

Working Paper

Research Division Russian Federation/CIS
Stiftung Wissenschaft und Politik
German Institute for International
and Security Affairs

Lars-Christian U. Talseth

The EU-Russia Energy Dialogue

Travelling Without Moving

SWP Working Papers are online publications of SWP's research divisions which have not been formally reviewed by the Institute. Please do not cite them without the permission of the authors or editors.

Ludwigkirchplatz 3-4
10719 Berlin
Phone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

Working Paper FG 5, 2012/ 01, April 2012
SWP Berlin

Inhalt

The European Coal and Steel Community 2.0	3
Progress without Progress	4
Historical Factors	7
Institutional Factors	8
Political Factors	10
History, Institutions and Politics: Interlocutors in Transition	14
From “Europeanisation” to Diversification	16
Conclusions	17

From the grandiose rhetoric about forming a new European Coal and Steel Community between Russia and the EU more than eleven years ago, the EU-Russia Energy Dialogue has degenerated into a technical talk-shop between semi-empowered, semi-interested technocrats. The twelfth progress report, issued by the interlocutors of the Energy Dialogue last December, is low on actual progress. Instead it appears more as a lowest common denominator, papering over profound divisions in a dialogue struggling to deliver tangible results. Economic logic is important to understand this development. But the failure of the Energy Dialogue is at once historical, institutional and political, as this paper will argue.

The European Coal and Steel Community 2.0

The EU-Russia Energy Dialogue was launched on 30 October 2000, at the sixth EU-Russia Summit in Paris, France. The dialogue arose from the notion that the European continent constitutes a broad geopolitical area linked culturally, historically and economically, and that the complementarity in terms of energy between the eastern and western parts of the continent should be developed in a sustainable way for the future. Then as now, Russia and the EU were highly interdependent trading partners. As per end-2011, energy goods represented 74 per cent of total EU imports from Russia. Conversely, Russia provided the EU with 34 per cent of its net gas imports, and 33 per cent of crude oil imports.¹

The primary goal of the Energy Dialogue was no less than to resolve “all the questions of common interest relevant to [the energy sector].”² Both wanted energy security, albeit one as an importer and the other as an exporter. The Russians wanted investment and secure markets, whereas the EU wanted a stable legal regime for the Russo-European energy trade. But the ambitions extended further than mere energy security. As the EU Commission made clear in a communiqué from 2001, “[c]ommitments achieved through this dialogue in the energy sector could then serve as a model for other sectors.”³ In its earliest stages, the Energy Dialogue was purported to become a blueprint for further and deeper cooperation in other economic sectors, and perhaps also political integration. For the Commission, the inspiration for the dialogue was the European Coal and

¹ EU–Russia Energy Dialogue (2011). *12th Progress Report*, Moscow, December 1. Available online:

http://ec.europa.eu/energy/international/russia/doc/20111201_eu_russia_report.pdf (accessed March 19, 2012): 1.

² EU-Russia Summit (ERS) (2000). *Joint Statement of the President of the European Council, Mr J. CHIRAC, assisted by the Secretary General of the Council/High Representative for the Common Foreign and Security Policy of the EU, Mr J. SOLANA, of the President of the Commission of the European Communities, Mr R. PRODI, and of the President of the Russian Federation, Mr V.V. PUTIN* (2000), Paris: European Council and President of the Russian Federation, October 30. Available online:

http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/00/405&format=HTML&age_d=1&language=EN&guiLanguage=en (accessed March 19, 2012)

³ European Commission (2001). *Communication from President Prodi, Vice President de Palacio and Commissioner Patten to the Commission – the EU-Russia Energy Dialogue*, Brussels: European Commission, May 14. Available online:

http://ec.europa.eu/energy/russia/reference_texts/doc/comm-final-en.pdf (accessed March 19, 2012): p. 1

Steel Community (ECSC) of 1952, the progenitor of the European Community and later the European Union.⁴ Just like the ECSC, the dialogue was established as a forum between erstwhile antagonists. And just like the ECSC, an energy partnership (coal was the “oil” of the time) would lead into wider economic and political integration.

But unlike the ECSC, which was confined to a handful of geographically contingent, relatively homogeneous Western European states, the EU-Russia Energy Dialogue was between two highly different actors. Russia had no intention of repeating the ECSC, let alone build an extended EU.⁵ This would become all the more apparent during the course of the 2000s. Russia under Putin, with its top-heavy political and economic system, was – and indeed still is – a very different political animal than the polycentric EU. Vertical Russia was a poor match for the horizontal EU, which expanded twice, first to 25 then to 27 members, in 2004 and 2007, respectively. The expansions made the EU more heterogeneous. They also severely politicised the EU-Russia Energy Dialogue, by including of nine states from the former Eastern Bloc and Soviet Union, including Poland and the Baltic States. Moscow was wary of the new additions to the EU. It preferred to interact bilaterally with individual (“old”) member states, and above all Germany, Italy, France and the UK, which in Russian official circles are known as “the West-European Big Four”.⁶ What is more, Russia wanted to focus on sections of the economy rather than a broad patterned form of integration, which was the Commission’s goal.⁷ In this respect, the interlocutors spoke different languages, as it were, hence their consistent failure to communicate in an energy dialogue which has since strived to retain its relevance.

Progress without Progress

At the end of each calendar year, the two interlocutors produce progress reports to summarise and assess the development of the Energy Dialogue in the past twelve months. But rather than strong affirmations of progress, the reports appear as lowest common denominators, papering over profound divisions in a dialogue struggling to deliver tangible results. The most recent twelfth progress report, published by the Energy Dialogue last December, shows little in way of actual progress.⁸ Its introductory pages are devoted to reaffirming the *a priori* interdependency of Russia and the EU with respect to energy. One entire page is allotted to the summarisation of gas, oil and coal exports and imports, if nothing but to reassert a point which has been obvious since long before the inception of the Energy Dialogue, namely that Russia and the EU are co-dependent on each

⁴ Private conversation with EU official

⁵ Private conversation with Russian official

⁶ Zhiznin, Stanislav (2007). *Energy Diplomacy – Russia and the World*, Moscow: East Brook Publishing Company: p. 275.

⁷ Private conversation with Russian official

⁸ EU–Russia Energy Dialogue (2011). *12th Progress Report*, Moscow: The EU-Russia Energy Dialogue, December 1.

other. Subsequent space is spent on listing the somewhat limited meeting activity of the Energy Dialogue.

