SSANSE
SMALL STATES AND THE NEW SECURITY ENVIRONMENT

RESEARCH PROJECT
POLICY BRIEFS

EXTERNAL ENERGY POLICY OF THE EU

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Policy brief no. 15 | 26, June 2018

Prepared for the international conference: Small States and the New Security Environment, University of Iceland, Reykjavík

Key findings

- Small EU member countries differ in their position towards integration at the EU level in external energy area
- Perception of their ability to secure energy security influences their willingness to transfer competences in this area to the EU level
- Improvements of energy security (diversification projects, new rules, etc.) do not have to directly translate into changed position concerning energy security if perception does not chance
- Perceived vulnerability in energy security area is used to support projects with limited energy security impact

Executive summary

Energy security has become one of the EU's top priorities after the 2009 gas crisis. While member states and the European Commission are more or less unified in their position on the further development of tools within the Union aiming to improve energy security (e.g. diversification, building new interconnectors, liberalisation rules, etc.), the question how to approach relations with supplying countries divides member states. The policy brief explores the positions of small EU member states toward the deepening of integration in EU external energy policy. The main assumption claims that the preferences of small EU countries depend on their perceived ability to deal with energy security issues. This suggests that diversification and other tools aiming to change levels of dependence on individual suppliers do not have to have direct impact on energy policies. Member countries do not have to change their positions towards their energy suppliers even if diversification redefines their energy supply matrix if their perception of energy security does not

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change. They can thus support deepening of integration at the EU level as a way of improving energy security also in cases when diversification delivers the same results.

Background

The 2009 natural gas crisis meant a significant shift in the position of many EU member countries as well as the European Commission in energy security area. While the 2006 gas crisis during which partial decrease of Russian supplies to the EU through Ukraine had only limited impact on the situation in the community with many members opposing any new measures in energy security area, the 2009 crisis had much severe consequences. This time no natural gas flowed from the Russian Federation to Europe through Ukraine for more than 10 days[1] what had severe economic consequences for several EU member states especially from Central and Eastern Europe (most notably Bulgaria and Slovakia). Moreover, the situation showed that the Russian supplies to Europe are interruptible and that the European countries fully dependent on Russian supplies face serious problem in energy security area.

Many EU member states were at that time – as a consequence of their historical status as Soviet satellites – supplied by natural gas only by the Russian Federation (i.e. Gazprom Export, the Russian export monopoly). Physical infrastructure (pipelines) ran from east to west, without possibility to reverse the flow of natural gas and without alternative supply routes from other directions or sources other than the Russian Federation. Therefore, when the natural gas stopped to flow at the very beginning of the 2009, there was no alternative source of gas for several Central and Eastern European countries.

As a result of this experience, the European Commission started to propose measures to improve energy security situation of the Union and its member states. The 2010 natural gas regulation concerning security of natural gas supplies at the EU level[2] introduced to the community the concept of protected customers whose gas supplies have to be guaranteed during an emergency (all households, but member states can include also other groups of customers) and so called N-1 rule according to which member states have to satisfy total gas consumption in the case of disruption of the single largest infrastructure (i.e. the main gas pipeline) for a defined time period.

Besides the new rules the Commission supported also development of a new infrastructure that would diversify routes and sources of natural gas (and other types of energy) for member states. The Commission initiated several funds that helped to create reverse flows or build new interconnectors between member countries. Currently the main source of funding is connected to Projects of Common Interest (PCI) list[3] that supports diversification projects in the whole EU. However, also Gazprom started to develop new projects right after the crisis. In order to circumvent Ukraine and access European customers directly without Ukraine as a transition country Nord Stream pipeline was constructed at the beginning of 2010s. Currently the second phase of the pipeline is being developed with significant opposition from several member states under the Polish leadership. In 2014 the Commission conducted “stress tests” to determine the level of member states’ readiness to deal with further gas crises under new conditions (improved diversification, new rules, etc.). The tests concluded that in the case of another similar crisis, the most affected region would be the Baltic States plus Finland together with south-eastern Europe (especially Romania, Bulgaria and Greece). In order to further support strengthening of energy security, but also development of energy policy at the EU level, the Commission suggested creation of Energy Union in February 2015. This new policy project is supposed to bring together all partial energy policy rules that exist within the European Union and create a united energy policy of the community. Energy Union therefore consists of several parts that deal with basically all aspects of energy policy,

including energy security. Relations with third countries in this area – i.e. external energy policy – is also firmly included in the Energy Union project and its improvement is one of the goals of the project.

