrong direction that neglects the role that relatively de-securitized energy projects can play in meeting the overall objectives of the Energy Union.

[26] S. Andoura and J-A. Vinois, *op. cit,* p. 99.

In short, the Energy Union is unduly vague on the development component of external energy policies. While energy development cooperation and energy foreign policy have distinct modus operandi, the inter-linkages between them are increasingly important. This is especially the case as emerging economies are increasingly interacting with the EU in third countries as development cooperation partners. A case in point is the Chinese presence in Africa, where many of the recent high volume hydrocarbon discoveries are to be found. Moreover, a sustained period of low oil prices increases the need for a holistic, development-oriented approach, as supplier governments will find themselves under intense pressures from their own societies for reforms – and hence standard government-to-government energy deals are likely to be woefully inadequate.

Policy-makers have talked of the 'nexus approach' for many years – referring to the notion of development, economic and strategic elements all pulling together in the complex management of international resource flows and scarcities. Yet, many in the development community remain uneasy about their work being 'contaminated' by the more security-oriented dimensions of international energy policy. Conversely, strategic planners still tend to under-estimate the development dynamics that lie at the heart of global energy challenges – the way many security crises around the world are in part caused by resource shortages and strains on energy flows. Development policy can and should be used more purposefully to mitigate resource conflicts, migration surges and insecurity. It can also do more to boost more effective climate adaptation and dissuade developing countries from entering into a 'race to the bottom' in terms of reliance on fossil fuel exports. The Commission is set to launch a paper on how development policy relates to energy strategy; this is much needed.

3.4 Energy diplomacy

The Energy Union has given new momentum to the concept of energy diplomacy. As mentioned, the EU council agreed conclusions on energy diplomacy in July 2015, with an accompanying Energy Diplomacy Action Plan. The conclusions state that, 'foreign policy instruments and channels for engagement should be used to open up opportunities for cooperation with increasingly important producing and transit countries'.[27]

The Energy Diplomacy Action Plan commits the EU to using more funds from its various aid budgets to support this objective. It also stipulates that EU energy diplomacy should support strategic engagement with the relevant energy architecture and key multilateral initiatives relating to energy such as relevant G7, G20 and UN initiatives, including the UN Sustainable Energy for All (SE4ALL) initiative and post-2015 sustainable development goals which include indicators on global access to affordable and sustainable energy; the International Energy Agency Association Initiative; the Energy Charter

[27] Council Conclusions on Energy Diplomacy, 20 July 2015, p. 4.

modernization and outreach process; and the efforts of the International Renewable Energy Agency (IRENA) to promote renewable energy'.[28]

Insiders say that this upgrade in energy diplomacy means that energy geopolitics are now discussed among diplomats and foreign ministers, not just energy market specialists. Commissioner Šefčovič now meets with presidents in places like Azerbaijan, Turkmenistan and Turkey, and discusses broader security policy issues beyond energy questions. Diplomats insist this is already setting the foundations for developing a more common diplomatic message that extends beyond the relatively narrow parameters of traditionally defined energy matters.

Energy diplomacy seems to be mainly about getting the EAS and member state foreign policy establishments engaged in energy dialogues with suppliers and multilateral bodies. This is important because it will ensure that such dialogues are not simply Commission-led technical exercises that lack strong high-political, diplomatic backing. The EAS has already increased its capacity to report on the geopolitical impacts of energy-related questions and feed such factors into foreign policy decision-making.

An unresolved question is how this new energy diplomacy will relate to energy transition in non-EU countries. It seems to be a concept geared toward exerting full diplomatic weight on suppliers to improve access to oil and gas. The EU will need to demonstrate that this is also consistent with promoting renewables, community participation and utility companies' transparency in developing countries. It will need to show that the plan does not represent a move back towards an old-fashioned notion of energy security: political elites being deployed merely to help oil and gas companies secure new contracts.

3.5 Core issues for foreign and security policy

There are also deeper and more analytical dilemmas at stake. Crucial steps will follow as member states, the EAS and the Commission try to add detail to many of the questions left relatively undefined in the Energy Union document. Diplomats acknowledge that this is the stage at which the finer contours of the Energy Union will start to become apparent. Much remains to be negotiated and fought over in terms of which kind of policies will be favoured. The EU will need to address a number of tensions and unresolved questions that relate to foreign and security policy. They include the following:

3.5.1 Balance between internal and external focus

Some diplomats express frustration that the Energy Union's focus is increasingly veering away from the external dimension. They fear that the Commission has opportunistically ridden on the coattails of a proposal that sought expressly to deal with a changed geostrategic challenge and reworked the idea's original

[28] Council Conclusions on Energy Diplomacy, *op. cit,* p. 4.

rationale. The geopolitical thrust has weakened to the point that the original Polish architects of the Energy Union now express a distinct coolness towards the initiative. Some feel that the Commission has sought to develop the Energy Union in a way that gives most emphasis to its somewhat apolitical lens on external energy security – stressing the issues of regulatory convergence, market integration and competition standards.

The Energy Union strategy document includes much familiar language on diversification, global markets and the need for a single EU voice on energy matters. It presents the internal market and infrastructure linkages between member states, along with enhanced energy efficiency, as a means of giving the EU more foreign policy autonomy. However, the text has less to say specifically on foreign policies per se. The Commission's communication on 'The state of the Energy Union', published on 18 November 2015, covers internal matters almost exclusively.[29]

The most common view among energy policy-makers is that the EU can relatively easily make gains in energy efficiency large enough to lower external dependence by a significant margin – and thus to reduce the need for a foreign policy-led approach to energy security. For every 1 per cent increase in energy efficiency, EU oil and gas import needs fall by 3.6 percent. As one EU diplomat puts it: Our foreign policy starts at home, as a strong integrated energy market will build bargaining power and help us set the rules in foreign policy. Energy-related foreign policy capacity is still relatively limited compared to internal policy capacity. The US State Department has an energy office that now houses over 100 officials; neither the EAS nor member states have anything of comparable size or structure.

It is certainly the case that far-reaching progress on internal energy policy is still needed for there to be strong and tangible read-over for foreign policy. Dieter Helm worries that this internal cohesion is still limited: 'member-states regard the Energy Union proposals as an opportunity to pursue their own national interests and have little concern for their Europe-wide benefits'. To overcome this the Energy Union needs to foster grand-bargain type trade offs between the range of issues – internal and external – it purports to cover.[30] Member state commitment to cross-border infrastructure linkages is still subject to limitations. France, for example, remains reluctant to accelerate interconnector links to Spain (the member state with the largest LNG capacity of all EU countries). Vested interests will inevitably hold back cross-border inter-connectors as these threaten to open cosy national markets. While the Energy Union makes

[29] European Commission, "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, State of the Energy Union 2015", COM(2015) 572 final.

[30] D. Helm, *The Energy Union: more than the sum of its parts?,* London, Centre for European Reform, 2015, p. 6.

funding available for innovation, sceptics caution that renewables are a long way from being affordable and reliable enough to free the EU from foreign policy entanglements. So, internal development is certainly needed to strengthen external unity.

Yet many doubters point out that the reliance on internal energy development is too onerous. Expectations of what energy efficiency measures can achieve look unrealistically high. Whatever important gains domestic efficiency measures might deliver, they cannot replace the need for an active foreign and security policy that engages with the world's most difficult strategic problems – rather than thinking these can be circumvented by an internal energy efficiency drive. The Polish experience suggests that shale gas potential across Europe may also have been exaggerated. There is no easy way around the need for deeper foreign policy engagements.

3.5.2 Balance between market and geopolitical approaches

Unresolved differences over the internal-external balance feed into the overarching question of whether the Energy Union changes what the EU means by energy security. The EU has arguably never been entirely clear about how it defines energy security. A long-running debate asks *whose* security should be pursued – that of nations, of energy providers, of the energy system as a whole, or of individual citizens. The related question is whether the EU strikes the right balance between liberal-market and geopolitical dynamics, between rules and transactional gains. The issue here is how far the Energy Union represents the securitization of energy.

Some policy-makers, especially within energy ministries or directorates, express a concern that the Energy Union opens the doors to foreign policy aims, unwisely pulling the EU away from a focus on depoliticized free markets. Other policy-makers, especially those with foreign policy remits, lament that what was supposed to have been a strategy for foreign policy issues has been hijacked by those focused on energy markets. Diametrically opposed perspectives exist on what the Energy Union represents – and on what it *should* contain.

Contrasting institutional interests are at play. The foreign policy establishment seeks to regain some sway over energy issues. New member states are pushing a more overt securitization. The Commission sees the Energy Union as an opportunity to embed more public policy powers within its own sphere of competence. As the Energy Union develops its own governance structures, many energy practitioners hope it will develop a self-sustaining momentum, beyond the tight control of member states and existing institutions. At present, all actors may want a successful Energy Union – but not necessarily for the same reasons.

It is well-known that the EU's approach has traditionally been to incorporate third county suppliers into its own market and regulatory structures as a means

of extending geopolitical control and mitigating unpredictability. The Energy Union appears to mark the beginning of a subtle shift. In our conversations with policy-makers we found a widespread consensus that the 'harmonization' approach has been struggling in recent years – including within the Energy Community initiative - and that a change in strategy is needed. The EU still espouses such a market-governance approach but also seeks to supplement it with more directly political approaches. In a sense, the EU appears to have concluded that the governance approach may be optimal but that where it faces obstacles in third countries the EU cannot simply wait passively for it to gain traction.

