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Perspectives for the European Union's External Energy Policy:

Discourse, Ideas and Interests in
Germany, the UK, Poland and France

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Table of Contents

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I. Problems and findings 2

II. State of Play 4

1. The increasing predominance of imports in EU energy supply 5
2. Energy situation in the Member States 6
 - 2.1. Oil 6
 - 2.2. Gas 7
 - 2.3. Coal 7
 - 2.4. Nuclear energy 7
 - 2.5. Renewable energy 8
3. Growing awareness of energy security issues 9
4. The rise of a coordinated energy European policy 10
5. The Commission-SG/HR Council Paper 11

III. Agreement on basic principles 14

1. The principle: to speak with one voice 14
2. Dialogue with Russia 16
3. Diversification 19
4. Energy cooperation with major producers, transit countries and consumers and integration within the energy community 22
5. Reacting effectively to external crisis situations according to the principle of solidarity 23

IV Options for an effective external EEP 25

1. Energy Security Diplomacy (ESD) 26
2. „Europeanising” the Energy Relationships with Russia 26
3. Financial Cooperation 26
4. Reforming the Legal framework 26
5. Neighborhood policy 27
6. The Military dimension 28
7. Reforming the Commercial Framework 28
8. Promoting renewable energy abroad 28

Acronyms 30

I. Problems and findings

Energy policy will be one of the central topics of Germany's presidency of the European Union, starting January 2007. Due to high fuel prices, energy security has lately become a hot topic at the European level; the Russian-Ukrainian crisis in January 2006 confirmed this trend. The European Commission Green Paper on energy, released in March 2006, drew up a wide range of proposals for a European Energy Policy (EEP) and among them an external dimension. A joint Commission/Council paper made further submissions for „an external policy to serve Europe's energy interests". The paper stressed the importance, at this stage, of the diversification and functioning of markets. It made various proposals for getting results at bilateral, regional and multilateral levels. The European Council agreed to such an approach in June 2006.

The object of this paper is to contrast the discourse and interests of four larger Member States on a future external energy policy, so as to find what their main subjects of agreement are and which path the EU and the Member States could adopt to achieve results in the area. Germany, Poland, the UK and France all have different energy mixes: Germany with imported oil, gas and domestic coal, and diminishing nuclear power; Poland with domestic coal and imported oil; France with nuclear energy and imported fossil fuels and the UK with domestic production of gas, oil and coal. Yet these Member States have chosen to go ahead with a coordinated external energy policy.

Despite these apparent differences in their energy mixes, it is worth remembering that the Member States have in common a predominance of fossil fuels, and a (present or future) reliance on foreign gas and oil imports. Member States have grown upset about this dependency since it appears to threaten energy security. Realising that, once united, they would be stronger, Member States have started to seek common solutions. Markets have so far ensured proper supplies. But the strong tendency for importing from Russia and the Middle East makes state intervention increasingly necessary. Given that markets do not function optimally everywhere, and that many fuel suppliers are state-owned companies, state level discussions, as well as transnational, inter-governmental or supranational interventions, are becoming more relevant. From these considerations stems the apparent need for a common energy policy, and EU Member States thus agreed on the principle of speaking with one voice on energy matters. To date, this has not yielded a transfer of competences to the European Community level, as all Member States are very much attached to their sovereignty in this area. However, the mere agreement on the principle illustrates their awareness of the necessity of a common approach.

What are the priorities of the Member states and where can we identify opportunities for an external EEP?

1. The need to enhance dialogue with Russia provides one of the main arguments in favour of a common external policy. The cornerstone of the relationship with Europe's main gas provider is the reciprocal opening of markets; this has proven to be a thorny issue and the ratification of the Energy Charter and its Protocol is not likely to happen anytime soon (although it is worth being pursued). Poland, alongside the other Central European and Baltic states, seeks to voice its interests through the EU channel, as the construction of the Baltic pipeline between Germany and Russia threatens to sideline their broader influence over energy policy.
2. Diversification is a crucial way to ensure energy security. On an external level, it entails diversification of sources, of routes and of suppliers. Some EU Member States may favour diversification of suppliers over diversification of sources or vice-versa, depending on their own needs and interests. Poland plans to operate a diversification of suppliers in order to reduce its dependence on Russia, while Germany - which favours its relationship

with Russia - values diversification of sources as well. France and the UK seem to be focusing on the internal diversification of sources (efforts to develop renewable energy sources and to keep the nuclear option open).

3. Further, energy cooperation with major producers, transit countries and consumers receives support from all Member States. The pooling of financial, economic and diplomatic efforts by EU Member States shall ensure positive results. Cooperation should take the form of an ark around the EU: from the integration within the Energy Community for the closest countries in the region, forming a common regulatory area, to political dialogues taking into account environmental concerns with China, India and the USA.
4. Last, an external EEP could provide an effective response to external crisis situations according to the principle of solidarity. This has been agreed by the Member States but practical details of its implementation remain to be worked out as a treaty on energy security proposed by Poland to NATO and to EU members has not received backing from its European partners.

The essential element in progressing toward an effective EEP is the political will of the Member States. Without this, no progress can be made for lack of a sound legal basis in the Treaties. Options for a coherent and comprehensive EEP should include the creation of such a legal basis. Until then, an external energy policy must be carried forward on the basis of the actual Treaties and the intergovernmental character of the policy field; it will be a test for the EU that wants to bring pragmatic answers to European issues. There are many further ways the EU can take to commonly ensure energy security. They may not necessarily bring about changes on the short-term but should allow the EU to speak with one voice. They could consist of diplomatic, financial, military or commercial options.

II. State of Play

These are exceptional times now for the production and procurement of energy, both for Europe and globally. Global demand for energy is increasing very rapidly. Oil prices remain relatively high and major new oil discoveries are increasingly rare. Demand for gas is also increasing, and gas supply prospects appear less reassuring than ten years ago. The nuclear debate is alive, but several European countries are far from certain about its future orientation. Climate change is a reality to be tackled; and the present state of the progress of renewable energy technologies means that renewables alone cannot be relied upon to resolve these problems in the near future.²

Despite the genesis of the European Union, going back to the 1951 European Coal and Steel Community and the Euratom treaty of 1957, the European Community Treaty (ECT) nowadays still does not provide the Community with any general competence for energy policy: energy is still within the scope of individual European Union (EU) Member States' competence. Member States have been developing their own energy policy, depending on geo-strategic elements, their own resources and needs, their diplomatic relationships with providers and transit countries, etc.

Lately, the rising dependence on imports and increasing demand may have endangered their energy security. This situation adds weight to arguments in favour of a stronger and more coherent involvement of the EU in external energy questions and many governments have felt compelled to join forces to secure energy security.

This paper examines the case for an external European Energy Policy (EEP). Having sketched out the energy context in which the EU finds itself, it will examine at Member States' individual energy mixes, to understand their motivation for an external EEP. We will contrast and compare the mixes of four Member States: France, the UK, Poland and Germany. France is worthy of interest because it has been amongst the states pushing for an EEP³ despite its usually conservative view on security issues. The UK is also usually reluctant in these matters, especially since it has been self-sufficient for a long-time, but the UK has been a strong supporter of an EEP (see the Hampton Court Summit). Poland is the biggest new comer and its relationship to Russia might be representative to a certain extent of the vision of the central European states. Germany's energetic situation mirrors quite well the importance of foreign imports in energy supply in the EU and is also worth studying for its close partnership to Russia. On the basis of this analysis and an examination of these States' various energy interests, this paper examines what Member States can agree on, after the proposals made by the European Commission and the Secretary General/High Representative of the Council in June 2006 in their Joint Paper.⁴ The analysis will comprise the relations of the EU with its suppliers, transit and consumer countries, especially with Russia, the question of diversification of suppliers and fuels and the reaction capacity of the EU in case of external disruption. In the concluding section, some alternative options for the further development of an external European Energy Policy (EEP) will be proposed.

² EU Commissioner Piebalgs, speech at the Conference „Future EU Energy Mix - will coal play an important role?„ Gliwice, Poland, 29 May 2006

³ See the French memorandum for revitalising energy policy with a view to sustainable development, 24 January 2006

⁴ „An external policy to serve Europe 's energy interests“. Paper from the Commission/SG/HR for the European Council

1. The increasing predominance of imports in EU energy supply

International demand for energy is rising as populations and economies -, especially in fast-developing nations such as China and India - grow. Prices too are rising and it is highly likely that they remain high in the future.

Today, the EU is the largest energy importer in the world, and its dependence on imported crude oil and natural gas is steadily growing. According to estimates, the total energy consumption in the EU is expected to increase by 25% over a 30-year period and if no additional measures are taken, Europe will have to import a projected 71% of its energy by 2030, as opposed to 50% now.

In its November 2000 Green Paper on supply security⁵, the Commission forecast the rise of dependence on oil imports from 76 to 90 % of oil consumption, on natural gas imports from 40 to 70 %, and on coal from 50 to more than 70 %. The reason for this is not so much increasing power needs, but the decrease of production of energy within the EU and especially in the North Sea. According to estimates by the EU Commission, the oil and gas reserves of the EU and Norway might only last another 25 years.⁶

The problem lies with the EU-25's reliance on very few importing sources. These foreign suppliers are mainly the OPEC countries and Russia: 45% of oil imports to the EU come from the Middle East. By 2030, 90% of oil consumed by the EU will be imported. As for gas, 40% of EU imports are currently from Russia, 30% from Algeria, 25% from Norway. By 2030, more than 60% of EU gas imports are expected to come from Russia, with overall dependency expected to reach 80%.