Analysis

However, not all member states have the same position towards further integration in external energy area at the EU level. Research has shown that not all EU member countries favour transfer of competences in external energy area to the EU level – some of them prefer to keep competences in this area in their own hands[4]. The research studied the small member states and was based on the argument that these countries do not have to have homogenous preferences only because they are small. Their smallness does not have to automatically translate into low levels of energy security and from that stemming support for EU-wide measures in this area. The main argument presented within the paper claims that what matter is how small member states (more precisely their decision-makers) view their ability to deal with energy security. In other words, perceived vulnerability is the main factors behind the decision to support or oppose common measures at the EU level in external energy policy.

Small EU members whose decision-makers believe that their states are able to successfully deal with these challenges do not support the deepening of integration in external energy policy area as this would mean a loss of competences in a given area. On the other hand, those small member states those political representatives do not believe that their country is able to successfully deal with external energy issues support development of common EU tools in form of a single energy policy that would enable them to be a part of a much stronger unit capable to handle all energy security issues.

The research[5] examined this arguments on three EU member countries – Austria, the Czech Republic and Slovakia, thus combining countries with different background and an important gas import from the Russian Federation. Although the countries share many characteristics (size, import from Russia, utilisation of gas in national economies, etc.) they have different positions towards integration within the external energy policy area. Even the historical experience of post-Socialist Czech Republic and Slovakia cannot fully explain the differences between the countries as these two states themselves have different positions towards deepening of European integration in external energy policy area. On the other hand, perceived vulnerability seems to be able to explain why Austria is not a big supported of delegating powers in this area to the EU level while Slovakia is a rather strong supported and the Czech Republic is somewhere between these two: Austrians view their states as capable of dealing with energy security issues while Slovak representatives perceive their country in terms of vulnerability.

Policy advice points/ What should [small state] do?

Advice

- Many EU member states are concerned about their energy security, however, this cannot be directly linked only to their physical energy security situation and other factors have to be taken into consideration.
- The way member states' representatives view energy security has to be taken into consideration when developing policies in this area at the EU level.

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- Energy security can be used by stakeholders to increase interest of the Commission in different infrastructural proposals. Projects with real diversification potential have to be distinguished from plans with other (commercial, etc.) goals.
- European Commission should re-evaluate rules of the Project of Common Interest list to prevent duplicity of infrastructural projects with very limited energy security impact.

Conclusion

These findings have very important policy implications as they suggest that the changes in the actual level of energy security do not have to automatically translate into changes of policies if the perception of energy security does not change. In other words, development of new energy infrastructure (diversification) that improves energy security by adding alternative routes or sources of energy does not necessary mean also change in energy policy preferences of the country – it can stay the same if the perception of energy security stays the same. EU countries can thus still support EU-wide solutions even if these do not have any significant impact on their energy security levels.

Development of new infrastructure with the help of EU funds requested by member states can thus have only marginal impact on the level of energy security while can significantly burden the EU budget. For example, in the aftermath of the 2009 gas crisis diversification in the form of reverse flows development and building of new interconnectors took place in Slovakia what notably improved energy security of the country (the 2014 stress tests didn't include Slovakia among the most vulnerable EU members). In spite of this, energy security has been used by the Slovak transmission system operator (eustream) together with the Slovak government to support the inclusion of new proposed pipeline (Eastring) to the PCI list. However, reasons others than energy security behind the project's support by the Slovak authorities can be identified[6]. Moreover, a very similar proposed pipeline Tesla was also included into the PCI list, thus qualifying for EU financial support[7]. This, however, meant supporting two very similar projects, both with only limited positive impact on energy security of the EU.

[1] Siddi, M. (2017) The EU's gas relationship with Russia: solving current disputes and strengthening energy security. Asia Europe Journal 15, pp. 107-117.

[2] Regulation (EU) No 994/2010 of the European Parliament and of the Council of 20 October 2010 concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC.

[3] Projects of Common Interest. Available at: https://ec.europa.eu/energy/en/topics/infrastructure/projects-common-interest

[4] Mišík, M. (2016) On the way towards the Energy Union: Position of Austria, the Czech Republic and Slovakia towards external energy security integration. Energy 111, pp. 68-81.

[5] Ibid.

[6] Mišík, M. and Nosko, A. (2017) The Eastring gas pipeline in the context of the Central and Eastern European gas supply challenge. Nature Energy 2, pp. 844-848.

[7] The Union list of Projects of Common Interest. https://ec.europa.eu/energy/sites/ener/files/documents/5_2%20PCI%20annex.pdf

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