



## UKRAJINSKA KRÍZA A JEJ VPLYV NA EURÓPSKE DEBATY O ENERGETIKE

### THE UKRAINIAN CRISIS AND ITS IMPACT ON EUROPEAN ENERGY DEBATES

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Rusko-ukrajinské plynárenské spory z rokov 2006, 2009 a 2013-2014 vyvolali intenzívnu diskusiu o energetickej budúcnosti Európskej únie. Zatiaľ čo EÚ obhajuje pokles závislosti od Ruska, dovoz ruského plynu sa v skutočnosti zvyšuje. Niekoľko plánovaných projektov potrubia je nastavených tak, aby túto závislosť udržali. Napriek tomu sa skúma niekoľko spôsobov zvýšenia energetickej nezávislosti. Zatiaľ čo väčšina týchto možností vyžaduje čas, investície a politickú vôľu, politický vývoj dokazuje, že EÚ presadzuje predovšetkým úsilie o obnoviteľné zdroje energie a zlepšovanie energetickej účinnosti. Snaží sa tak zosúladiť program energetickej bezpečnosti s politikou v oblasti klímy. Zatiaľ čo to nie je možnosť, ktorú uprednostňujú členské štáty strednej a východnej Európy, ktoré sú pripravené obetovať klimatické opatrenia pre energetickú bezpečnosť, dominantný dopyt po plyne zo strany západných členských štátov dáva týmto krajinám väčší vplyv na európsku energetickú politiku.<sup>2</sup>  
Kľúčové slová: energetika, európska politika, Ukrajina, klimatická politika EÚ

The Russian-Ukrainian gas disputes of 2006, 2009 and 2013-2014 sparked an intense debate about the European Union's energy future. While the EU advocates a decrease of its reliance on Russia, imports of Russian gas are in reality increasing. Several planned pipeline projects are set to perpetuate this dependence. Still, several ways to improve energy independence are explored. While most of these options require time, investments and political will, policy developments demonstrate that the EU is mainly pushing for

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renewable energy and energy efficiency improvements. It thereby attempts to align the energy security agenda with climate policy. While this is not the option preferred by Central and Eastern European member states, which are ready to sacrifice climate measures for energy security, the dominant gas demand of Western member states gives the latter greater leverage over the European energy policy framework.

Key words: energy, european policy, Ukraine, EU climate policy

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## 1 INTRODUCTION

The European Union (EU) relies heavily on Russian oil and gas for its primary energy imports. Russia supplies nearly a third of all oil and gas consumed in the EU. Russian gas imports of certain Central and Eastern European (CEE) member states amount to more than 50% of all gas imports. Finland and the Baltic states even import all their gas from Russia (Larrabee et al. 2017). Currently, 50% of all gas supplied to the EU runs through Ukraine (Tsygankov 2015). While worries have been intensified by the current Russian-Ukrainian crisis, concerns about energy dependency are not new. In 2006 and 2009 gas delivery to Europe was interrupted due to gas disputes between Ukraine and Russia. While certain measures have been taken to diversify supply, the EU remains dependent on Russian gas. The severity of the current, ongoing tensions between Russia and Ukraine is continuing to fuel worries about energy security (Richter & Holz 2014).

This article addresses the influence of the recent Russian-Ukrainian crisis – which started in 2013 – on concrete measures as well as the debate about the future of European energy supply. Energy dependence is a structural issue that cannot be solved overnight. Measures aimed at changing countries' energy mix or switching the source of supply take time and can run into many practical and political difficulties. Concrete impacts of the Ukrainian crisis on the European energy mix thus materialize over large time scales. Therefore, the article focusses on the immediate European response, and the influence of the crisis on the emerging debates about Europe's energy future. Will the EU focus more on renewable energy to reduce its dependency on Russia, or will fossil fuels such as coal or shale gas be promoted?