Share of Total Primary Energy Supply* in 2003 (%)

Oil	37,6
Gas	23,5
Coal	18,1
Nuclear	14,6
Combustible Renewables & Waste	4,1
Hydro	1,4
Geothermal/Solar/Wind	0,6

Source: International Energy Agency (IEA)

Fossil fuels (gas, oil and coal) represent up to 80% of the Total Primary Energy Supply (TPES) of the EU. A significant remaining share (15%) is supplied by nuclear power but there is no consensus on the nuclear option among the EU states. Of the current EU-25, ten have never used nuclear energy. Austria and Italy have phased out nuclear energy. Five other countries (Belgium, Germany, the Netherlands and Sweden, Spain) have decided to stop using nuclear energy. This leaves eight Member States - France, the UK as well as Finland, Lithuania, the Czech Republic, Slovakia, Hungary, and Slovenia - as nuclear supporting countries. Out of these, only Finland and France have decided to build new nuclear power plants. As the Member States remain free in their energy choice mix, the Commission only called for a debate on the question. In its March 2006 Green paper, it expects that the [future energy] „review should also allow a transparent and objective debate on the future role of nuclear energy in the EU, for those Member States concerned. Nuclear power, at present, contributes roughly one-third of the EU's electricity production and,

⁵ „Towards a European strategy for the security of energy supply„, COM (2000)769, 29 November 2000

⁶ The „peak” question, i.e.especially whether UK gas/oil production is already past its peak production and is now in decline, is subject to debate but many industry specialists agree on a later date, such as 2020/30.

whilst careful attention needs to be given to the issues of nuclear waste and safety, represents at present the largest source of CO² free energy in Europe".⁷

Renewable energy (6%), which includes wind, solar, geothermal, biomass, and hydro, is a small but growing share of the TPES. It aims at fulfilling obligations such as the Kyoto Protocol⁸ and Directive 2001/77/EC on electricity from renewable energy sources⁹. Again, the situation is heterogeneous among the Member States.

2. Energy situation in the Member States

Share of Total Primary Energy Supply in 2003 - (excludes electricity trade)

MEMBER STATE				
Source	GERMANY	FRANCE	UK	POLAND
Oil	36,4%	32,9%	35,1%	21,4%
Gas	22,8%	14,2%	37,0%	11,9%
Coal	24,5%	5,2%	16,5%	60,9%
Nuclear	12,4%	41,5%	10%	N/A
Renewables*	3,9%-4,6% in 2005	6,7%	1,4%	5,8%

*(Hydro, geothermal, wind, sun, combustible renewables and waste); Source: IEA

2.1. Oil

Germany, Poland and France have in common the fact that they depend on oil imports to a very high degree, respectively 97%, 98% and 95%.

What differs though is the degree of diversification in terms of the sources of these imports. While Germany and Poland rely principally on one major source - Russia (respectively a third and 98% of oil imports) - France's requirements are provided for by a large range of other sources: 51% of oil imports come from the Middle East and North Africa, and 32% from the North Sea, with smaller amounts coming from Russia (23%).¹⁰

On the other side of the scale, the UK became in 2005 a net importer of crude oil on an annual volume basis for the first time since 1992. However, net exports of refined oil products meant that the UK remained a net exporter of overall oil (crude, feedstocks, and refined products).¹¹ The UK exports nearly all of its oil to the EU and to Canada, Norway and the United States.¹² However, oil production is expected to decline in the next few years, despite recent discoveries in the North

⁷ „A European Strategy for Sustainable, Competitive and Secure Energy”, COM(2006)105, 8 March 2006

⁸ This requires signatories to cut greenhouse gas emissions by an average of 8% with respect to their 1990 level by the year 2012.

⁹ This requires the EU to increase renewable energy's share of total energy consumption to 12% and electricity produced from renewables to 21% by 2010

¹⁰ Source: IEA

¹¹ <http://www.dti.gov.uk/energy/statistics/publications/trends/index.html>.

¹² IEA review 2002

Sea: the old fields are heading into decline and their place is being taken by a number of smaller fields, which can sustain overall production for a limited period of time only.

2.2. Gas

The situation for gas is similar to that for oil. Germany, France and Poland import gas at 80%, 95 % and 70% of their consumption. Germany and Poland rely on Russian gas imports (61% for Poland, 35% for Germany).

France has diversified its gas imports: they come mostly by pipeline from Norway (28%), Russia (21%), Algeria (12%), and the Netherlands (19%). About 25% of France's natural gas supply is Liquefied Natural Gas (LNG), mostly from Algeria with minor amounts from Nigeria and Egypt.

The UK exports gas to the Continent and to Ireland. The fields will soon be depleted and the UK will have to import. Gas production from the North Sea has declined and the UK now imports around 10% of its annual needs of gas. By 2020, it could be importing as much as 90% of its gas. Norway will be an important provider for the next decade but increasingly the UK will be dependent on gas from further afield including from Russia, North Africa and the Middle East.¹³

2.3. Coal

The importance of coal differs from one Member State to another. Relatively poor in hydrocarbons, Poland's substantial coal reserves constitute its main source of supply – it constitutes 60% of the Total Primary Energy Supply (TPES).

Germany maintains a significant coal-based electricity generation capacity to avoid over-dependence on imported energies. Hard and brown coals make up 24% of consumption. A pilot plant for carbon dioxide free coal-fired electricity generation is scheduled to enter into operation in 2008.¹⁴ The policy for hard coal is also closely related to social, regional and employment policies. The same context is found in the UK where coal accounts for 6,5% TPES. Last, coal represents about 5% of France's energy mix, having been largely supplanted by nuclear power for electricity generation over the past four decades.

2.4. Nuclear energy

As mentioned earlier, there is no consensus on nuclear power in the EU. Nuclear power accounts for 12-13% of TPES and 30% of electricity generation in Germany. The previous governing coalition launched a gradual phase-out under which Germany would shut down all its nuclear reactors by 2020. Germany plans to phase out nuclear power gradually by closing down plants when they reach an average of 32 years of operation.

The two current ruling parties, the Christian Democrats and the Social Democrats, are, however, divided over nuclear energy. The CDU/CSU would like to see the issue re-visited, but the SPD does not want to hear about it. So far, Chancellor Merkel has chosen not to re-ignite the debate. This opting-out of the nuclear option and the decrease of coal production for economic and environmental reasons make Germany dependent on imports of coal and natural gas.

By contrast, France has invested heavily in nuclear energy (41% of TPES). Nuclear energy distinguishes France from the rest of its European partners: nuclear power generates now more than three quarters of France's electricity; this is one of the highest shares in the world. France

¹³ Energy review, DTI, January 2006

¹⁴ Deutsche Welle, „Germany breaks ground on first non-polluting coal power plant“, 29 May 2006

exports this electricity to neighbouring countries, mainly to Switzerland, the UK, Italy, and Germany. In its energy review in 2005¹⁵, the government decided to keep the nuclear option open and probably to invest in at least one new plant, the EPR, a nuclear power plant with pressurized water reactor.

The UK has also decided to keep this option open. In its July 2006 Energy Review, the government focused on the UK's dependence on gas by 2025 and the likely heavy reliance on foreign imports, mostly from the Middle East, Africa and Russia, if current policy is unchanged. That is why Prime Minister Blair called for the „replacement of nuclear power stations, a big push on renewables and a step-change on energy efficiency, engaging both business and consumers". In 2003, the government's Energy Policy Review had written off atomic power as too expensive.¹⁶ Now, the prospect of a major reliance on imported gas, long-lasting high prices and the international obligations to cut off CO2 emissions turned T. Blair into a supporter of the nuclear option.

Poland does not have a nuclear plant but in January 2005, the government adopted a document entitled „The Energy Policy of Poland up to 2025", according to which „power generation based on nuclear sources will be an indispensable condition for the country's development". A recent declaration by Prime Minister Jaroslaw Kaczynski mentioned that Poland will have to face the need for nuclear power plants if it wants to meet EU emission limits.¹⁷ Therefore, the government's program for the development of the energy sector assumes the construction of one plant in 2021, while by 2030 there should be three working nuclear power plants in Poland.

2.5. Renewable energy

The focus on renewable energy sources (RES) depends on the public authorities' involvement and initiatives as well as the geographic potential of each country. The Kyoto Protocol and the EU Green Paper expect Member States to raise significantly the share of renewables in their energy mixes.

Renewable energies make up 4,6% of Germany's TPES. The government would - between now and 2009 - set aside two billion euros for funding energy research in a bid to bolster the country's use of renewable energy.¹⁸ Their expansion is a central goal of German government's energy policy as they are to compensate the phasing-out of nuclear energy. There has been a particular focus on wind power plants. With more than a third of the world's installed capacity, no other country has as many wind power plants as Germany. Solar energy production is also deemed to be working well in Germany.

France produces 6% of its energy from renewables; the focus there is on biomass (4 % of its energy supply) and hydro (2%). The late development of solar- or wind-related renewables in France is usually explained by the focus on nuclear energy and hydro. There is also some reluctance in real estate development (private/public, individual/collective) to take them into account.

In Poland, the share of RES represents more than 5% of its total energy mix, including 98% for biomass alone, and the rest for hydraulic power. Polish law requires that power companies will have to hold at least 7.5% of green electricity in their energy portfolios by 2010.¹⁹

¹⁵ Loi de programme fixant les orientations de la politique énergétique, 13 July 2005

¹⁶ The Economist, „Return to the atomic age", 13 June 2006

¹⁷ Warsaw Business Journal, „New PM thinks Poland should go nuclear", 21 July 2006

¹⁸ Deutsche Welle, „Germany to Massively Invest in Energy Sector", 04 April 2006

¹⁹ „Development Strategy of Renewable Energy Sector"

3. Growing awareness of energy security issues

In January 2006, the gas dispute between Russia and Ukraine caused brief energy shortages in Europe, as most of Western Europe gas imports channel through Ukrainian pipelines. This crisis was a „wake-up call” for heads of state, public opinion and, to a point, the EU authorities, who had been aware of it for some time. Vulnerabilities arising from the supply and distribution of energy, and potential use of supply advantages as a political leverage by some major supplier states became quite clear. It became imperative to put in place a coordinated energy policy, even if this was not provided for in the Treaties.