Andreas Goldthau rightly observes that there was much behind the original push for Energy Union that implied a fundamental shift in the EU's approach.[31] For several member states the Energy Union appeared to be about pushing the EU towards using its market power not only for setting technical-competition standards, but for a politically defined notion of energy security. This signalled an incipient shift away from a liberal market-based approach to a more geopolitical strategy. A form of 'liberal mercantilism' is likely to define future energy policy. The EU has traditionally focused on building markets and rules, and making these work to the general benefit of the international energy system. But the Energy Union has a more political tone; it stresses that regulations and international cooperation are needed to achieve more identifiable EU foreign policy gains, rather than for generally desirable public goods such as climate change mitigation, efficient resource management and better energy governance.[32]

Energy expert, Nick Butler fears that the Energy Union tilts the balance too far away from a market-based understanding of energy security in favour of a geopolitical lens. He believes current plans risk handing too much power to the state, being too focused on an illusory quest for energy autonomy and government-led pushback against Russia, and not being sufficiently geared towards plugging the EU into markets and technological advances in other parts of the world.. This is because the Energy Union is, in his opinion, driven by geopolitical goals more than long-term energy competitiveness imperatives.[33]

In fact, these questions are still the subject of fierce internal debate. Member states still disagree on the most basic question of whether external energy security means access to the cheapest sources of energy within the most open

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[31] A. Goldthau. *The Global Energy Challenge: Environment, Development and Security* (Palgrave Macmillan, forthcoming 2015).

[32] A. Goldthau and N. Sitter. 2014. A liberal actor in a realist world? *The Commission and the external dimension of the single market for energy. Journal of European Public Policy* 21 (10):1452-1472 A. Goldthau and N. Sitter. 2015. Soft power with a hard edge: EU policy tools and energy security. *Review of International Political Economy*.

[33] N. Butler, *The EU is quietly shaping its energy union,* Financial Times, 13 April 2105.

markets possible, or protection against suppliers' political manipulations that might cut across other foreign policy aims. As a very rough guide, northern-liberal member states tend to the former view, while southern and eastern member states to the latter vision – albeit with nuances to this standard division. These differences are crystallized in member states' contrasting attitudes to and bilateral energy relations with Russia. The Energy Union is not rooted in any singular understanding of energy security. Member states attribute different levels of importance to market mechanisms, diversification (from Russia) and the potential of renewables. There has been a degree of convergence as a result of the Ukraine-Russia crisis, but this has not completely ironed out such divergences.

The Energy Union document does not definitively define the EU's understanding of energy security so much as it engenders a new debate about how the Union should strike an appropriate balance between market and geopolitical logics. Some member state governments believe the feeling of insecurity vis-à-vis Russia is not matched by the reality of energy interdependence, while others feel the EU still fails to take the Russia challenge seriously enough. Some argue the Energy Union must be measured in terms of whether it strengthens the EU's relative power over Russia; others insist 'security' should be defined in terms of a more general resilience of the EU energy system.

Some policy-makers fear that limited progress is being made in practice since the Energy Union document was signed because national interests remain too divergent. Differences exist between member states on 'hard security' dimensions. Some – such as Poland and the Baltic states - want the EU to get NATO military assets on board to protect energy routes, as part of a more explicit securitzation of energy policy. The Energy Union documents do not include any such commitment nor imply that there will be any enhanced military aspect to EU energy security. EAS diplomats downplay expectations that the EU is equipped to engage in the same kind of raw 'energy geopolitics' as Russia, the United States or China.

In short, it might be said that the Energy Union places the EU on a very fine line between fundamental paradigm change and continuity: the aim seems to be to continue using the EU's regulatory approach, but in a way that is more strategic than classically liberal.

3.5.3 Energy and strategy objectives: which are primary?

An overarching question of fundamental importance flows from this: what is the *direction of influence* between energy policy and EU global strategic interests? Policy-makers and analysts readily concur that stronger linkages are required between energy and foreign policies. But they can have in mind quite different types of linkage. Some believe foreign policy instruments need to be better harnessed in the service of energy policy aims; others believe the priority is to reform energy policy so as to support broader foreign and security policy objectives.

The Energy Union document fudges this tension. As all previous energy security strategies, it insists there is untapped potential for stronger coherence between energy policy and foreign policy. The strategy assumes that the 'coherence' challenge is largely one of teasing out the positive read-overs between energy policy and geopolitical interests. It frames the EU's regulatory power as being key to its foreign policy power. It presumes that completing the internal market and improving energy efficiency will leave the EU a less encumbered foreign policy actor.

While there is undoubtedly much scope for thickening such mutually reinforcing linkages, the EU requires a more precise unpacking of its clashing priorities. Under what conditions does EU regulatory power risk cutting across foreign policy aims? Is the EU's primary aim to inoculate foreign policy from energy security constraints? Or vice versa?

Some officials told us of their worries that the Energy Union is over-securitizing energy policy, while others lament that the EU still under-securitizes its whole approach to energy. DG Energy officials acknowledge that their envisaged priorities for Energy Union will preclude certain foreign and security policy options. In turn, External Action Service diplomats working on foreign policy issues caution that strategic considerations are often at odds with the dynamics of energy markets.

The new Energy Diplomacy Action Plan declares that: 'Energy partnerships and dialogues should be coherent with relevant foreign and external policy goals,' But it also says that 'Foreign policy should give particular priority to partners and initiatives crucial to EU efforts to strengthen the diversification of EU energy sources.' These two injunctions are almost certain to clash with each other. Yet neither the Energy Union nor the Energy Diplomacy Action Plan make any reference to how this circle is to be squared. In this sense, they do not advance our knowledge of what kind of trade-offs EU member states are likely to make between energy goals and broader aspects of foreign and security policy.[34]

3.5.4 Balance between short and long-term objectives

In a more structural sense, these kinds of tensions relate to the challenge of striking a balance between short- and long-term priorities. As the EU remains a major energy importer, it is no surprise that security of energy supply is the main focus of the Energy Union strategy. Nor is it a surprise that natural gas, as a cleaner intermediate energy source, is now the primary focus for external supplies. However, this focus overshadows the Energy Union's stated long-term objectives. It leaves climate policy in a secondary position. The EU has often acknowledged that in terms of the really crucial long-term geo-strategic panorama, climate goals should drive energy policy, not the other way round.

[34] Council Conclusions on Energy Diplomacy, *op.cit,* 20 July 2015, p. 4.

Yet in the Energy Union document the balance of focus clearly tilts towards the short-term objectives of securing natural gas supplies. Other policy measures such as energy efficiency and renewables are accorded secondary geo-strategic importance. Such climate goals are prominently mentioned; but the point here is that the strategy does not place them at the heart of an energy-oriented external policy. The implicit policy division painted is that energy transition is the internal goal, while foreign policy is about hydrocarbons. This division must be too simplistic and it sets up all kinds of inconsistencies between internal and external policies over the longer term. Renewables development needs to be the main pillar of the EU's external energy partnerships if the EU is to have a foreign policy that chimes with the geopolitics of long-term energy trends.[35]

In sum, the Energy Union contains several pointers towards advancement in the external dimensions of energy policy. These dimensions cut across various policies of particular significance to foreign relations such as trade, diplomacy and development. As it is currently formulated, the Energy Union raises more questions than it provides unequivocal answers regarding the balance between different strategic objectives. The Energy Union will need gradually to define how it will strike the right kinds of balance to enable its declared objectives to be met. The EU will need more tightly to define the right balance between: internal and external policies; market and geopolitical approaches; energy and broader security interests; and short and long-term objectives.

[35] Intergovernmental Panel on Climate Change IPCC Special Report on Renewable Energy Sources and Climate Change Mitigation, chapter 9. *Renewable Energy in the Context of Sustainable Development*, p. 711.

4 Delinking Russia?

While the idea of Energy Union has been present in EU debates for a long time, when it was catapulted to the top of the agenda in 2014 it was expressly about a highly geostrategic reaction to Russia's increasingly assertive foreign policy. Other issues related to the internal market and climate policies were included in order to assemble a comprehensive package that could command the support of all member states and EU institutions.

In October 2014, European Commission tested member states' resilience to Russian interruptions of supply.[36] The extent of dependency on Russia varies considerably between states, of course. It is close to 100 per cent for countries geographically or historically close to Russia (Finland, the Baltic States, Bulgaria), but much less for others such as Spain and the United Kingdom. Russian gas now accounts for only 6 per cent of Europe's total energy mix. Gas storage levels are higher than in 2009 and the shale gas revolution has fundamentally changed the strategic calculus.

Less Russian gas is transported across Ukraine than in 2009. Since the Nordstream pipeline became operational in 2012,[37] only half of Russian gas exports to Europe (16 per cent of total European consumption)[38] transits through Ukraine. Russia has now said that Gazprom will not supply gas to EU across Ukraine from 2019. So the EU has a window for adjustment. Following the western sanctions that ban the financing and export of innovative technologies to Russian oil companies, several joint ventures between Russia and international partners have been suspended.

Energy relations between the EU and Russia have deteriorated far more since 2013 than they did after the invasion of Georgia in 2008. The strains that have appeared include the following:

Member state measures. Lithuania has leased a gas terminal, with a view to reducing dependence of Russian energy supplies. When Lithuania opened this so-called Independence LNG terminal, Russia's Gazprom cut its prices by 23 percent. Slovakia's policy stance has shifted; while the country's government is still cautious on sanctions against Russia, Moscow's 50 per cent cut in gas supplies

[36] European Commission, "Communication on the short term resilience of the European gas system, Preparedness for a possible disruption of supplies from the East during the fall and winter of 2014/2015", COM(2014) 654, 16 October 2014, Brussels.

[37] Ma. Russell, *EU-Russia energy relations – stuck together?,* European Parliamentary Research Service EPRS, Members' Research Service, PE 551.343, March 2015.

