

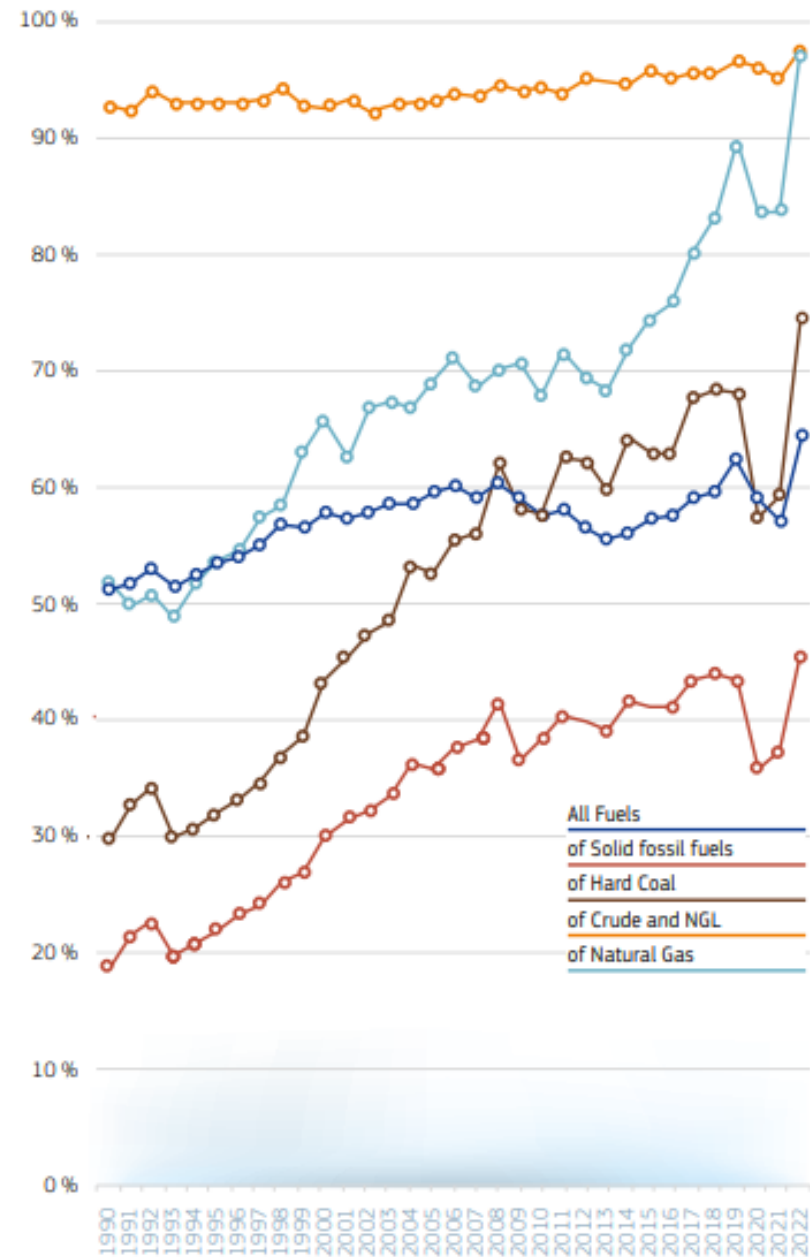
EU's external energy policy: The defining features, tools and capabilities

cernoch@mail.muni.cz

EU27 – import dependency

2.3.2 Import Dependency by Fuel

EU27_2020 – IMPORTS FROM EXTRA-EU – 1990-2022 (%)

