

A Sunny Spring European Council 2007

Common energy policy or bilateral relationships with Russia?

by Frank Umbach and Alexander Skiba

After the Spring European Council one thing is certain: the EU must speak with “one voice” toward Moscow, plan energy-related decisions more purposefully, and pursue important pipeline projects with greater foreign policy muscle. This will help the bloc to become a strategic actor in the fields of energy policy and external energy relations. However, the EU’s internal disagreements vis-à-vis Europe’s main energy supplier Russia remain the most serious problem of the envisioned common European approach. Moreover, the important question of how the burden of the ambitious climate protection goals will be shared between the 27 EU member states has yet to be addressed.

Economic questions have been high on the agenda of Spring European Council meetings. On 8-9 March 2007, European heads of states and governments agreed on the creation of “an integrated climate and energy policy”. The situation at the outset was as follows: increasing global competition, high energy prices, political instabilities—especially in the Middle East—as well as the recent political use of energy resources by Russia and the growing concerns about climate change made energy and climate policy a priority of the German EU presidency. The corner stone of a common integrated approach in these fields had been set by the Spring European Council 2006. In its conclusions, the Council asked the European Commission to draw up an Action Plan on energy security and external energy policy.

Prior to the Spring summit 2007, EU member states were at odds with regard to sovereign prerogatives concerning the national energy mix (especially regarding the future of nuclear energy), the agreement on a binding commitment to increase the share of renewable energy resources, the separation of production and supply activities from network operations, and the agreement on a common European energy policy towards Russia.

Central Outcomes

The results of the Spring summit are quite impressive. The German EU presidency largely implemented its own targets and negotiated the world’s most comprehensive action plan (containing 17 individual measures) on climate protection and energy supply. The summit’s conclusions are mostly in line with the recommendations of the EU Commission. Energy policy is to be aimed at the balance between three parameters: security of supply, competitiveness and environmental sustainability.

The EU will only account for about 6 percent of global carbon dioxide emissions in the future. Accordingly, the Federation of German Industries (BDI) had warned prior to the summit that overly ambitious climate protection targets would jeopardize the competitiveness of German companies without meaningfully improving global climate conditions.

EU member states were able to agree on a set of tasks during the run up to the summit:

- Energy efficiency should be increased by 20 percent across the EU;

- The goals of the Kyoto protocol should be exceeded and carbon emission should be reduced by 20 percent by 2020 compared to 1990 (if other industrialized countries such as the USA, India and China commit themselves to similar policies, the EU would be willing to reduce emissions by 30 percent);
- Additionally, a 20 percent share of the energy mix should be generated from renewable energy sources. Latvia, Sweden, Finland and Austria have already attained this target, although the Swedish and Finnish success is due to the use of nuclear energy.
- Ensuring the implementation of the Energy Community Treaty, with a view to its further development and possible extension to Norway, Turkey, Ukraine and Moldova;
- Making full use of the instruments available under the European Neighborhood Policy;
- Enhancing energy relationships with Algeria, Egypt and other producing countries in the Mashreq/Maghreb region; and
- Building a special energy dialogue with African countries.

Disagreements existed concerning the ambitious climate policy targets, such as the increase in the share of renewable energies in the overall EU energy consumption by 2020. Controversies especially erupted around the question to what extent nuclear energy could be used to reach this target. Germany found itself rather isolated, with only Austria backing its bid to not allow nuclear energy to be considered a carbon free energy source. However, France, Poland, the Czech Republic and Slovakia successfully asserted their position of allowing nuclear energy to count as carbon-free.

External Energy Policy

The Energy Action Plan, which will accelerate the development and strategic orientation of the external European Energy Policy (EEP) found little public attention. The EU's policy in that field will be strengthened by the following components:

- Negotiating and finalizing a follow-up to the Partnership and Cooperation Agreement with Russia, particularly relating to energy issues;
- Intensifying the EU relationship with Central Asia, the Caspian and the Black Sea regions, with a view to further diversifying sources and routes;
- Strengthening partnerships and cooperation regarding bilateral energy dialogues (with the USA as well as with China, India, Brazil and other emerging economies);

In the area of security of energy supply four “priority projects of European interest” were articulated. These include:

- The power link between Germany, Poland and Lithuania;
- Connections to offshore wind power in Northern Europe;
- Electricity inter-connections between France and Spain; and
- The Nabucco pipeline, bringing gas from the Caspian to central Europe.

