

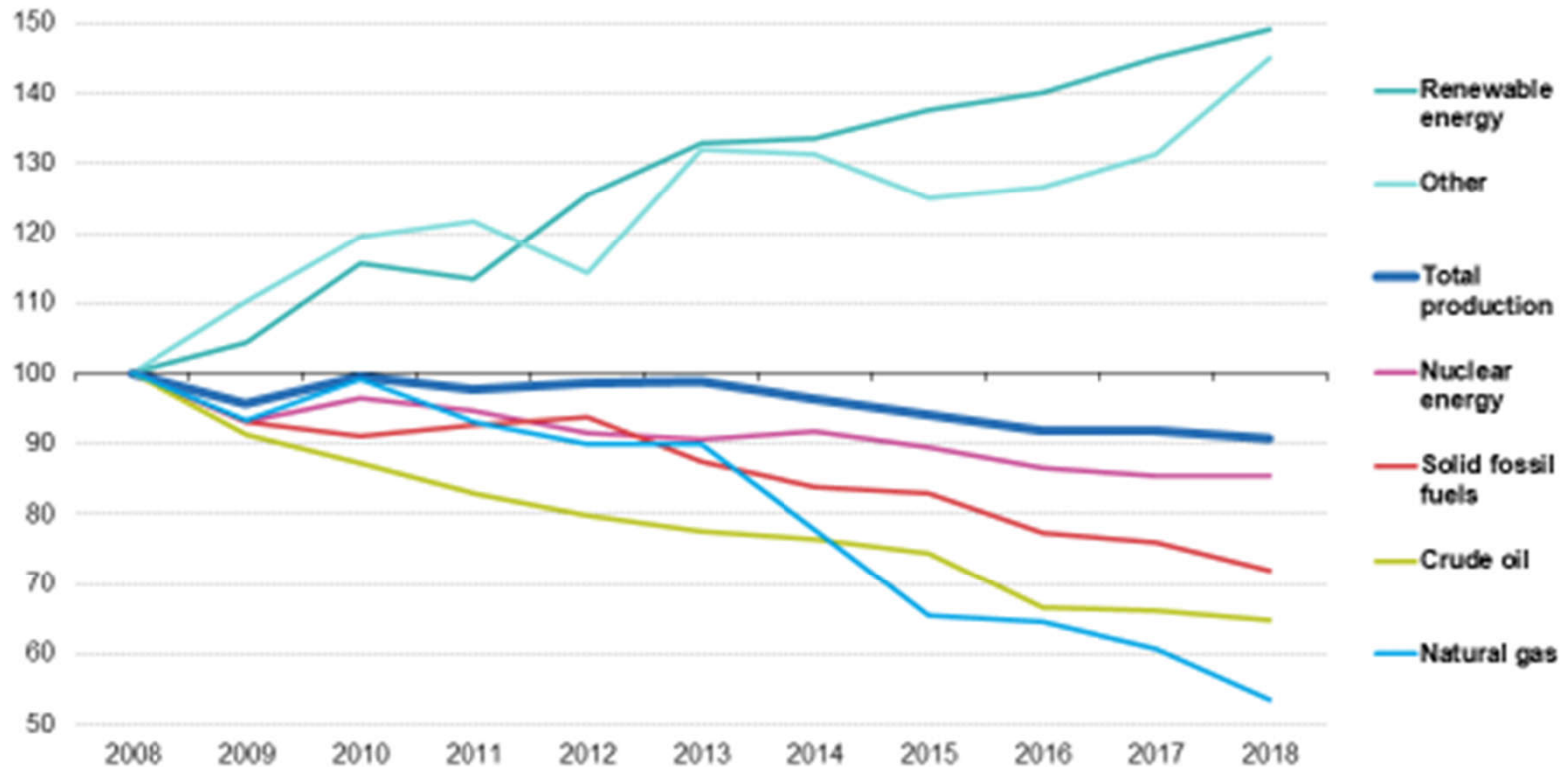
# External Dimension of the EU Energy Policy (ED EEP)

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# Production of primary energy by fuel type (EU27)

**Production of primary energy by fuel type, EU-27, 2008-2018**

(2008 = 100, based on tonnes of oil equivalent)



Source: Eurostat (online data code: nrg\_bal\_c)