[38] U.S. Energy Information Administration, "16% of natural gas consumed in Europe flows through Ukraine", March 2014.

to the country (in response to its decision to supply Ukraine with reverse flow supplies) has prompted a harder line on energy diversification.

Sanctions have begun to discourage many European companies from proceeding with cooperation and new deals in Russia. Technical cooperation is also being effected. Years of EU-Russia energy dialogue have helped create networks of officials, regulators and investors. Ironically, many officials in Russia have seen these contacts as useful to pushback against the more nationalist aspects of president Putin's energy policy. The 2014 sanctions have begun to choke off these contacts. The Gas Advisory Council has tried to keep low-level working meetings going, but with great difficulty.

Reverse flows. The EU has sought to offer Ukraine protection through 'reverse flow' connections. Ukraine now imports twice as much gas from Europe as from Russia. The European Commission is now backing the Eastring gas line, a planned project for connecting gas infrastructures between Slovakia, Romania and Bulgaria with the goal of running reverse supplies. Slovak pipeline operator Eustream was instructed to work on a pipeline that would allow Western European gas to be channelled back to Ukraine. From September 2014, this line has been able to supply up to 10 bcm of gas a year. Together with existing connections from Hungary and Poland, Ukraine is now able to obtain up to 16-17 bcm of gas from Western Europe.[39] Slovakia's change of policy, to express a willingness to provide Ukraine with a large slice of its energy needs, could be a far-reaching move in overall EU energy policy.[40] Ukrainian company Ukrtansgaz and Hungarian FGSZ have recently signed an agreement on uniting trans-border pipelines.

The European Commission is to provide between 800 million and 1 billion euros for Ukraine's gas purchases. The European Bank for Reconstruction and Development (EBRD) may be ready to extend a loan to Ukraine to help make the extra purchases. The Ukrainian government aims to ensure that at least half the country's gas imports come from the EU. The EU launched its Central East South Europe Gas Connectivity (CESEC) High Level Group in February 2015 and has now opened this initiative to non-EU members of the Energy Community. All such initiatives aim to strengthen the energy and geopolitical resilience of eastern European states in relation to Russia.

Legal pressure on Gazprom: EU pressure proved enough to end the South Stream project, the Russian-led initiative to bring supplies into European markets on a route circumventing Ukraine. In December 2013, the Commission found that the contracts signed by the six member state governments involved in South

[39] "Slovakia says work on gas link to Ukraine on schedule," Reuters, July 24, 2014, http://af.reuters.com/article/commoditiesNews/idAFL6N0PZ47G20140724

[40] W. Jokobik, "Gazprom is the biggest loser of the war in Ukraine", New Eastern Europe, 3 April 2015.

Stream contravened EU competition law, as they helped Gazprom to maintain anti-competitive practices. The Commission deployed the third energy package to challenge Gazprom's insistence on retaining overwhelming control of the project. It prepared a legal case to help member states renegotiate their bilateral accords on better terms. The Commission tightened pressure on Balkan states not to move ahead with their involvement in South Stream, unless Gazprom ceded its 51 percent controlling stake in the venture, in line with EU law. In December 2014, president Putin announced Russia would no longer pursue South Stream, citing EU opposition as the reason for this apparently momentous decision.

The Commission's ongoing legal case could be a watershed. The Commission's broader investigation against Gazprom was frozen in April 2014, to give diplomacy a chance after Crimea's annexation. In 2015 the Commission restarted the case – as the emollient approach had clearly not worked. The Commission's charges relate to the contracts Gazprom has struck with eight central and eastern European countries: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia. The case should remove restrictive destination clauses in Gazprom contracts with EU purchasers. The case has put Gazprom on the back foot. Sanctions against Russia are depriving Gazprom of funds for investment projects to diversify away from European markets and the company's exports have dipped by over 5 per cent this year. It has accepted the extension of the EU-mediated deal providing low gas prices for Ukraine. The Ukraine crisis has stiffened EU unity. President Putin has on several occasions contacted select member states individually in relation to gas issues; each time, member states have authorized the EU to respond on behalf of all member states. Facing a possible fine of 10 per cent of its revenues, Gazprom has changed its approach. As we write, the company is seeking a negotiated settlement. It is now much less focused on being a strong part of the EU downstream market and is basing its future strategy on selling gas at the EU border.

Positions on Turkish stream: Gazpom has said that after 2019 all gas previously transported via Ukrainian pipeline system will go through the so-called Turkish Stream. After so many years of rivalry between Nabucco and South Stream, both these projects were pulled. Rivalry now centres on Turkish Stream, and whether Russia can build this up to the Greek border and then plug the pipe into the Trans Adriatic Pipeline (TAP).

EU policy-makers tend to be hostile to Turkish Stream. They stress that EU strategic aims would not be served by the Union in effect supporting Russia's geopolitically motivated move to stop gas transit across Ukraine by backing the alternative Turkish Stream route. They stress that the EU already has too much pipeline capacity (and is using only about half current capacity). The EU position is that any extension of Turkish Stream into Greece will need to comply with EU competition rules and that the Union will not fund infrastructure to collect gas at the Turkish border.

While Greece and Hungary have signed up to Turkish Stream, most in the EU doubt that Russia has the funds to carry it forward or indeed that it is needed. In March 2015, the EU launched a High Level Energy Dialogue with Turkey to reinforce energy cooperation and prevent Russia driving a strategic wedge between the Union and Ankara. Gazprom is now hinting that Turkish Stream will be significantly delayed and carry only half its originally intended capacity. Russia's bombing of rebels in Syria has strained the strategic partnership between Moscow and Ankara, adding further doubts to the project. Gazprom's preferred option now is clearly to increase Nordstream capacity – something that several member states complain cuts across the whole rationale of the Energy Union.

4.1 Russia still core?

While the EU has long promised diversification, there are reasons to doubt that the Union will in fact be willing to push back hard against Russia. The cost of diversifying significantly would be prohibitively high for the EU. The issue is not one of a major switch away from Russian supplies for the EU as a whole, but in addressing the 100 per cent dependence of several central European states. The worry for Russia is sustained low gas prices due to structural conditions in the market, more than the Energy Union's talk of EU diversification. Most energy imported from Russia is oil not gas (oil exports account for 40 per cent of Russian state revenues, gas only 10 per cent). This is traded openly on international markets, and has continued unaffected by sanctions. The Energy Union document also mentions reliance on nuclear fuels from Russia.

When Polish Prime Minister Donald Tusk pushed for an Energy Union, European Energy Commissioner Günther Oettinger said diversification could not be the leading edge of the EU's response to the crisis. Resilience against Russia is more indirect than direct – it is to be achieved through internal market liberalization, coordination on gas storage and joint crisis assessment.[41] The implication was that major efforts to delink from Russia would not be forthcoming.

EU sanctions on Russia have not formally targeted the energy sector, with the exception of some technological services. New deals have been signed. BP, Shell, Eni, Statoil and other European oil majors are extending cooperation in Russia and with Russian companies.[42] Gazprom, E.ON, BASF/Wintershall, OMV, the French company ENGIE and Royal Dutch Shell have formed a new consortium to develop the Nord Stream-2 pipeline, which will double the capacity of Russian gas coming directly into Germany, bypassing Ukraine. The Commission's communication on 'The state of the Energy Union' notes that the expansion of Nord Stream is unlikely to diversify supplies and warns that it remains uncertain

[41] S.Fischer and O. Geden, *The limits of "energy union"*, SWP Comments, 2015.
[42] Financial Times, 15 June 2015.

whether these plans comply with EU competition law.[43] Some member states are favourable towards Turkish Stream.

Hungary has announced an agreement with Russia to modernize the country's nuclear energy infrastructure. Euratom refused to approve Hungary's plans to import fuel exclusively from Russia. President Viktor Orban slightly changed the deal to open supplies up to competition after 20 years – but still planned on going ahead with enhanced cooperation with Russia. Lithuania used its LNG terminal to negotiate a better deal with Gazprom, not to cancel its cooperation with the latter. Indeed, a mooted Baltic cooperation scheme is not advancing, despite the apparent security imperative behind it.

Several EU governments and companies have expressly advocated that new deals with Gazprom should not be derailed by the Commission's strict interpretation of the third energy package – these differences emerged in particular during the fraught case of South Stream, in which Italian, Austrian and Greek positions sided with Russia more than with the Commission. Many member states still worry more about the inefficiencies in the Russian energy sector reducing the amount of gas available than they are about Russia's assertive use of the 'energy weapon'. Most member states are even still unwilling to share information about their bilateral contracts with Russia, let alone give these contracts up for a common EU negotiation with Moscow. One member state's energy ambassador notes that several member states are still focused on obtaining cheaper, below-market prices from political deals with Russia and so don't see the incentive to sign up to the ostensible market logic of the Energy Union. As we write, and as mentioned, there are signs that a cooperative, negotiated deal may be reached in the Commission's legal case against Gazprom.

The EU has played its most productive role in a mediating role in dialogue between Ukraine and Russia. The EU has used its power to avert an energy security crisis by setting itself up as an even-handed mediator between Ukraine and Russia, as Russia demanded that Ukraine pay its debts and accept a significantly higher gas price. The Commission has encouraged Ukraine to reach successive deals with Moscow to prevent disruption to supplies. Reverse flows into Ukraine are still made up mainly of Russian gas, simply transited through EU member states. Some member states note that, for all the talk of diversification, this merely reflects the reality of a 'Russia first' policy that continues in the aftermath of the Ukraine crisis.