On this occasion, the Commissioner for Energy, Andris Piebalgs, insisted on the need for greater cooperation on the question of energy supplies, which is currently dealt with at national level. Until recently, many Member States had jealously guarded their sovereignty over energy policy, declaring it a sensitive national issue. Yet, back in November 2000, the European Commission had already warned that the EU needed to move „toward a European strategy of energy security”, underlining the increasing dependence on Russia; the Member States apparently decided to overlook this warning.

The Commission has started to deal with it within the remit of its internal market competences; but energy is not merely a question of economics but also of national security and strategy. Crucial actions need to be taken at the external level of the EU, i.e. tackling the relationships between Europe, provider and transit countries.

The reason behind the rise of a coordinated, if not common, external energy policy is the need to ensure *energy security*. In the past, one could easily define a state’s energy security by reference to its enjoyment of sufficient supplies at an acceptable cost. The notion of energy security has however become more complex, and other countries interpret the concept differently. Energy-exporting countries, like Russia, focus on maintaining the „security of demand” for their exports, as these generate the overwhelming share of government revenues.²⁰ Developing countries, like China and India, face enormous needs in terms of energy supplies, their economies bearing high costs from foreign imports. The USA seeks to lead its internal policies without external interference, but increasing exports contradicts its overall goal of energy independence.

In Europe, the definition of energy security still focuses on maintaining sufficient supplies of energy at affordable prices, even more so because of states’ heavy dependence on imported natural gas. The uncertainty surrounding the future of the nuclear option renders the situation problematic. When addressing energy security, many EU official documents directly link energy security to security of supply²¹, as do all four Member States studied:

- ▶ In Germany, the „Energy Dialogue 2000” report recognised energy security to be one of the three key objectives of German energy policy (together with economic efficiency and environmental compatibility). The conclusions drawn on the subject mainly dealt with supply security. Energy security is also a main subject in the ongoing process of developing a national energy concept.
- ▶ In France, one objective of the 2005 law on energy policy was to ensure security of supply. France has invested in nuclear energy and lately in RES as a way to reduce dependency on imports and thus to increase energy security.
- ▶ In Poland, Defence Minister Radosław Sikorski links energy security to Poland’s independence from external suppliers; that is why Poland is set to try to reduce its dependence on Russian natural gas imports by increasing its sources.

²⁰ See for instance G8 „summit conclusions”, July 2006

²¹ „Towards a European strategy for the security of energy supply”, COM (2000)769, 29 November 2000

- ▶ Last, in the UK, energy security is an acknowledged challenge, resulting from „being soon importers of oil, and dependent on imported gas at a time when global demand and prices are increasing”.²²

It has long been argued that energy security can be reached by securing energy provisions, through the diversification of supply. This remains true, but „a wider approach is now required that takes into account the rapid evolution of the global energy trade, supply-chain vulnerabilities, terrorism, and the integration of major new economies into the world market”.²³ Although the role of the markets is essential to ensure the largest choice and the best prices for consumers at home, their capacity is hindered when markets are not liberalised. Besides, simple reliance on the market should be avoided as it might orient a country’s energy dependence toward cheaper foreign sources.²⁴ Thus, states are also involved in ensuring energy security. In many countries, oil and gas supplies and/or transit infrastructure are managed by state companies, in the hands of national governments (most Russian gas reserves are owned by state company Gazprom; world oil reserves are owned to a level of 90% by State companies in Saudi Arabia, Brunei or Venezuela for instance). Therefore European governments find themselves in charge, among others, of negotiating on the diplomatic level with suppliers and transit countries. Governments may also help with long-term investments in often-unstable countries, having for instance more credit capacity. There is therefore a direct link between energy security and a common external energy policy.

Member States are growing aware of this link but still show a great deal of reluctance to transfer any power to the European Commission. The defence of national interests still prevails, even more so when it comes to ensuring the security of energy provision- a key instrument for economic growth and the essence of national sovereignty.

4. The rise of a coordinated energy European policy

The EU heads of state recognised the need for an EEP twice in the past. First, when agreeing to include the idea of a common energy policy and objectives in the Constitutional treaty and the second time at the Hampton Court summit in October 2005, where, for almost the first time there was a perceptible move towards a common energy policy.

- ▶ The Treaty establishing a Constitution for Europe (TCE) devoted a section to energy policy under Article III-256. This provision was to respect the unanimity rule in the Council and national mix choices. Following the results of the French and Dutch referendum in 2005, the TCE looks stalled for the moment.
- ▶ The Hampton Court summit recognised that „[the EU] needs to diversify [its] sources of energy and approach [its] current major energy suppliers in a more coherent manner; but it also need[s] to pursue energy efficiency and clean technologies and develop a genuinely open energy market”.²⁵
- ▶ The European Commission released a Green Paper for „secure, competitive and sustainable” energy supplies in the EU on 8 March 2006.²⁶ Regarding the establishment

²² „The Energy Challenge Energy Review Report” 2006

²³ Yergin, „Ensuring Energy Security”, Foreign Affairs, March/April 2006

²⁴ Constantin, „China’s Conception of Energy Security: Sources and International Impacts”, Centre for International Relations, UBC, Working Paper No. 43, March 2005

²⁵ J. Straw, „The European response to globalisation”, European Parliament speech, Strasburg, 16 November 2005

²⁶ „European Strategy for Sustainable, Competitive and Secure Energy”, COM(2006)105, 8 March 2006. The paper lists six priorities: completing the internal gas and electricity market; solidarity between the Member States; diversification of the energy mix; integrated approach to climate change; encouraging innovation and an external energy policy.

of a Common external energy policy, the Commission underlines the fact that „Europe has to speak with a single voice on the international scene” at both „national and Community level”. M. Barroso presented the project as launching the debate among the 25 Member States. He said that „the Union has the required size (surface area and population) and required instruments (legislation, budget etc) but it lacks the political will to forge a common European energy policy” so it basically needs the green light from the Heads of State and Government to proceed.

- ▶ At the European Council Summit on March 24, 2006, the EU Heads of State and Government agreed on the principle of strengthening solidarity and assistance mechanisms in the event of interrupted supplies. They also insisted on preserving national sovereignty on key aspects of energy policy, including over the choice of energy mix. The European Council then invited the Commission, the Secretariat General (SG) and the High Representative (HR) of the Council to „work closely together on the important issue of external energy relations and to provide input for an EU strategy”. Energy policy began to be considered as an integral part of the foreign policy of the Union, so Javier Solana would be directly involved in this, together with the Commission.

5. The Commission-SG/HR Council Paper²⁷

The Commission and the Council SG resisted the temptation to flesh out a whole common policy; this could not have been realised since there is no sound legal basis for such a move at the moment and no precise agreement on goals.

Although there is undoubtedly political will to back up this EEP, there is no clear sign that the Member States are ready to give up their competences to the Commission. Thus, the fact that the Council entrusted the Commission *and* the Secretary General/High Representative with the task of writing the paper is in itself suggestive. The paper does not propose any transfer of power or authority from the Union’s Member States regarding energy matters: the contribution to the EU strategy on external energy relations does not in any way question the right of Member States to maintain their own external relations to guarantee the safety of supply and to choose their own energy mix.

As a first step, a mere improvement in the coordination of national policies according to common principles is proposed. The paper refers to external relations but establishes a direct link with the EU’s internal energy policy, noting that a well-advanced internal policy is a prior condition for defining external interests and for better judging how the Union may use its external relations for promoting such interests²⁸.

Guiding principles of the joint paper by the Commission-SG/HR of the Council, June 2006

- ▶ The need to foster the transparency and good governance of the energy sector through energy partnerships with third countries in order to create stable legal conditions that are non-discriminatory, transparent, open and of mutual benefit for investment and energy trade.
- ▶ Improvement of the production and export capacities of producer countries; modernisation of the energy transport infrastructure in producer and transit countries; recuperation of the investment climate for European companies in third countries and opening the production and export of energy resources to EU industry in order to enhance the

²⁷ „An external policy to serve Europe’s energy interests”, released 18 June 2006

²⁸ The European Commission will present an action plan covering both aspects –in January 2007

terms of energy exchange by offering producer and transit countries non-discriminatory access to export infrastructure.

- ▶ Increasing material and environmental security and the security of energy infrastructure.
- ▶ Promoting energy efficiency, renewables, biofuels, „clean” technology (low in CO2 emissions) and the mechanisms of the Kyoto Protocol,
- ▶ Creating, for those countries which have chosen nuclear power, an international supply scheme for enriched uranium in line with non-proliferation commitments and taking account of the arrangements in the Euratom Treaty
- ▶ Creating joint strategic reserves.

These principles clearly set out in the paper are completed by a series of suggested multi-level (bilateral, regional and multilateral) initiatives which would ensure a coherent, strategic and targeted external policy, focusing on two key objectives: the well-functioning of markets and the diversification of supply sources (of their geographical origin and their supply routes).

The good functioning of markets and the diversification of supply sources are a reflection of the Member States' own conception of a common energy policy, i.e. a clear economic strategy underpinned by geo-strategic and security considerations. It is expressly recognised in the text that energy can be „used as a political lever” by major producers and consumers. As it will show in the study of countries positions, those two priorities (the well-functioning of markets and the diversification of supply sources) represent what the Member States could all agree on and that did not raise too much critics among distinct interests: Western and Eastern countries, highly dependent or not on oil and gas exports.

Additionally, the paper draws up a list of operational guidelines. There is an ark drawn from the EU and that comprises all provider and transit countries around it, including North Africa, the Middle East, the Caspian Sea, the Community of Independent States (CIS)²⁹, Russia, and the Balkan region. There are initiatives adapted for each, depending on their strategic status and importance.