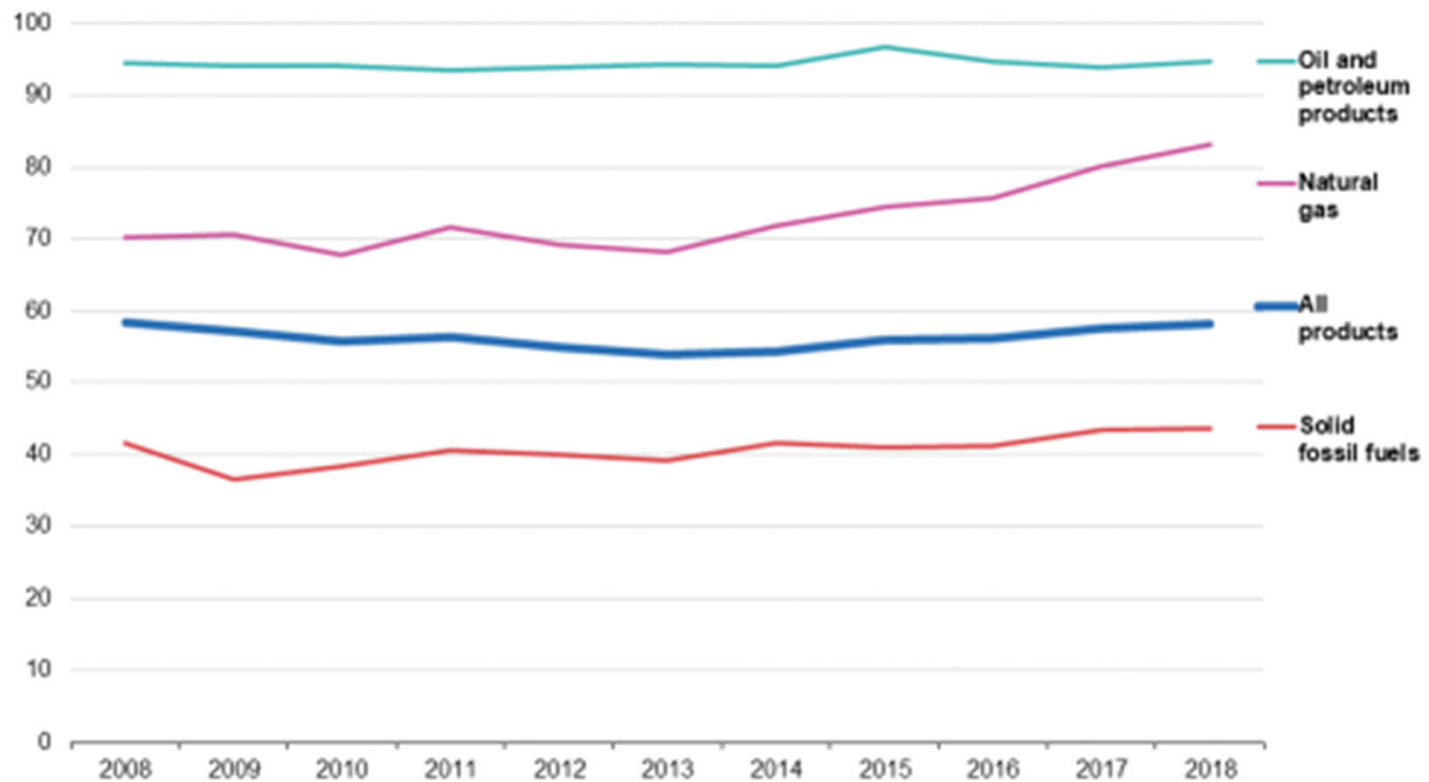
# EU28 import dependence

External dimension should

- Secure stable and reliable supplies of energy at affordable prices;
- Improve relationship between consuming countries, producers and transit countries;
- Strengthen the negotiating position of the EU by 'speaking with one voice' ;

**Energy dependency rate, EU-27, 2008-2018**

(% of net imports in gross available energy, based on tonnes of oil equivalent)



Source: Eurostat (online data code: nrg\_ind\_id)

Net imports of energy, in selected years, 2008-2018

	2008	2010	2012	2014	2016	2018	2008	2010	2012	2014	2016	2018
	(million tonnes of oil equivalent)						(tonnes of oil equivalent per inhabitant)					
<b>EU-27</b>	959.9	895.4	844.2	798.5	842.9	885.8	2.2	2.0	1.9	1.8	1.9	2.0
Belgium	55.7	53.6	46.1	47.1	47.8	52.9	5.2	4.9	4.2	4.2	4.2	4.6
Bulgaria	10.5	7.2	6.8	6.3	7.1	6.9	1.4	1.0	0.9	0.9	1.0	1.0
Czechia	12.7	11.5	11.0	12.7	13.7	16.0	1.2	1.1	1.0	1.2	1.3	1.5
Denmark	-4.4	-3.4	-0.5	2.2	2.7	4.5	-0.8	-0.6	-0.1	0.4	0.5	0.8
Germany	210.7	204.6	199.7	197.0	205.8	201.0	2.6	2.5	2.5	2.4	2.5	2.4
Estonia	1.6	0.9	1.2	0.7	0.5	0.0	1.2	0.7	0.9	0.5	0.4	0.0
Ireland	14.4	13.2	11.8	11.7	10.4	10.1	3.2	2.9	2.6	2.5	2.2	2.1
Greece	25.2	21.3	19.4	16.9	18.5	18.4	2.3	1.9	1.8	1.5	1.7	1.7
Spain	122.8	106.7	100.1	91.5	94.0	100.8	2.7	2.3	2.1	2.0	2.0	2.2
France	139.3	132.3	128.7	119.0	121.7	119.5	2.2	2.0	2.0	1.8	1.8	1.8
Croatia	5.4	4.4	4.4	3.6	4.2	4.6	1.3	1.0	1.0	0.8	1.0	1.1
Italy	155.3	148.5	132.0	115.0	121.5	121.9	2.6	2.5	2.2	1.9	2.0	2.0
Cyprus	3.1	3.0	2.6	2.3	2.6	2.7	4.0	3.6	3.1	2.7	3.1	3.1
Latvia	2.9	2.2	2.7	1.9	2.2	2.1	1.3	1.0	1.3	1.0	1.1	1.1
Lithuania	5.4	5.7	5.8	5.3	5.6	5.9	1.7	1.8	1.9	1.8	1.9	2.1
Luxembourg	4.5	4.5	4.3	4.1	4.0	4.3	9.3	9.0	8.3	7.4	7.0	7.1
Hungary	17.0	15.1	12.4	14.3	14.3	15.5	1.7	1.5	1.3	1.4	1.5	1.6
Malta	1.9	2.4	2.2	2.1	2.5	3.0	4.6	5.7	5.2	4.8	5.5	6.3
Netherlands	33.1	28.3	28.9	27.2	41.2	53.2	2.0	1.7	1.7	1.6	2.4	3.1
Austria	23.7	21.9	21.5	21.6	21.1	21.8	2.8	2.6	2.6	2.5	2.4	2.5
Poland	30.4	32.1	31.0	27.9	31.0	48.0	0.8	0.8	0.8	0.7	0.8	1.3
Portugal	21.8	18.7	18.2	16.4	17.5	18.8	2.1	1.8	1.7	1.6	1.7	1.8
Romania	11.0	7.5	7.9	5.3	7.0	8.2	0.5	0.4	0.4	0.3	0.4	0.4
Slovenia	4.3	3.6	3.6	3.0	3.3	3.6	2.2	1.8	1.8	1.4	1.6	1.8
Slovakia	12.0	11.4	10.2	9.8	9.9	10.9	2.2	2.1	1.9	1.8	1.8	2.0
Finland	19.8	18.1	16.2	17.2	15.8	15.8	3.7	3.4	3.0	3.2	2.9	2.9
Sweden	19.8	19.9	15.8	16.5	17.0	15.4	2.2	2.1	1.7	1.7	1.7	1.5
United Kingdom	58.7	62.6	88.8	89.0	67.8	66.5	1.0	1.0	1.4	1.4	1.0	1.0
Iceland	1.2	0.8	0.8	0.8	1.1	1.3	3.9	2.4	2.5	2.6	3.2	3.7
Norway	-187.7	-175.1	-175.7	-166.9	-179.4	-175.8	-39.6	-36.1	-35.2	-32.7	-34.4	-33.2
Montenegro	0.6	0.3	0.4	0.3	0.3	0.3	0.9	0.5	0.6	0.5	0.6	0.5
North Macedonia	1.4	1.3	1.4	1.4	1.6	1.5	0.7	0.6	0.7	0.7	0.8	0.7
Albania	1.1	0.6	0.3	0.7	0.5	0.5	0.4	0.2	0.1	0.2	0.2	0.2
Serbia	6.4	5.2	4.1	3.7	4.6	5.4	0.9	0.7	0.6	0.5	0.6	0.8
Turkey	72.5	74.7	89.3	94.1	106.1	110.0	1.0	1.0	1.2	1.2	1.3	1.4
Bosnia and Herzegovina	:	:	:	1.7	2.1	1.8	:	:	:	:	:	:
Kosovo*	0.6	0.6	0.6	0.6	0.6	0.8	0.3	0.3	:	:	0.4	0.4
Moldova	0.1	2.0	1.9	1.9	2.0	2.2	0.0	0.6	0.5	0.5	:	:
Ukraine	57.3	41.9	38.5	27.4	27.7	32.3	1.2	0.9	0.8	0.6	0.6	0.8
Georgia	:	:	:	3.2	3.5	3.8	:	:	:	0.7	1.0	1.0