An important policy framework for addressing this issue is the Energy Union Strategy that was proposed by the European Commission in February 2015. It prioritizes security-of-supply and climate measures within a liberal market perspective. Energy policy has been a difficult policy area throughout the Union's history as member states have diverging interests on the matter and generally intend to maintain national control of several important aspects. Juxtaposing Eastern and Western member states, the former states oppose European meddling in the choice of their energy mix, as they fear climate measures restricting the use of polluting fossil fuels. They do, however, argue for a unified European voice in negotiations with third

country suppliers, notably Russia. Western countries, on the other hand, push for climate measures but generally wish to retain control over bilateral negotiations with potential energy suppliers.

Although European renewable energy production is on the rise – attested by an increase of 66,6% between 2006 and 2016 (Eurostat, 2018b) – and despite the EU's intentions to diversify supply and lower demand, its reliance on Russian has increased. In 2005, the year before the first severe gas crisis the EU as a whole imported 34,6% of its natural gas from Russia. In 2016 this share stood at 39,5% (Eurostat, 2018a).

## **2 RUSSIAN-UKRAINIAN DISPUTES**

During the 1990s several disputes about price setting, debts and transmission tariffs arose between the respective Russian and Ukrainian oil and gas companies, Gazprom and Naftogaz. These turned into geopolitical issues due to the strategic importance of gas to both the Ukrainian and Russian economies, and the role of Ukraine as transit country to Europe, as half of the gas Russia exports to the EU, flows through Europe (IEA 2015). The gas disputes of 2006 and 2009, outlined below, were more serious than the events in the 1990's. In 2009 Russia actually cut off the gas supply to Ukraine. As Ukraine can divert the gas meant for the European market, several EU countries were left in the cold, and even counted several deaths as a result (Austvik 2014).

When Russia halted supplies to Ukraine during the 2013-2014 dispute, gas continued to flow to EU countries continued (Stulberg 2015). However, the ongoing geopolitical crisis unfolding between Russia and Ukraine after the former annexed Crimea, is without a doubt more severe than previous disputes, which mainly revolved around gas. Generally, the underlying tensions revolve around the contradictory views of Russia and Ukraine on the way the energy sector should be governed. Russia, doesn't scare away of using the gas export for (geo)political purposes, by for instance offering lower or higher prices to achieve certain foreign policy goals or threatening to interrupt gas supplies (Malmlöf et al. 2014). Russia thus prefers direct government control over the energy sector. This conflicts with the Single Market rules advanced by the EU. Directly after the Cold War Russia had to accept the dictates of the EU. Since Putin is successfully reestablishing of Russia as a geopolitical stronghold, its state-monopolist version of capitalism, clashes more often with the European approach (Austvik 2014).

In order to understand European concerns and actions it is necessary to elaborate on the pre-crisis relations between Russia and Ukraine. Since the fall of the Soviet Union, Ukrainian presidents generally tried to resist Russian pressure and developed closer ties with the US, the EU and NATO. After some time, relationships with Russia normalized and the country managed to pursue a 'multivector' foreign

policy, directed both towards the West and Russia. The increasingly corrupt president Leonid Kuchma, however, found itself within Russia's orbit again by the end of his presidency in 2004 (Hedenskog 2014).

Ukraine is highly dependent on Russian oil and gas as half of its oil and two thirds<sup>3</sup> of its gas imports are supplied by Russia ("Europe Counts Energy Cost" 2014). After Ukrainian independence in 1991, the energy relations of Russia and Ukraine moved along a certain pattern. Ukraine imported large amounts of Russian gas, which it was unable to pay in time. At times Russia reduced its gas export to Ukraine, forcing the payment of gas debts. During the 2006 and 2009 disputes, gas that was meant for European markets was diverted by Ukraine, which made these episodes into geopolitical issues affecting the European union (Stern 2006).