These pragmatic proposals are a selection of the (March 2006) Green Paper ones, presenting a differentiated approach to third countries. It is interesting to see that the more focused and precise initiatives are the ones concerning bilateral and regional partners: in this area, the EU can offer incentives (this is particularly the case with South East European countries or Russia for instance). On the other hand, when it comes to relationships to global partners and emerging players (US, India, China) where the EU is potentially in competition as a consumer and seemingly less impacted by their actions, the paper suggests only non-binding instruments and political dialogue are more appropriate.

The Joint Paper underlines the idea that this external policy on energy needs to be above all coherent and supported by the EU, the Member States and Industry. It is worth noticing that Industry, which is rarely mentioned in official conclusions, has a central role to play, as major industries will make the investments in infrastructure, research and development and close the deals; Industry is lobbying the Member States for a greater liberalisation of the markets. However, in free-market economies like those of the EU, the energy economic actors are not directly linked to the governments (or are not supposed to be).

The main tool for an EEP will be the Strategic EU Energy Review for the Council and the European Parliament that would offer a single reference point for all actors in European energy at both Community and national level, enabling not only an effective exchange of information but also a real co-ordination of approach.

As Commissioner Piebalgs put it: „first, Europe needs to define clearly its goals and aspirations regarding its international energy partners, both suppliers and consumers, and then speak with

²⁹ Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine

one voice to pro-actively promote these interests. We cannot remain defenceless nor isolated amid this increasingly threatening situation. The long-term strategic interests of EU Member States demand a new initiative”³⁰.

³⁰ A Common Energy Policy for Europe, EU Energy Policy and Law Conference, Brussels, 9 March 2006

III. Agreement on basic principles

The main points likely to be present in this strategic EU Energy Review and to underpin the increasing level of agreement among the Member States should be analysed in detail.

Member States agree on the principle of speaking with one voice. This primarily entails a dialogue with Russia, the geographical diversification of suppliers and of fuels and the establishment of further energy cooperation with major producers, transit countries and consumers, partly through integration within the energy community. The possibility of a common effective reaction to external crisis situations according to the principle of solidarity is also part of an external EEP. These diverse topics constitute the core of a common external energy policy; they have received varying levels of support from the Member States, depending on their national interests.

1. The principle: to speak with one voice

The Green Paper „A European Strategy for Sustainable, Competitive and Secure Energy“³¹ proposes that first, there „should be an agreement on the aims of an external energy policy and on the actions needed at both Community level and national level to achieve it (...). Regular formal political level discussions at Community level, involving the Member States and the Commission (...) would permit (...) a real co-ordination of approach and enable the EU to speak with the same voice“.

This proposal was welcomed by the Member States, which are increasingly facing the same problems: high prices and increasing reliance on exports (particularly Russian for gas and Middle East for oil). Prior to this, Member States had been either reluctant - because attached to their national sovereignty - or they did not see the added value of such an enterprise, having different energy mixes and therefore different needs (UK had its North Sea reserves, France focused on nuclear, Poland on coal).

Member States have come to realise that more efficiency would result if the question was dealt with at the EU level – it is pragmatism more than anything else that characterises their will to go ahead with an external EEP.

In Germany, the question of supply security has long been left to private energy companies³² and dealt with within the Industry but also by environment ministries. The Russian-Ukrainian gas conflict may have induced the German government's energy policy to depart from the usual themes such as climate protection and energy efficiency in favour of a fresh awareness of its supply security and its vulnerability resulting from the dependence on Russia³³; it appears that Germany has just realised that energy policy is a part of foreign policy. In February 2006, during a summit with Tony Blair, Chancellor Merkel called on EU states to agree on a 15-year strategy for energy supply and security; she said that a long-term EU-wide strategy was absolutely necessary to co-ordinate national approaches on energy sources and market access issues and that energy should play a greater role in defining the EU's international relations.³⁴ Germany, despite its

³¹ COM(2006) 105, 8 March 2006

³² For a long time, big companies such as E.ON Ruhrgas, RWE and Wintershall, hampered competition and did their best to prevent diversification of energy sources, especially of gas, because it would undermine their position in the market. See International Herald Tribune, 03 April 2006

³³ Umbach, „Europas Energieabhängigkeit: Die EU braucht endlich ein Konzept zur Versorgungssicherheit“, www.eurasischesmagazin.de, 28 February 2006

³⁴ Financial Times, „Merkel calls for 15-year EU energy strategy“, 17 February 2006

special partnership with Russia, has a hard time accessing the latter's market; besides it has come to understand the importance of the long-term diversification of providers, for instance Central Asia and North Africa. Under Foreign Minister Steinmeier, the security of energy supplies has become a central issue of the government's foreign policy.

In the UK, the issue of security of supply was addressed in 2002³⁵ when the House of Lords stated that „markets on their own cannot cope with the geopolitical problems that are the main source of security concerns“³⁶ and that there was a case for a government's action. Significantly, this Committee did not perceive the need to attribute significant new powers in the area of energy security to the European Commission, or any need for an amended energy chapter in the EU's Treaties. The UK has now agreed to the notion of a European policy on energy but one should make no mistake about its position: the UK has not really been converted to the idea of transferring to the EU a new competence and has repeatedly said so. Germany and France also agree on this stance and although supporting the process of an EEP, neither wish to see a fleshed-out EU policy take form now. The UK favours instead the use of interactions between energy policy, wider external policy, environmental and economic policy (for instance the interactions between trade policy and energy policy and using existing foreign policy mechanisms such as the Euromed process). The UK's support is foremost in the promotion of the liberalisation of markets by encouraging stable investment conditions in producer countries, in order to enable further diversification.³⁷ Besides, the British Government believes there are significant benefits to be gained from developing a more coherent and transparent external energy policy at the Community level. It agrees that the EU wields more weight when speaking together with one voice, so it needs to adopt a more collective approach to dialogue with its major suppliers (both current and future), current and potential transit countries, and other major energy consuming nations.

Last, it is important to acknowledge that the UK, like other Member States, has some constructive bi-lateral relationships. For instance, in April 2005, British and Norwegian Energy Ministers signed the UK/Norway Oil and Gas Co-operation Treaty. The new Treaty covered the construction of a new pipeline to the UK, operational for the winter of 2006/2007. The construction of a common external EEP shall not preclude any of these relationships.

The same perspective is taken in France, which is very much attached to the idea of independence and national sovereignty in its national energy policy. Since 1973, the first oil crisis, successive governments have sought to maintain sufficient independence from external occurrences. Still, the French pushed for a common external energy policy. One can assume that, as France saw the prospect of an EU energy policy growing more inevitable, it wanted to constructively influence the discussions and the outcome. The French government presented at the Ecofin Council on January 24, 2006 a memorandum „for revitalising European energy policy with a view to sustainable development“, pushing for cooperation between countries such as EU-Russia or EU-OPEC. The energy ministry once underlined that „Europe [was] in the process of developing an ambitious, realistic external policy– since it is taking national policies and specificities into account – and is at last being pragmatic, since it is opting for concrete cooperation with the main European partners“.³⁸ Like the UK or Germany, France does not want to see the EU supersede the Member States' competence or propose a global external energy policy. They favour results before anything else.

Besides, France sees in Europe's energy diplomacy a way of strengthening its and Europe's influence, acting as a benchmark for other consumer and producer countries and regions, which regards environmental protection imperatives. This concern is shared by Germany and the UK.

³⁵ Report of the European Union Committee of the House of Lords in reaction to the EU green paper on security of supply, February 2002

³⁶ Energy Supply: How Secure Are We? European Union -14th Report, HL 82, 12 February 2002.

³⁷ The UK submitted in February 2006 its own conception of an EPE „A European Approach to Energy Policy, for a reliable, affordable and sustainable energy for Europe“.

³⁸ „Is Energy short of Europe?“, Speech by Francois Loos, Minister delegate for industry, May 2006

These Member States have lately lent much importance to energy savings and fighting climate change at the international level.

Poland is also after a pragmatic approach of an external EEP. Energy security constitutes an important element in the shaping of its international policy, EU membership allows Poland's interests to be „advertised and protected”. Former Prime Minister Belka stressed that „[Poland] should take advantage of [its] Union membership to support energy projects that are in the interest of [its] country and the entire European continent”³⁹. Foreign Affairs Minister Fotyga remarked that „Poland's interests do not always coincide with the ones of the old Member States: the dependence on Russia sources differ. It is imperative for Poland and central Eastern Europe to reduce dependency while it seems like the old Member States would like to do the opposite. There is space for joint action: in the concern about dependency on external sources and the vulnerability to oil and gas increases and solidarity in case of shortage”⁴⁰. Poland is therefore open to a bigger role for the EU on the international scene, as a way of promoting its agenda. Poland has a point trying to raise the EU's awareness since it does not weigh much on its own, especially in its relationship to Russia. Poland's voice is likely to be better heard by Russia as part of the EU than alone. Poland, supported by the Baltic States, wants the European Union to move quickly in reducing its energy dependence on Russia and adopt a much tougher collective stance in dealing with Russia. This does not mean that it favours a transfer of competence to the EU and therefore should agree with the rest of the Member States on this matter.

2. Dialogue with Russia

The relationship with Russia is absolutely central to the creation of an external EEP. It is one of the reasons why it started, gained momentum and one of its *raison d'être*. Despite all having interest in dealing with Russia on the EU level, the Member States have diverging reasons, first and foremost Germany and Poland, with the latest decision to build a pipeline in the Baltic Sea between Russia and Germany, bypassing Poland.