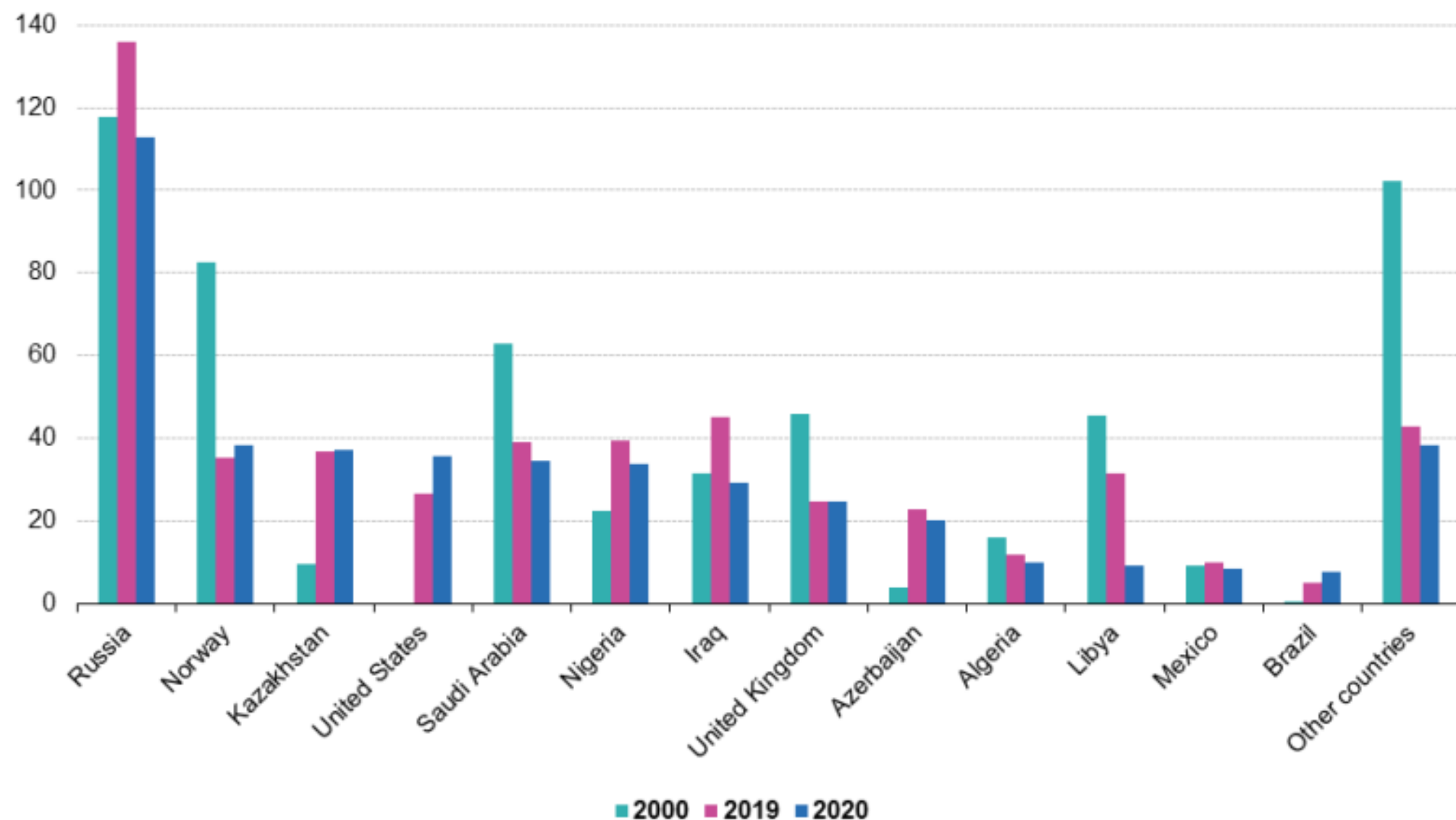


Oil imports

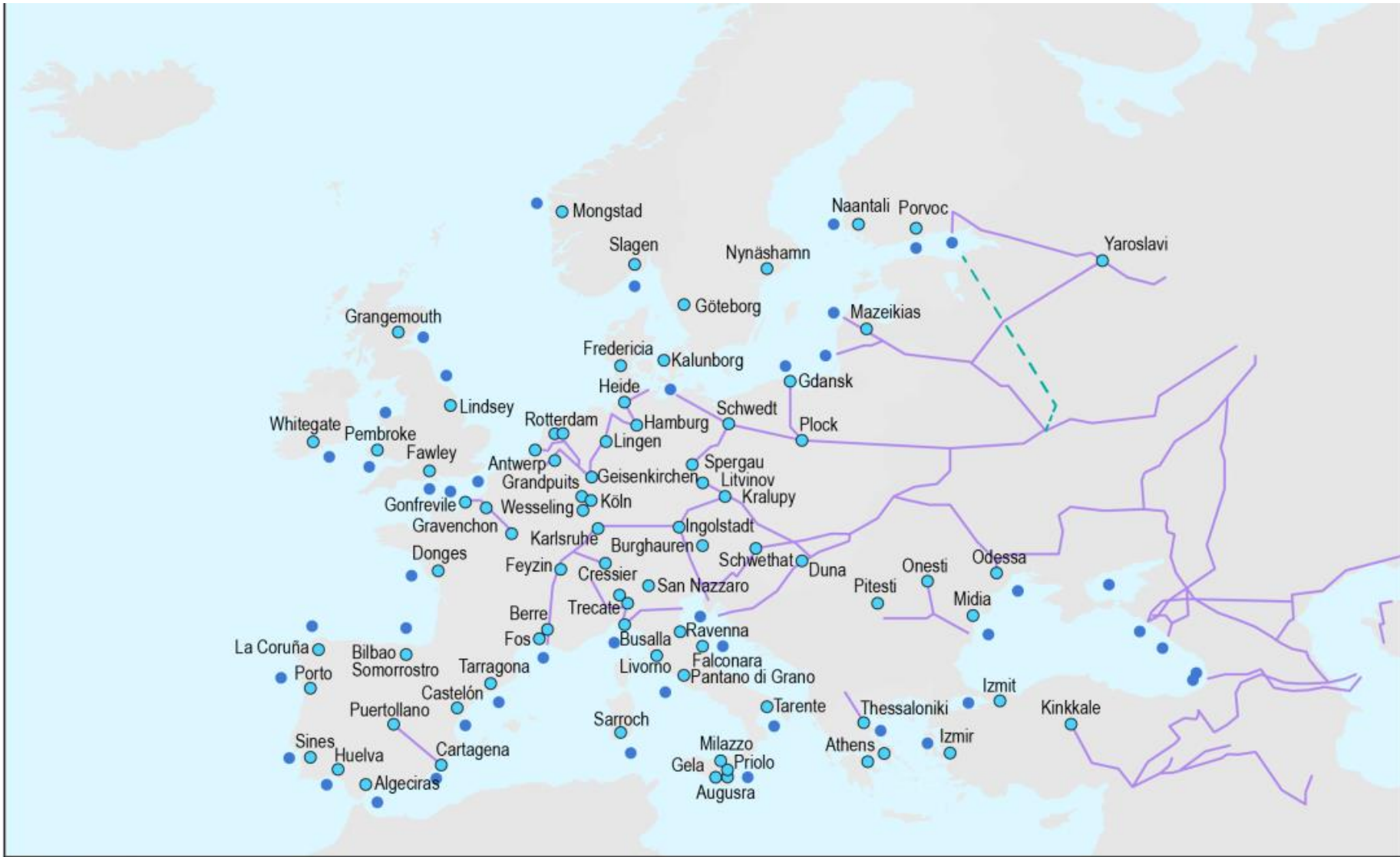
- Oil is the largest energy source in the EU (about 1/3 of TPES), consumption rather stable. Slightly more than half used in transport.
- The EU imports crude oil and diesel but is a net exporter of gasoline.
- Most imports arrive by tanker, with 28% transported via pipelines and rail.
- Central and Eastern European (CEE) countries have long pursued diversification of supply sources and routes to reduce dependence on Russia (e.g., the Druzhba pipeline).

Crude oil imports by country of origin, EU, 2000, 2019 and 2020

(million tonnes)



Source: Eurostat (online data code: nrg_ti_oil)