Some observers perceive that the EU has been cautious over sanctions against Russia because Crimea, which Russia annexed in March 2014, is thought to contain most of Ukraine's potential shale gas. A major new Russian gas deal with China has engendered caution too, however unfavourable the terms of the

[43] European Commission, State of the Energy Union, *op. cit.,* p.12.

agreement are to Moscow. And US uncertainty about allowing the export of shale gas narrows the EU's short-term alternatives to Russian gas.

4.2 Energy security versus geo-strategy?

The standard argument is that energy interests have dominated EU thinking about Russia and militated against a coherent foreign and security policy. This has for a long time been widely seen as a defining and strongly embedded feature of EU external relations – and routinely cited as one the EU's most restricting Achilles Heels in international politics. Since the conflict in Ukraine began, EU foreign policy decision-makers have been re-examining this question. The EU is trying to inch towards a more geopolitical strategy in response to Russian foreign policy. This has an important implication for the subject matter of this report: the change in strategic thinking means that EU policies are not quite as energy-led as they were five or ten years ago.

The Ukraine conflict has encouraged the EU to begin mapping out a more geopolitical approach towards Russia. This approach is based on a delicate mix of pressure and engagement. Notwithstanding self-evident differences between member states on strategic preferences, a core EU line has gradually taken shape: relatively far-reaching sanctions against Russia; increased cooperation through NATO; more active diplomatic engagement in the east of Ukraine, especially in respect of a mediation role in the Donbas conflict; enhanced support for Ukraine, Georgia and Moldova under the rubric of the Eastern Partnership; all balanced by a willingness to take on board a number of Russian concerns over the Eastern Partnership and ideas for strategic partnership.

Whether or not one believes this is a sensible strategic mix, it certainly is the product of more careful and explicitly geopolitical thinking on Russia than has existed for several decades. As highlighted above, there are serious doubts about how far EU member states can or even desire to disentangle themselves from Russian energy interdependence. But what has undoubtedly changed in the last two years is that more structural geopolitical concerns have assumed greater weight within EU decision-making, relative to external energy interests.

The impact of this on energy policy is likely to be mixed. On the one hand, it means that many EU member states are today far more willing to subordinate energy interests to a more widely couched strategic pressure vis-à-vis Russia – the subtle shift in Germany foreign policy is the most significant change in this regard. On the other hand, the engagement-strand of EU strategic thinking means that many in member states today place more of a premium on possible areas of rules-based coordination capable of locking Russia into a more predictable set of cooperative relationships. In this sense, it is not entirely accurate to paint energy and security imperatives as being entirely at odds with each other. Even if Russia possessed no energy resources, most member states would today still favour a relatively partnership-oriented foreign policy towards Moscow.

In sum, it is important to bear in mind that the pertinent issue is not simply whether energy independence from Russia is either feasible or desirable – the staple topic of most deliberation and comment amongst energy specialists. As the Ukraine conflict continues, it is also necessary to understand how the nature of EU geo-strategy is also shifting, resetting the conceptual parameters within which energy policy is nested. The new geopolitical tensions that define EU-Russia relations are beginning to seep into the energy sphere – even if the latter does not properly lend itself to such logic. This means that overall EU-Russia energy relations are now subject to a more varied set of dynamics. These relations will be about a mix of commercial strategy, regulatory issues, price setting, integration, as well as strategic competition. The links between energy policy and broader foreign policy goals run in two directions. The standard interpretation is that the Energy Union is designed to give EU foreign and security policy wider scope for manoeuvre by reducing dependence on Russia. But energy policy is today as much conditioned by as it conditions broader EU foreign policy changes.

5 Diversifying energy supplies: implications for EU foreign policy

One effect of the Ukraine crisis will be to increase the EU's focus on oil and gas supplies from other regions. There is today much more debate within EU institutions and member states over the potential of energy suppliers in the Caspian region, the Middle East and Africa than there was a few years ago. However, the Ukraine crisis has coincided with another spike in turmoil and unrest across the Middle East and with a wave of harsher repression in Azerbaijan. The foreign policy challenge of laying the foundations for successful energy partnerships will be immense.

5.1 Energy partnerships amid instability

The Energy Union refers to the regions of the Middle East and Africa and specifically mentions Algeria, Turkey, Azerbaijan and Turkmenistan. It also identifies the political constellation of what the EU refers to as the 'neighbourhood countries'. With the exception of Norway, all the mentioned strategically important regions or countries suffer from governance problems or political instability that may reduce their reliability as suppliers. As such, a comprehensive and coherent approach to energy security needs to engage systematically with such underlying instability.

The main resource-rich countries in the Middle East include Iraq, Libya and Iran - which are all outside the ENP. The EU might also be drawn to Nigeria, Angola, Tanzania and Mozambique with their recent hydrocarbon discoveries. Despite previous ad hoc and modest energy initiatives with Gulf countries - such as the EU-GCC Clean Energy Network – the latter still tend to fall outside the spectrum of intended strategic energy partnerships. Yet, the emphasis on LNG trade could potentially put Qatar in the picture. The questions that arise here are twofold: first, what does it mean for the EU to prioritize these regions and countries; and second, what should an energy diplomacy with these suppliers address?

The common assumption in official circles is that the EU's best form of strengthening energy security is to extend its own rules and market regulations outwards, especially through the Energy Community, which was established in 2005 expressly with the aim of extending EU energy market rules to the EU neighbours in South East Europe, the Black Sea region and beyond. For many years, the EU has talked of cooperating with partners in the European Neighbourhood Policy on liberalizing energy trade, integrating markets,

common renewables projects and regulatory convergence. The Energy Union document reiterates these familiar promises. Commissioner Šefčovič has said that increased funds will go to inter-connectors across EU outer borders, particularly with Moldova (that recently signed a deal to facilitate such financing) and Ukraine. The EU is exerting stronger pressure on Ukraine to reform its energy sector as this is seen as essential to provide smoother transit of supplies into EU markets.

However, the Energy Union does not add any obvious mechanisms to existing ENP instruments. In practice the extension of EU energy rules and cooperation has proceeded slowly and in limited fashion with most ENP partners. Energy has not been a prominent element of the ENP nor one of the latter's resounding success stories. Moreover, partner countries remain unhappy at the Commission's opposition to long-term, contracted gas prices and its pressure for more spot pricing.

It is not clear how the Energy Union will be able to rectify this situation. Many experts – and even policy-makers engaged in the current revision of the ENP – have begun to doubt the effectiveness of the EU simply pushing its own rules and laws outwards into neighbouring countries. Increasingly the latter states resist this kind of policy dynamic. Yet there is little evidence of the Energy Union being harnessed to develop a different way of improving the foreign policy dimension of energy policy.

5.2 Middle East

A turn to the Middle East makes sense as a long-term option, as the region holds over 50 percent of global hydrocarbon reserves. Russia has only three percent, having relied far more in recent years on high production rates and maximizing revenues as a short-term cash cow. The potential of gas from the Eastern Mediterranean is now high on the policy agenda, as are the sizeable offshore gas finds in Egypt by the Italian utility company ENI. The EU is making new commitments to the 'Mediterranean energy area.' Diplomats say the energy dialogue with Algeria in particular has gained in urgency and substance. Preparations are underway to develop all kinds of energy initiatives with Iran, if and when sanctions are lifted in 2016.

The UK has urged the EU to focus more attention on the Gulf. Spain insists that around half of the gas that currently comes to the EU via Ukraine could be supplied from North Africa if only interconnections were in place between the Iberian peninsula and the rest of Europe. Several European companies have recently concluded large-scale deal energy accords in Egypt; BP reached a record 12 billion dollar deal and ENI has secured a large-scale presence as well. The EU is also contemplating a new energy centre in Iraq. As already outlined, energy security has become a more prominent dimension of EU-Turkey relations, driven by Turkey's pivotal relations with the eastern Mediterranean, northern Iraq, Iran

and Russia. Turkey is important not just due to its links with Russia but also in feeding east Mediterranean and Egyptian gas into the Southern Corridor.

Offshore gas discoveries in Israel, Palestine, Egypt, Lebanon and Cyprus have attracted much attention. Nonetheless, since the significance of these discoveries is only relevant in the aggregate it is contingent upon cooperation between countries of the sub region. Self-evidently, such cooperation currently rests on precarious foundations. The EU will need a far more developed regional foreign policy strategy if it is to tap smoothly into East Mediterranean supplies.

To this end, in November 2014, the European Commission and the Italian presidency organized a high-level conference to launch a regional energy initiative targeting the Union's southern neighbours. The main outcome of the conference was the agreement to establish three Euro-Mediterranean energy platforms, one for gas, a second for electricity and a third for renewables. The first platform aims to establish a Mediterranean gas hub - a regional gas exchange that promotes an integrated gas market.[44] The second platform will be for an integrated electricity market and the third on renewable energy and energy efficiency.[45] While this initiative places more emphasis on the regional dimension rather than the bilateral accords highlighted in the Energy Union strategy, it does not replace the latter. The platforms are to be established with the support of the Union for the Mediterranean Secretariat together with the Paris-based Observatoire Méditerranéen de l'Énergie (OME), the Mediterranean Energy Regulators (MEDREG) forum and the Mediterranean Transmission Systems Operators (MEDTSO).

Offsetting these advances, the geopolitical context means that reliance on Middle Eastern supplies hardly offers an easy alternative to Russian supplies. Iraq's descent back into jihadist-fuelled conflict makes this patently clear. Islamic State insurgents have taken control of two oil fields in Iraq, halting the country's dramatic rise in production of recent years. Libya is, of course, also beset by increasing instability and institutional paralysis; its oil and gas output has halved in the last year. With jihadists now in control of parts of the country, Libyan supplies are likely to be unpredictable for the foreseeable future. Conflict in Syria, turmoil in Lebanon and delicately balanced relations with Iran make this a difficult moment for the EU to rely even more heavily on Saudi Arabian supplies. Energy diversification plans have already been set back by problems in convincing Saudi Arabia to release more supplies onto the market.