As such, the 2011-progress report, like its predecessors, fails to live up to its name. “Progress”, as it were, is mostly confined to discussing the discussion, i.e. widening of the framework of the dialogue itself. Most noticeable in this respect is the inception of an EU-Russia energy “roadmap” set for 2050, whose main purpose is to “identify ... and thereby facilitate mutually beneficial synergies.”⁹ This is not the first time such an initiative has been launched. Indeed, the interlocutors of the Energy Dialogue have been very successful at coming up with new ways of discussing old grievances, hence the proliferation of such “roadmaps”, “common spaces” and “partnerships”.¹⁰ But according to Russian officials I have spoken to, the new energy roadmap has been met with little enthusiasm on the Russian side, and a corresponding indifference within the EU. The Russians claim that their input has been mostly ignored by the EU Commission, which has also launched its own 2050 energy roadmap, and is thus more interested in going it alone.¹¹ Another new initiative is the new Gas Advisory Council (GAC), which was established to regularise the until-recent ad hoc input of the academic community and energy companies to the EU-Russia Energy Dialogue. The establishment of the GAC is the first step in yet another restructuring of the Energy Dialogue. This is all well and good, but the Energy Dialogue has to do more than cosmetic restructuring if it is to resolve the many issues facing the Russo-EU energy trade. Tellingly, the final paragraph, with the subheading “Legal Framework” (p. 6), is also the shortest. Only two sentences confirming the ongoing negotiations over a “New Agreement”, without really going into any detail. That the two parties have finally, after twelve years, managed to provide links to each-other’s respective webpages (p. 2) does not cover up the fact these legal negotiations have been on-going for well over a decade, without bringing the two parties any closer to resolution.

In want of its own achievements, then, the report has had to look elsewhere. It seemingly takes some credit for the successful completion of the first Nord Stream gas pipeline (p. 1), which was officially opened in November last year. The second pipeline is scheduled to come online in 2012. Although the pipeline has been co-opted as a “Project of Common Interest”, it was never an Energy Dialogue-led project. Rather, it is a joint-venture between Russia’s Gazprom and German, Dutch and French

⁹ EU–Russia Energy Dialogue (2011). *12th Progress Report*, Moscow: The EU-Russia Energy Dialogue, December 1: p. 2.

¹⁰ In 2003, Russia and the EU launched the “Four Common Spaces”, including a “Common Economic Space” which was supposed to cover energy provisions. Two years later these common spaces were fleshed out with their respective “Road Maps”, although without much success. See: EU-Russia Summit (ERS) (2003). *Joint Statement*, St Petersburg: European Council and President of the Russian Federation, May 31. Available online: www.delrus.ec.europa.eu/en/news_138.htm (accessed May 07, 2010); EU-Russia Summit (ERS) (2005). *Road Map for the Common Economic Space, Building Blocks for Sustained Economic Growth*, 8799/05 ADD 1 (Presse 110), Moscow: European Council and President of the Russian Federation, May 10. Available online: www.consilium.europa.eu/uedocs/cmsUpload/84815.pdf (accessed May 07, 2010)

¹¹ Private conversation with Russian officials

companies. Ever since its inception in 2005, Nord Stream has been mired in controversy. To this day, scepticism towards Nord Stream is high among several EU member states. Most belligerent among these have been the Baltic States and Poland, whose foreign minister Radoslaw Sikorski once compared it with a modern-day Molotov-Ribbentrop treaty between the Soviet Union and Nazi-Germany.¹² This was because the pipeline would completely bypass Poland and the Baltics, by way of the Baltic seabed between Vyborg in Russia and Greifswald in Germany. It is not clear, however, whether Russia and Gazprom will be able to fill Nord Stream given its projected supplies. And recently there have been signals that the EU Commission will demand for Nord Stream's European distribution network to be opened up to third-party suppliers such as Norway, the Netherlands and Poland.¹³

Other business-led projects mentioned in the report are the moribund Shtokman gas-field, which could supply Nord Stream, but which six years after the initial agreement between Gazprom, Norwegian Statoil and French Total has yet to reach an investment-decision. Additional projects mentioned are the eastern Siberian gas fields Sakhalin-2 and Kharyagin-skoye, both developed under so-called Production Sharing Agreements (PSA) with European companies. What is not mentioned, however, is the turbulent history of joint projects such as Sakhalin-2. Vladimir Putin, who is set to assume his third term as President of Russia, once described the PSA over Sakhalin as a "colonial agreement" between Western companies and Russia, in which the latter was not getting enough in return.¹⁴ The result was a tug of war between the project's European stakeholder, Shell, and Gazprom, in which the latter emerged victorious with a newly-won majority share in the field. Indeed, Putin and the Kremlin have completely dismissed the entire PSA-regime, which they argue is for "developing countries", and not for sovereign states like Russia.¹⁵ Even so, the inclusion of business ventures like Nord Stream, Shtokman and Sakhalin II is symptomatic of how the Energy Dialogue has worked or, rather, failed to work. Substantial achievements, however tenuous, have been made through bilateral agreements between Russia and individual member states and companies, and not so much through the Energy Dialogue, as Stanislav Zhiznin, a senior Russian energy official and one of the Russian founders of the Energy Dialogue, has pointed out to the author.

This inertia, or travelling without moving, has indeed been a problem

¹² Kramer, Andrew E. (2009). "Russia Gas Pipeline Heightens East Europe's Fears", *The New York Times*, October 12. Available online: <http://www.nytimes.com/2009/10/13/world/europe/13pipes.html> (accessed March 19, 2012).

¹³ Russia Today (2012). "EU Wants Russians to Share Nord Stream Pipeline", *Russia Today*, March 15. Available online: <http://rt.com/business/news/nord-stream-gas-nel-633/> (accessed March 29, 2012)

¹⁴ Der Spiegel (2007). "I am a True Democrat", *Der Spiegel*, June 6. Available online: <http://www.spiegel.de/international/world/0,1518,486345-2,00.html> (accessed March 19, 2012)

¹⁵ Private conversation with Russia official

since the beginning. As former Russian Prime Minister, Mikhail Kasyanov, dismissively noted in 2006, “regularly published ‘progress reports’ on energy dialogue refer now to quite a narrow circle of specific activities, like TACIS-sponsored energy efficiency projects in certain Russian cities. These ‘tactical’ projects are indeed important, but much less productive in absence of mutual understanding of political strategy of the “bigger” dialogue ... which is simply not discussed today’.¹⁶ In later years the interlocutors have even struggled with coming up with a common wording for the progress reports, as one Commission official confided with this author. Russian officials I have spoken to claim that the reports are only for show. They are published merely to keep the paper mill running at the Russian Ministry of Energy. It is the Ministry that coordinates the Energy Dialogue on behalf of the Russian government. But the real decisions affecting the Russo-EU energy trade are made wholly outside the confines of the Ministry and the Energy Dialogue, the officials say. In Russia they are made in the Kremlin, by way of government representatives in Russian energy companies such as Gazprom. Conversely, EU energy policy is largely defined by national governments in the 27 – going on 28 – member states, and not by Brussels-based “eurocrats”. On top of this are the myriad of private actors, who conduct business at their own discretion, without paying much heed to the grey suits in Moscow and Brussels. What remains is a largely impotent Energy Dialogue which, eleven years on, stands without a clear mandate or any real achievements to its name.