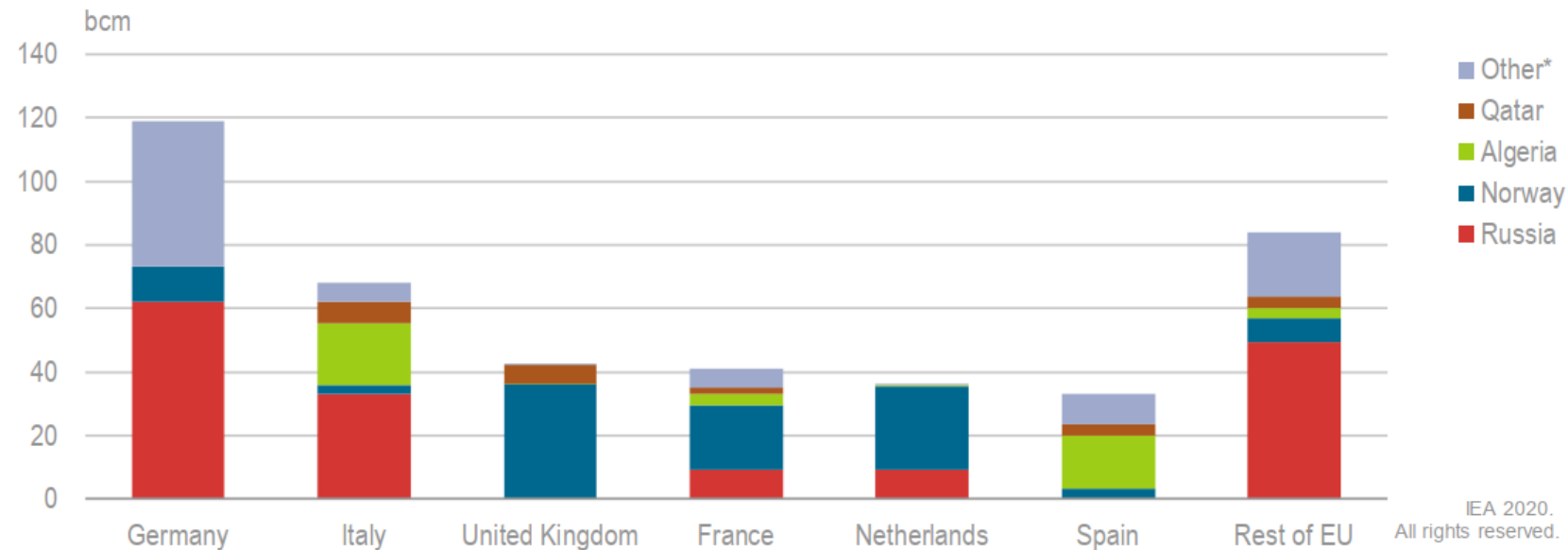
- Crude oil pipeline
- - - Under construction pipeline
- Refinery
- Tanker terminal

Nuclear energy

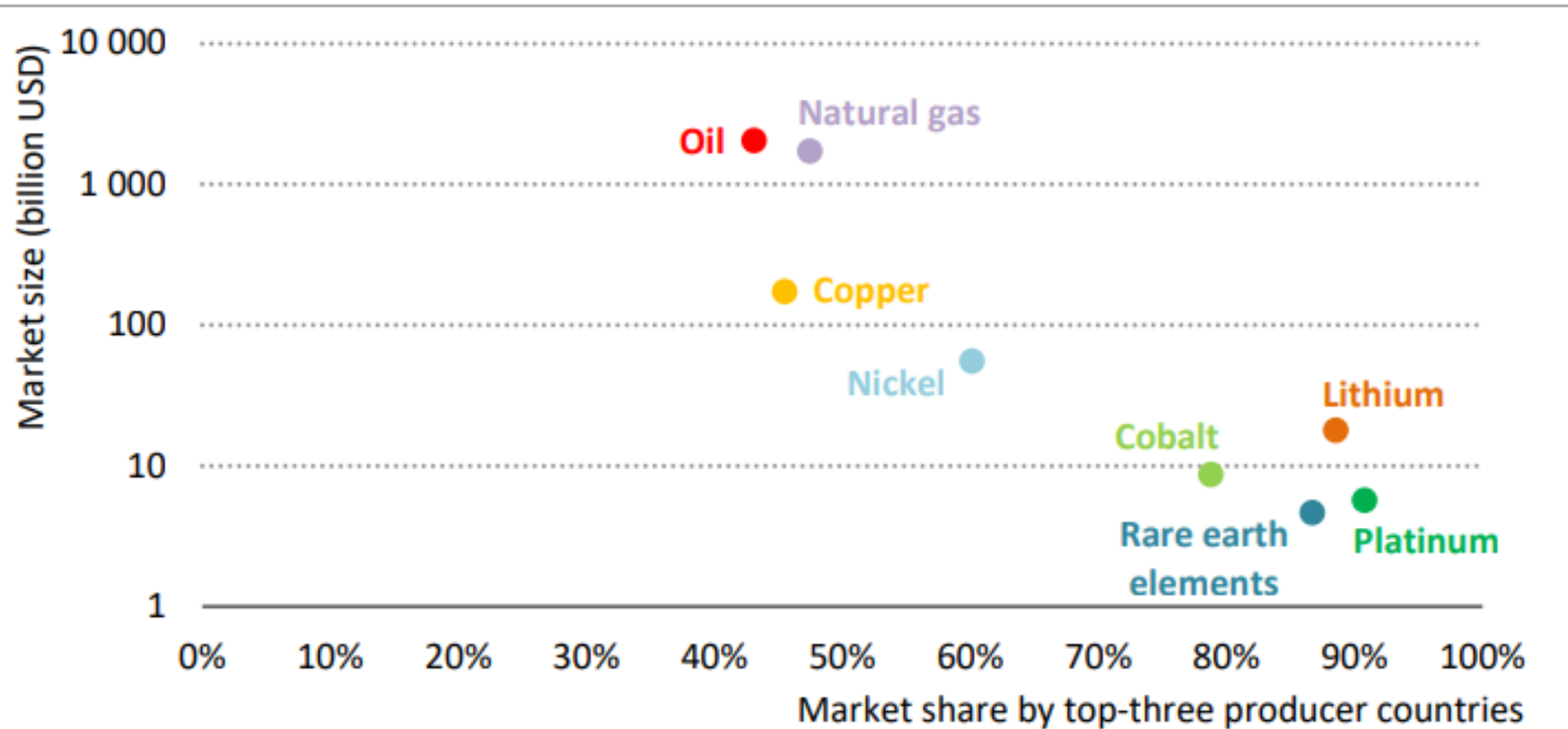
- Nuclear energy poses no significant fuel security risks, though concerns exist regarding construction activities and the limited number of companies involved.
 - (The high energy density of nuclear fuel means Temelín (2x1055 MW) requires only about 4m² of fuel per year).
- Uranium is sourced from a diversified range of suppliers: Niger (20%), Russia (20%), Kazakhstan (19%), Canada (18%), Australia (13%), and Namibia (8%).
- Enrichment, required to increase the uranium-235 isotope, takes place in the Netherlands, Germany, the UK, and France.