The complex scenario of Middle Eastern energy supplies will also make it more important to secure a rapprochement with Iran and finally bring Iranian supplies

[44] See: http://www.medreg-regulators.org/Portals/45/immagini_home/Rome_Final_statement_on_the_HighLevel_Conference.pdf

[45] Ibid.

fully into the picture. This will add pressure to already-tense negotiations over ensuring a lasting deal on Iran's nuclear program. This tension in turn feeds into bitter rivalry between Saudi Arabia and Iran. For now, efforts to bring Iran fully back into the international fold are still to bear fruit in energy markets. At present, Iran is a net gas importer. In the short term, it may prioritize Asia markets for its gas exports. Moreover, industry experts say that Iranian supplies are likely to come through LNG rather than fixed pipelines and that they will thus require time to materialize. Yet, over the long term, Iran is likely to emerge as a more important potential supplier.

So far, a holistic approach that can serve as a springboard to a coherent external EU energy policy remains elusive in the Middle East and North Africa (MENA) region. A bilateral energy partnership with a specific country has ramifications for overarching EU political ends sought region-wide. And if there is any region that can easily pose challenges to the EU's strategic interests and put its various policy aims at odds with each other, it is the MENA region. The MENA's strategic importance - in economic, political and security terms – requires a more comprehensive EU foreign policy that is much more sensitive to the factors engendering instability. Even if the EU were to focus only on energy supply, it would still be likely to find itself mired in political entanglements in this region. Unaddressed instability will militate against energy supply reliability but also undermine strategic, human rights and developmental goals.

The probability of instability remains high in various countries in the region.[46] From the narrow prism of EU energy security of supply, prioritizing access to new sources in the MENA region within the present political context may be more of a challenge than an opportunity. The political turmoil of the post-Arab Spring period has eroded the pillars of the region's somewhat façade stability. The turmoil in Iraq, Syria and to a lesser degree in Egypt is not only leaving bitter civil unrest simmering across the region, but has also disrupted and fragmented the region's energy landscape. This is especially significant as this period of political turmoil has coincided with hydrocarbon discoveries. Algerian supplies are for now unaffected, yet the country's stability may be shaken when president Bouteflika eventually departs.

Energy Union comes at a decisive moment for the countries of the MENA region. Population growth is making them ever more energy thirsty. The rising energy bill resulting from increasing energy demand and outdated infrastructure leaves them in desperate need of investment. At the same time, heavy energy subsidization has become too great a burden on the public finances. Efforts to reform energy subsidies will leave MENA countries exposed to further economic and social unrest.

[46] N. Mabey, S. Schulz, T. Dimsdale, L. Bergamaschi and A. Amin, *Underpinning the MENA Democratic Transition: Delivering Climate, Energy and Resource Security*, London, E3G, February 2013, p. 6.

This context is even more daunting when the impact of climate change is taken into account. The MENA's acute vulnerability to climate change and lack of concrete adaptation plans will cause additional strains on social stability – especially in countries that are predominately net food importers and remain vulnerable to international food prices.[47] Moreover, any hydrocarbon-focused energy partnerships will put further pressure on water scarcity across the region, as water is indispensable for energy production. Taken together, these various factors paint a bleak picture, with security threats spilling over to Europe – including in the form of further flows of migration. Instead of exporting energy resources, many countries of the region will need to rely on these sources to satisfy domestic consumption needs.

This presents the EU with the dilemma of having to identify what 'energy security' really means in the context of the MENA. There will be a trade-off between extracting resources for the European market, on the one hand, and supporting energy resilience within the Middle East itself, on the other hand. If the EU moves to rely more heavily on countries of the region as suppliers there needs to be a sustained parallel effort to improve local communities' access to energy resources. The EU's challenge is to lay the political grounds for a long-term *mutually beneficial* and sustainable energy partnership. Satisfying domestic energy demand in these countries goes hand in hand with the eagerness of many of them to seek energy partnerships with the EU in order to exploit their energy resources to generate economic growth. Meanwhile, Russia has recently been pushing to establish cooperation with southern neighborhood countries (Jordan, Egypt) to build Nuclear power plants.[48]

This requires the EU to think beyond the standard mantra of diversifying energy supplies. A mutually beneficial and constructive energy engagement from the EU will require a very careful and balanced approach. This approach will have to take into account the domestic needs of these countries. In turn, this means that even if the EU's diversification objective cannot be reached primarily through engagement with the MENA, it is in the EU's strategic interest to engage on energy resilience policies with countries in this region. The risk is that the EU's focus on hydrocarbons in energy partnerships pulls investment further away from renewable resources.

The EU's regulatory approach will need to be tailored to this endeavour. Some of the major energy challenges in the MENA are regulatory in nature. Regulatory weaknesses generate technical and economic obstacles. Yet, while the EU should politically capitalize on its regulatory added value, it certainly cannot adopt it as the main backbone of any partnership with these countries. Doing this has

[47] N. Mabey, S. Schulz, T. Dimsdale, L. Bergamaschi and A. Amin, *op. cit,* p. 6.

[48] Reuters, "Jordan signs $10 billion nuclear power plant deal with Russia", 24 March 2015 and Reuters, "Russia's Rosatom says Egypt nuclear talks in final stages", 15 October 2015.

proven less than successful in the past. In the absence of more concrete and strategic incentives, the southern EU neighbours will not easily gravitate towards the EU's regulatory orbit.

5.3 Elsewhere

The Energy Union explicitly mentions the importance of deeper energy engagement in sub-Saharan Africa, Azerbaijan, Turkey and Turkmenistan. Each of these presents its own particular challenges. Turkey is covered in the preceding chapter. The political and regional context in and around Turkmenistan is likely to pull the EU away from any comprehensive engagement. Hopes have risen in Africa's potential, while Azerbaijan is currently a difficult partner that many in the EU feel cannot be ignored.

The International Energy Agency (IEA) dedicated a special study to Africa's energy outlook last year. So far, the dominant EU approach towards the energy challenge in sub-Saharan Africa has been limited to the parameters of development cooperation related to access to energy, energy poverty and the region's heavy reliance on outdated and polluting forms of energy such as biomass.

DG DevCo has intensified its efforts and initiatives towards the continent after the neighbourhood regions were transferred to DG NEAR. This developmental approach to energy cooperation allows for more concerted efforts within multilateral fora such as the UN Sustainable Energy for All. Yet, the potential of African countries as alternative suppliers, particularly some eastern African countries, remains under-explored in EU policies.

The Energy Union strategy also highlights Azerbaijan and the trans-Caspian pipeline. EU commissioners have been visiting Baku regularly to tighten energy cooperation. At the same time, Russian oil company Rosneft has also signed a new agreement with Azerbaijani oil and gas firm Socar. That deal suggests that the South Caucasian republic will continue to play off the EU and Russia for its own benefit.

The EU has come to attach greater importance to Azerbaijan's participation in the Southern Gas Corridor. Current pipeline options being implemented to transport Azeri gas include the TAP project from Greece to Italy, and the Trans-Anatolian Pipeline (TANAP) from Turkey/Georgia to Greece and Bulgaria, both due for completion in 2019. The TAP will bring Azeri gas into southern Italy. Current shareholders include BP, Socar, Statoil, Fluxys (Belgian), Enegas (Spanish) and Axpo (Swiss). Talk abounds of Iranian gas using this pipeline as and when sanctions against Tehran are lifted.

However, Azerbaijan's potential remains relatively modest. It provides virtually no gas currently to EU markets. Analysts predict that it may provide a maximum

of 2-4 per cent of EU imports if direct pipeline links are built. Azerbaijan is currently set to import gas from Russia. Moreover, Azerbaijan has refused to enter into the EU Energy Community. Member states have held back from supporting a far-reaching energy accord with Azerbaijan. To make a game-changing difference, the Southern Gas corridor would need to include large quantities of Iranian and not just Azeri supplies. Turkish Stream risks diverting investment away from the Southern Gas corridor and cross-Caspian pipelines. Some EU officials believe the market will not sustain both Russian and Caspian gas crossing Turkey.

Gaining broader strategic influence over Azerbaijan will be an uphill task. Azerbaijan's oil and gas revenues rose from 1 billion dollars in 2006 to 15 billion in 2014. The EU's support for the Southern gas corridor has compounded the empowerment of what has become an increasingly repressive regime. Geopolitically, the EU will only have leverage over Azerbaijan if it more clearly supports the country's territorial integrity, against Armenia's occupation of Nagorno-Karabakh – but the EU is unlikely to do this for fear of confrontation with Russia. Again, the need for energy partnership will need to be weighed against a wider range of strategic EU interests.

In sum, all these potential suppliers offer significant potential, but will not be easy replacements for dependence on Russia – even if that was what member states desired. All these regions and countries will require a far more holistic and engaged EU foreign policy in order to open the way for successful and sustainable energy partnerships. The EU will need to balance different types of energy security and strategic imperatives in each case. Energy agreements in themselves are unlikely to contribute to meaningful diversification in the absence of major changes to EU foreign and security policies.

6 Energy security and climate change

Much has been written about EU climate change policies. While these have many different facets, the focus of this report is specifically on the foreign and security policy implications of Energy Union. The relevant question here is what impact EU climate policies have on broader EU foreign and security policies – and how this impact is likely to change as a result of the Energy Union.