Russia controls the world's largest reserves of natural gas, and is the world's largest gas producer. By 2030, gas import dependence will rise from 50% to 80% for the current 25 members of the EU. Russia's state owned company Gazprom accounts for 85% of Russian production and 100% of Russian exports. It controls the Russian pipeline network and is thus able to limit competition from other producers. Europe is thus dependent upon a monopolistic Russian gas supplier. The relationship between Russia and the EU is structured along many agreements. A partnership & co-operation agreement was signed in 1997. It is a ten-year bilateral treaty signed and ratified by the EU and Russia. It comprises a legal framework setting out the political, economic and trade relationship between the EU and Russia. Besides, a specific collaboration on energy was set up in the Energy Dialogue in October 2000. The objective was to provide a forum for the discussion of all questions of common interest in the energy sector and bind Russia and the EU into a closer relationship. The dialogue is considered to have had positive results, opening the way to European investments in the Russian energy market and as a forum for tackling difficulties⁴¹. Positive measures remain marginal, and the dialogue has been held up by differing interpretations and priorities. Russia seeks support in modernising its energy sector and protecting itself, while the EU wants reform and the opening of the Russian market through the creation of a positive business climate.⁴²

³⁹ Speech by Former Prime Minister Belka, How to guarantee Poland's energy security, Warsaw, 09 July 2005

⁴⁰ Speech by Foreign Affairs Minister Fotyga, EU Institute for Security Studies and European Centre Natolin, 19 May 2006

⁴¹ Lamoureux, „Politique européenne de l'énergie”, Revue Agir, November 2005

⁴² Monaghan, „Russian oil and EU energy security”, Conflict Studies Research Center, November 2005,

Nowadays the EU accounts for 65% of Russia's exports. Gazprom would like to expand its activities (vertically) and to be able to sell energy not only to its principal customers in Central and Eastern Europe, but to more distant customers in France, Italy, and Spain. It has already negotiated access to European distribution networks with European gas distributors (notably by taking shares in Wingas and E.ON). Despite its special relationship with Germany, these are not confined to that country, and also cover Italy. In return, the EU would like Moscow to allow European companies to develop Russian energy reserves.

To complete such a deal, the EU must first open more of its own internal market to outside competition. Today, national governments may establish their own regulations concerning the electricity and natural gas market. France and Spain, for example, are excluding foreign buyers from bidding on national energy firms, a practice that tends to lock up customers for favoured national companies. Energy competition in the Union will be regulated by the EU only from mid-2007. The situation seems to be in a deadlock, the two sides expecting each other to take the first step. It is part of the reason why Russia has rejected European demands to relax its own domestic monopoly and open gas pipeline capacity to foreign firms. During the EU-Russia meeting in Sochi in May 2006, Vladimir Putin told his European interlocutors that the EU was asking for secure Russian oil and gas supplies and wants to be able to buy them directly from independent producers using the Gazprom network without offering much in return. But it seems like the enormous investments needed by Russia could be the answer. Russia needs more than \$600 billion (€472 billion) in investments in order to whip its energy sector into shape.⁴³

Which framework is the best adapted to the situation? In their contribution, the European Commission and Solana propose to „work toward an overall energy deal with Moscow covering all energy products”. A deal could be part of renegotiation of political relationship within the Partnership and Cooperation Agreement from 2007.

There is also the 1994 Energy charter, which took effect on 16 April 1998, which provides a legal framework allowing long-term cooperation to be promoted in the energy sector; regulates energy transport and prohibits any signatory from disrupting contracted supplies for any reason. Making the Energy Charter operational is a major element of the relationship between the EU and Russia. One of the key reasons why European ministers insisted it be ratified is the Treaty's transit of energy matter and products protocol. This provision would allow other Russian gas producers to gain access to pipelines, which are currently owned by the largely State-owned giant, Gazprom. European importers could then take their supplies in oil and gas from independent Russian suppliers, such as Novatek, Lukoil or Rosneft etc, which currently can only supply the internal Russian market. The Commission/Council document says that it must be „ratified by all signatories”, and that negotiation of the annexed transit protocol, suspended for more than fifteen years, should be concluded. Russia seeks to assert its weight in the G8, along with obtaining European funding to modernise its gas pipelines and build new ones. But this will happen only when Europe gets serious guarantees on security of supply and on the partial opening of the market.

With or without the ratification of the Charter Treaty and its Protocol, demand will continue to rise, and that the EU and Russia will remain in a position of mutually beneficial interdependence. Strong growth in European demand will require huge investment in Russia from the EU. The intention of getting Russia to ratify the Energy Charter and the Protocol on the transit of gas any time soon still is worth being pursued. Perhaps these bilateral deals with individual Member States, although damaging a potential united European front, can bring Russia to commit to „open, transparent, efficient and competitive markets for energy production, supply, use, transmission and transit services as a key to global energy security”.⁴⁴ There will be long and

⁴³ Deutsche Welle, „Germany Bound to Russia Over Energy Policy”, 03 November 2004

⁴⁴ G8 conclusions, Saint Petersburg Summit - Conclusions on Global Energy Security, 16 July 2006

arduous negotiations, involving the issue of European investments in Russia⁴⁵ and imports of state of the art technologies to improve its gas and oil production and to reduce consumption. Anyhow, the official position of the EU is not to release the pressure on Russia to ratify it, despite the latest position of the Gazprom, qualifying the Charter as „totally inadapted framework”.⁴⁶ It is necessary that business made in Russia be conducted in the context of transparency and with the certainty that investment will be made in a timely manner.

This is the explicit position of at least two Member States: both France and the UK mentioned the strategic relationship with Russia in their vision of a European Energy Policy. They emphasised the necessary „application by all of the rules jointly agreed concerning freedom of transit and permanent and non-discriminatory access to the transit infrastructures...to improve the security of supply as well as the transparency of the gas market, the ratification of the Energy Charter Treaty and its transit Protocol”⁴⁷. The UK is adamant that it „would only support a new initiative with Russia if those conditions were filled. Access to the market and infrastructure is the key to this complex relationship, both ways.”

Russia is also a key point in the external dimension of Germany’s energy policy, if not the main one. Former Chancellor Schröder made the choice to rely mainly on Russia when it comes to energy supply, putting forward the political stability of the country and its biggest hydrocarbon reserves. Cooperation has been facilitated by the specific thematic working group German-Russian Energy Cooperation established in March 2003, and by the German-Russian energy summit. The latter focused on energy supplies and should help develop a lasting partnership between the two states.

Whereas other European Member States see a dependence on Russian resources as a strategic disadvantage, representatives of German energy corporations believe that through participation in Russian shipment companies, they enjoy an unrivalled position. Germany aims to develop extensive economic relationships with Russia, in particular in the energy supply area (gas). Russian bilateral energy ties with Germany are stronger than with any other Western European country. In July 2004, German companies struck a deal with Gazprom allowing the participation of German companies in the complete processing chain of Russian gas production - from exploration and transport, through the new pipeline, to marketing in Western Europe. German companies have also been granted access to Siberian gas fields. In return, the German energy enterprises, BASF and E.ON agreed to support the Russian State’s Gazprom, in its planned expansion onto the European gas market.

The latest big project is a gas pipeline through the Baltic Sea, connecting Russia directly with Germany. This project was signed in November 2005. Gazprom will hold a 51% majority stake in the planned pipeline. The remaining shares will be divided equally between the BASF subsidiary Wintershall and E.ON. The deal with Gazprom will facilitate the participation of German companies in the processing chain of Russian gas production and the joint exploration of the Yuzhno Russkoye gas field in Siberia. With reserves sufficient to meet Germany’s demand for seven years, while Gazprom will be able to participate in the market of natural gas in Germany.

Germany hailed the partnership with Russia and the diversification of pipelines as providing security to German power supply for decades. It should also ensure a strong position of German companies. With regards to natural gas supply in Europe, Chancellor Merkel tried to present it as a good deal for Europe as well. She offered a common east expansion, proposing Poland to take part in the project, thereby seeking to bridge the gap between them, as „this project is not aimed against anyone”⁴⁸.

⁴⁵ Bulletin Europe, 28 March 2006

⁴⁶ Le Figaro, Interview with A. Medvedev, 13 July 2006.

⁴⁷ French memorandum for revitalising European energy policy with a view to sustainable development, 24 January 2006

⁴⁸ Meeting between Chancellor Merkel and Prime Minister Marcinkiewicz, 3 December 2005

On the other hand, Germany becomes more dependent on Russia. When constructed around 2010, it is estimated that 40% of German gas imports from Russia (which amounts to 20% of total German imports) will transit the NEGP.⁴⁹ Besides, current continental pipelines from Russia to the West have proven secure and can easily be expanded. Further, the hopes for strategic market advantages for German companies in Russia have not so far been realised. In the NEGP deal, for instance, E.on and Wintershall did get involved, but Gazprom retains control with 51 % of the shares. Even when foreign companies can gain access to the Russian market, they are never in a position of control. Russia still continues to limit the rights of foreign investors by law, since only enterprises registered in Russia may participate in national auctions of promotion licenses.

Poland resents and fears the special relationship between Russia and Germany. For Poland, the Russian/Ukrainian crisis in January 2006 seemed to confirm that Russia is using energy as a political tool. Despite a contract running with Gazprom until 2022 that should prevent any renegotiation of price, Poland is worried about receiving sufficient quantities. The building of the new pipeline will end Poland's transit status and with it, its transit fees and political leverage with larger countries. Poland and the Baltic states also stated that the project planned by Germany and Russia is not economically sound. Experts from the International Energy Agency estimate that the project will cost around 12 billion euros. The long-awaited construction of a second pipe to complement the existing Yamal gas pipeline could be cheaper, with the Polish section costing around \$1 billion. The Polish government is against financing the project through the EIB (European Investment Bank). Poland, along with the Baltic States and Sweden, also criticizes the pipeline project on environmental grounds. After World War II, 300,000 tons of chemical weapons were sunk somewhere in the Baltic Sea and should not be activated in any way⁵⁰.