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Source: Eurostat (online data codes: nrg\_bal\_s and demo\_pjan)

## Main origin of primary energy imports, EU-27, 2008-2018

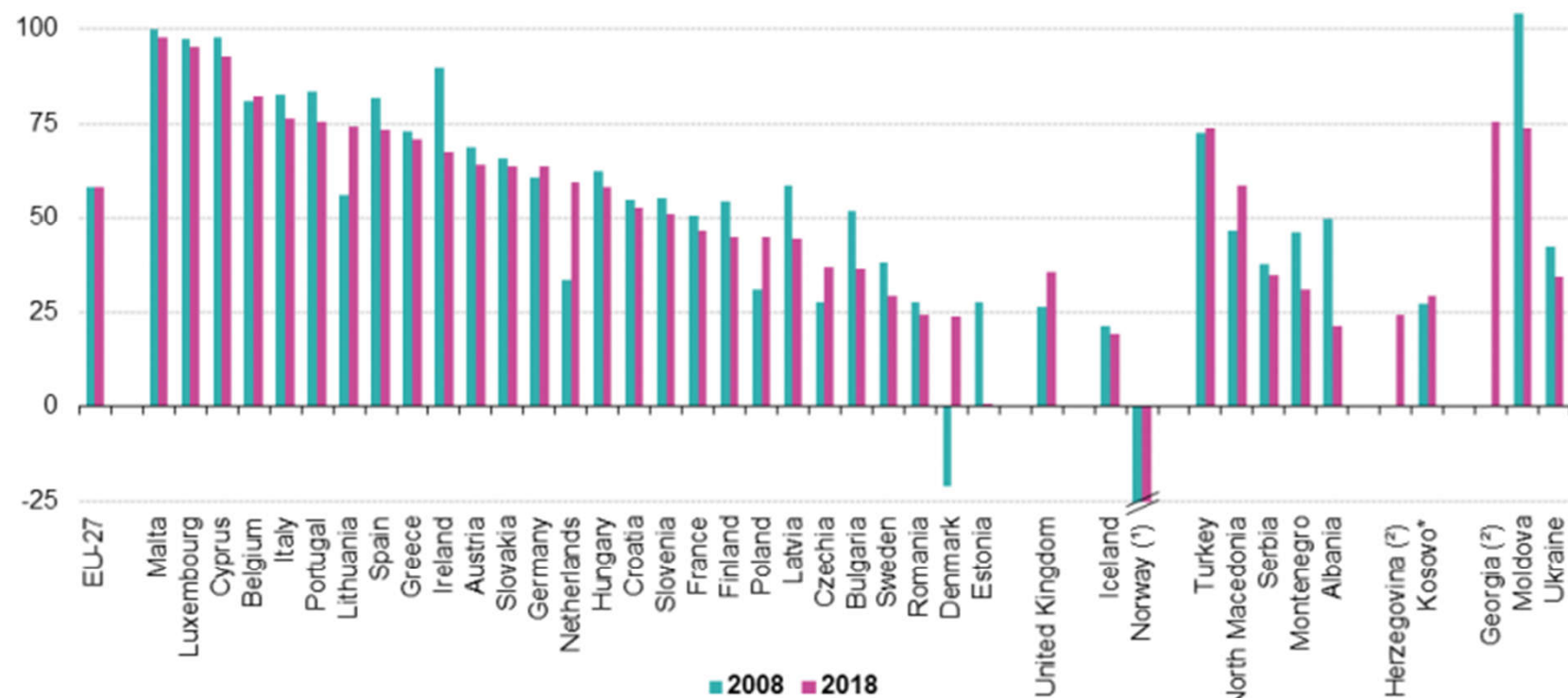
(% of extra EU-27 imports)