6.1 Foreign policy and climate policies

Is the Energy Union based on an understanding of 'security' that accords climate change policies a higher priority, or one that displaces priorities related to climate change? This pivotal question is difficult to answer as the Energy Union contains contrasting signals. On the one hand, the Energy Union's original foreign policy driver has been replaced by more of a focus on internal energy transition. This has a more implied or indirect read-over to foreign and security policy. On the other hand, some observers argue there is still too much of a classic energy security tone to the Energy Union that detracts from the EU's vanguard role in relation to climate change.

In formal terms, the Energy Union strategy document reaffirms the EU's relatively strong commitment to effective policies against climate change. Indeed, it apparently codifies a heightened ambition in this area of policy. This stronger commitment is in part driven by foreign policy challenges, and in particular the Russia-Ukraine conflict. It also feeds into preparation for the crucial UN Climate Change Conference (COP 21) in Paris in December 2015. The climate change aspects of the Energy Union are partially the result of foreign policy considerations; in turn, they will play a role in conditioning EU foreign and security policies. As with other elements examined in this report, the read-over between climate change and foreign policy remains to be specified in detail as implementation of the Energy Union moves forward.

It is in the field of international climate diplomacy that the EU claims its clearest global leadership. The standard view is that this constitutes the Union's most important influence over global energy geopolitics. The EU has had some success in pushing China, India, and the United States towards emissions targets with legal force when the new post-Kyoto framework is decided in Paris in December. Observers and policy-makers generally concur that the EU's international climate diplomacy has improved since the ill-fated Copenhagen meeting of 2009.

Much evidence suggests that the EU's climate policies are gaining in momentum. The EU has the lowest energy intensity of all regions and the highest demand

for renewable energy. It is on track to meet its target to generate 20 percent of its energy from renewables by 2020. Two-thirds of new generating capacity in the EU now comes from renewable sources. In 2012, the EU agreed on a new energy efficiency directive. Under the 2014–2020 EU budget, 20 percent of spending must be related to climate action.

The EU has certainly been gearing up for Paris conference. Initially, the EU had intimated at a 40 per cent reduction in emissions by 2030, with the intention to go to at least 80 per cent by 2050, combined with a policy mix – renewable energies, automatic reduction of emissions under the Emissions Trading System (ETS), energy efficiency and tough emission standards for motor vehicles – to reach these goals. In September member states agreed on a negotiating mandate for Paris based on a commitment to 50 per cent emissions cuts by 2050 and to zero emissions by 2100.

Critics argue that up to now the EU has only made progress on its emissions targets because of the economic recession. The recession has eaten into funding for renewables. The ETS has not had a dramatic impact on emission levels. Indeed, continuing difficulties with the ETS – despite ongoing reforms to the programme – have weakened its international reach and its value as a foreign policy tool. The merging of the climate action and energy portfolios in the Commission may increase coherence; but environmentalists fear it may signal a downgrading of the priority attached to climate action.

The new 27 per cent energy efficiency target is only an EU-wide target, without binding commitments at the national level; this leaves open questions about how such a goal is to be reached or enforced. The Energy Union text merely says: 'In 2015 and 2016, the Commission will review all relevant energy efficiency legislation and will propose revisions, where needed, to underpin the 2030 target.' After Paris there is likely to be a fractious process of putting meat on the bones of the EU's headline targets with member states guarding their authority over their energy mix and policy.

Since the 2011 Fukushima disaster in Japan, Europe's nuclear renaissance is on hold, making it much harder to reduce emissions. High-polluting coal production is booming. Germany, Spain, Poland, and others have been slow to reduce state aid to the coal sector. Since the 2014 European elections, Eurosceptic parties have more power in the European Parliament and will impose obstacles to the new EU climate package.

Two well-respected experts are downbeat, insisting that the EU's ambitions to lead by example in fighting climate change have not yet materialized. The successive international meetings since the Copenhagen summit have, they argue, been disappointing and the economic crisis has limited the EU's appetite to be a pioneer. The EU has lost ground to China and other countries in low

carbon energy technologies. Financial support to renewables has focused too much on almost-mature technologies rather than on genuine innovation.[49]

The EU regularly claims that the example of its own climate leadership gives it international influence in this area of policy. But this claim may look rather exaggerated in light of shortfalls in the EU's own climate policy commitments. Much of the focus in international climate diplomacy has switched to bilateral US-China deals. Climate policy shortcomings have a read-over to EU foreign policy. The limits to EU international climate leadership have become increasingly apparent. The Commission's March 2013 green paper on climate and energy policies acknowledged that the EU has struggled to draw out more ambitious emissions reductions from other countries around the world simply by unilaterally setting ambitious targets for itself.

Conversations we conducted for this report revealed growing fears that the Energy Union's focus may even undermine climate change initiatives. This is because international crises have dragged member states back towards a more classical and short-term understanding of energy security. Critics say the geopolitical fixation with expensive, large-scale oil and gas infrastructure undermines the EU's climate change commitments. The EU already enjoys an incoming pipeline capacity well in excess of what its hydrocarbons consumption must be to meet 2050 emission targets. The tenor of the EU's 2050 road map and of the Energy Union seems to undercut the erstwhile consensus that climate policy should unequivocally lead energy policy. Currently cheap oil reduces the pressure for low-carbon transition – and experts observe that this is apparent in the balance being struck between energy security and climate change priorities as the EU now takes forward the Energy Union.[50]

Recent EU summits have witnessed profound divisions. The Polish government has sought to rein back the EU's ambitions as a global leader in climate diplomacy. Denmark has led the counter-charge. New procedures are being put in place to ensure that heads of state and government are in a position to take firm decisions on the EU's contribution to the Paris COP21 meeting. But with differences among member states apparently widening, a testing time is ahead: if the EU stumbles in its widely praised climate diplomacy, this will undermine the Union's effectiveness in broader debates on energy security. In part due to internal differences, the Energy Union does not appear to have given a prompt to shale exploration within Europe – something that many analysts say would provide the best prospect for energy independence and for progress on emissions targets.

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[49] S. Andoura and J-A. Vinois, *op cit,* p. 82.

[50] R. Korteweg, *Beware cheap oil!,* Centre for European reform CER, October 2015.

6.2 Climate security

There is a more subtle way in which the climate-related elements of the Energy Union have a read-over to EU foreign and security policy. For a decade, experts have predicted and warned that climate change is itself set to become the EU's most acute security and geopolitical threat. This threat not only requires the EU to upgrade its climate mitigation and adaptation policies. Of more far-reaching geopolitical significance, the effects of climate change will also require the EU to change *how* it defines and approaches 'security' challenges.

In this sense, the link between climate change and the EU's broader set of geostrategic interests still needs to be made tighter. The EU was one of the first organizations to identify climate change as a security issue – as a 'threat multiplier.' The Union has gradually put in place a collection of policy initiatives designed to mainstream climate-related factors within its foreign and security policies.

But the EU has followed up on this so-called 'climate security' imperative only in very limited ways. There is a risk that short-term crises are crowding climate security from the EU's highest foreign policy priorities. An influential new Climate for Peace report – commissioned by G7 leaders – stresses that EU development, peace-building and adaptation initiatives remain rather disconnected from each other and bereft of strong climate security drivers. Only a small share of EU conflict stabilization funds are set aside for climate fragility. Policy-makers acknowledge that there has been little discussion over the role that Common Security and Defence Policy (CSDP) missions might play in climate security, beyond deployment in natural disasters.[51]

Effective climate security requires far-reaching initiatives in the spheres of conflict resolution, migration management, military configurations, development policies and geo-economics. Yet, in all these areas EU advances have been timid, at best.[52] In the geo-economics of energy, the EU pursues trade deals with little assessment of the climate-related instability these might generate. EU aid is then offered as a palliative for such damage – but is not enough fundamentally to assess the relationship between the EU's external commercial policies and its climate security interests.

6.3 Intertwined resilience

While such caution may be understandable given that far more immediate crises must be handled, the Union must remember that climate security is set to become one of the defining strategic issues in future years and must be kept at the forefront of security strategy upgrades.

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[51] Adelphi, International Alert, EU-ISS *A new climate for peace*, Berlin, Adelphi, 2015.

[52] For more information see, R. Youngs, *Climate change and European security*, Routledge, 2014.

In this sense, the Energy Union strategy coincides with preparations for two major international agreements on highly relevant issues. On the one hand, in the context of the new Social Development Goals, the EU's energy diplomacy communication recognizes the importance of energy development initiatives. On the other hand, in the run up to COP21, climate security is highlighted through a number of cross-cutting approaches. The EU needs to think more in terms of 'nexus' issues linking these two agendas. This is necessary to develop a more integrated and comprehensive energy foreign policy that emphasizes renewable energy diplomacy and environmental security with special attention to the negative spill-over effects of climate fragility for adaptation plans in supplier third countries.

A number of current policy imbalances could prevent the EU from developing such an adequate climate security strategy. The first danger, as mentioned, is the overemphasis on gas infrastructures. The Energy Union leans heavily on so-called Projects of Common Interests for mega gas pipeline interconnections. In light of dwindling EU energy demand, such pipeline projects do not represent sustainable energy trajectories for supplier countries. These infrastructure projects are also too inflexible to effectively respond to shifting geopolitical trends, climate and environmental disasters or to technological advances and breakthroughs. They are likely to crowd out funding for clean energy technologies.

The medium to long-term impact of these mega infrastructure projects on climate and resource scarcity in supplier countries will be to put more strain on already vulnerable energy governance structures and leave populations further exposed to major development challenges. This is likely to imperil rather than enhance EU security, more broadly conceived.