### **3 THE 2006 AND 2009 DISPUTES**

In 2004 an agreement was put in place that seemed to settle the gas issues between Russia and Ukraine for several years. Gas delivery to Ukraine and Europe was ensured, as well as Ukrainian payment. However, several events changed the situation profoundly. A significant amount of Russian gas that was stored in Ukraine disappeared. It was unclear whether it was stolen or lost due to technical problems. Gazprom wanted to make up for the loss by transferring less transit payments<sup>4</sup>. In turn, Ukraine threatened to use gas that was meant for European countries for domestic use. This made Gazprom suggest that Ukraine would have to pay European prices for diverted gas (Stern 2006).

In the meantime the pro-European Victor Yushchenko became president as the outcome of the Orange revolution<sup>5</sup>. This had several implications for the Russian-Ukrainian gas relations. Yushchenko objected the debt settlement of the 2004 agreement and argued for higher market prices for transiting gas to Europe. This triggered higher prices for the Russian gas. Gazprom was seeking to impose market prices on its customers, ex-Soviet countries, currently enjoying discounted prices. The Ukrainian demand for market prices created a perfect occasion to push this longstanding goal (Stern 2006).

On January 1st 2006, when Ukraine refused to pay for higher prices, Gazprom lowered the volume of gas supplied to Ukraine. Hungary, Austria, Slovakia, Romania, France, Poland and Italy saw their Russian gas supply decrease, which indicated that Ukraine diverted gas in transit to Europe. As temperatures were mild that winter, gas

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<sup>3</sup> This already declined. Ukraine used to rely for 99% on Russian gas ("Europe Counts Energy Cost" 2014)

<sup>4</sup> Ukraine is compensated for being a transit country, usually with certain amounts of free gas (Stern 2006)

<sup>5</sup> After weeks of protests triggered by the fraudulent election of Viktor Yanukovych, fair reelections made Viktor Yushchenko president (Hedenskog 2014).

reserves could make up for the decrease and no households were effectively cut off. To restore its reputation as a reliable gas supplier Gazprom pumped additional gas through the pipelines to supply Europe. Eventually an agreement was reached on a five-year contract between Ukraine and Gazprom and on January 4<sup>th</sup>, gas supplies were restored. However, questions regarding the security of Russian gas stored in Ukraine remained (Stern 2006).

In 2009 Russian gas export was cut off again, but this time for three weeks. Unlike the crisis of 2006, Europe was severely hit. The crisis started when Russia and Ukraine were unable to reach an agreement on the price of Russian gas and its transit to Europe. One of the reasons was again Ukraine's outstanding gas debt. Because of these quarrels the previous contract expired and gas exports to Ukraine were ended. Gas for the European market continued to flow but was diverted by Ukraine. This made Russia cut off all gas running through Ukraine, a radical step that was not taken in 2006 (Pirani et al. 2009).

European countries that were highly dependent on Russian gas, the Balkans and to a lesser extent also Hungary and Slovakia, were confronted by a humanitarian emergency as it happened in winter. Alternative fuels were more expensive and caused environmental damage and health problems due to the severe cold (Kovacevic, 2009). By reversing the flow, Ukraine supplied major industrial facilities and consumers in the East of the country with gas that was stored in the West. As a consequence, the network was unable to receive gas in transit to Europe (Pirani et al. 2009). As such, Ukraine demanded gas for itself in the event that Europe would be supplied again. Eventually both sides managed to negotiate a new 10-year contract and after 13 days without supply, gas returned to Ukraine and Europe (Pirani et al. 2009). Observers argued however that the agreement did not preclude payments to become an issue again (Pirani et al. 2009).

#### **4 POLITICAL DISPUTES**

The 2006 and especially 2009 crises damaged Gazprom's reputation as a reliable supplier. Since the Russian government controls Gazprom, using it as an economic and political tool (Pirani et al. 2009), many observers argue that the both crises were inspired by political motives. Russia's actions were "aimed at further destabilizing an already unstable Ukrainian economy and political system, and particularly the Ukrainian president for his pro-EU and NATO policies and support for Georgia in the August 2008 conflict" (Pirani et al. 2009).

