

# Energy Security in Europe: How Is the EU Dealing with It?

Written by Cristina Puntaru

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CRISTINA PUNTARU, DEC 3 2015

Traditionally the concept of energy security has referred to “securing adequate energy supplies at reasonable and stable prices in order to sustain economic performance and growth.” In an analysis on energy security, Ciuta points out that the concept of energy security has become highly normalized, meaning different things at different times and to different actors. As a result, bringing energy into the security domain has different political implications depending on the context. In the case of the EU, energy security refers to security of supply, and has been re-conceptualized to include sustainability along with secure and affordable energy. The EU’s energy security came to the top of EU agenda in recent years due to increasing concerns about Russia as an unreliable supplier. EU relies heavily on Russia for its energy, importing a large share of fossil fuels with some members relying nearly 100 percent on Russian gas. The gas disruptions in Ukraine, which affected some EU members further, and the more recent Crimea contributed to the EU’s feelings of insecurity, leading to the development of a strategy to address energy supply crises. This essay looks at the policies implemented by the EU to achieve its energy security objectives set up in the Energy Union project, and aims to analyse the extent to which they have been successful. Firstly, the paper analyses the changing relations between EU and Russia in regard to energy, from inter-dependence to dependence and vulnerability. Secondly, the essay discusses the targets set in the 2020 Energy and Climate package and the extent to which the policies were successful in achieving the targets. Thirdly, the other dimensions of the Energy Strategy are discussed. Finally, the essay draws the conclusion on the extent to which the EU policies were successful in advancing its cause for energy security.

Russia has been a main supplier of energy (particularly gas) to the EU for a long time. While EU relies on Russia for a large share of energy imports, Russia depends on EU as a market for up to 70 percent of its exports. In a 2006 communication, the European Commission declared that “Russia seeks ways to secure energy demand presented by the EU market. The EU needs Russian resources for its energy security. There is a clear interdependence” (EC, 2006). However, in recent years, the EU increasingly saw its dependence on Russia as a vulnerability. The Energy Security Strategy of May 2014 speaks about this fear: “Many countries are heavily reliant on a single supplier, including some that rely entirely on Russia for their natural gas. This dependence leaves them vulnerable to supply disruptions” (2014). So why does the EU not trust Russia anymore? The answer has to do with the shifting perceptions of dependence in the EU-Russia relationship. A politicization of energy took place on both sides, which helped redefine relations between the two. On the one hand, the enlargement of NATO and that of the EU in 2004 were seen as a threat by Russia. On the other hand, the nationalization of energy in Russia and the exclusion of Western companies from the Sakhalin 2 project paved the path for the EU’s feelings of insecurity, which were highlighted by the disruptions of gas supplies in Ukraine in 2006 and 2009. Moreover, as new members with high import dependence on Russia were added to the EU in 2004, the average dependence of the Union went up by approximately 20 percent, while new internal divisions within the EU appeared due to different sensitivities and vulnerabilities among members. This further contributed to the perception of energy as a security issue.

As Casier (2011) pointed out, interpreting EU-Russia relations in competitive geopolitical terms affects the way in which Energy Security policies are laid out. In the Third Internal Energy Package (2011) the European Commission pushed strongly towards the liberalization of the internal EU market, aiming to keep energy cheap and secure through the creation of a single internal market and restricting the power of Gazprom (which was seen as a threat) in

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EU markets. The 2020 and 2030 Energy policies were affected as well by the perception of dependence as vulnerability. The European Energy Security Strategy (2014) which acts as guidance for these policies emphasizes the need to become less dependent on Russian imports: “We need to pool our resources, combine our infrastructures and unite our negotiating power vis-à-vis third countries [Russia]. We need to diversify our energy sources, and reduce the high energy dependence of several of our Member States” (Jean-Claude Juncker, 2014).

We have seen that the “high politics” dimension of energy is a result of the politicization of energy in recent years. But how effective have EU policies been in addressing the threat of energy insecurity? By the time the EU leaders were agreeing on a new framework for energy and climate (October, 2014) to replace the old package that is coming to an end in 2020, substantial progress has been made towards the targets related to greenhouse gas emissions reduction, renewable energy and energy efficiency. While the targets are important to address the problem of climate change, the environmental factor was not the only one the EU leaders had in mind when they designed the framework back in 2007. Neither was it the case when they translated the three targets into the new package for 2030. Using climate change arguments to advance energy security objectives is part of the EU strategic plan for energy security; by developing indigenous renewable energy and reducing energy demand through energy efficiency, the EU could decrease its vulnerability and advance diversification away from Russia. On the one hand, energy saving is important for the cause of energy security because for every 1 percent of saving in energy, a 2.3 percent cut in gas import can be made. On the other hand, decarbonization, along with the diversification of suppliers and the implementation of a fully integrated internal market, helps to decrease demand on imports of fossil fuels, advancing the EU’s objective to ensure sustainable, secure and affordable energy for all its members. On October 20, 2015, the EU Commissioner for Climate Action and Energy was proud to announce that the EU is on track towards the 2020 greenhouse gas target, reaching the lowest levels on record. “Europe succeeded in cutting emissions by 23 percent between 1990 and 2014 while the European economy grew by 46 percent over the same period. We have shown consistently that climate protection and economic growth go hand in hand” (Cañete, 2015). The EU bloc is also expected to achieve energy savings of around 18 to 19 percent, with Denmark leading the way. Also, the renewable target is expected to remain within reach, with most countries expected to perform “well” and some to exceed their targets. The 2009 directive on renewable energy, as part of the 2020 Energy and Climate Package, required Member States to adopt mandatory national overall targets “consistent” with a 20 percent target share of energy from renewable sources. According to the Europe renewable policy coordinator, “the report proves once again that binding national targets have been a key ingredient in the recipe for success of renewable energy in Europe so far” (Fauconnier, 2015). The argument is taken further in a progress report, pointing out to the link between energy and climate policies and energy security. “The EU’s 2020 renewables target [...] led to a reduction in the EU’s demand for fossil fuels to the tune of 116 Mtoe (2013 figure), boosting the EU’s security of energy supply” (Progress report, 2015).