Hand in hand with this risk, the EU still thinks of strategic partnerships as being mainly about hydrocarbons rather than exchange in renewables. It appears that renewables are at best a second tier strategic interest after hydrocarbons. The EU needs to place a lot more emphasis on the strategic dimension of clean energy investment opportunities, which can at the same time be a stabilization tool within third countries – indeed, far more so than the controversial role of hydrocarbon sectors. It has been rightly argued that a resilient and forward-looking Energy Union must aim for an anticipatory energy and climate diplomacy that is geared towards 'global technology markets'. This would be more effective for EU energy security than 'short-run diplomacy focused on access to fossil fuels.'[53] This requires more proactive energy diplomacy with major consumers, not just suppliers.

[53] J. Gaventa, N. Mabey, S. Dixson-Decleve and D. Acke,, *Six Principles for A Resilient Energy Union: Delivering Energy and Climate Security for Europe,* University of Cambridge, Institute for Sustainability Leadership, European Climate Foundation, Discussion Paper, 2015, p. 17.

In sum, EU climate policies have advanced but are not without serious shortcomings that have implications for foreign policy. These shortcomings include a scaling down of climate mitigation ambitions within many member states hard hit by the economic crisis; widening differences of opinion between member states; and the geopolitical undertones and short-termism that cut across climate policy. Moreover, the Energy Union will need to do more to operationalize an understanding of security that encompasses the threats posed by climate change. A 'nexus' approach that links development with renewable energy diplomacy in supplier third countries is crucial for a resilient Energy Union and forward looking climate policy.

7 Conclusions

The EU's energy policies and external geo-strategies have not unfolded in harmony. Energy needs have curtailed the EU's ability to fulfil many declared foreign policy goals. And foreign policy, in its turn, has rarely been pursued in a way that creates the conditions for sustainable energy security. The Energy Union makes a welcome and overdue commitment to rectify such discord. Whether it is really equipped to do so remains debatable.

In practice, it is perhaps unsurprising that the Energy Union leaves as many questions open as it resolves. This report has uncovered five ways in which uncertainties or shortcomings still exist in the relationship between energy policy and foreign policy.

First, by virtue of the limited degree of foreign policy coverage in the Energy Union.

Second, in an ambiguity over what *kind* of external principles the EU is to pursue.

Third, through inadequately developed approaches towards Russia and the potential of other suppliers.

Fourth, due to a lack of institutional coherence.

And **fifth**, in the work that is still needed to address the foreign policy implications of the EU's climate change initiatives.

Taking each of these points in turn, an overarching conclusion is that the Energy Union is set to touch upon EU external policies in important ways but could add new complications to internal-external coherence in the absence of tighter conceptual specification and follow-through measures.

7.1 Indirect foreign policy

As of late 2015, **foreign policy drivers** are not as prominent as when the Energy Union was first mooted. In its initial incarnation the Energy Union seemed designed primarily to purloin energy policy as a tool for geopolitical pushback against Russia. Energy diversification had value in its own right but was especially imperative at this moment because of wider geostrategic priorities. This logic has been gradually muffled by longer-standing approaches to EU energy policy.

In carrying out our research we found it striking how many decision-makers have tried to turn the Energy Union away from overt and confrontational

geopolitics. The Energy Union is never quite explicit in saying that a political logic to external decisions should take precedence over commercial logics. For many, the foreign policy establishment's nervousness over Russia has been a useful and convenient factor to get governments to redouble efforts to complete market integration and low carbon transition. In this sense, they have sought to use the advantages of the Russia-Ukraine crisis without accepting that the latter might call for a subjugation of energy cooperation to other security priorities.

There are few measures in the Energy Union strategy that will have direct, major impacts on core EU foreign and security policy. The strategy is replete with promises that energy policy and foreign policy will be made more mutually reinforcing in the future. These promises are welcome and will serve as a useful point of reference in future years. However, they are not yet backed-up by concrete policy instruments to implement effective linkages between energy and foreign policies. The tensions between energy security and foreign policy goals are well-known and have been extensively chronicled in recent years. Notwithstanding the advances of the Energy Union document, the EU still lacks the instruments capable of easing these tensions.

7.2 Unresolved strategic principles

A second area of ambivalence is that doubt remains over the **basic philosophy** that underpins the Energy Union. Experts have long debated the competing merits of liberal-market based energy security relative to geopolitically led strategies. The EU has ostensibly favoured the former, market-based logic, while seeking to add a moderate dose of geopolitical realism in the last five years. The Energy Union once again mixes a degree of both liberal and geopolitical philosophies, without clarifying an overall guiding strategic doctrine.

This means that the Energy Union strategy itself does not determine or firmly create any particular relationship between energy policy and foreign policy. It is a tool or reference point that policy-makers within the Commission, EAS and member states could use to bend energy security strategy in either direction. Everyone agrees on the importance of 'linkage' between energy and foreign policies. But for now, a crucial question remains unanswered: does the EU seek 'linkage' in the sense of foreign policy functioning in the service of market-based energy policy? Or, conversely, does it envisage energy policy working more at the behest of geopolitical aims than previously?

In our research, we have found that much suspicion persists between the energy policy-making community and foreign policy diplomats. Each community tends to see the other as impinging upon its area of expertise – rather than stressing the positive potential that might exist to make energy and foreign policy instruments more supportive of each other. Ideally, energy policy should be nested within the broader set of EU strategic objectives; but if there is to be more of a foreign

policy 'lead' to energy policy, it is important that the nature of that foreign policy be conducive to sound and sustainable energy policy principles.

7.3 Diversification and geopolitics

The Energy Union's talk of **diversification** is far from being a new element of EU external energy policy. Yet, galvanized by the Russia-Ukraine conflict, the Energy Union document reflects a new urgency in this goal. The EU is now taking a number of concrete steps to reduce its own dependence on Russia, confront what it sees as Gazprom's politically motived actions, and also buttress Ukraine's energy resilience. However, the Energy Union is not as confrontational towards Russia as member states such as Poland wanted; it does not include some of the more obviously counter-Russian instruments that were originally advocated. The Energy Union strikes a delicate balance between the strategic principles of inclusion and exclusion towards Russia. Crucially, this balance echoes the EU's overall geopolitical response to the Russia-Ukraine conflict. Energy considerations have not caused any major deviation of EU foreign policy away from what member states deem strategically optimal in their broader management of the geopolitical crisis with Russia.

Under the rubric of the Energy Union, the EU has moved to upgrade its 'energy diplomacy'. It has begun to coalesce and mobilize its diplomatic resources more systematically to push other supplier states to sign energy accords. This is a useful step forward. But it is not the same thing as the EU upgrading its foreign policy engagements through all available instruments to help create the conditions of stability, development and good governance in third countries that are necessary to underpin such energy deals. This deeper and less obvious linkage between foreign policy and the Energy Union has so far received limited attention within EU policy initiatives. If the EU's strategic relationship with Russia is difficult, the political and security challenges that beset other potential suppliers are today just as daunting – and beg for major changes to EU security strategies.

In short, energy diversification is unlikely to advance far if EU foreign and security policy does not find ways of engaging with greater commitment and effectiveness in the Middle East, southern Caucasus, and Africa. As it stands, the Energy Union offers no indication of whether or how this might happen. In this sense, its external dimension remains worryingly under-developed. The Energy Unions reads like a traditional menu of energy policies, with external read-overs; it is not a policy document that specifies how EU geo-strategy broadly understood can better contribute towards certain energy policy outcomes.

7.4 Institutional divergence

A common thread running through the different elements considered in this report is the need to improve EU **institutional coherence**. This is not a new challenge. But, if the Energy Union is to attain its more ambitious aims, the EU is at the point where the discrepancies between different decision-making

locations need to be reduced. The report has revealed how there is still divergence over how energy security is to be defined, over operational priorities, over institutional responsibilities and over the linkage between internal and external energy goals. The EU has tried to streamline some of its energy-related decision-making in recent years. Yet different parts of the EU machinery still send almost diametrically opposed messages from each other – and some institutional changes seem to have worsened rather than improved this situation. A more robust and tailored governance structure will surely be required for the Energy Union as implementation moves forward.

7.5 Climate and security

Most commentary on EU energy policy today focuses on questions related to the transition to a low carbon economy. Member states and EU institutions are engaged in a huge number of initiatives designed to advance this energy transition. The Energy Union has given a meaningful fillip to many such plans. These initiatives are primarily a matter of domestic politics, and are economic or technical-regulatory in nature, and thus not the main focus of this report. However, there is a read-over from the EU's climate policies to its foreign and security policy. Linkages between the way the EU tackles climate change and its broader international presence are unavoidable. Yet, the Energy Union fails to incorporate instruments or initiatives to help specify and manage those linkages.

European policy-makers habitually assert that the EU's international climate diplomacy is a strong, vanguard component of the Union's global influence. But, the Energy Union's failure to mould a tighter and more clearly enunciated link between **climate and security policies** could be one of its major weaknesses – if member states, the EEAS and the Commission fail to design follow-up implementation measures in this area.

The EU still needs to work hard to avoid two dangers – both of which lurk within the current format of the Energy Union. One danger is that internal energy transition within Europe is assumed to constitute foreign policy by default. Internal energy efficiency gains are, of course, crucial; but they cannot be a substitute for a foreign policy that engages with the thorniest geo-strategic elements of global energy supplies. The inverse danger is that the EU assumes that the external dimension of energy security is essentially a matter of energy pipeline geopolitics, while the energy transition is a purely internal matter. Climate policy and security strategy can no longer be approached as separate policy compartments. The geopolitical effects of climate change are themselves set to be a major concern of EU security policy. It is disappointing that the Energy Union does nothing to advance this 'climate security' agenda, and even implicitly seems to downgrade its importance.