This situation partly explains why Poland is pushing for a European energy policy; Poland retains hopes of being heard and supported when acting at a European level, and eventually of having its wishes acted upon. According to the foreign affairs minister, the construction of the gas pipeline under the Baltic Sea is „the greatest danger” for Poland. The former Defence minister reacted very strongly, comparing the pipeline to the pact between Russia and Nazi Germany in 1939. Ryszard Schnepf, the former prime minister's chief adviser for foreign affairs, got dismissed after having suggested that Poland joined the project and installed its own representative on the company's supervisory. This leads Poland to seek backing from the USA, to support the accession of Ukraine to NATO and to develop alternatives. For Poland, diversification is a crucial part of ensuring energy security.

3. Diversification

Diversification is one of the most straightforward means to ensure energy security. It can be dealt with at a domestic level with the development of RES for instance, but also on a foreign affairs level. The Commission/Council paper calls for efforts to be focused on the diversification of sources, geographical origin and of transit routes. Diversification would come from modernising and maintaining the infrastructure in neighbouring countries, the construction of new infrastructure (LNG terminals, oil pipelines linking the Community market to the Caspian Sea and Central Asia) and the development of new „energy corridors” (ex: North Africa, Norway, Middle East, Russia and Caspian region). The text says that all the instruments the EU has at its disposal should be used, political dialogue, Community policies (competition, trade, neighbourhood and development) and the financial institutions, led by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

⁴⁹ Götz, „The North European Pipeline”, SWP Comment, November 2005

⁵⁰ EU Observer, „Sweden concerned about Baltic pipeline”, 24 August 2006

These proposals were met with broad agreement from the Member States. The focus was different from Member State to Member State, depending on needs, geographical position, existing links with foreign countries, etc. All agreed on the need for diversification. Some focussed on the diversification of providers, some on the diversification of fuels, and some on both. Poland, for instance, would like to see a geographical diversification of its oil and gas supplier, so as not to rely only on Russian exports. Former Premier Belka (2004-2005) explained: „We should take advantage of our position in the EU and our influence on certain elements of EU economic policy in order to implement alternative projects, linking Kazakhstan and, Uzbekistan via the Caucasus, the Black Sea and Western Europe.”

Today, as part of its policy of diversification, Poland buys limited amounts of gas from Denmark and Norway but it does not constitute a long-term solution as their reserves are declining. But for the moment, the only option for Poland is to buy gas from Russia. In the medium and long term, possible measures include the diversification of imports, finding new supply sources in Central Asia, and importing gas in liquefied form from the Middle East. This diversification is hindered by the characteristics of the delivery network. Gas imports from North Africa and the Middle East are only possible in liquefied form but equipment used to liquefy gas, deliver liquefied gas, and turn liquefied gas back into gas state, are very costly. The plan for a gas pipeline between Norway and Sweden would help diversify suppliers but the cost would make it impossible to build a LNG terminal as well. Other plans include the increase of domestic gas production, and the development of existing gas storage facilities.

Poland has been quite active on the European scene, trying to build support to push forward the diversification of suppliers. On 4th January 2006, probably at the EU Gas Coordination Group meeting dedicated to the effects of the Russian/Ukrainian gas supply crisis, Poland presented a joint position worked out with the Czech Republic, Hungary and the Austrian EU presidency on the diversification of energy supplies to Central and Eastern Europe.⁵¹ The „small coalition“ proposed to seek access to deposits other than those belonging to Russia and the extension of gas pipelines leading from the south to the north. Warsaw, Prague and Budapest have appealed to the EU to support those projects not only politically, but financially. Those countries do believe that the EU should be more ambitious. Likewise, at the end of January 2006, representatives of Poland, the Czech Republic, Slovakia, Austria, Hungary, Slovenia, Croatia and Romania agreed to consider working out a joint plan to reduce dependence on Russian natural gas.⁵² This plan includes building gas storage facilities, constructing an intra-regional pipeline network, building terminals in Croatia and in Poland for storing LNG and accelerating work on the Nabucco pipeline.⁵³ Another gas pipeline, the Sarmatian Gas Pipeline, is in the planning phase. It would ensure transport of gas from the Caspian Sea, from Kazakhstan and Azerbaijan and perhaps Iran via the Ukraine to Poland. The gas pipeline would run through Armenia and Georgia and it would bypass the territory of Russia, which should constitute a guarantee safe supplies from that source,

As for oil, the supply of natural resources from the Caspian Sea region – mainly from Kazakhstan and Azerbaijan and perhaps from Iran - seems to be the most important out of a number of diversification opportunities. For instance, a declaration of cooperation between Poland and Ukraine was signed in March 2006 providing for the construction of an oil pipeline, going via Odessa, Brody and Plock, through which Azerbaijani oil would be delivered to Poland. That said, Polish refineries are designed to process heavy Russian oil, not light Caspian oil and refineries have forecast limited capacities in the near future. The Odessa-Brody-Plock oil pipeline is a transit

⁵¹ Warsaw Voice, „Gas Pains..“, 11 January 2006

⁵² Euractiv.com, „Analysis: Energy dependence and supply in Central and Eastern Europe“, 15 May 2006

⁵³ The Nabucco pipeline will link gas sources in the region of the Caspian Sea to a distribution point in Baumgarten in Austria, crossing Turkey, Bulgaria, Romania and Hungary. The construction of the 3,300-kilometer pipeline is expected to begin in 2008 and is planned to be finished until 2011.

rather than a supply project. It only makes sense if oil is transported to Gdańsk and then exported by sea.

In any case, the Polish government is growing aware of the strategic importance of the diversification of resources. Defence Minister Radosław Sikorski thus announced his ambition to make the Polish army the leader in the diversification of energy supply sources as energy security is becoming a more obvious element of national security. He plans to implement a diversification project to increase the use of biofuels and decrease imports.

The Russian/Ukrainian conflict has also seen the UK growing more defiant, albeit on a scale different from that of Poland and Central Europe. Traditionally, security of supply should come with the liberalisation of markets in the UK's view, liberalisation adds flexibility to markets and increases the resilience of the system.

Like for other Member States, improving energy diversity is important, especially considering the country's relatively few international connections for gas and electricity, and its (future) high level of dependency on hydrocarbon resources from the Middle East. There has been growing concern in the government in recent years regarding the rapidly rising use of natural gas for electricity generation. Current estimates suggest that the UK may rely on imports (mainly from Russia and Algeria) for between 55% and 90% of its gas supplies by 2020.

The issue of security of supply had already been addressed by the European Union Committee of the House of Lords in reaction to the EU Green Paper on security of supply. In its report of February 2002, this Committee concluded that liberalisation of energy markets will help promote energy security, but also that markets on their own cannot cope with the geopolitical problems that are the main source of security concerns.⁵⁴ For this reason, the report recommended a continuing role for governments and regulators. The solution advocated by the report and broadly shared by the government, is the diversification of fuels, as well as their sources and their transit routes, so as to avoid over-dependence on any particular source. This would be effected by the market itself, with the government merely setting up the regulatory environment needed. By developing common objectives with external supplier countries and engaging with other major consumers and transit states, the EU can exert its influence in a cohesive and focused way to export market principles, engage with supplier countries, particularly Russia, on an equal footing and ensure that energy and climate change objectives are consistently linked.

The question of diversification is therefore as important for the UK as it is for Poland in the medium-term. This is due to their energy mixes, UK's existent deal with Norway and its traditionally independent external policy. UK has chosen to focus on diversification of fuels rather than further diversification of suppliers. France has also made this choice because a significant diversification in oil and gas supplies has already been undertaken as explained in the first part. As an illustration, the 2005 law on energy policy is focusing on RES development.

The case of Germany is slightly atypical as it somehow chose to be relying mainly on Russia. The energy sector is heavily dependent on oil and gas. Mineral oils make up 37% of needs, but 97% of this oil is imported, a third coming from Russia. Gas accounts for 23% of consumption, of which more than 80% is imported, 37% from Russia. The growing dependence on Russia for its energy does worry some, who would like to see more diversification of sources.⁵⁵ Relying on one supplier is therefore not the problem. This lies rather in the growing reliance on imports. That is why politicians would like to see a more varied energy mix, based on German-owned resources, that includes gas, brown and hard coal and renewable energy. Commentators have underlined that Germany's big companies have hampered competition and have done their best to prevent diversification of energy sources because it would undermine their position in the market.⁵⁶ The construction of the NEGP does not change the situation. One could say that the diversification of

⁵⁴ Energy Supply: How Secure Are We? European Union -14th Report, HL 82, 12 February 2002.

⁵⁵ International Herald Tribune, „Merkel calls meeting on German energy”, 3 April 2006

⁵⁶ idem.

pipelines is providing energy security but Germany will still become increasingly dependent on Russia. One thing is clear: although there is a growing awareness for energy supplies from regions like Central Asia or North Africa, diversification of providers is not the main focus of official speeches⁵⁷, illustrating how important the partnership with Russia is. Germany would rather work on an internal diversification of sources, developing RES.⁵⁸

4. Energy cooperation with major producers, transit countries and consumers and integration within the energy community

Member States broadly agree on an intensification of energy cooperation as part of external policy as it pushes forward the liberalisation of markets and seeks to ensure energy security. It is a major component of this new external EEP and one of the least criticized.

The Green paper proposes first to ensure the proper working of markets (legal and material security, transparency of information) by opening the EU market to its neighbours to form a „common regulation area” operating under agreed rules on trade, transit and the environment. Today, the South-East Europe Energy Community gathers nine South-East European countries: Romania and Bulgaria, Croatia, Serbia, Bosnia-Herzegovina, Montenegro, Macedonia, Albania and the UN Interim Mission in Kosovo. They already have adopted for themselves the community „acquis” in terms of energy and community provisions in terms of environment and competition. This allows them to trade freely within the EU, creating the largest internal energy market in the world. From a community point of view, it establishes direct connections to countries that themselves border on the substantial reserves of the Caspian Sea and the Middle East, thereby ensuring a single regulatory basis for the import of fuels from these countries. It extends environmental standards to neighbours of the EU. It provides a solid basis for macro-economic reform by providing sustainable and secure energy supplies to business and consumers. This creates a predictable and transparent market to stimulate investment and growth, as well as security of supply, for the EU and its neighbours. The idea is to progressively create a pan-European energy Community, including for example Turkey and Ukraine, as well as Norway or Algeria.