Natural gas

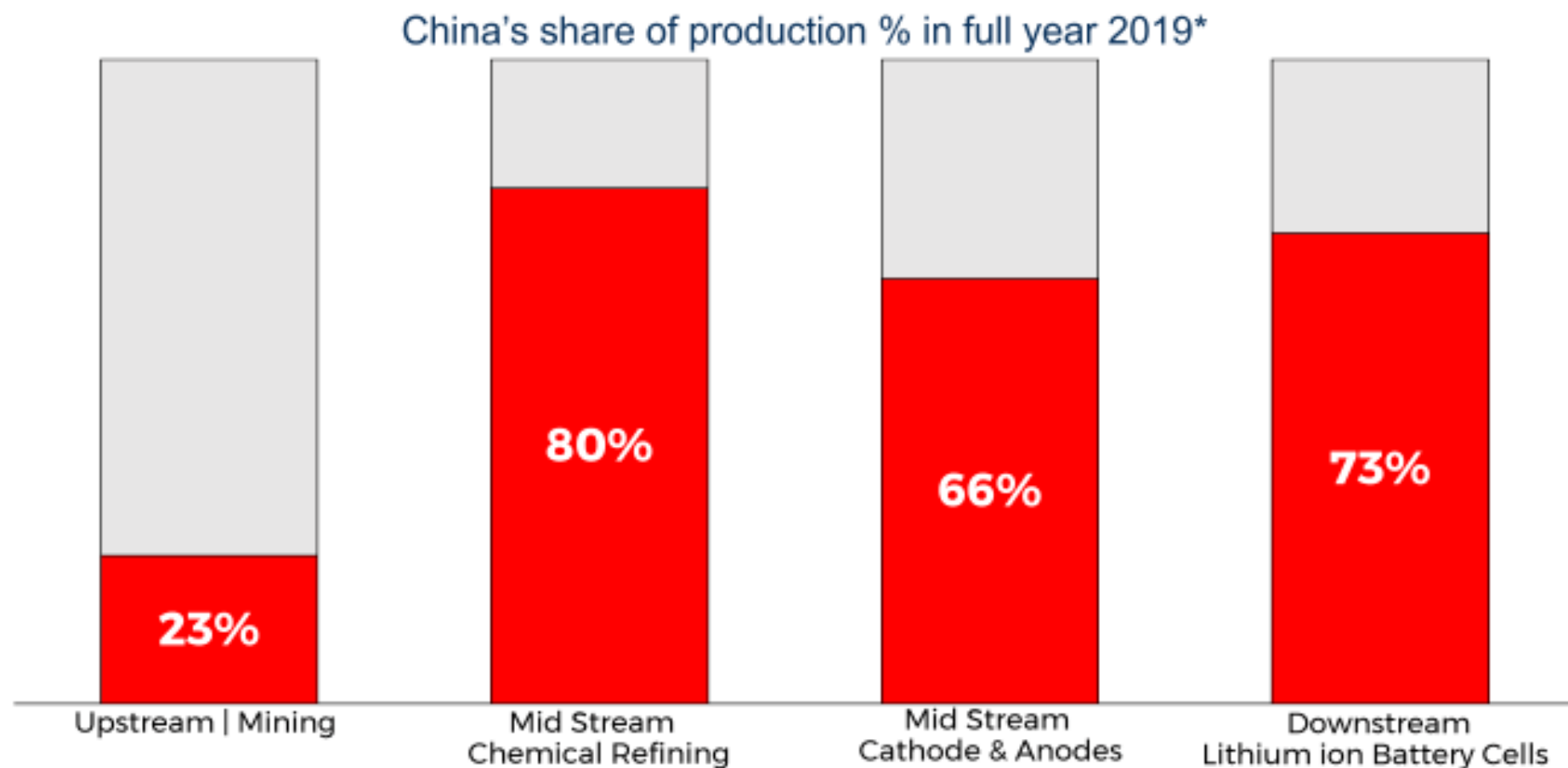
- Natural gas accounts for 25% of the EU's total primary energy supply and plays a key role in decarbonization efforts.
- Two-thirds of gas is delivered via pipelines, with the remaining third as LNG. Russia used to supply 38% of the EU's gas, followed by Norway at 25%.



Average market size and level of geographical concentration for extraction of selected commodities, 2020-2022



Where does China's dominance lie in the lithium ion battery to EV supply chain?



*Lithium, Cobalt, Nickel, Graphite, Manganese, Cathode, Anode, Cells accounted for in calculations

Source: Benchmark Mineral Intelligence

Challenges

- A priority of safe and uninterrupted energy supplies at reasonable prices.
- However, solidarity, speaking with one voice, and establishing a common external energy policy clash with differing positions of member states (East vs. West).
- Tensions also arise between EU member states and the European Commission (high vs. low politics).
- There are challenges in defining priorities and interests for specific partners and projects, as well as in determining instruments and their recipients (market approach vs. strategic approach).
- The result is an unstructured, random patchwork of ad hoc measures, tools, and activities, making this a less Europeanized area.

What kind of actor EU is? (Or wants to be?)

- EU as a market power?
- EU as a traditional (geopolitical) power?
- EU as a normative power?

EU as a market power

A liberalized and de-monopolized energy sector is the best guarantee for efficient and reliable supply of energy.

- Competitive, and efficient market, which limits the leverage of suppliers.
- Depoliticization of the energy.
- Flexible and robust infrastructure.
- The establishment of a common energy regulatory space (export of *acquis communautaire*).

Gas pipelines and LNG carriers

European Union in 2019

Gas producer supplying EU

Alliances and bypasses

Three Seas Initiative country

Country bypassed by Russia

Country with gas pipeline agreement with Russia

Major gas pipelines supplying EU

Existing

Under construction

Planned

Ukraine bypass system

Transport capacity in Gm³/year

Over 50

20 to 50

5 to 20

LNG terminals

Regasification (imports)

Liquefaction (exports)