Historical Factors

There are three main reasons for this failure: historical, institutional and political, all of which interrelate with one another. Historically, the failure of the Energy Dialogue needs to be understood in light of the context into which it was established. In October 2000, at the foundation of the Energy Dialogue, the relationship between Russia and the EU was complacent, yet far from amicable. The botched privatisation- and democratisation-campaigns of the Yeltsin-years fragmented Russian political and economic life. Russian GDP was reduced by nearly two-thirds; civil war broke out in Chechnya. The ensuing chaos infused a cohort of future Russian decision-makers such as Vladimir Putin with a deep-rooted suspicion towards Western-style governance “imports”.¹⁷ Moreover, there were geopolitical incidents, such as the NATO-led intervention in Kosovo, which combined with a second outbreak of war in Chechnya put further strain on the by-then tenuous EU-Russia relationship. Indeed, the roots of this animosity are deep. Russia – stretched between the Asian and European landmasses, with its Orthodox Christianity and long tradition of authoritarian rule – has always been both a part of and apart from Europe, halfway in and

¹⁶ Kasyanov, Mikhail (2006). *Energy Security and Russia-EU Cooperation*, speech delivered at the European Enterprise Institute, Brussels, May 10. Available online: <http://archive.european-enterprise.org/public/docs/Kasyanov.pdf> (accessed April 1, 2010).

¹⁷ Putin, Vladimir (2011). "Video: Putin speaks at Valdai Discussion Club," *Valdai Discussion Club*. Available online: <http://valdaiclub.com/video/34720.html> (accessed May 21, 2012).

halfway out.¹⁸ This schism has displayed itself in Tsarist and Soviet times, as well as in the post-Soviet era. But by the turn of the millennium, relations were nonetheless warming up, if nothing but for structural reasons. The political and economic interdependence between Russia and the EU was growing. And if there was one area where Russia and the EU needed each other, and where the possibilities of successful cooperation were the greatest, it was in energy.¹⁹

Institutional Factors

The Energy Dialogue was far from the first attempt at institutionalising the Russo-EU energy trade. Rather, it was a revamped effort at doing so, after previous attempts had failed. In 1997, three years before the inception of the Energy Dialogue, the Partnership and Cooperation Agreement (PCA) between Russia and the EU came into force.²⁰ The PCA was originally signed in 1994, but was delayed because of the Chechen war, which Brussels strongly condemned, due to documented Russian human rights abuses.²¹ The PCA included a section on energy, which was near exclusively drawn from the international Energy Charter Treaty (ECT).²² The ECT, signed in December 1994, set the legal framework for transit of, and trade and investment in, energy. The EU member states, and the EU as a collective, were all subjected to the ECT. The problem, however, was that Russia had signed but not ratified the ECT. Russia, therefore, did not consider itself to be legally bound by the charter. It followed the ECT only on a provisional basis, which means that there was no real legal basis for the Russo-EU energy trade. Russia had all along objected to the provisions of the ECT regarding third-party access to its vast pipeline-system, which it inherited from the Soviet Union. Whereas the ECT demanded full third-party access to Russian pipelines, the Russian state wants to retain its state-controlled pipeline monopoly, so as to decide who are to gain access and who are not. Numerous efforts were made to resolve this issue, but Russia consistently refused to yield. One of the primary purposes of the EU-Russia Energy Dialogue, therefore, at least for the EU, was to resolve the issue of Russian ratification of the ECT. And it would do so fast: a “substantial breakthrough” was expected in the medium term, according to the

¹⁸ Neumann, Iver B. (2007). “Russia’s Quest for Recognition as a Great Power, 1489-2007”, *Working Papers of the Institute of European Studies and International Relations, Faculty of Social and Economic Sciences, Comenius University*, 2007(1).

¹⁹ Private conversation with EU official

²⁰ European Union and the Russian Federation (EURF) (1997). *Partnership and Cooperation Agreement (PCA) with Russia*, Official Journal L327, L/CE/RU/en, Brussels: European Commission. Available online: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:21997A1128%2801%29:EN:HTML> (accessed May 07, 2010).

²¹ Human Rights Watch (1995). *Three Months of War in Chechnya*, New York, NY: Human Rights Watch, February 1. Available online:

<http://www.hrw.org/legacy/reports/1995/Russia1.htm> (accessed March 20, 2012)

²² Energy Charter Secretariat (ECS) (2004). *The Energy Charter Treaty and Related Documents, A Legal Framework for International Energy Cooperation*, Brussels: ECT. Available online: www.encharter.org/fileadmin/user_upload/document/EN.pdf (accessed May 06, 2010).

Commission.²³ But simply calling it an energy dialogue would not in itself resolve the profound differences over the ECT, or anything else, as would soon become apparent.

The organisational structure of the Energy Dialogue has remained largely unchanged since its formalization in early 2001, a mere few months after the Paris summit. Today, the Energy Dialogue is led by two main interlocutors. These are the EU Commissioner for Energy, Günther Oettinger, a German, and the Russian Minister for Energy, Sergei Shmatko. Overall political direction is provided through the Permanent Partnership Council (PPC) on energy, which besides Shmatko and Öttinger also includes the incumbent and incoming EU Presidency. On a more regular basis the Energy Dialogue has been conducted through three Thematic Groups, which in turn were coordinated by the director general of the Directorate-General for Energy (DG Energy) and the deputy minister of the Ministry of Energy of the Russian Federation. Previously, these groups were named the Market Developments Group, the Energy Efficiency Group and the Energy Strategies, Forecasts and Scenarios Group, including respective subgroups. But as mentioned already, these groups have now been revised.²⁴ Also, a handful of intermediary structures have operated in parallel with the thematic groups, and most recently the GAC. The GAC was established last year as a forum between representatives of leading Russian and EU gas companies and experts from Russian and European academic research organizations, who are to convene to discuss the gas market and assess its development. The purpose of the GAC is to increase contact between the two parties, so as to allow for more continuity in the proceedings of the Energy Dialogue. Before the GAC was established, officials often complained that thematic group meetings were too infrequent, making it difficult for deliberations to gain any real momentum.²⁵ Meeting activity at higher, political (e.g. PPC) levels has been even more limited.