Germany and France have agreed on this. An important German foreign policy goal is to eliminate one-sided energy dependency. „Energy cooperation in Europe is a high priority⁵⁹(...), it can be reached by extending energy community to neighbours: states such as Norway, Ukraine and Turkey”. The French memorandum dealt with it as well: when it comes to gas supplies : the EU should „ensure compliance with the undertakings of the Energy Community South East Europe Treaty signed in October 2005 in order to promote the free circulation of gas and the construction of new energy infrastructures in this region“.

A similar model is being pursued with Mediterranean countries.⁶⁰ A focused approach to dialogue with Middle East and North African countries is essential. The EU should concentrate on countries where there is real potential for an enhanced energy relationship and tangible results (Algeria, under the EU- Algeria Association Agreement, has significant potential and significant impact in the region, and it will be a major supplier of LNG to the Union and even Iraq in the long-term).⁶¹

⁵⁷ Handelsblatt, „Diversification was mentioned only once by Foreign Minister Steinmeier”, 30 March 2006

⁵⁸ Deutsche Welle, „Germany to Massively Invest in Energy Sector”, April 2006

⁵⁹ International Herald Tribune, article by German Foreign Minister Steinmeier, 23 March 2006

⁶⁰ EuroMed partners comprise: Morocco; Algeria; Tunisia (Maghreb); Egypt; Israel; Jordan, the Palestinian Authority; Lebanon; Syria (Mashreck); and Turkey. Libya is not yet a full member of EuroMed, but has observer status

⁶¹ UK Response to the Commission Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy

The EU's „energy partnerships” with producer countries (Norway, Algeria) must not simply aim to create „open, transparent, non-discriminatory and stable legal conditions” for energy investment and trade, but also develop and upgrade „production and export of energy transportation infrastructure in producer and transit countries”. The paper, supported by the Member States, mentions bilateral agreements to be developed with the major transit hub countries (Ukraine and potentially Turkey which will channel gas from the Caucasus and the Caspian Sea to Europe without it going through either Russia or Iran).

The UK mentions that „the EU already has a constructive dialogue with Russia and OPEC at the EU level and this should be extended to dialogue with other major (alternate) supplier, transit countries and producer countries”.⁶² France and Germany readily agreed. The German Foreign Minister, Frank-Walter Steinmeier, remarked that „in a system of cooperative energy security, the EU and the Member States must adopt a more powerful approach on external relations: the priority is to intensify relations with most important producer, transit and consumer countries and build networks between them (...), the chief goal is the reciprocal opening of the markets.” Germany, the UK and France all underline that the environmental side of the problem should be covered as well, as the French memorandum mentioned: „France warmly welcomes the partnerships the EU has already established with Russia, Ukraine, the Mediterranean countries, OPEC, India and China. It proposes that the energy-climate approach be a systematic component of these dialogues.”

Poland may have its own agenda towards energy cooperation. As mentioned above (Section II.3), the supply of natural resources from the Caspian Sea region seems to be the most important of a number of diversification opportunities. Therefore Poland appears to be focusing its diplomatic efforts towards its eastern and southern borders. This indicates a realistic position, as Poland is aware it cannot rely on the EU for its energy issues; it might also show a slight defiance towards the EU's plans for a global energy dialogue. Norway is also an alternative cooperation partner, illustrating the idea that Poland may be rather seeking for solutions and partnerships on a regional scale.

Last, the contribution by the Commission and SG-HR for the European Council stresses the greater risk of perturbation of the energy system caused by the increasing number of bilateral agreements between major consumer countries, seeking to make their supply more secure, and producer countries. As illustrated above, the proposal does not forget to deal with the more distant countries on a global scale, be they important producer and transit partners (North and Continental Africa, the Caucasus, the Caspian Basin and Central Asia, the Middle East and the Gulf as well as Latin America) or key consumers (the US, Japan, China and India). A common approach to global energy issues is also widely supported by most Member States: „Our goal is to convince the new major consumers of the benefits of functioning energy markets, to avoid problems such as misallocation and reduce risk premiums”⁶³, so „the EU must intensify dialogue with the most important consumer countries. They include the United States, with whom we have not so far engaged in strategic dialogue on energy at the political level. They also include up-and-coming players such as China and India.”

5. Reacting effectively to external crisis situations according to the principle of solidarity

External energy crises are likely to arise in the future since the EU is growing more dependent on energy imports, and even more so because the supplies come from often unstable regions. A

⁶² DTI Evidence to the Lord's Inquiry into The European Commission's Green Paper, „A European Strategy for Sustainable, Competitive and Secure Energy”, 20 May 2006

⁶³ International Herald Tribune, article by German Foreign Minister Steinmeier, 23 March 2006

fully coordinated reaction to external energy crises does not exist on the European level but the January 2006 gas crisis or the Middle East confusion have led leaders to ponder the setting up of such an instrument. A degree of solidarity is needed in the European Union's response to unforeseen events.

Early 2006, Poland proposed a plan to all NATO and European Union countries with the support of the USA: the creation of a European Energy Security Treaty, an „energy security pact“ providing mutual support to members in the event of an energy crisis. Arguing the interdependence of European energy systems, the then Polish Premier Marcinkiewicz presented a paper as „based on the same idea as NATO“. It would entail the creation of a political system applying the rule of solidarity, the rule of mutual help where the energy security of one country within the pact was threatened (like NATO's Article 5 on mutual security, by which a signatory could invoke the aid of its treaty partners), to obtain part of their energy reserves in a period of significant shortage. This pact would suppose the construction of joint energy storage, joint networks applying to gas, oil, electricity, as well as a mutual reaction in emergency situations or 'incidental' situations, such as a terrorist attack on an oil pipeline. In all areas, including bilateral relations, this must mean recognizing that violating the energy security of one country represents a threat to the entire European community. Poland was supported by the Visegrad countries (Poland, the Czech Republic, Slovakia, and Hungary) in submitting this plan to the European Council in March 2006.

The energy solidarity pact proposed by Poland basically called somehow for suspension of national interests in critical situations and this was not acceptable for many Member States, among them the old big ones. Germany and France rejected the offer. Germany opposed it in part because it excludes Russia, which Berlin believes would hinder efforts to build greater political and economic interdependence between the EU and Russia. On the other hand, France may not feel like it needs it, on account of its nuclear energy capacity, and its reluctance for a project that involves the USA. Both Germany and France said they were unwilling to isolate Russia, preferring instead to engage it in a long term energy relationship beneficial to both sides.⁶⁴ The UK did not show enthusiasm either.⁶⁵

On the contrary, Visegrad countries and Baltic countries supported the proposal as they fear dependence on Russian imports and are not able to significantly reduce it, especially because alternative sources are politically more uncertain or more expensive than Russian ones.

In March 2006, the Green Paper took the „solidarity“ concern into account and put forward several possibilities in this respect, including an initiative to increase transparency about issues such as gas storage and oil stocks. Greater co-operation between gas and electricity system operators is also envisaged. This partly constitutes an answer to Poland's worries but a more radical response is not on the agenda, for lack of political agreement.

⁶⁴ International Herald Tribune, „EU unity on power is elusive“, 23 March 2006

⁶⁵ EU Observer, „Sovereignty and protectionism cloud EU energy policy“ 20 March 2006

IV Options for an effective external EEP

The EU Member States all have in common their growing reliance on foreign fuel imports. Either the countries already rely heavily on imports (gas and oil) and will continue to do so (Germany and France) or, in the future, they will have to import their oil and gas massively from outside (Poland and the UK). Imports from Russia and the Middle East, where the main reserves of gas and oil are located, are set to increase up to 70% in 2030. Despite the role played by the RES and nuclear energy, these do not yet provide an alternative to fossil fuels. This situation presents many economic, political and environmental risks. Knowing that the European Community started with the European Coal and Steel Community (ECSC), it is slightly paradoxical for the EU Member States to have waited so long to launch a common energy policy.

The essential element in progressing toward an effective European energy policy is the political will of the Member States. Without it, no progress can be made for lack of a sound legal basis in the Treaties. In June 2006, the European Council agreed with the joint proposal by the Commission/Council to go forward with an external EEP: Member States with different geo-strategic interests and energy mixes agreed on the principles of an external energy policy. Ultimately, the need prompted the Member States to react and take action; it was high time they did so. Therefore, the rise of an EEP is not coincidental, it stems from a concrete and pressing need; national leaders have come to understand the strategic importance of energy and the potential pay off of putting their strengths together.

An external EEP can bring added value to energy security by:

- ▶ Setting up a dialogue with supplier and transit countries and industry to enhance a stable and transparent framework where market principles and free pricing mechanism are applied as much as possible.
- ▶ Establishing common projects: developing new pipelines and terminals; protecting facilities against terrorist attacks or other disruptions.
- ▶ Defining a common foreign stance on major crises disrupting the energy supply.

The EEP needs actual implementation; it will be a test for the EU's goal of identifying pragmatic answers to European issues. The external EEP illustrates one side of this „Europe of projects” that the EU Commission and the Member States hold dearly. It could be noticed that the Member States are in their „usual” position: although the four Member States studied agreed on this new policy (without countenancing any transfer of competence to the Community), there are nuances that reflect their relationship to the overall EU integration process. While the most „integrationist” Member State Germany supports the birth of this new policy (although some aspects more than others), Poland is trying to get the EU to help her succeed in her own agenda towards Russia. The UK has also cautiously argued in favour of such a policy: having realised the necessity of such a policy, the UK is trying to influence the outcome of an EEP that will result in further opening of markets.