	Hard coal (based on tonnes)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Russia	19.9	25.8	25.5	24.2	22.1	26.6	27.7	28.5	30.8	38.1	42.4	
United States	15.9	14.7	17.5	18.3	22.5	20.6	18.7	13.5	13.0	16.0	18.6	
Colombia	11.7	17.0	17.7	20.5	20.9	18.2	18.8	21.1	20.4	17.2	13.4	
Australia	13.3	7.9	10.9	9.1	8.7	9.8	8.3	12.1	16.7	11.8	11.8	
Indonesia	7.8	8.0	6.3	6.1	5.9	4.4	4.7	4.6	3.5	3.5	3.8	
South Africa	18.5	17.5	10.9	9.5	8.1	7.8	10.0	8.3	5.5	5.1	2.8	
Canada	2.7	1.8	2.2	2.6	2.1	2.3	3.5	1.8	2.5	2.6	2.6	
Mozambique	0.0	0.0	0.0	0.1	0.0	0.2	0.3	0.5	0.7	1.3	1.8	
Kazakhstan	0.4	0.2	0.2	0.4	0.4	0.4	0.7	0.6	0.6	0.7	1.0	
Others	9.8	7.2	8.7	9.3	9.4	9.8	7.2	8.9	6.3	3.7	2.0	
	Crude oil (based on tonnes)											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Russia	32.1	34.2	35.2	35.6	34.3	35.0	31.7	30.0	32.7	31.0	29.8	
Iraq	3.4	3.9	3.4	3.7	4.3	3.9	4.8	7.9	8.6	8.5	8.7	
Saudi Arabia	7.1	5.9	6.1	8.4	9.2	8.8	9.0	8.0	7.8	6.6	7.4	
Norway	9.6	9.6	7.8	7.3	6.9	8.2	9.3	8.4	8.0	7.8	7.2	
Kazakhstan	5.0	5.5	5.7	6.0	5.4	6.1	6.7	6.8	7.0	7.7	7.2	
Nigeria	3.7	4.2	3.9	5.7	7.3	7.3	8.4	7.8	5.2	5.8	7.1	
Libya	9.9	9.0	9.9	2.8	8.0	5.5	3.4	2.5	2.2	4.9	6.1	
Azerbaijan	3.3	4.2	4.5	5.1	4.0	5.0	4.7	5.4	4.7	4.7	4.6	
Iran	5.5	4.8	5.9	6.1	1.3	0.0	0.1	0.0	3.0	5.5	3.9	
United Kingdom	5.2	5.0	5.6	4.6	4.5	4.2	4.3	4.0	4.1	4.1	3.9	
Others	15.1	13.7	12.0	14.7	14.7	15.9	17.6	19.1	16.7	13.5	14.1	
	Natural gas (based on terajoule (gross calorific value - GCV))											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Russia	39.4	35.6	35.2	38.3	38.6	45.3	41.2	41.6	43.7	41.8	40.4	
Norway	22.0	23.9	22.2	23.0	25.5	23.5	26.0	25.7	18.0	17.9	18.1	
Algeria	15.5	14.8	15.0	14.4	14.7	13.7	13.0	11.8	13.5	11.4	11.8	
Qatar	2.5	4.1	6.2	6.0	4.7	4.2	3.7	4.1	3.3	4.1	4.6	
Nigeria	4.2	2.6	4.4	4.5	3.5	1.9	1.6	2.2	2.2	2.7	3.0	
United Kingdom	2.8	3.4	3.8	4.3	3.6	3.1	3.3	4.2	2.8	3.0	2.4	
Libya	3.1	3.1	3.0	0.8	2.1	1.9	2.3	2.3	1.4	1.2	1.2	
Trinidad and Tobago	1.6	1.8	1.1	1.2	1.0	0.8	0.9	0.5	0.2	0.2	0.8	
United States	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.4	0.5	
Peru	0.0	0.0	0.0	0.0	0.8	0.5	0.5	0.4	0.6	1.0	0.5	
Others	8.9	10.6	9.1	7.5	5.5	5.2	7.4	7.3	14.2	16.2	16.6	

Source: Eurostat (online data codes: nrg\_ti\_sff, nrg\_ti\_oil and nrg\_ti\_gas)

## Energy dependency rate for all products, 2008 and 2018

(% of net imports in gross available energy, based on tonnes of oil equivalent)



(1) The bars are cut. The value in 2008 was -564.5 and in 2018 it was -593.2.

(2) 2008 data are not available.

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Source: Eurostat (online data code: nrg\_ind\_id)

# EU Energy Policy

- *„In its broadest sense, EU energy policy can be described as the pursuit of comprehensive energy security.*
- *To achieve this, the EU pursues three broad objectives:*
- *mitigating climate change (known commonly as sustainability),*
- *guaranteeing that energy is affordable for European customers,*
- *and achieving security of supply .“*

Schubert, Pollack & Kreutler (2016): 12.