The ultimate level, however, are the biannual EU-Russia summits, attended by the President and foreign minister of Russia. Representing the EU are the Commission President, President of the European Council and the High Representative of the Union for Foreign Affairs and Security Policy. The summits are not an official part of the Energy Dialogue as such, but as the main decision-making forum between EU and Russia, the progress reports are presented at the summits for discussion. But despite the overall importance of energy for EU-Russia relations, the Energy Dialogue in itself is not a prominent element at the summits. Indeed, one senior EU official near the Commission President admitted to me of never

²³ European Commission (EC) (2002). *Energy Dialogue with Russia – progress since the October 2001 EU-Russia Summit*, SEC(2002)333, Brussels: EC, March 03. Available online: http://aei.pitt.edu/13465/1/SEC%282002%29_333.PDF (accessed March 19, 2012)

²⁴ There are now four thematic groups – one on “energy markets and strategies”, another on electricity, a third on nuclear energy and a final fourth group on “energy efficiency and innovations”. The markets and strategies group has two sub-groups, one on “scenarios and forecasts” and another one dealing with the EU-Russia 2050 “Road map” (cf. the 2011-Energy Dialogue progress report, p. 7).

²⁵ Private conversation with Russian official

having heard about the Energy Dialogue at all.

The underlying institutional problem, then, is that the horizontal EU-system is a poor match for the Russian power-vertical, which was consolidated during the early Putin-years. Whereas technocratic Brussels prefers to keep decision-making at the lowest levels possible, in Putin's Russia it is the other way around.²⁶ Despite a large bureaucracy consigned to the Russian energy sector, only a handful of actors are vested with powers to make any real decisions.²⁷ As mentioned before, the Russian Ministry of Energy does not have much influence over energy policy, foreign or domestic. Whereas its powers are indeed largely within the realm of external energy policy, its functions are mostly confined to public diplomacy, not as an autonomous actor itself.²⁸ Indeed, there is similar impotence on the EU side. Even though Brussels reinforced its decision-making powers in the external energy sphere through the Lisbon treaty, energy policy remains a predominantly national prerogative.²⁹ Consequently, there is a mismatch between actors and institutions, and institutions and capabilities.

Political Factors

Politically, therefore, securing a Russian ratification of the ECT was never going to be easy. Still, there was an undeniable air of optimism when the Energy Dialogue was announced: "Both historically in the cultural sense and increasingly in the economic sense, too, Russia is very much part of Europe, the greater Europe," said Vladimir Putin during the joint press-conference with French President Jacques Chirac and Commission President Romano Prodi.³⁰ But troubles quickly emerged, however, as the Russians did not really have a proper long-term agenda for the Energy Dialogue. As opposed to the EU's more long-term, comprehensive vision, Russia's goals were short-term and sector-specific. Russia wanted investment, but apart from that it was not so clear what it was after. Moscow's short-term, rather unfocused vision made it easy for Brussels to dominate the agenda of the Energy Dialogue in its early years.³¹ The EU's short-term

²⁶ Romanova, Tatiana (2008). "The Russian Perspective on the Energy Dialogue". *Journal of Contemporary European Studies*, 16(2)

²⁷ Tkachenko, Stanislav (2008). "Actors in Russia's Energy Policy towards the EU", in Aalto, Pami (ed.) *The EU-Russian Energy Dialogue, Europe's Future Energy Security*, Aldershot: Ashgate.

²⁸ Private conversation with Russian officials

²⁹ De Jong, Sijbren & Jan Wouters (2011). "European Energy Security Governance: Key-Challenges and Opportunities in EU-Russia Energy Relations", *Leuven Centre for Global Governance Studies, Working Paper*, 65, June. Available online: http://ghum.kuleuven.be/ggs/publications/working_papers/new_series/wp61-70/wp65.pdf (accessed March 19, 2012)

³⁰ Reuters (2000). "Russia and EU Vow 'Strategic Dialogue'; But Chechnya Intrudes on Putin Agenda", *Reuters*, October 31. Available online: <http://www.iskran.ru/review/october00/5igt.html> (accessed March 21, 2012)

³¹ Romanova, Tatiana (2008). "The Russian Perspective on the Energy Dialogue". *Journal of Contemporary European Studies*, 16(2): p. 220

goal for the Energy Dialogue was to establish an energy partnership under the auspices of the PCA, which to begin with would include Russian ratification of the ECT. The Russians were unenthusiastic, but had agreed to resume negotiations about the ECT, including a new transit protocol, so as to resolve the issue over third-party access to the Russian pipeline network. However, these discussions were quickly shot down after the EU in late-2001 invoked the charter's "Regional Economic Integration Organisation (REIO) Clause". Invoking the REIO-clause meant that the entire union was to be perceived as a single economic block. This rendered the whole concept of transit within the EU a moot point. Instead, the EU's progressively stricter internal market rules would apply. This had profoundly negative consequences for Russia's attitudes vis-à-vis the ECT. As Vladimir Milov, Russia's former deputy minister of energy, noted a few years later, "with the EU's lobbying of the 'regional integration clause,' hardly a single Russian politician would defend the idea of Russian ratification of the ECT."³² It also dealt a severe blow to the still-embryonic Energy Dialogue. According to yet another former deputy energy minister, Leonid Grigoriev, the invocation of the REIO-clause rendered the Energy Dialogue "blocked forever".³³

Political contingencies played in as well. In 2003, what seemed like a cold wind from the Soviet past flew in over the continent, after the arrest of Mikhail Khodorkovsky and the subsequent break-up and state-takeover of private oil giant YUKOS. A few months after the EU expansion in 2004, the communist legacy was felt in another way, with the Orange Revolution in Ukraine. The deteriorated political relationship between Kiev and Moscow paved the way for the 2006- and 2009 gas crises. Russia was no longer keen on subsidising gas for a government which openly denounced Moscow, and instead sought to strengthen its ties with the EU. Later in 2009, the comparatively pro-Russian Viktor Yanukovich, who was ousted after the 2004-events, was again elected President of Ukraine. While this soothed tensions between Ukraine and Russia, the crisis of confidence suffered by the EU-Russia Energy Dialogue after 2006 and 2009 proved difficult to repair. Tensions were further aggravated by the August 2008-war between Russia and Georgia, which put additional strain on the relationship between Moscow and Brussels. All of these incidents strengthened the EU's resolve that it had to decrease its dependency on energy imports from Russia, which was no longer perceived as a reliable trading partner.³⁴ Russia, on its side, also sought new markets, but measures have

³² Milov, Vladimir (2008). *Russia and the West: The Energy Factor*, IFRI/Centre for Strategic & International Studies. Available online: http://csis.org/files/media/isis/pubs/080731_milov_russia&west_web.pdf (accessed March 19, 2012)

³³ Talseth, Lars-Christian (2011). "A Dialogue of the Deaf: The EU-Russia Energy Dialogue 2000-2009", *RUSSCASP Working Paper*, April 2011: p. 49