There are several options that the EU could consider for the future in order to achieve results in the area. The EU has many instruments at its disposal and should make use of each of them (legal, financial, political) as proposed by the Commission Green Paper. The EU should also consider other ways: there are short-term and long-term options, effective or/and symbolic, they all aim at allowing the EU to speak with one voice to achieve a better energy security.

1. Energy Security Diplomacy (ESD)

ESD may be the most visible way to assert the one voice of the EU on energy matters. In terms of diplomacy, the joint Commission/Council paper mentioned the use of international instruments such as the Energy Charter Treaty, the European Energy Community, the EU Neighborhood Policy (ENP) and *fora* like the IEA, World Trade Organization (WTO) and the G8. Even when the EU does not have a single voice or only some Member States are part of such *fora*, the latter should talk on behalf of the EU. This is a very important step for a more coherent and therefore efficient action vis-à-vis the EU's partners; it is also a symbol, sending out the message abroad that the EU is united. Therefore, Member States should aim at reaching consensus before international fora to be able to speak with one voice. The European Commission is already present in the G8 discussions, it should work hand in hand with the Member States represented (Germany, the UK, France and Italy), especially when energy related matters are on the agenda. The Presidency of the Council could work as a tandem with the Commission at these international discussions, so that, through it, the whole of the EU is represented. This measure should have both symbolic and practical benefits.

2. „Europeanising” the Energy Relationships with Russia

The EU should continue to insist on the ratification of the Energy Charter Treaty as advised in the joint Commission/Council paper. In the meantime, bilateral agreements concluded between Russia and Germany or Italy for instance cannot be overlooked; they should contain the same principles of transparency, reciprocity and non discrimination as the Energy Charter Treaty. It could be desirable in order for the EU to stand united, to integrate the German/Russian relationship into the EU-Russia energy dialogue. Without going as far as talking about a 'socialisation effect', which would see Russian private enterprises and government converge on European standards and values, one can still insist on bringing business transactions with Russia into line with the most important European commercial standards. The strong mutual interest and interdependence between the EU and Russia argues for effective outcomes in the EU-Russia energy dialogue: mutual participation in energy companies' assets, joint infrastructure projects, etc. In the short-term, the energy sector may not necessarily be included in an overall agreement with Russia, since this would take time to be agreed on and could thus hinder initiatives.

3. Financial Cooperation

The EU and its partners could set up an investment support scheme to guarantee/mitigate non-commercial risks related to energy production and transport investments, such as warand contractual irregularities on the part of the country receiving the investment. It would be designed to facilitate the investments by European energy companies in supplier countries like Russia or else. Besides, loans to (or incentives for private investments) potential alternative supplier countries should be encouraged to develop production and transport infrastructure, LNG terminals. These moneys could come from EIB external lending mandates, EBRD and World Bank funds, extending Trans-European Energy networks scheme, so as to achieve better diversification.

4. Reforming the Legal framework

There is no legal basis in the Treaties that is specifically dedicated to external energy policy. Some contributions at the European Convention had proposed a reformed chapter on energy but

it was abandoned under the lobbying of British and Dutch Members of Parliament who feared the Commission would take control of North Sea oil and gas; in the end, only one article remained (III-256). Yet now that there is political will, it may be time to consider introducing such a provision. It could take the form of:

- ▶ either a new framework encompassing all energy issues:
 - drafting a new treaty on energy to establish a European Energy Community, covering an internal market for electricity, a common grid and interconnections, incentives for energy efficiency and the use of renewable energies, security of supplies, R&D, external policy, control of use of nuclear energy, etc. In the long-term, the Member States of the South East European Energy Community could join this Energy Community.
 - using the existing Euratom Treaty. EC powers relating to health and safety and non-proliferation could be transposed into the Treaty. In all other areas many powers of the Euratom Treaty are now obsolete. They could be formally abandoned, and the remaining institutional architecture could be a basis for a new treaty on energy with the same proposed provisions as above.
 - In both variants, the decision-making rules could be the following: Commission proposes, the European Parliament co-decides with the Council. The Council would make decisions by qualified majority (QMV) subject to conditions such as the respect of national choices of energy mix is absolutely essential here. Alternatively, given the reluctance of some Member States to directly shift to the standard QMV procedure, the possibility of a „passerelle” clause could be included.⁶⁶
- ▶ or introducing custom-made provisions into the existing EC/EU Treaties:
 - introducing a new legal basis on EEP to „reduce the burden” on Art. 308. This new legal base would deal with efficiency, certainty of supply, energy savings, like under Art. III-256 TCE, which extended Qualified Majority Vote to energy (subject to conditions). The sovereignty of the Member States as to their energy mixes would be kept intact.
 - including external energy aspects with other external relations issues (IIInd pillar: Common Foreign and Security Policy) where unanimity voting rules.

5. Neighborhood policy

The EU should promote open and competitive markets in third countries, in order that commercial actors are provided with a stable investment climate in producer and transit states: the EU could integrate energy security into the ENP to export European good governance principles (Benelux Memorandum⁶⁷). EU good-governance projects, for instance, could contribute to political stability, open and transparent markets, especially for transit countries in Caspian-Black Sea area (Transit Corridor Europe-Caucasus-Central Asia). The Baku initiative dealing with countries of Eastern Europe, the Caucasus and Central Asia could be given a boost as it aims to facilitate the progressive integration of the energy markets of this region into the EU market, as well as the transportation of the extensive Caspian oil and gas resources towards Europe. This is also true of the energy dialogue set up to promote regional energy integration within the Euromed process. The ultimate goals are always enhancing energy security and diversifying the sources and supply

⁶⁶ Activation of a 'passerelle' clause would require a unanimous decision on the part of the Council. The effect of activating the clause would be to enable legislative proposals to be agreed by co-decision and a form of majority voting. In effect, this would remove the possibility of veto by a Member State.

⁶⁷ Benelux memorandum, „Energy security and foreign policy”, position paper prepared for Spring European Council 2006

routes. Member States should agree on how far they are willing to go in their relationships with these countries (sectoral agreements, long term signature of an energy treaty). Then these dialogues should receive the proper political backing, human and financial resources.

6. The Military dimension

The Commission has already proposed to set up an overall strategy to protect critical infrastructure within the EU.⁶⁸ Although politically sensitive, one should consider a military option outside the EU borders in the event of a deliberate disruption of energy flows. In this view, the EU together with NATO might provide security for infrastructure in energy-producing states facing unrest, for instance by protecting tanker traffic and oil platforms in periods of conflict or using satellites to gather intelligence and monitor developments in areas where energy resources are threatened. The need for such action is real. Iran has threatened to use its energy reserves to attain political objectives; beyond policies deliberately affecting energy security, many supplier countries in Central Asia and the Middle East are politically unstable, resulting in insecure transportation systems and need new energy infrastructure investment. It would not be the first time such an option was set up: during the first Gulf War, France, Britain, and Italy (together with the USA) sought not only to liberate Kuwait but also to ensure that Iraq did not control Kuwaiti oil and threaten Saudi Arabia and other Gulf producers. An EU-coordinated force could play its part in such an operation if need be.

7. Reforming the Commercial Framework

Another effective way for the EU to have its voice heard would be to accord the Trade Commissioner a proper competence to discuss energy-related issues at WTO negotiations (that is *if* energy and energy investment were to be covered by WTO rules, and oil and gas treated like other traded goods). EU Trade Commissioner Peter Mandelson mentioned this possibility in June 2006⁶⁹. Energy trade and investment has been subject to rules such as the Energy Charter Treaty but these are limited in scope compared to what Mandelson has proposed. This „would force oil and gas producers to provide free access to transport infrastructure“. In other words, it would make Gazprom open up access to Russia's gas pipelines. This proposal would encounter resistance, not only from Russia but also from other producing countries. In exchange, the EU could offer them additional investment, and more security for their energy exports. Within the Doha Round of talks, some countries had called for extending coverage to oil and gas services, and that the products themselves were already covered.

8. Promoting renewable energy abroad

The energy-climate approach should be a systematic component of the dialogues with Russia, Ukraine, the Mediterranean countries, OPEC, India and China, with a focus on energy efficiency improvement projects and investments in low-emission technologies. The energy-climate approach in the EU's external relations and specifically in its development aid policy could be better addressed. In a way to attain diversification of providers and to spread the use of these clean

⁶⁸ Commission of the European Communities, „Communication from the Commission to the Council and the European Parliament, Critical Infrastructure Protection in the fight against terrorism“, COM(2004) 702 final, 20 October 2004

⁶⁹ Wall Street Journal, „EU Trade Chief Poses WTO Rules In Energy Sector“, 23 June 2006

energies, the EU could provide financial/commercial incentives for other countries to develop RES (for instance, solar energy in the Maghreb countries). In the same line of thought, the EU could seek cooperation with leading producing countries to diversify the latter's economies: it could encourage the development of renewable energies and new energy technologies in these countries. This could be developed through the EU's existing Energy Initiative that seeks to eradicate poverty and promote sustainable development. This Energy Initiative is accompanied by significant financial instruments to promote greater access to energy in the developing countries and the creation of sustainable energy systems.

Acronyms

ECT	European Community Treaty
EIB	European Investment Bank
EEP	European Energy Policy
ENP	European Neighborhood Policy
ESD	Energy Security Diplomacy
EU	European Union
HR	High Representative
IEA	International Energy Agency
LNG	Liquefied Natural Gas
NATO	North Atlantic Treaty Organization
NEGP	North European Gas Pipeline
OPEC	Organization of the Petroleum Exporting Countries
QMV	Qualified majority voting
RES	Renewable Energy Sources
SG	Secretariat General
TCE	Treaty establishing a Constitution for Europe
TPES	Total Primary Energy Supply
WTO	World Trade Organization