The Kremlin influenced the process of switching to market prices and imposed different conditions on different countries. Countries with rather pro-Russian governments that allowed Gazprom to buy a share in their pipeline infrastructure would experience the price increases gradually on a much longer time scale. Countries

such as Georgia and Ukraine, where governments were less in favor of Moscow, had to pay higher prices much sooner (Pirani et al. 2009).

Both in 2006 and in 2009 Ukrainian elections were approaching. The Kremlin was suspected of using the crises to counter Yushchenko, in order to sway voters to favor a more Russian minded candidate. Whether Russian influence was at stake is difficult to determine. After the gas agreement in 2006 the Ukrainian parliament cast a no-confidence vote to the government arguing that the accord would hurt Ukraine (Stern 2006).

Other voices claim that economic concerns prevailed. Gazprom wants to maximize its profits so it pushes for market prices. Furthermore, stakes in the pipeline infrastructures are deemed essential for commercial success since it would ensure the gas supply to Europe which is Gazprom's main source of revenue (Pirani et al. 2009).

Important consequences of the crises are the damaged reputations of Russia as a supply country and Ukraine as a transit country, and the increased involvement of the EU in the gas transit dispute.

## **5 THE CURRENT RUSSIAN-UKRAINIAN CRISIS**

Both crises pale in comparison to what is happening in Ukraine since the end of 2013. In early 2014 Russia annexed Crimea. Ever since Ukraine fears further Russian interventions in its Eastern regions. While the crises of 2006 and 2009 were never targeted at the EU, observers warn that this could change because of Europe's clear support for Kiev.

Victor Yanukovych was elected president in 2010. During his presidency Yanukovych endowed himself and his entourage with ever more power. In November 2013 his refusal to sign the Association Agreement (AA) and Deep & Comprehensive Free Trade Agreement with the EU triggered pro-European protest on Maidan, the Independence square in Kiev. When protestors persisted, even after several crack downs by the police, Yanukovych and his government were eventually removed from office.

The pro-European interim government abandoned a language law that granted the Russian language an official status in 13 Ukrainian states. The reversal of this move could not pacify emerging groups of pro-Russian rebels advocating autonomy from Kiev. The interim government as well as its Western allies accused Russia of fueling these separatist sentiments. The rebels started to occupy government buildings in Eastern parts of the country. Arguing that the Russian speaking parts of the Ukrainian population needed protection, Russia took advantage of the situation by occupying Crimea. After a referendum on joining Russia, fiercely contested by Kiev and the West, Russia annexed the peninsula. Pro-Russian rebels in mainland Ukraine continued to occupy official buildings and controlled several areas in the Donbas

region, proclaiming the Luhansk and Donetsk People's Republics. At this point Russia was accused of supporting the rebels even with military means (Hedenskog 2014). After Petro Poroshenko was elected president, Kiev started an anti-terrorist campaign against the rebels and gradually regained territory, which was again regained by the separatists before the Minsk ceasefire was signed in September 2014 ("Ukraine agrees ceasefire with rebels" 2014). The ceasefire was often violated as the region was further destabilized by warlords taking control over parts of the territory, before it collapsed in early 2015. There were several attempts to renew the Minsk agreement. However, while less intense, fighting continued up until this day. Increasing Russian military presence at the border with Ukraine keeps fueling fears of a Russian annexation of the Donbas (Hedenskog 2014).

The crisis had a profound impact on geopolitical relations between Russia and the West. The US and the EU imposed highly debated sanctions on Russia that were severed after rebels took down a passenger flight crossing Ukraine (Borger et al. 2014). The Russian president Putin responded with a ban on the import of agricultural products from countries that sanctioned Russia (Rankin 2014).