³⁴ This change of perception was made clear by then-Commissioner of Energy, Andris Piebalgs, who served as the EU's main interlocutor in the Energy Dialogue, during a debate at the European Parliament, cf. European Parliament (2009). *Gas Supplies by Russia to Ukraine and the EU (debate)*, Brussels: European Parliament, January 14. Available online: www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+CRE+20090114+ITEM-

so far been limited to finding new export routes for the EU-market. Disputes with Beijing over the price of gas, combined with underdeveloped infrastructure in the Far East, make Russia's oft-voiced threats of an "eastern turn" sound like saber-rattling at best.³⁵

But if Russia and the EU remained tethered together economically, politically they were drifting apart. The Energy Dialogue was at a standstill. Rather than a dialogue it became a dual monologue. Russia remained vehemently opposed to ratifying the ECT. The Russians felt betrayed by the EU for discriminating against Russia by not applying the ECT dispute settlement provisions in equal terms against Ukraine after the 2009-crisis.³⁶ A few months later President Dmitry Medvedev presented his own alternative to the ECT, the "Conceptual Approach to the New Legal Framework for Energy Cooperation", which demanded "[u]nconditional state sovereignty over national energy resources".³⁷ But the plea fell on deaf ears, and Medvedev's concept was swiftly rejected by the EU. Shortly thereafter Russia withdrew its signature from the ECT. The official reason was the ECT's alleged mishandling of the Ukrainian crisis earlier that year. But according to the former deputy Secretary General of the ECT, Andrei Konoplyanik, the reasons were more ominous. The Ukraine-incident was just a convenient cover-up. The real reason for opposing the ECT, he argues, was fear of international arbitration under the terms of the charter over the expropriation of YUKOS from Mikhail Khodorkovsky.³⁸ The decision to withdraw came after intense pressure from Prime Minister Putin and his Vice Premier for energy Igor Sechin.³⁹ Sechin is the former chairman of state-owned oil company Rosneft, which in late-2003 swallowed most of YUKOS, after Khodorkovsky's arrest and trial. Sechin and Putin – nicknamed "Mr Oil" and "Mr Gas", respectively, for being the *de facto* two most powerful chieftains of Russia's energy sector – have all along been staunch opponents to the accords.⁴⁰ Whatever the actual

[009+DOC+XML+V0//EN&language=EN](#) (accessed April 23, 2010).

³⁵ Henderson, James (2011). *The Pricing Debate over Russian Gas Exports to China*, Oxford: Oxford Institute for Energy Studies. Available online:

<http://www.oxfordenergy.org/wpcms/wp-content/uploads/2011/10/NG-561.pdf> (accessed March 22, 2012); Wagstyl, Stefan (2011). "Russia-China: Still Gassing About Gas", *Financial Times*, October 11. Available online: <http://blogs.ft.com/beyond-brics/2011/10/11/russia-china-still-gassing-about-gas/#axzz1pqWaR3bn> (accessed March 22, 2012)

³⁶ Konoplyanik, Andrei (2009). "Russia-EU Energy Relations – and the Role of the Energy Charter Treaty", *Presentation at the 3-rd St.Gallen International Energy Forum*, St.Gallen, Switzerland, 29-30 October 2009. Available online:

<http://www.konoplyanik.ru/speeches/091029-30-Konoplyanik-StGallen.pdf> (accessed March 22, 2012): p. 9

³⁷ Medvedev, Dmitry (2009). *Conceptual Approach to the New Legal Framework for Energy Cooperation (Goals and Principles)*, President of Russia Official Web Portal, April 21. Available online: <http://archive.kremlin.ru/eng/text/docs/2009/04/215305.shtml> (accessed March 19, 2012)

³⁸ Konoplyanik, Andrei (2009). "Russia-EU Energy Relations – and the Role of the Energy Charter Treaty", *Presentation at the 3-rd St.Gallen International Energy Forum*, St.Gallen, Switzerland, 29-30 October 2009: p. 11

³⁹ Personal conversation with EU official

⁴⁰ Yeniekeyeff, Shamil (forthcoming 2012). *The Battle for Russian Oil – Corporations, Regions, and the State*, Oxford: Oxford Institute for Energy Studies

reason, the consequences were plain for all to see: Russia was no longer a signatory party to the ECT.

But Russia is not alone in having left ECT out in the cold. On the other hand, the EU, too, has increasingly removed itself from the ECT as its preferred legal document to regulate the energy trade. Although it remained a party to the accords, the Commission pushed for further liberalisation of the internal energy market. This was done through the Commission's Second and Third Energy Packages, which introduced a number of new energy directives. These directives placed stricter demands on energy companies than the first energy package, adopted in the late 90s, which was more on par with the ECT. Especially the Third Energy Package (TEP) has caused great resentment within Russia, due to its "unbundling" requirements, which makes it illegal for a single energy company, such as Gazprom, to control the production, transport and retail segments of a single energy chain. To be sure, these provisions were watered down considerably, after firm resistance by powerful energy producers within the EU, such as Germany and Italy.⁴¹ But even these diluted requirements posed a challenge to the state-owned Russian energy "champions". Moreover, the TEP prevented companies outside the EU from purchasing strategic distribution networks without approval by national governments, which in turn now had to consult with the EU Commission. In Moscow this territorial clause was perceived as a thinly veiled effort at protectionism against the Russians, who even renamed it the "Gazprom clause".⁴² The result was a stand-off, with neither party willing to yield. The EU staunchly refused to renege on the Third Energy Package, nonchalantly noting that "it's the law", as one EU energy official pointed out to this author. But Moscow was just as adamant in its refusal to go along with the demands of Brussels. Russia, one Russian official said, is very protective of anything that can be perceived as impinging on its powers, and will reject any proposals for it to cede *even a single per cent* of its sovereignty.⁴³

Thus, in recent years the ECT and the Third Energy Package, the two main legal documents currently regulating the Russo-EU energy trade, haven't even been mentioned in the progress reports. Nor have the two sides managed to come up with any alternatives. The TEP remains in force, whereas outgoing President Dmitry Medvedev's moribund energy concept is still alive, but widely derided to be a weak duplicate of the ECT.⁴⁴ Therefore, a legalisation of the Russo-European energy trade through the

⁴¹ De Jong, Sijbren & Jan Wouters (2011). "European Energy Security Governance: Key-Challenges and Opportunities in EU-Russia Energy Relations", *Leuven Centre for Global Governance Studies, Working Paper*, 65, June: 24-25.

⁴² RIA Novosti (2011). "EU's Third Energy Package aims to reduce gas prices for Europe – Putin", *RIA Novosti*, October 17. Available online: <http://en.rian.ru/world/20111017/167781672.html> (accessed on March 19, 2012); Miller, Alexey (2008). *Alexey Miller's Speech at Press Briefing, 11th Annual General Meeting of European Business Congress*, Deauville: 11th Annual General Meeting of European Business Congress. Available online: <http://www.gazprom.com/press/miller-journal/speech/speech100608/> (accessed March 19, 2012)

⁴³ Private conversation with Russian official

⁴⁴ Private conversation with Russian official

ECT, the EU's *acquis communautaire* or otherwise, is now mostly an academic exercise, without near-term chances of materialising.