The planned Nordstream gas pipeline in the Baltic Sea is not listed among these priority projects.

Assessment and Outlook

The public debate about the results of the Spring summit widely concentrated on the “historic agreement on climate change”. This rather narrow focus, however, jeopardizes the balance within the energy triangle between security of supply, competitiveness and sustainability. For a one-sided orientation toward climate issues will eventually lead to a neglect of such factors as competitiveness and security of supply.

The painful decisions of the Spring summit in the field of climate protection are still in the offing. The implementation of the climate goals and their distribution

among the 27 EU members is by far more important than setting EU-wide limits on carbon emissions. With 75 percent of CO₂ reductions, Germany takes up the lion's share of EU contributions to the goals of the Kyoto protocol until 2012. But closing the old industrial plants in the German East—which accounted for much of the reductions—has already been done. With regard to carbon reductions until 2020 as envisioned by the EU, Germany will not be able to maintain this high percentage. Berlin has yet to set the right priorities with regard to climate protection and increasing energy efficiency. It also remains questionable whether the vanguard position of the European Union on climate matters will be honored and followed by the United States and—critically—by China, India and other transition countries.

Concerning nuclear energy, Germany has again (as during the last G8 summit) been largely isolated and failed to assert itself on the European level. The Spring 2007 summit concluded that the lifetime extension of nuclear power plants can improve the CO₂ balance. Yet the Spring European Council's agreement is clearly a compromise and a common European response on the future of nuclear energy is still missing. France, a country that generates 40% of its energy supply from nuclear energy (and 77 percent of its electricity supply), is thus able to comply with the required share of renewable energies without implementing any additional measures. With regard to German domestic politics, the summit's compromise backed the position of German Chancellor Merkel, her CDU/CSU parliamentary group, and German energy companies, who argue that a “withdrawal from the withdrawal” from nuclear energy programs is desirable because it simultaneously enhances the achievement of climate protection targets and strengthens the security of supply.

EU heads of states and governments have failed to agree upon a common strategy towards Russia, the bloc's most important energy supplier. The lack of coherence of the bloc's external energy policy enables

Russia to continue the “bilateralization” of energy partnerships. With Russia's traditional politics of “Divide and rule!” the country is in a powerful position to play off individual European states against large energy companies. Most recently, in the beginning of April, this policy approach became obvious during negotiations for a joint venture between the Italian power supplier ENI and ENEL and the Russian giant Gazprom.

Russia's approach is perhaps most visible in its efforts to undermine a common European policy toward Central Asia. Moscow is currently trying to torpedo the Nabucco pipeline project, which is of crucial importance for European energy autonomy and the diversification of energy supply.

Russian politicians and advisors to the Kremlin are very frank about their objections towards a direct pipeline between Central Asia and Central Europe. By circumventing Russian pipelines, the Nabucco project would result in a “loss of money and strategic influence” for Russia. From Moscow's perspective this could potentially trigger “a geopolitical crisis”. In that context, German and EU policy-makers are overlooking two important facts:

- Independent gas pipelines from the Caspian region to Central Europe would force Russia to invest in the exploration of new gas deposits in its own territory. This, in turn, would secure long-term Russian as well as European gas supply.
- The Russian focus on gas imports from Central Asia has geopolitical reasons and contributes to the “gas crisis” in Russia. Moscow has thus become a less reliable energy supplier for Europe.

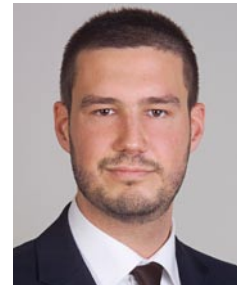
The aftermath of the Spring summit has seen European energy companies, with the backing of their respective governments, intensify their relations with Moscow. In light of such bilateral energy deals, the European Council conclusions run the risk of becoming

ing political lip service. Some EU member states have still not realized that Russia is playing “hard ball.” The construction of the Nabucco pipeline needs to be supported more decisively by Germany and the EU. The United States’ policy to secure the Baku-Ceyhan and Baku-Erzurum pipelines should be seen as a role model in this regard. Otherwise, Russia will be able to successfully undermine the EU’s options to diversify its gas imports even before the first steps of a common external energy policy can be implemented. From a strategic viewpoint this situation is unacceptable for the EU. With 200 billion m³, the total gas export capacity of the Caspian region is significantly higher than

Russia’s with 140 billion m³. Short-sighted national special interests are threatening a strategic and unified approach to the EU’s external energy policy.



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