As the crisis dragged on, gas supplies were again a hot topic. At first, when Yanukovych refused to sign the AA, Russia lowered the gas price for Ukraine. This was reversed after Kiev was controlled again by pro-European political forces. As a consequence, gas prices increased with 44% and later with another 26% when Russia abolished the discount Ukraine was granted in return for allowing the Russian Black Sea Fleet to be stationed in Sevastopol, an important Crimean bay ("Europe Counts Energy Cost" 2014). In June 2014 Russia interrupted the gas supply to Ukraine, again citing unpaid debts as a reason. While only the gas used by Ukraine was cut off, Russia warned that Europe could be affected as a result of the dispute, thereby clearly using energy policy as a political tool. The EU brokered a deal between Ukraine and Russia in October. Ukraine agreed to pay its outstanding debt as well as to advance the payments for future supplies ("Cold self-interest" 2014). In February 2015, however, Russia claimed Ukraine failed to make these prepayments, which was disputed by Ukraine, that stated Russia was not supplying all gas it had paid for. Russia supplied the Eastern regions - which Ukraine had cut off earlier - and counted this towards the total supplied to Ukraine. This way Russia attempts to maintain control over the Eastern-Ukrainian regions while avoiding economic costs related to this (Herszenhorn 2015). After announcing it would not count the gas supply to the Eastern regions, the dispute was settled again (Boren 2015). Mid 2015 Ukraine stopped purchasing Russian gas, buying its gas from European countries such as Norway, Slovakia, Poland and Hungary at higher prices ("EU mediates Russia, Ukraine gas dispute talks" 2016).

During these disputes Russian gas supply to the EU was not interrupted, as Gazprom is keen not to harm its reputation as reliable supplier and Russia is highly

dependent on the gas revenues. However, since energy tensions erupt regularly against the background of the Russian-Ukrainian political tensions, energy security is again placed high on the European agenda.

## **6 RUSSIAN-EUROPEAN INTERDEPENDENCE**

The European Union is highly dependent on Russian gas. After oil, gas is the second most important energy source in the EU of which Russia supplies more than a third. This dependence differs throughout the Union. The Baltic States, Finland and Bulgaria are a 100% dependent on Russia for their gas imports. Other countries that buy over 50% of their gas from Russia are Austria, Czech Republic, Slovakia, Slovenia, Hungary and Greece. In absolute terms Germany and Italy import the largest volumes. With 40% dependency, also Germany would be hit severely if Russia decides to interrupt supplies. Overall, half of Russia's gas supply to Europe runs through Ukraine, amounting for 15 % of total EU gas imports (Larrabee et al. 2017, "Europe Counts Energy Cost" 2014).

Russia on the other hand, is concerned about its reliance on Europe for energy revenues. 71% of its oil<sup>6</sup> exports ("Europe Counts Energy Cost" 2014) and 70% of its gas exports go to Europe. Together these revenues account for half of the countries national budget (Malmlöf et al. 2014). In order to free itself from the constraints resulting from the dependence on European demand, Russia is building a pipeline through Siberia to export gas to China, which is planned to be operational by the end of 2018 ("Impact of Gazprom's China-Russia Gas Pipeline" 2018). However, the pipeline can export only half of what Russia transfers to Europe.

Since 2011, the Nord Stream pipeline, transferring gas from Russia to Germany through the Baltic Sea, diminished the gas flow through Ukraine from 65% to 50% (IEA 2015). Russia announced plans to entirely bypass Ukraine by 2019, while strengthening its position in the European gas market. To reach this objective Russia attempts to deliver gas to Germany and Czech Republic through the OPAL pipeline and plans the construction of the Nord Stream 2 pipeline, doubling the capacity of Nord Stream 1, and Turkish Stream pipeline, delivering Russian gas to Turkey and South and South-East Europe ("Gas supplies to bypass Ukraine from 2019" 2015). However, the OPAL and Nord Stream 2 pipeline options run into opposition of certain European member states, notably Poland, which fears to be bypassed as gas transit country (see below).