History, Institutions and Politics: Interlocutors in Transition

In this respect, the Energy Dialogue is a story of inertia. But it is also a story of change, albeit not in a way that has benefited the dialogue itself. Rather, these changes have been to the detriment of the dialogue, making it more, not less, difficult for the two interlocutors to come to agreement. One key reason for the difficulties encountered by the Energy Dialogue in its roughly decade-long history is that the interlocutors themselves have transformed. The EU today is very different from the EU of 2000, not least because of its dual expansions in 2004 and 2007, which near-doubled the number of members, from 15 in 2004 to 27 in 2007. In January this year Croatia voted to become what would be the EU's 28th member state, with other candidates in the pipeline. The inclusion of nine former Communist and Soviet states – some of which depended on Russia for 100 per cent of their natural gas, and whose energy infrastructure is closely integrated with Russia's – severely politicised the Energy Dialogue.⁴⁵ On the one hand were the “old” member states such as Germany, Italy and France, all of which maintained sound bilateral energy relations with Russia, often to the disadvantage of Brussels. On the other hand, however, were the new members, including Poland and the Baltic states, who pushed for closer ties to the EU (and with the US) so as to gain a counterweight to the influence of Moscow. Ironically, the inclusion of these relatively pro-EU member states made agreement vis-à-vis Russia increasingly difficult, if not impossible. Poland, for instance, did its best to block negotiations over a successor-treaty to the PCA, which expired in 2007 and has since been automatically extended on an annual basis.⁴⁶ Although relations between Warsaw and Moscow have since improved, and negotiations over a new PCA have resumed – much because of the less belligerent foreign policy pursued by the government of Prime Minister Donald Tusk – suspicions nonetheless prevail. Among the Baltic States, moreover, bilateral relations with their erstwhile eastern ruler have scarcely improved. And at the crux of this dispute is energy. Rather than a source of further cooperation, as originally assumed back in 2000, energy has become a source of discord.

But whereas Moscow is frequently chastised for using energy as a “weapon” to coerce its smaller neighbours, invoking memories of Russia's imperial and Soviet past, Russia today is a far cry from where it was at the turn of the millennium. Indeed, Russia, too, has changed. After the troubling first decade of post-communism under former President Boris Yeltsin, Russia under Vladimir Putin re-emerged as a strong presence in

⁴⁵ Private conversation with Russian official

⁴⁶ Cienski, Jan & George Parker (2006). “Poland Raises Political Pressure on Russia over Ban on Meat Imports”, *Financial Times*, November 17. Available online: <http://proquest.umi.com/pqdweb?did=1164276791&sid=4&Fmt=3&clientId=15810&RQT=309&VName=PQD> (accessed April 22, 2010).

European and world politics. This strengthening was largely due to world oil prices skyrocketing from 1999 onwards. In concert with this happenstance were profound political reforms. The Russian “power vertical” imposed under Putin, who ruthlessly consolidated political and economic power into the hands of the government, including a state takeover of many of Russia’s largest energy companies, made it seemingly easy for the Russians to “divide and rule” an increasingly heterogeneous EU. Russia resurgent fancied itself a new “energy superpower”, and became ever more reluctant to subject itself to the dictate of Brussels, which wanted Russia to implement the labyrinthine legal provisions of the EU’s internal market.

But even so, it would be erroneous to assume that this enabled Russia to act as a unitary actor in the Energy Dialogue. Indeed, factional disputes, corruption and – as witnessed just recently – increasing popular discontent with the “sovereign democracy” built under Putin, have all impaired the Russian government’s ability to act unilaterally. Not least is Russia’s “humiliating” dependency (quoth President Dmitry Medvedev⁴⁷) on natural resources both a source of strength and a source of weakness. Indeed, Russia in the 2000s displayed symptoms of excessive dependency on natural resources, or what is known as “Dutch Disease”.⁴⁸ Russia’s vulnerability became apparent in 2008-2009 after the Lehman Brothers collapse, when the EU’s consumption of natural gas suddenly plummeted by 7.5 per cent, and Russia’s GDP fell by 8 per cent.⁴⁹ Although economic conditions have since improved – for Russia if not for the Eurozone, which at the time of writing this is seemingly buried in economic malaise – Moscow has not succeeded in replicating the monumental growth of the first seven years of the millennium. With the 7 per cent average growth rates of the first decade of the 2000s near-halved to around 4 per cent in 2011, the Russian economy was dependent on an energy price of above 115 dollars per barrel just to break even.⁵⁰ This number is expected to rise to 120 this year, if not more, which is striking when considering the fact that oil prices hovered at around 16 dollars per barrel as recently as in 1998.⁵¹ The constant threats to “reroute” Russian energy exports to new markets such as China, if the EU does not comply with the dictates of the Kremlin,

⁴⁷ Medvedev, Dmitry (2009). *Presidential Address to the Federal Assembly of the Russian Federation*, Moscow: President of Russia. Available online: <http://eng.kremlin.ru/transcripts/297> (accessed March 19, 2012)

⁴⁸ Sonin, Konstantin (2004). “The Unbearable Lightness of Petrodollars”, *Russia in Global Affairs*, August 10. Available online: http://eng.globalaffairs.ru/number/n_3377 (accessed March 19, 2012); Arbatov, Alexander, Vladimir Feygin & Victor Smirnov (2005). “Unrelenting Oil Addiction”, *Russia in Global Affairs*, May 18. Available online: http://eng.globalaffairs.ru/number/n_4960 (accessed March 19, 2012).

⁴⁹ Clover, Charles (2012). “Russia’s Economy: Unsustainable Support”, *Financial Times*, March 21. Available online: <http://www.ft.com/intl/cms/s/0/da7722fc-7289-11e1-9c23-00144feab49a.html#axzz1pqgEDMZF> (accessed March 22, 2012)

⁵⁰ Minfin (2011). “Russia 2011 Budget Deficit Below 0.5% If Oil Averages \$115/Bbl – Kudrin”, *Statements of Deputy Head of the Government of the Russian Federation – Finance Minister of the Russian Federation A. Kudrin*, Moscow: Ministry of Finance of the Russian Federation. Available online: <http://www.minfin.ru/en/pressoffice/quotes/index.php?id4=13193> (accessed March 19, 2012)