# A typology of the EU's energy policy

## INTERNAL

Establishing the internal energy market

Nuclear power politics

Developing new energy technologies

## MULTIDIMENSIONAL

Reducing greenhouse gas emissions  
(mitigation of climate change)

## EXTERNAL

Energy diplomacy

Rule export



# ED EEP - Development

- 2000 (Green paper): **Towards a European strategy for the security of energy supply**
  - Internal vs. External
  - EU should be a leader in global energy dialogues
- 2000 – 2006: **Energy Initiatives**
  - 2000 EU – Russia Energy Dialogue; 2004 Black Sea and Caspian Sea Cooperation Initiative; 2004 bilateral political dialogue between the EU and OPEC; 2005 Energy Community; 2005 Memorandum of understanding on energy cooperation with Ukraine; 2006 - Memorandum of understanding on energy cooperation with Kazakhstan and Azerbaijan ....
  - Energy policy was not formally incorporated within the scope of CFSP!
- 2005 – 2007: **Energy 'Big Bang'**
  - External and internal factors
- 2006 (Green paper): **A European strategy for sustainable, competitive and secure energy**
  - **Strategic EU energy Review**

# ED EEP - Development

- 2008: **Second Strategic Energy Review – EU Energy Security and Solidarity Action Plan**
  - 2011: Communication - **On Security of Energy Supply and International Cooperation**
  - 2011: Communication - **On security of energy supply and international cooperation - The EU Energy Policy: Engaging with Partners beyond Our Borders**
- 
- **How to ensure security of supply?**
    - They wanted to
      - improve internal coordination by establishing an information exchange mechanisms on agreements between member states and suppliers;
      - rank its energy partners and treat them accordingly with appropriate instruments;
      - strengthen its external energy supplier partnerships (rule export);
      - mainstream energy in its development policy;
    - **2014 - Energy Security Strategy**
    - **2015 – Energy Union**

	With our neighbours / market integration partners	With our key energy suppliers and transit countries	With key energy players worldwide	With developing countries
Scope	All issues covered by the EU energy policy	Wide range of issues of common interest such as security of supply/demand, industrial cooperation, trade and investment issues...	Focus on priority issues like research and innovation, low carbon technologies, energy efficiency, standards...	Low emission development strategies, energy access, policy and regulatory frameworks, promotion of energy generation and transmission, renewable energy...
Instruments	Energy Community Treaty	Strategic energy dialogues	Ad hoc energy cooperation	Ad hoc energy cooperation
	Instruments under the European Neighbourhood Policy, crisis response instruments, and/or specific partnership and cooperation agreements, covering inter alia energy  Energy Charter Treaty		Other applicable instruments	Instruments under the EU development policy and, where relevant, crisis response instruments
Trade Agreements				

# Challenges of the ED EEP

- 1) Planned to be based on solidarity and speaking with one voice (?)
- 2) Problems with definition of priorities and interests with regard to specific partners or energy projects
- 3) Divergences between particular Member States regarding the establishment of the common external energy policy
- 4) The role of the EU member states vs. Role of the Commission
- 5) Problems with the instruments and their recipients

# Conceptualizing the policy field

- 1) External dimension of the EU internal energy market
- 2) Energy security or foreign energy policy
- 3) Intersection between energy policy and other foreign-policy aims

*What kind of international actor was EU emerging as?*

EU as a market power?

EU as a traditional power?

EU as a normative power?

# External dimension of the EU internal energy market

## EU as a market power?

- Aim: the creation of a common energy regulatory space with third countries
- The main idea: a liberalized and de-monopolized energy sector is the best guarantee for efficient and reliable supplies of energy
- Examples: Energy Charter Treaty (ECT), European Energy Community Treaty (EnC)...