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<sup>6</sup> Oil dependence can be remedied more easily since oil is transported without much difficulties. Europe could thus count on global markets to make up for the loss. Gas on the other hand has to be transported by pipelines which makes the choice of supplier limited (Malmlöf et al. 2014).



## **7 THE IMPLEMENTATION OF THE EU'S THIRD ENERGY PACKAGE AND INTERNAL DISAGREEMENT**

As outlined in above, the current crisis in Ukraine is not the first event that sparked debates on Europe's energy security. After the crisis in 2006 many proposals were voiced to diversify the European gas import but few concrete measures were taken. The severity of the 2009 crisis intensified efforts to become less dependent on future gas disputes and paved the way for the Third Energy Package (Pirani et al. 2009). This policy package is set to better integrate the EU energy sector, increase intra-EU trade and diversify the sources and suppliers of energy. It harmonized national emergency plans in case of a reduction in gas supply. Connections between pipelines of different member states have been improved and are capable to reverse the flow which means gas can be better allocated among different countries. However, apart from improved interconnectivity, implementation of the Third Energy Package has been slow, partly because European business interests are opposed to changes to the current energy situation (Malmlöf et al. 2014).

Due to the different degree of reliance on Russia among European member states, their evaluation of the importance of the gas crises and their view on energy policy in general varies considerably, as well as their perception of the issue as a security problem. These differences are also influenced by their historic relations with Russia. Ex-Soviet countries that rely on Soviet energy infrastructure are strong advocates of firm policies addressing the dependence on Russia. This leads to diverging positions regarding energy policy approaches among EU member states. Eastern member states argue for a unified European voice in negotiations with third country suppliers, notably Russia. Western countries, on the other hand, generally wish to retain control over bilateral negotiations with potential energy suppliers. They furthermore regard energy policy as an issue that requires more internal market integration, in addition to regulation aimed at emission reductions (Austvik 2016). These discrepancies are further amplified by country specific interests as gas transit hubs.

German (BASF/Wintershall, E.ON), Austrian (OMV), French (ENGIE and Dutch (Royal Dutch Shell) energy companies cooperate with Gazprom to construct the Nord Stream 2 pipeline. The pipeline bypasses Ukraine but also Poland, leaving both countries with reduced revenues as transit countries. Poland fiercely opposes the Nord Stream 2 pipeline as it views this as an existential threat. It argues that Nord Stream 2 will reinforce and perpetuate Europe's reliance on Russian gas, a position that is shared by the European Commission and other CEE countries (Golthau 2016). The Commission prefers members states to import gas from other countries, notably Nord-African states, but it has not found any legal grounds to actively oppose the Nord Stream 2 project (Gordon 2018). It is therefore attempting to regulate the pipeline by

extending the Third Energy Package to the Nord Stream 2 pipeline (Golthau, 2016). The package established the principle of “unbundling” which means that the ownership of transit infrastructure and gas supplies should be separated to avoid the dominance of gas suppliers over the gas infrastructure. As Gazprom owns most of Nord Stream 2 it could not be the main supplier using the pipeline.

Germany on the other hand, benefits from the Nord Stream 2 pipeline by becoming an important European gas transit and distribution hub for most of the Western European gas market. Germany thus favors a return to normal business relations with Russia, and is actively in favor of the project. It argues Nord Stream 2 is not a geopolitical but a purely commercial project that won't bear on European reliance on Russia (Cokop 2015). It will rather improve supply security as it bypasses Ukraine, and lower the gas prices throughout the EU (Gotev 2017). Responding to Poland's accusation of abandoning Ukraine, both financially as by endangering its energy security - by increasing the risk of gas cut offs as Gazprom no longer has an interest in maintaining some gas transfer to Ukraine to continue to supply the European gas market - Germany repeatedly mentioned that Russia would need to reassure supply to Ukraine if Nord Stream 2 were to be finalized (“Germany seeks to overcome opposition to Nord Stream 2” 2016).