⁵¹ ITAR-TASS (2011). “Russia’s budget deficit may be under 1 prc in 2011, zero in 2012 – PM”, *ITAR-TASS*, June 26. Available online: <http://www.itar-tass.com/c154/174317.pdf> (accessed March 19, 2012)

ring hollow, as infrastructure in Eastern Siberia is still underdeveloped compared with the western part of the country. While this might change over time, it is at best a long-term prospect. Therefore, one could argue that Russia’s dependency on EU energy exports, and lack of alternative sources of income and influence, represent a “Dutch Disease” of Russian foreign policy.⁵² Rather than create leverage, Russia’s severe dependency on energy circumscribes it in the Energy Dialogue, not to mention in its wider relations with Brussels. Russian “Dutch Disease” has also created an immensely powerful group of self-interested private and government actors, with vested interest in maintaining the weak legal-environment in Russia, so as to perpetuate their astronomical wealth in a country where socio-economic differences remains enormous, and male life expectancy averages around sixty years.⁵³ The opaqueness of the Russian energy sector, and the rampant corruption that continues to plague it, makes it difficult to really know who calls the shots.⁵⁴ While Vladimir Putin remains the most powerful actor in the field, he is nonetheless reliant on a cadre of power brokers, many of which have no formal ties with the Kremlin, and whose names are unknown to the general public.⁵⁵ As Henry Kissinger once asked for Europe’s telephone number, so might the Commission soon be looking for the phone number of the Kremlin.

From “Europeanisation” to Diversification

The politics of time – past, present and future – has put the EU-Russia Energy Dialogue under considerable strain. While the political climate has slightly improved since the nadir of 2009, EU-Russia relations remain far removed from where they were during the Indian summer of October 2000. Today, rather than integration, or “Europeanisation”, the interlocutors want dual diversification. Although Nord Stream is now online, to much fanfare on both sides, Brussels and Moscow appear more as competitors than collaborators. They remain bogged down in a “new great game”⁵⁶ over the southern gas corridor, by way of the Southern Caucasus and Turkey, through rival gas pipeline projects Nabucco (EU) and South Stream (Russia). Although the economic prospects of both pipelines remain tenuous, the political implications are plain for all to see. The EU has also increased its efforts to go green, so as to become less dependent on hydrocarbon imports, as well as diversify its imports from suppliers of

⁵² House of Commons (2007). *Select Committee on Foreign Affairs Second Report*, London: House of Commons. Available online:

<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmfa/51/5105.htm> (accessed March 19, 2012)

⁵³ Nemtsov, Boris & Vladimir Milov (2008). *Putin and Gazprom, an Independent Expert Report* (translated from the Russian by Dave Essel), Moscow. Available online:

www.docstoc.com/docs/1603180/Nemtsov-White-Paper-Part-II-Gazprom (accessed March 19, 2012).

⁵⁴ Private conversation with German official

⁵⁵ Richard Sakwa, *The Crisis of Russian Democracy: the Dual State, Factionalism, and the Medvedev Succession* (Cambridge: Cambridge University Press, 2011).

⁵⁶ Kleveman, Lutz (2004). *The New Great Game: Blood and Oil in Central Asia*. London: Grove Press.

alternative hydrocarbon-sources such as shale gas. Although the EU will remain dependent on gas and oil imports for the foreseeable future, and Russia remains Brussels' single most important deposit of hydrocarbons, it is nevertheless difficult to predict how the Energy Dialogue can gain momentum from here.

Adding further exasperation are political contingencies of a more recent nature. In 2011 the EU was mired in the misère of the Eurozone crisis. Since then Brussels has become more concerned with setting its house in order, rather than pursuing any grand foreign policy objectives, detracting further momentum from the moribund Energy Dialogue. Moreover, 2012 marks the year of the comeback of Vladimir Putin as Russian President. Putin has made a new Eurasian union with Russia's former Soviet client states the main point on his next term-agenda. Whether or not this is yet another pipe-dream remains to be seen, but neither it, nor the Euro-crisis, nor the state of the moribund ECT, nor the stand-off over the Third Energy Package, bode well for the new "Coal and Steel Community" once envisaged by Moscow and Brussels.

Conclusions

In these concluding remarks, there is admittedly one question we have not properly addressed: Is it really fair to call the Energy Dialogue a failure? Several people I have spoken to have asked me this question (Full disclosure: Most of them are involved in the Energy Dialogue in one way or another). One senior Commission official I spoke to called the Energy Dialogue "an unconditional success". There are indeed many ways to assess its achievements. There are those who point to the inherent value of dialogue. Where there was no forum, now there is communication. Without a doubt, using such minimalist criteria, the EU-Russia Energy Dialogue has been successful. Moreover, the Energy Dialogue does have a few achievements to its name. The Dialogue temporarily secured the importance of long-term contracts for the gas trade, although the Commission is pushing for an increased share of short-term, "spot"-market contracts (Gazprom, on its side, argues that long-term contracts are essential for it to embark on high cost new gas field developments, so as to ensure future gas exports to Europe, as the output of its predominantly Soviet-era gas fields is slowly declining⁵⁷). The Energy Dialogue has also secured the partial abrogation of so-called destination clauses, which barred importing countries from re-exporting Russian gas. However, the Commission still suspects the Russians of including such clauses in its supply contracts, as became apparent when Gazprom's European offices were raided by European antitrust authorities late last year.⁵⁸ Moreover, a

⁵⁷ Gorst, Isabel (2012). "Gazprom Turns on Gas and Blames EU", *Financial Times*, February 21. Available online: <http://blogs.ft.com/beyond-brics/2012/02/21/gazprom-turns-on-gas-and-blames-eu/#axzz1pgN84O35> (accessed March 20, 2012)

⁵⁸ White, Aofie & Anna Shiryaevskaya (2011). "Gazprom's Supply Contracts Are Focus of EU's Antitrust Probe", *Bloomberg*, September 28. Available online:

handful of pilot projects regarding energy saving within Russia have been completed. But anyone who has been to Russia recently will testify that there is still a long, long way to go before Russia becomes energy efficient. Russia is two and a half times less energy efficient than any other industrialised nation, including all of the BRICS.⁵⁹ In 2008, Russia wasted enough energy to power the whole of Britain for a year.⁶⁰ Gazprom has slowly increased the prices of natural gas sold on Russia's heavily subsidised domestic market. Higher domestic prices would encourage energy savings, and would enable more gas to be freed up for export. But it would also mean more expensive electricity prices for Russian industry consumers alike, an unpopular decision in times of political turmoil. Russian domestic prices are still far away from reaching parity with European market prices. And although Gazprom's monopoly at the domestic market has been breached, and its share is slowly declining, it retains its legal export monopoly.⁶¹

Other achievements of the Energy Dialogue include the phasing out of single hull oil tankers to ensure maritime safety, and a feasibility study of a possible interconnection between the Russian and EU electricity markets – even if the once-vaunted vision of an integrated electricity market “from Lisbon to Vladivostok” remains elusive. Furthermore, in 2009, after the second Ukrainian gas crisis, an “Early Warning Mechanism” was established.⁶² This “Red Line”, as it were, was meant to act as a safe-guard against future shut-offs. Never mind then the caustic comparisons with the Moscow-Washington “Red Hotline”, which came online after the Cuban Missile Crisis, when the Soviet Union and the United States nearly fumbled into nuclear holocaust.