Annual gas consumption in Gm³, 2019

US

17.2

NIGERIA

13.3

TRINIDAD AND TOBAGO

6.0

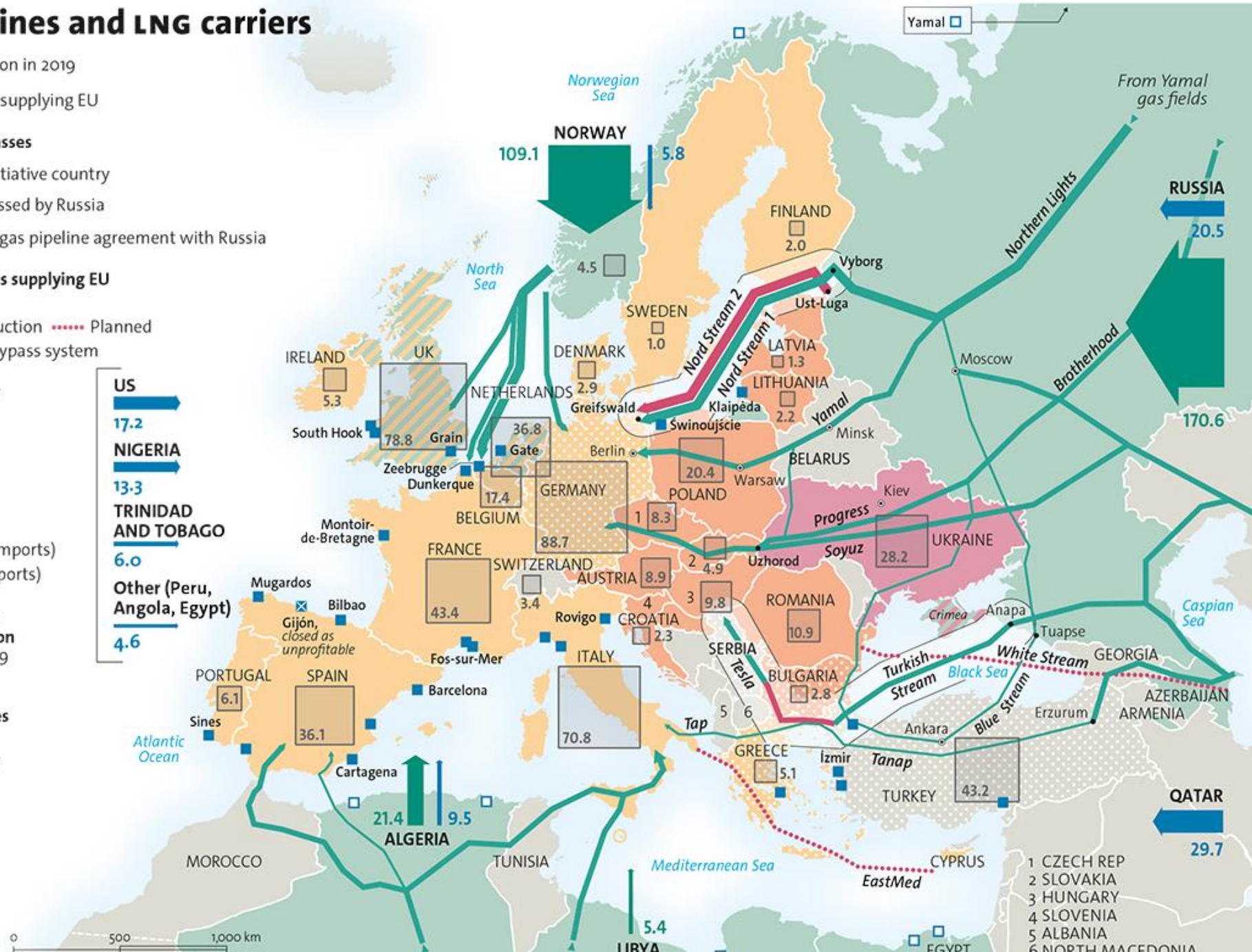
Other (Peru, Angola, Egypt)

4.6

EU imports from non-member states in Gm³, 2019

By LNG carrier

By pipeline



Source: Le Monde diplomatique



Export of *acquis communautaire*

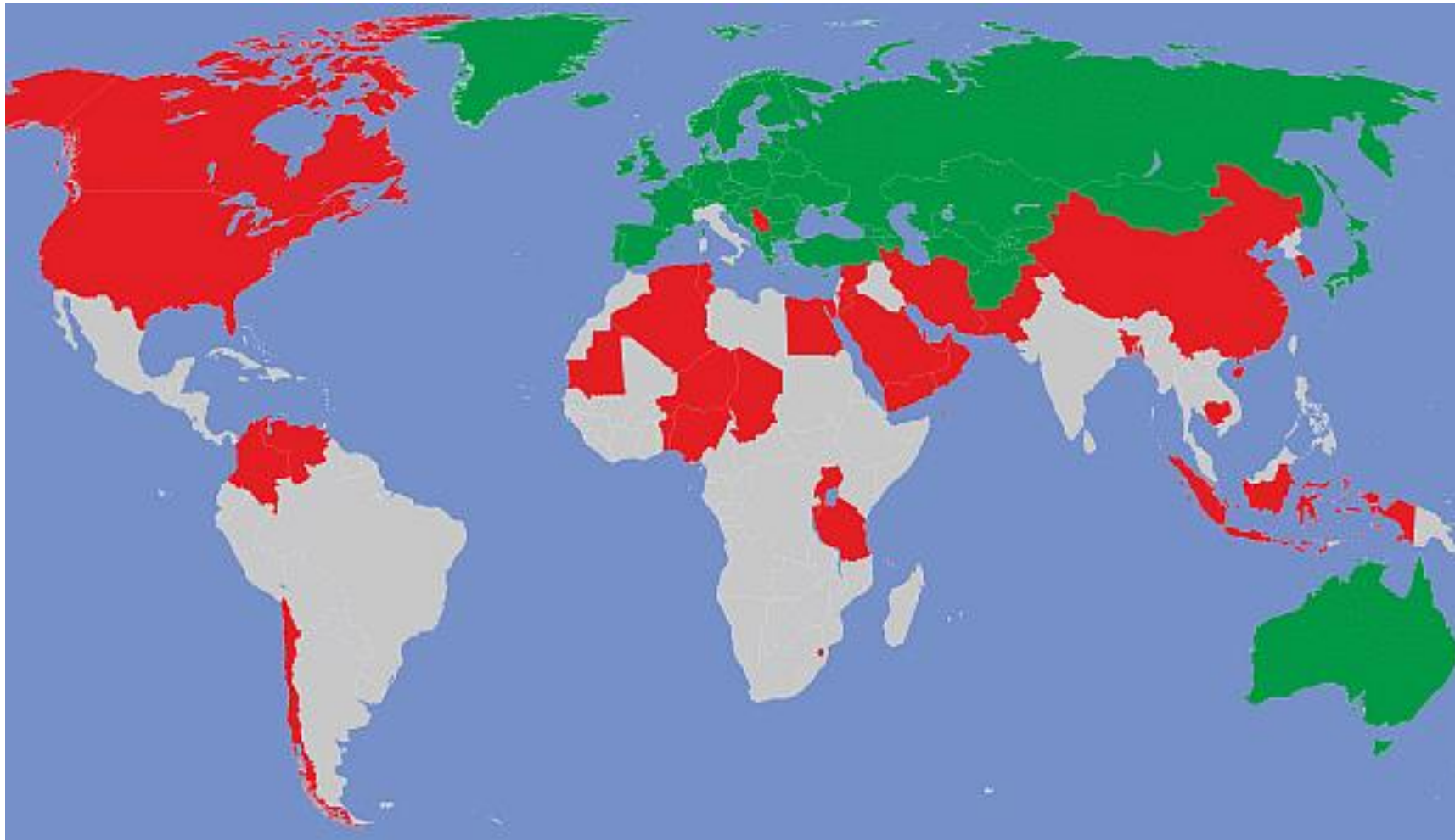
EU has:

- 18 energy dialogues with individual countries.
- 29 memorandums of understanding and declarations on energy cooperation.
- 7 regional initiatives (covering the Eastern Partnership, Union for the Mediterranean, Africa, the Gulf Cooperation Council, ASEAN and the Caspian area, along with the Energy Community Treaty).
- And multiple other agreements and diplomatic, energy-related activities.

ECT

| European Energy Charter | 1991 | Political commitment – not legally binding. Principles and objectives to govern energy issues between Europe and post-Soviet countries. |
|------------------------------|------|-----------------------------------------------------------------------------------------------------------------------------------------|
| Energy Charter Treaty | 1994 | 52 states + EU and Euratom – legally binding, entered into force 1998. |
| International Energy Charter | 2015 | Same principles, new observer countries from all continents. |

ECT members (green) and observers (red)



Energy Charter Treaty

- Standards for investment promotion, protection, cross-border trade, and transit are enforceable via dispute settlement mechanisms, safeguarding investor interests.
- Soft law provisions address energy efficiency, competition, technology transfer, capital access, and taxation.
- Sovereign rights over energy resources are explicitly recognized. Coverage includes coal, oil, gas, nuclear, and renewables indirectly through foreign investment protection.
- Dispute resolution options include ICSID, Stockholm Arbitration Institute, and tribunals under UN trade law rules.

Differences

- The European Energy Charter (1991) - a political declaration establishing principles for energy cooperation in Europe and post-Soviet states, focusing on investment, trade, and transit.
- Legally binding Energy Charter Treaty (ECT, 1994), which regulates investment protection, energy transit, and dispute resolution, mainly in Europe and parts of Asia.
- International Energy Charter (2015) - a political framework for global cooperation, addressing sustainability and energy access without imposing legal obligations. A non-binding, complementary initiative.

Russia's attitude

- ECT is consumer-friendly and „EU-sponsored Treaty“ (EU shaping international agreements according to its ideal energy model?).
- Transit protocol – access to pipeline and tariff-setting procedure.
 - Russia afraid of losing control over the flow of gas from Central Asia (TPA).
 - Also afraid of conciliator having too much power over tariffs and supplies.
- The relationship between EU's domestic legal regime and treaty unclear (Provisions applied only to Russia, not the EU?).

Yukos case

- 1990s – privatization in Russia. Yukos (Siberian oil fields) - Mikhail Khodorkovsky. By 2003, it became one of the most successful Russian companies, producing 20% of Russian oil.
- 2003 - Khodorokovsky arrested on charges of fraud and tax evasion.
- 2004 – Yukos issued with tax claims for USD 27 billion, with its assets and bank accounts frozen by the government.
- 2004 – Yukos redistributed among different Russian companies (Rosneft...).
- 2007 – Yukos´ shareholders took the case to Permanent Court of Arbitration. (*„Government can seize commercial assets but owners need to be fairly compensated“*).
- 2014 – 2020 – lawsuits continued; Russia ordered to pay over USD 50 billion for „devious and calculated“ indirect expropriation.
- Case still continues....

ECT and EU decarbonization.

ECT protects around EUR 345 billion worth of fossil fuel infrastructure in the EU, UK and Switzerland.

- RWE and Uniper are suing the Netherlands over coal phase-out („future earnings clause“).
- Germany agreed in 2021 to pay Vattenfall (Sve) and other minor claimants EUR 2.6 billion as compensation for a nuclear power phaseout.
- Rockhopper (UK) is suing Italy over a ban on offshore oil drilling close to the coast.
- Ascent Resources (UK) is suing Slovenia for requiring an environmental impact assessment on fracking plans.
- And others are expected to join...