Regardless of how short-term crises unfold, the EU will be obliged to make far-reaching decisions affecting its energy security. The challenge posed by the Russia-Ukraine crisis comes on top of the need to set parameters for the next phase of EU climate policies and of more structural changes to international energy production. In recent years, the EU has repeatedly promised a more joined-up, geopolitically sophisticated energy security strategy. The clustering of these challenges makes the delivery of such a strategy increasingly urgent, and it renders the kind of EU geostrategic ambiguities identified in this report increasingly costly. The Russia crisis may just be the prompt that spurs the EU into devising more comprehensively strategic approaches to energy security. Yet the EU has a record of committing itself to such improvements in previous moments of crisis and then not delivering. The Energy Union may still suffer the same fate if the five shortcomings identified in this report are not tackled.

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Svensk sammanfattning

Energiunionen[54] är EU:s senaste strategi för att uppgradera sin energipolitik. EU:s globala energi- och klimatpolitik genomgår för närvarande intensiv förändring, vilket också får konsekvenser för den gemensamma utrikes- och säkerhetspolitiken. Det pågår också en intensiv debatt om hur EU bör möta de framväxande utmaningar som kan spåras till sambandet mellan energipolitik och säkerhetsstrategier. Men samtidigt som det görs ansträngningar för att fördjupa enigheten mellan EU:s medlemsstater, kvarstår tvivel när det gäller EU:s förmåga att hantera de positiva och de negativa sidorna av den internationella energi- och geopolitiska situationen.

Mot den bakgrunden vill vi påstå att förhållandet mellan energipolitik och utrikespolitik är otillräckligt definierat vad gäller energiunionen, och vi lägger i den här rapporten fram **fem argument** för att så är fallet.

1. I sin nuvarande utformning är energiunionens inverkan på utrikespolitiken troligen mer indirekt och underförstådd än direkt och målmedveten.

Trots att EU under många år har lovat att stärka länken mellan energipolitik och utrikespolitik, har energiunionen inte skapat några starka mekanismer som kan ge det åtagandet en tydlig form. Idén om en energiunion utgår från att en gemensam energipolitik kommer att ha positiv betydelse för EU:s utrikespolitiska manöverutrymme. Den har ett inifrån-ut-perspektiv snarare än ett utifrån-in-perspektiv på extern energipolitik och förutsätter att interna EU-marknader och regler i förlängningen genererar en extern energistrategi. Energiunionen kartlägger inte vilka EU:s geopolitiska intressen egentligen är eller hur den interna marknaden och regler ska utnyttjas för gemensamma intressen. I samtliga avseenden kommer därför energiunionens externa dimensioner sannolikt inte att räcka till för den uppgradering som fordras.

2. **Kopplingen** mellan energipolitik och utrikespolitik förblir olöst.

En nyckelfråga är huruvida energipolitiken på ett tydligare sätt bör forma utrikespolitiken, eller om tvärtom utrikespolitiska intressen bör styra

[54] Den 25 februari 2015 presenterade EU-kommissionen sitt förslag till åtgärdspaket för en energiunion. Enligt kommissionen syftar det till att ”säkerställa överkomlig, trygg och hållbar energi för EU och dess medborgare”. De särskilda åtgärderna omfattar fem nyckelområden, däribland energitrygghet, energieffektivitet och minskade koldioxidutsläpp och består av tre meddelanden: en ramstrategi för energiunionen – med uppgifter om energiunionens mål och de konkreta åtgärder som ska vidtas för att nå dessa, ett meddelande om EU:s vision för det nya globala klimatavtalet som ska ingås i Paris i december 2015 samt ett meddelande om de åtgärder som behövs för att sammanlänkningsnivån i fråga om el ska uppgå till minst tio procent 2020.

energipolitiken. Även om det råder samstämmighet om behovet av att energipolitiken och utrikespolitiken samordnas, finns i EU och bland medlemsstaterna en tvehågsenhet om inriktningen. Energiunionen som sådan är inte ursprunget till den spänningen, men den klargör inte heller frågan om vilket taktiskt vägval som är önskvärt utan öppnar snarare dörren för en utdragen kamp mellan olika aktörer.

Kritiker har länge hävdat att energipolitiken har ett övertag över EU:s geostrategi, men det är långt ifrån klart i vilken utsträckning energiunionen kommer att kunna vända den situationen och få energipolitiken att tjäna de geostrategiska intressena. De europeiska regeringarna har olika åsikter i frågan, vilket i sin tur beror på att de har olika åsikter om vad energisäkerhet faktiskt handlar om.

Trots att medlemsstaterna har skrivit under de gemensamma dokument som reglerar energiunionen, har man alltjämt skilda åsikter när det gäller huruvida en fullt utvecklad extern energipolitik bäst svarar mot staternas säkerhetsintressen på kort- och medellång sikt. Även om beslutsfattare idag i högre grad har uppmärksammat de hämmande effekter energipolitiken har för det utrikespolitiskt manöverutrymmet, saknas alltjämt tydliga idéer om vilka övergripande utrikespolitiska förändringar som krävs för att möta de energipolitiska målen – något vi anser bör vara en allt överskuggande prioritering.

3. Oron för "den ryska faktorn" skymmer en mer sammanhängande global säkerhetsvision.

Det är välkänt att energiunionen av många medlemsstater motiverades med en önskan om att minska beroendet av ryska leveranser, mot bakgrund av brutna strategiska partnerskap med Moskva. Energiunionen innehåller dock inte några utvecklade planer för balanserade globala partnerskap på energiområdet. Den anger heller inte på hur EU:s utrikespolitik skulle behöva förändras för att skapa effektiva partnerskap med andra leverantörer. EU betraktar fortfarande energisäkerhet som en fråga om försörjning för de europeiska marknaderna och ser inte hur energipolitiken i en bredare mening påverkar stabiliteten i andra länder.

EU kan inte få till stånd effektiva partnerskap med andra energileverantörer utan att skapa omfattande utrikes- och säkerhetspolitiska förbindelser med dessa länder, såväl multi- som bilateralt. Energiunionen kan heller inte bära huvudansvaret för en gemensam europeisk utrikespolitik – det förutsätter i viss utsträckning att det sker en utveckling av den senare, vare sig det gäller relationerna med Ryssland, Mellanöstern eller andra tänkbara leverantörsländer.

Det smala prisma av bilaterala och branschspecifika metoder som karaktäriserar EU:s strategiska partnerskap undergräver förtroendet för unionen i dess strävan att säkerställa energileveranser från länder som i regel är autokratiska, bräckliga

och instabila. Energiunionens externa dimension kan inte begränsas till att EU skriver formella och mycket traditionella samarbetsavtal med leverantörsländer i Kaukasus eller Mellanöstern. Den bör snarare medföra att EU:s utrikespolitik bidrar till att säkerställa att hanteringen av energisektorn blir en stabiliserande faktor i en bredare och mer holistisk mening. En synnerligen allvarlig brist är att EU fortsätter att förbise strategiska överväganden när det gäller energi i Nordafrika och Mellanöstern. Ironiskt nog snarast undervärderar man säkerhetsaspekterna när det gäller andra leverantörer samtidigt som man riskerar att övervärdera dem i relationerna med Ryssland.

4. Energiunionen gör än så länge för lite för att hålla samman och effektivisera den externa energipolitikens olika komponenter.

I sina försök att balansera mellan olika mål kommer EU att förbli en formlös aktör och energiunionen kan endast förväntas att hantera snarare än att lösa den här situationen. Flera förbättringar kan emellertid genomföras. Även om man beaktar de slutsatser om energidiplomati som ministerrådet antog i juli 2015, verkar det som om man utgår från att mer ekonomiska medel till en särskild strategisk energisektor i sig kommer att leda till ett sammanhållet agerande. Det är sant att den energidiplomatiska handlingsplanen fyller vissa hål, eftersom man där förbinder sig att utnyttja den förstärkande effekten när det gäller EU:s globala energimål. I praktiken kvarstår dock arbetsfördelningen mellan olika europeiska institutioner, vilket lämnar utrymme för en sorts inter-institutionella strider som undergräver global strategisk effektivitet. Särskilt den europeiska utrikestjänsten EEAS behöver fortfarande ett tydligare energipolitiskt mandat.

Energiunionen är inte orsaken till de befintliga spänningarna mellan olika EU-mål. Men i viss mening sätter den fingret på dessa spänningar och lägger grunden för en klarsynt debatt mellan konkurrerande prioriteringar. Energiunionen kommer emellertid att behöva struktureras så att den inte förstärker inkonsekvenserna. I nuläget sänder den blandande signaler till leverantörsländerna, inte minst när den talar om nya externa partnerskap samtidigt som den nämner dalande konsumtion. Energiunionen måste bli bättre på att definiera hur dess olika syften förhåller sig till varandra.

5. Energiunionen kommer att få återverkningar på förhållandet mellan **klimatpolitik och bredare säkerhetssyften**.

För tillfället definierar energiunionen inte hur kopplingen ser ut mellan å ena sidan dess klimatmål, och å andra sidan EU:s utrikespolitiska instrument och syften. Många kommentatorer har exempelvis pekat på att energisäkerhet inte kan ersätta behovet av övergång till en ekonomi byggd på minskad kolanvändning. Men energiunionen behöver också sträcka sig bortom de normala parametrarna för ”energiomställning” om den ska kunna leda till en ”garanti” mot klimatförändringarna. Samtidigt som EU tar ledningen i att

verka för en ambitiös överenskommelse vid klimattoppmötet i Paris i december 2015, så återstår fortfarande att utveckla en storskalig ”klimatutrikespolitik”. En framåtblickande klimatpolitik kan inte begränsas till förhandlingsmål avsedda för stora konferenser mellan centrala utsläppsländer, den måste också förankras bland EU:s breda utbud av övergripande initiativ och externa handlingsplaner med tredjeland på regional, nationell och lokal nivå.

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