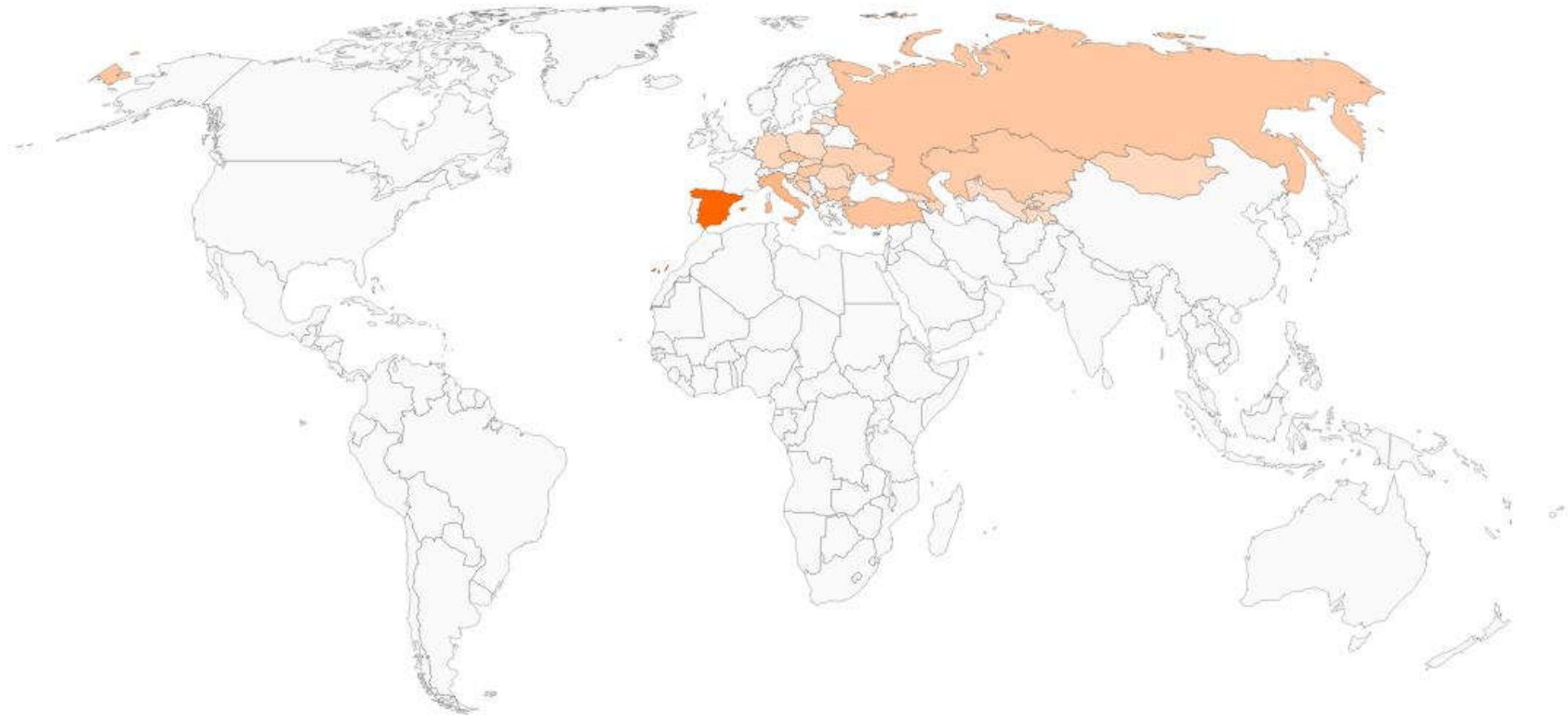
# Energy Charter Treaty

<b>European Energy Charter</b>	Dec 1991	political commitment – not legally binding Sets out principles and objectives to govern East/West negotiations on energy issue Context: End of Cold War
<b>Energy Charter Treaty (ECT)</b>	Dec 1994	52 states + EU and Euratom – legally binding entered into force April 1998
<b>International Energy Charter</b>	May 2015	Same universal principles for new challenges New observer countries from all continents

- ECT a largely European initiative to address post cold-war political map.
- ECT tries to guarantee open markets, non-discrimination and access for foreign investment.
- Investment provisions modelled on BITs.
- Prevent abuse of sovereign power.
- ISDS to overcome deficiencies in local dispute resolution.

# Investment Dispute Cases Heatmap

Frequency of Investor-State dispute cases per Country



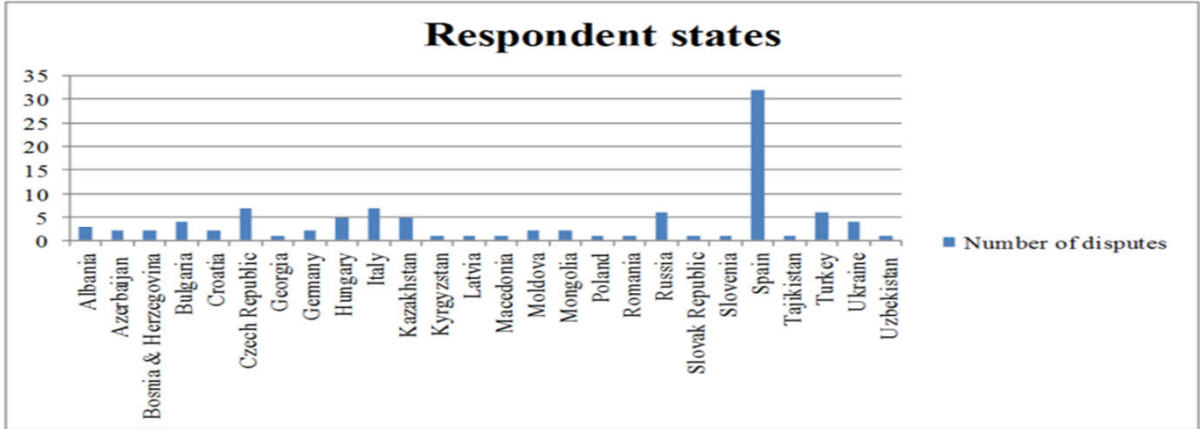
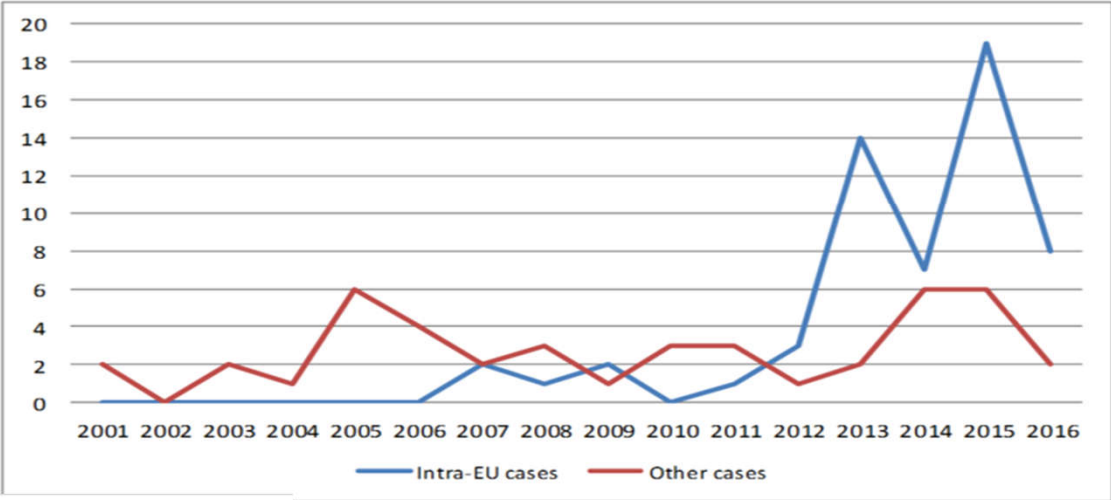
Number of Cases