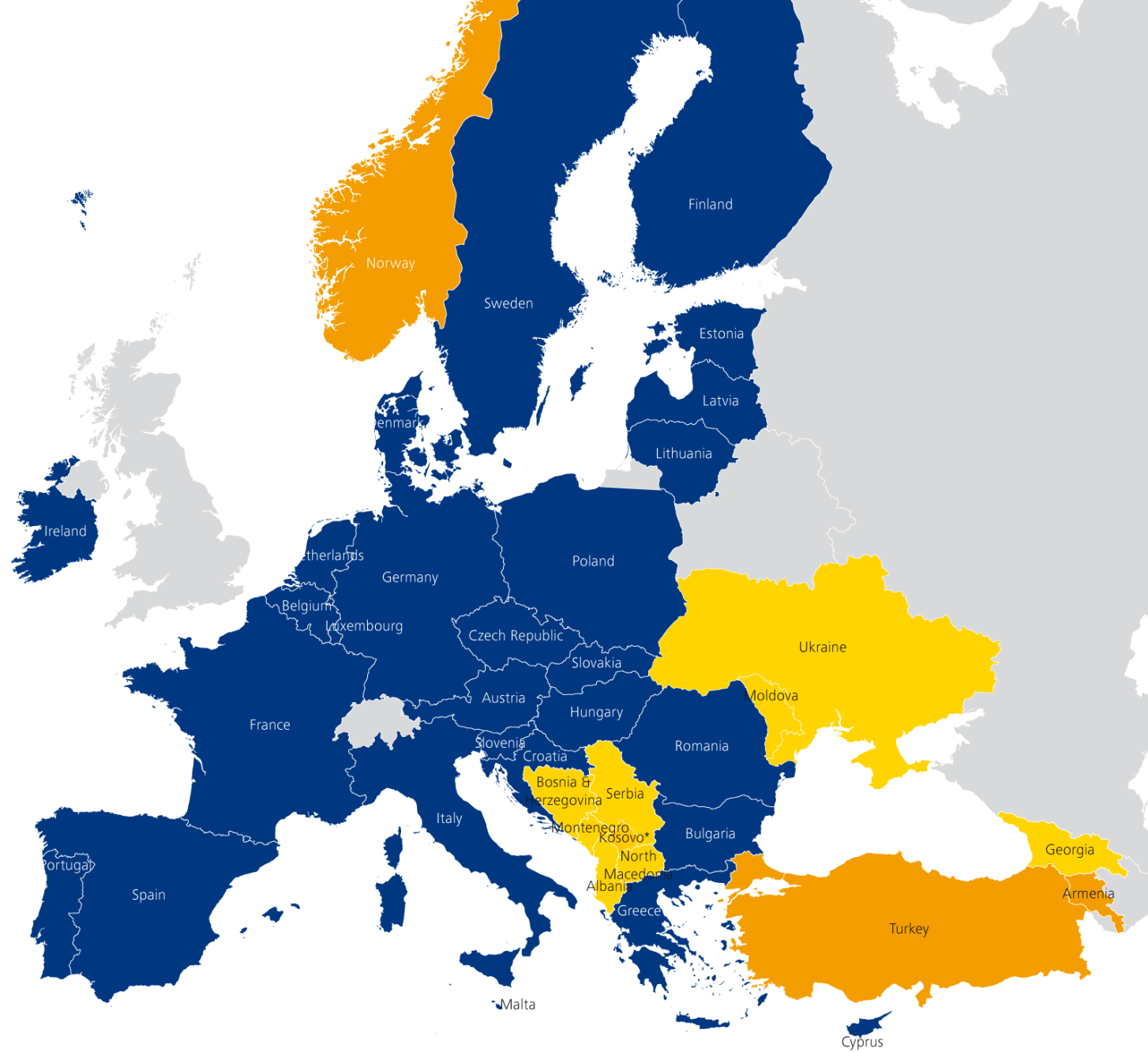
| Company | Amount in US\$ ² |
|--------------|-----------------------------|
| RWE | 1,652,000,000 |
| Uniper | 1,062,000,000 |
| Keystone | 15,000,000,000 |
| Rockhopper | 324,500,000 |
| Ascent | 118,000,000 |
| TOTAL | 18,156,500,000 |

ECT and EU decarbonization.

- EU is trying to reform the Treaty, but all 55 signatories need to agree – highly unlikely.
- Even if it is now reformed/cancelled it protects the investments for the next 20 years („sunset clause“).
- ECJ ruled in 2021 that EU energy companies could no longer use ECT to sue EU governments, but what about outside-of-the-EU investors?
- *„An archaic energy treaty is being weaponized by big emitters to sue EU governments who are phasing out fossil fuels. Hundreds of billions of taxpayer funds could be redirected from climate action to corporate coffers.“* (Deutsche Welle).

Energy Community

- The Energy Community extends the EU energy market to Southeast Europe to enhance regional energy security.
- Established by a treaty signed in 2005 and effective from 2006, its mandate was renewed in 2013 to last until 2026.
- Non-Eu countries should 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.
- Financial aid, preparation of countries for eventual EU membership.
- Sectoral regional integration.



Energy Community

- The Energy Community needs to close the gap between commitments and actual implementation in member states.
- It lacks a supranational authority to enforce compliance, relying on political means for enforcement.
- Current goals include enhancing interconnectivity for a pan-European energy market, harmonizing legal frameworks, and boosting investor confidence.

2) EU as a traditional geopolitical power

- Gradual increase in tensions between the EU and (especially) Russia.
- Over Ukraine – gas crises of 2006, 2009, occupation of Crimea and military interference in eastern Ukraine.
- But more generally, given the wider politicisation of energy by Russia.
= EU concerned both about Russia's aggressive foreign policy and its own (esp. eastern part) energy vulnerability.
- Currently, the process of de-globalisation and the (possible) disintegration of the post-war world order.

Security through strategic instruments

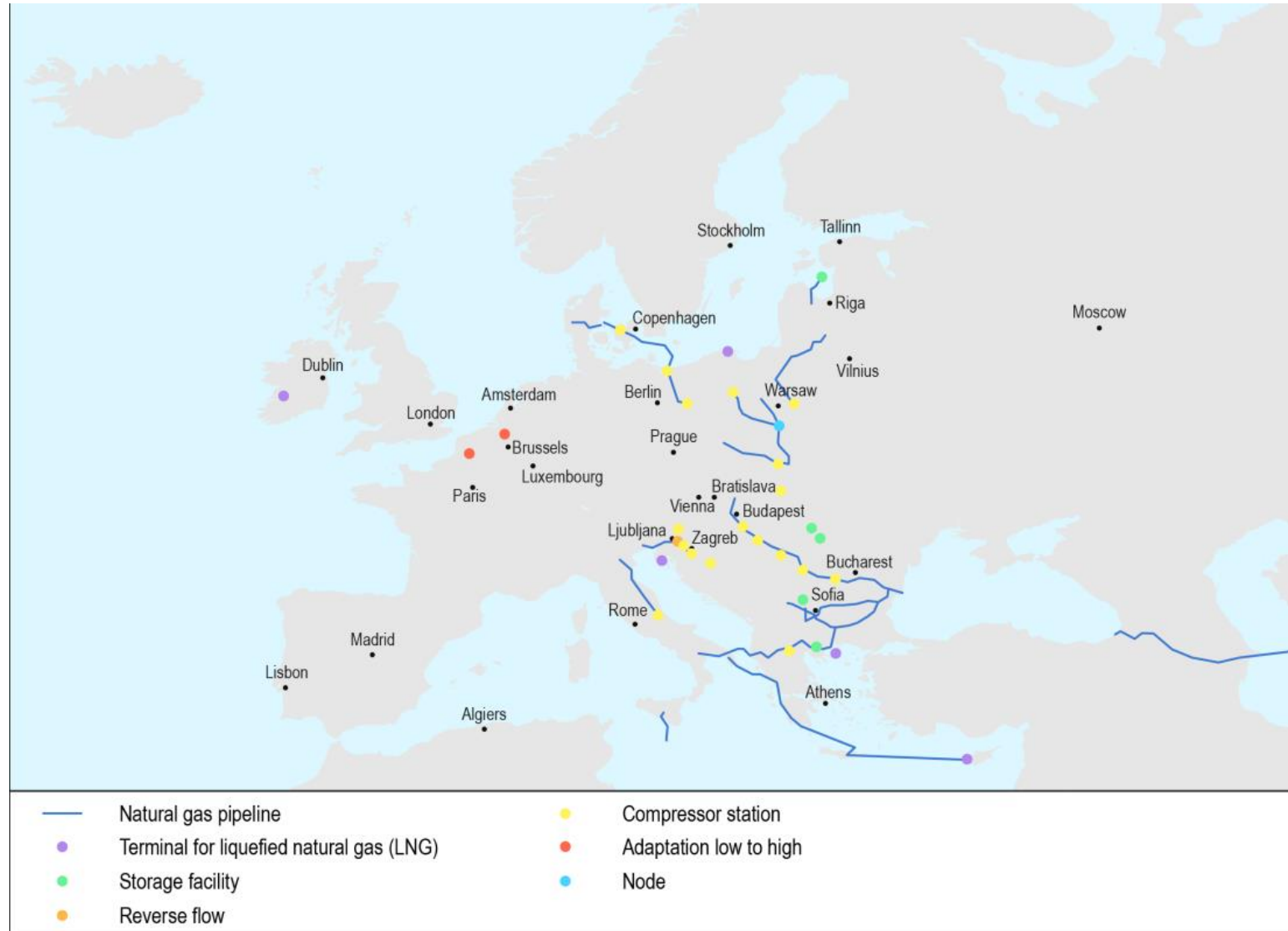
- Energy security as a (geo)political problem. Instead of over-reliance on markets strategic vision and speaking with one voice is needed.
- Promotion of national (EU) interests; focus on unity and solidarity.
- Political, legal, and economic tools to back strategic energy infrastructure projects.
- Involvement of political authorities and (state owned) energy companies.