However, the correlation between the achievement of targets and climate politics is not so obvious. Looking at individual members states, one can observe a link between the targets and the recession of the EU’s economy. Firstly, the economic recession has contributed to the decrease of energy consumption, making it easier for the renewable energy target to be achieved. Secondly, regarding the GHG emissions, we can see that the countries that have been affected by the depression most are also the countries with the highest emissions reduction (Denmark, Italy, Portugal, Finland, Ireland, Greece and Spain), while countries that have had strong growth have not seen much emissions reduction (France, Netherlands). With the discovery of shale gas, the demand for European coal decreased significantly in the US, leading to a decrease in the price of coal. When the recession hit Europe, the demand for permits to emit carbon in Europe decreased, leading to the crash of carbon prices. As a result, the penalty for carbon emissions reduced, making coal a profitable alternative to gas. Denmark has had negative growth since 2008 and, therefore, had both lower energy consumption and a decreased need for a back up capacity, making it easier to achieve the emissions reduction target. In contrast, Germany, whose economy grew, increased its demand for energy consumption (including coal), leading to its underperformance in emissions reductions. Comparing Germany and Denmark, both leaders in renewables but with different achievements towards the energy efficiency and GHG emissions targets, not only supports the argument but also shows that the EU-ETS, which is part of the emissions reduction policy, achieved the opposite of its intentions. Although policies and subsidies played a role in de-carbonization and energy efficiency, it is safer to give more credit for the progress towards the 2020 targets to the economic recession.

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The EU can take credit for other steps towards energy security instead. The Third Energy Package (2011), created as a regulatory framework towards the completion of the EU internal energy market, led to significant progress in integrating EU energy markets through the price-coupling of regions, creating larger gas trading hubs in Western Europe, and creating new import and storage capacities (IEA, 2014). The International Energy Agency sums up the achievements of the package in three main points: “1) more harmonised cross-border trade and network rules; 2) greater independence of national regulators and transmission system operators and their co-operation through newly created European bodies – the Agency for the Cooperation of Energy Regulators (ACER) and the European Networks for Transmission System Operators – Gas and Electricity; and 3) the enforcement of competition in the energy sector, following the sector inquiry of 2006, supporting further market opening” (IEA, 2014). The package has not overcome all the challenges of a fully integrated EU energy market like energy islands or congestion; however, new rules and investments have been put forward by the European Union in order to advance integration. On October 15, 2015, the EU announced an agreement to create the first gas interconnector between Poland and Lithuania, aiming to end the isolation of the Baltic region by 2019. Also, the support for the “projects of common interest,” focusing on electricity storage projects, electricity and gas transmission lines, underground gas storage projects and LNG terminals, is a step forward towards security of supply.

Along with the completion of the internal energy market, the Energy Security Strategy (2011) stresses the diversification of suppliers and routes as a long-term measure for energy security. This is particularly important as Russia is looking to diversify its markets to ensure the security of demand through new deals with China and India. In order to avoid disruptions of energy supply, the EU has developed the Southern Gas Corridor project, aiming to develop new pipelines connecting suppliers from the Caspian Sea and possibly the Middle East. The Trans-Anatolian Pipeline (TANAP) began its construction in March 2015 and is expected to transport 16 billion cubic meters of gas from Azerbaijan to Turkey and Europe at its completion in 2019. The EU has also announced plans for tapping unexploited reserves in Algeria, as part of a “diplomatic energy action plan” to diversify supply sources. Part of the plan is also the development of a LNG strategy that will deal with imports of LNG from the US and Australia. While LNG is currently an expensive alternative, the European Commission is confident that “the gas market is going to change dramatically in the future [...] and LNG prices are going to become competitive with pipeline gas” (Cañete, 2015). In order for LNG to become a realistic energy source, a gas market that is not fragmented is necessary to ensure flow of cheap energy within the EU. The diversification strategy also includes the reinforcement of the annual EU-Norway Energy Dialogue. With Norway as a major energy supplier to EU, the energy partnership is highly important for the EU’s security of supply.

This essay has showed how the politicization of energy brought energy security on the top of the EU agenda in recent years. As a result, the EU developed a series of policies aiming to address the issue of energy insecurity. While the success of the decarbonization plan is more related to the economic recession than to the energy and climate policies, the EU has had more success with its policies towards creating an integrated energy market and the diversification of suppliers, both aiming for energy security.

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