0 10 20 30



# The ECT Statistics



# Energy Charter Treaty

Main problems	European organization with global impact?
	Position of the U.S., Canada, etc.
	Russia's attitudes toward ECT

## Russia's attitudes toward ECT:

- ECT is consumer-friendly and 'EU-sponsored Treaty'
- Misunderstandings and Misinterpretations? (e.g. TPA)
- Transit protocol
  - REIO clause
  - access to pipeline and tariff-setting procedure
  - right-of-first-refusal on renewal of transit terms for existing users.
- Investment protection (Yukos case)
- Dispute settlement mechanism (Art. 7)

# ECT – dispute settlement – Yukos case

- 1995 – privatization -) Yukos became one of Russia's largest oil companies (Khodorkovsky)
- October 25, 2003 - M. Khodorkovsky was arrested on charges of fraud and tax evasion
- April 2004 - Yukos was issued in stages with tax claims for \$27 billion. Yukos' assets were frozen by the government...
- July 2004 – Yukos' core asset Yuganskneftegaz was confiscated (Baikalfinansgrup – Rosneft)
- 2007 – Yukos shareholders file claim at Permanent Court of Arbitration (PCA)
- 2009 – PCA and European Court of Human Rights (ECHR) arbitrators agree to hear Yukos-related cases
- 2011 - ECHR rules that Russia violated human rights in Yukos case
- Between 2011 and 2014 several court cases were won by the former company's management and investors against Russia or against the companies that acquired Yukos assets

# Energy Community

- *...‘to extend the EU internal energy market to South-East Europe and to contribute to energy security supply not only in the EU but in the wider Europe as well.’*
- The Energy Community Treaty was signed in October 2005 by the European Community, Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, the Former Yugoslav Republic of Macedonia, Romania, Serbia and the United Nations Interim Administration in Kosovo on behalf of the latter.
- Energy Community was established on 1 July 2006, when the Treaty came into force for a period of 10 years.

# Energy community – key assumptions

- EU cannot achieve its energy policy objectives (security of supply, climate change etc.) without cooperating with its neighbours
- Energy Community Contracting Parties are an integral part of the EU's internal energy market
- Energy Community has become an EU foreign energy policy tool
- Non-EU countries benefit from adopting a tried and tested legal framework to reform their energy markets, attracting investment, securing energy supply and raising citizens' welfare in an environmentally sustainable way

# Energy community – challenges

- Decrease the gap between implementation commitments and reality in Contracting Parties
- Overcome existing obstacles to interconnectivity and create a truly pan- European energy market
- Continue to harmonise legal frameworks (adoption of new acquis)
- Increase investor confidence in the Contracting Parties

# Energy security or foreign energy policy

- EU as a traditional power?
- Aim: Speaking with one voice
- The main idea: Rather than relying mainly on markets for security of supply, energy security (or foreign energy policy) connote a higher degree of political intervention
- Examples: Energy Diplomacy, Information exchange mechanism

# Is there an emerging EU energy diplomacy?

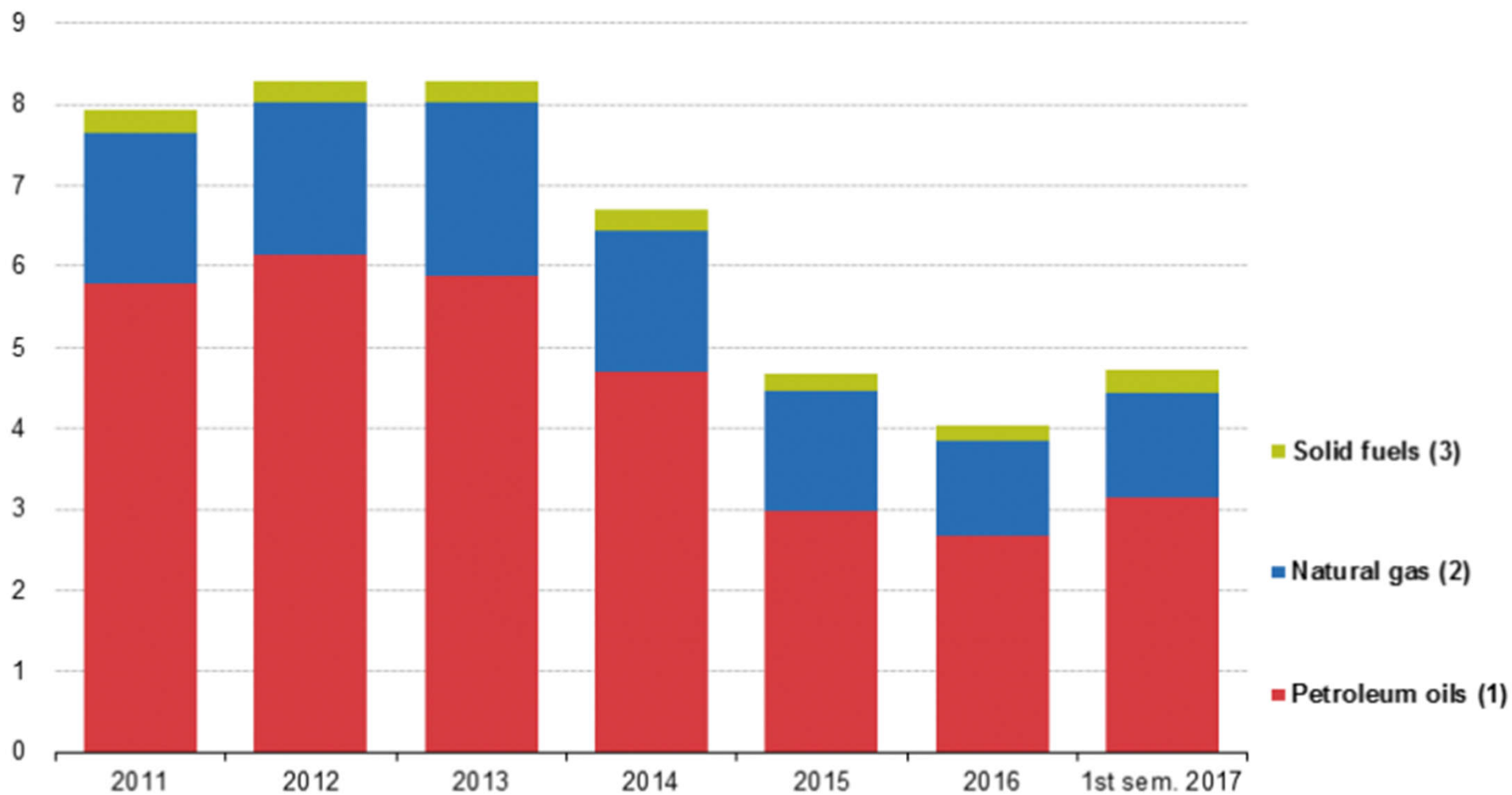
	Energy Diplomacy – Definition
Problem definition	Energy security as a (geo)political problem Over-reliance on markets; lack of strategic vision
Policy goals	Promote national interest; defend political sovereignty (unity/solidarity, in international institutions or alliances) Ensure energy supplies through strategic diversification and maintaining political trust with foreign suppliers
Policy instruments	Bilateral intergovernmental agreements (IGAs) in energy based on particular terms Political, legal, and economic tools to back strategic energy infrastructure projects or commercial agreements
Policy competences	Public authorities (including high-level political representatives and foreign affairs officials); energy companies (often state owned)