Security through strategic instruments

- Strategic reserves of oil, oil products, natural gas (N-1 scenario).
- Solidarity principle - countries are obliged to help neighbouring countries, to which they are directly connected.
- Infrastructure to provide diversification and robustness of the system – reverse flows, gas storages, LNG terminals.
- Energy diplomacy and international agreements and cooperation.
- Crisis response mechanisms (such as risk-preparedness plans for electricity crisis prevention and management).

= EU prepared to protect individual MS or smaller group of members (still primary focus on market rules).

Ongoing (2020) PCI natural gas projects



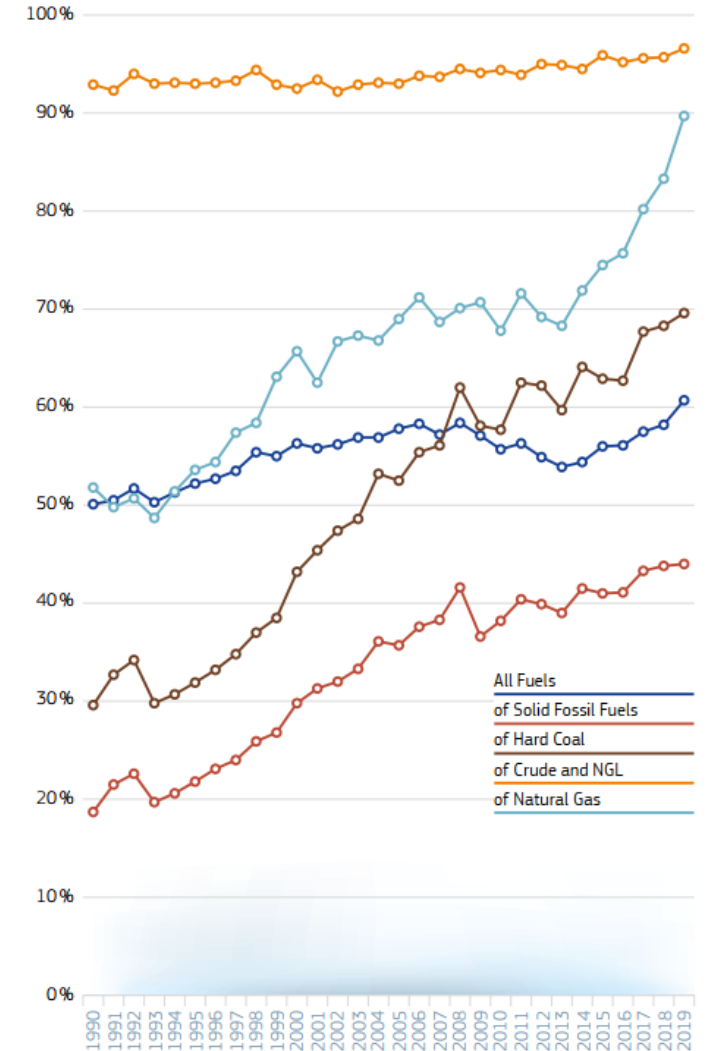


EU Critical Raw Materials Act (2023)

- By 2030, the EU aims to reduce reliance on single suppliers (max 65% dependence on any one third country), mine 10% of its needs domestically, process 40% within the EU, and recycle 15%.
- Strategic projects will receive fast-track approval, and partnerships with resource-rich countries will diversify supply chains.
- Risk monitoring will enhance supply chain resilience, supporting both green transitions and strategic autonomy.
- Simplified bureaucratic procedures and permitting.

Security through decarbonization

- EU spends about USD 400 billion per year buying oil and natural gas from abroad.
- Decarbonization (also) as a tool to decrease the dependence on foreign suppliers of energy (Short/middle term perspective vs. long term perspective).



EU as a normative power

- To reconcile or achieve synergies between energy and broader foreign-policy aims, such as fighting climate change, promoting democracy and development.
- Energy dependency is impairing the EU's autonomy as a foreign-policy actor and, in particular, its ability to uphold its 'normative' objectives.



Ursula von der Leyen ✓

@vonderleyen



Good meeting with Mohammed bin Salman.

We want to strengthen EU-GCC cooperation.

Build an economic corridor to increase trade in renewable energy, data and people-to-people exchanges.

And work together to ensure the security we all need for economic growth.



16.10.2024

Sources

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