The Energy Dialogue, therefore, has not been a complete waste of time. But if we look at the initial objectives of securing a binding multilateral energy partnership between Moscow and Brussels, and perhaps even a political partnership, the Energy Dialogue has been an abject failure. The once-ambitious Energy Dialogue has today evolved into a mere talk-shop to discuss “partnerships”, “roadmaps”, “common spaces”, energy saving in

<http://www.businessweek.com/news/2011-09-28/gazprom-gas-supply-contracts-are-focus-of-eu-s-antitrust-probe.html> (accessed March 20, 2012)

⁵⁹ Charap, Samuel & Georgi V. Safonov (2010). “Climate Change and Role of Energy Efficiency”, in Anders Åslund, S.M. Guriev & Andrew Kuchins (eds.). *Russia after the Global Economic Crisis*, Washington, DC: Peter G. Peterson Institute for International Economics and Center for Strategic and International Studies: 137

⁶⁰ Rankin, Jennifer (2012). “Reluctant Russia Wakes Up to Energy Waste”, *Reuters*, March 20. Available online: <http://www.reuters.com/article/2012/03/20/us-russia-energy-idUSBRE82J09D20120320> (accessed March 20, 2012)

⁶¹ Paszyk, Ewa (2012). “Gazprom's Position on the Russian Gas Market Weakening”, *OSW Commentary*, February 23. Available online: <http://www.osw.waw.pl/en/publikacje/osw-commentary/2012-02-23/gazprom-s-position-russian-gas-market-weakening> (accessed March 20, 2012)

⁶² EU-Russia Energy Dialogue (ED) (2009). *Memorandum on an Early Waning Mechanism in the Energy Sector within the Framework of the EU-Russia Energy Dialogue*, Moscow, November 16. Available online: http://ec.europa.eu/energy/international/bilateral_cooperation/russia/doc/reports/2009_11_16_ewm_signed_en.pdf (accessed (April 23, 2010).

remote Russian cities, and various other technical issues. As such, it has degenerated into a meta-discussion, or discussion of the discussion, rather than a forum where substantial issues are identified and dealt with. In recent years the interlocutors have consistently avoided even mentioning anything that might be construed as contentious, as confirmed in the 2011-report, where neither the Third Energy Package nor the ECT, nor Medvedev's moribund "Conceptual Approach", are even mentioned. This failure – for it is indeed a failure – is at once historical, institutional and political, as we have seen. From the grandiose rhetoric about forming a new European Coal and Steel Union between Russia and the EU, 2012's Energy Dialogue has degenerated into a technical talk-shop between semi-empowered, semi-interested technocrats. Indeed, as Russia's main interlocutor in the Energy Dialogue between 2000 and 2006, Viktor Khristenko, once noted – "[a]n energy dialogue can be considered efficient only if it yields tangible results in the form of concrete projects".⁶³ More than eleven years after its inception, the Dialogue has still not succeeded in achieving its primary goal. Rather than a festschrift over an EU-Russia Energy Dialogue, therefore, the 2011-progress report reads like a postscript of what is now an EU-Russia Energy Diatribe.

So how can the Energy Dialogue move forward? Ironically, it might already be doing just that, albeit slowly and incrementally. The first step may have been taken through the recent restructuring of the dialogue. Most important here was the recent establishment of the Gas Advisory Council (GAC). Gas remains the most contentious topic of the dialogue. The inclusion of a wide array of experts from both sides should make for a more informed exchange of opinions. More crucially, it will allow for more continuity in the dialogue. Many participants have previously complained that the activity of the dialogue was too intermittent, too infrequent. It should also allow for more trust-building. The GAC is supported by the Thematic Group on Energy Strategies, Forecasts and Scenarios. After numerous complaints by the Russian delegation that the EU is pursuing unrealistic, "politically motivated" scenarios whose sole purpose is to reduce the union's reliance on Gazprom gas – leading the Russians to question whether the EU wants Russian gas at all – the two parties now finally seem to have reaffirmed their interdependence.⁶⁴ How this will translate into actual policy remains to be seen, and it will be interesting to see how well their "Roadmap 2050" fares in the end, or whether it, too, will become yet another failed initiative. But transparency is preferable, if the alternative is a return to the opaqueness of the 1990s. Moreover, transparency builds trust. This is important, as for the foreseeable future, Russia will remain one of the EU's principal sources of oil and gas, even though Russia's share of the latter has declined.⁶⁵

⁶³ Khristenko, Viktor (2006). "Possibilities of Energy Dialogue", *RIA Novosti*, April 25. Available online: <http://en.rian.ru/analysis/20060425/46902706.html> (accessed March 19, 2012)

⁶⁴ Private conversation with Russian official

⁶⁵ Russia's share of the EU's total natural gas imports has decreased from 47.7 per cent in 2001 to 34.2 per cent in 2009. Its share of crude oil imports has increased, however, from

Having failed its initial task of defining a legal framework for the EU-Russia energy trade, let alone a new Coal and Steel Community, the Energy Dialogue has been re-established and its ambitions lowered. The Energy Dialogue will not lead to a binding legal agreement between Russia and the EU, covering “all the questions of common interest relevant to [the energy sector]”, as stated back in October 2000.⁶⁶ The powers to do so remains in the hands of the EU member states, and the Russian government lead by President-elect Vladimir Putin, whose third term-agenda is still pure speculation. But this is perhaps just as well. Defining what you cannot do is just as important as defining what you can. This omission was one of the principal mistakes made by the interlocutors when they established the Energy Dialogue over a decade ago. It wanted to do too much. But as such, the Energy Dialogue lacked a clearly defined purpose. Now, perhaps, it has found one.

25.5 per cent to 33.1 per cent during the same time period. Source: Eurostat (2012). *Energy Production and Imports*, Brussels: European Commission. Available online:

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Main_origin_of_primary_energy_imports_EU-27_2001-2009_%28%25_of_extra_EU-27_imports%29.png&filetimestamp=20111123174700 (accessed March 21, 2012)

⁶⁶ EU-Russia Summit (ERS) (2000). *Joint Statement of the President of the European Council, Mr J. CHIRAC, assisted by the Secretary General of the Council/High Representative for the Common Foreign and Security Policy of the EU, Mr J. SOLANA, of the President of the Commission of the European Communities, Mr R. PRODI, and of the President of the Russian Federation, Mr V.V. PUTIN* (2000), Paris: European Council and President of the Russian Federation, October 30. Available online:

<http://europa.eu/rapid/pressReleasesAction.do?reference=PRES/00/405&format=HTML&aged=1&language=EN&guiLanguage=en> (accessed March 19, 2012)