Source: Herranz-Surrallés 2015



## Information exchange mechanism on Intergovernmental Agreements (IGA)

- 2011- the EC issued a proposal asking for an information exchange mechanism in the field of energy
- **2012 - an information exchange mechanism was established (decision No. 994/2012/EU)**
  - did not grant powers to the Commission to vet the IGAs!
  - focus on the ex-post observation
  - South Stream case
- **2016 – EC proposal for revised information exchange mechanism on IGAs (2016/0031(COD))**
  - ex-ante compability assesment IGAs (veto!) + non-binding instruments (NBIs) - Adopted March 2017



Source: Eurostat

(1) Product codes: 27090010 and 27090090

(2) Product codes: 27111100 and 27112100

(3) Product codes: 2701, 2702, 2703, 2704

# EU – Russia Energy Relations

## Legal basis for EU – Russia energy cooperation

- Partnership and Cooperation Agreement (PCA)
- Energy Charter Treaty (ECT)
- Partnership for Modernisation
- EU-Russia Energy Dialogue
- EU acquis communautaire

„If not energy, then  
where?“

## Results

- Early Warning Mechanismus (EWM)
- Gas Advisory Council (GAC)

# EU–Russia Energy Dialogue

- Dialogue was launched in Paris at the EU–Russia Summit on 30 October 2000 as a part of the PCA Framework
- EU ambition: to have a legally binding agreement with the main aim to create new European Coal and Steel Community (ECSC) with Russia.
- 4 thematic groups:
  - **Energy strategies, forecasts, and scenarios group**
  - **Market developments group**
  - **Energy efficiency group**
  - **Gas Advisory Council**
- Minimal progress mostly due to the external factors:
  - EU enlargement
  - Putin's power vertical in Russia
  - Ukrainian crisis 2006/2009...
- 2014 - EU suspended the Energy Dialogue due to Russia's annexation of the Ukrainian peninsula of Crimea

# EU – Russia Energy Relations

## **Problematic points**

- Legal pressure on Gazprom
- Sanctions targeting the Russian oil sector
- Trade disputes:
  - MOL case

## **Limits of the coherent EU Policy**

- Lack of more competences in energy policy
- Problems in institutional dimension

# EC vs. Gazprom

- September 2011 EU antitrust officials made unannounced inspections of the energy companies in 10 CEE MS
- September 2012 – EC opened formal proceedings against Gazprom for allegedly violating EU competition rules (abusing its dominant position in CEE's gas supply markets)
- Three potentially anticompetitive practices:
  - Market partitioning (destination clauses)
  - Barriers to supply diversification (breaching of TPA principle)
  - Unfair pricing (long-term take-or-pay contracts, oil indexation)

## MOL case

- June 2007 – ÖMV made an unsolicited bid to take over MOL
- March 2009 - Surgutneftegaz announced that will pay €1,4 billion to buy 21,2% stake in Hungary's oil and gas group MOL from ÖMV
- 2011 - Hungary has bought back a 21.2 percent stake in oil and gas company MOL (profit € 500 million)

# Intersection between energy policy and other foreign-policy aims

- EU as a normative power?
- Aim: to reconcile or achieve synergies between energy and broader foreign-policy aims, such as fighting climate change, promoting democracy and development.
- Main idea: energy dependency is impairing the EU's autonomy as a foreign-policy actor and, in particular, its ability to uphold its 'normative' objectives
- Examples: energy–environment nexus, energy–development nexus, energy–good governance nexus



# Powers and tools of the EC

## 1) Management of external relations and dependency

- Support of diversification.
  - Diversification of fuels.
  - Diversification of suppliers.
  - Diversification of transit routes.
- Strategic reserves of oil and gas.
- Export of energy acquis communautaire via network of bilateral, multilateral and global treaties covering (to some extent) energy issues.

## 2) Improvement of the EU's internal resilience using Internal energy market mechanisms.

**Thank you for your attention!**

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