The OPAL pipeline, running along Germany's Eastern border, has also been subject of intense debate among several EU member states, most fiercely again between Germany and Poland. According to the EU's Third Energy Package, monopolies should be weakened to open the energy market for competition and liberalize prices. Here again the principle of “unbundling” prevents Gazprom, that owns more than 50% of the pipeline, to use the full transit capacity of the pipeline. Upon the request of Gazprom to exclude the OPAL pipeline from the Third Energy Package rules, the European Commission waived this restriction. As Poland fears its gas imports to be endangered, as well as its position as transit country to erode, it legally challenged the Commission's move. A final decision is expected in 2019 (Chee 2017).

## **8 THE ENERGY UNION PACKAGE**

Other important European policy responses materialized in the European Commission's proposal for an Energy Union Strategy.

Despite traditional Polish opposition to any interference in its national energy policy, Donald Tusk, current President of the European Council, in its capacity of Polish Prime Minister at the time, came up with the proposal for a European Energy Union. His proposal, included the provision to fully exploit domestic fossil fuels reserves to reduce the reliance on Russian gas. The Energy Union would furthermore overcome the troubles associated with fragmented national energy markets by

negotiating gas prices for all of its members at once. This would mitigate the Russian divide and rule strategy of applying different gas prices to different EU members.

Observers at the time (e.g. Mamlöf et al. 2014), did not believe the project would lower the EU's dependence on Russian gas. As an Energy Union would counter all market liberalizations the EU implemented, they conclude that it would never be adopted.

The eventual European Commission proposal for an Energy Union Package promotes “secure, affordable, and climate-friendly energy” (EU 2015), involving a variety of policy areas. Energy security should be improved by diversification of energy sources and suppliers, and more efficient use of domestic energy sources to reduce demand. The commission set a target for member states to achieve electricity interconnectivity between different national electricity networks of 10% by 2020 (Szulecki et al. 2015). The proposal also mentions a solidarity mechanism in case of supply disruptions as well as improvement of the internal energy market to facilitate the flow of energy across member states and improved LNG infrastructure and gas storage facilities.

Important climate measures include emission reductions, echoing the 2030 Climate and Energy Package commitment of a decrease of greenhouse gas reductions of at least 40% by 2030 compared to 2005 levels and a 30% improvement in energy efficiency. This should be achieved by “renewing the European emissions trading scheme and investing more in the development of renewable energy sources” (EU, 2015).

The main difference between Tusk's initial proposal and the version proposed by the Commissions revolves around the source of energy and its implications for the climate. Tusk explicitly excluded climate measures mentioning that “climate issues or environmental protection – also very important for us – cannot be ruining economic efficiency” (Tusk 2014b in Szulecki et al. 2015). The Commission, however, expanded his proposal to include climate measures and left the joint negotiation element out. As argued by Austvik (2016), the European Commission's proposal was written from an internal market perspective, which is mainly advanced by Western European countries and European institutions. Tusk's approach on the other hand, was mainly inspired by the predominant Eastern European policy concept of energy supply securitization, followed by CEE countries. As Western demand constitutes 80% of the European gas demand, these countries clearly set the priorities for the Union's policy approach in this area.

## **10 DIVERSIFICATION OF SUPPLY SOURCES**

In order to effectively diversify Europe's gas imports away from Russia, several possibilities have been raised. Pipeline gas could be imported from Norway,

Algeria and the Caspian region, although building the necessary pipelines takes time, resources and political will (Richter & Holz 2014).

Increasing the import of LNG does not require additional pipelines and is thus an attractive option for policy makers. Recently, LNG imports from Qatar have been increasing, making Qatar the largest LNG exporter to Europe. In 2017, the first LNG imports from the US arrived in Poland and the Netherlands (Slav 2017). These imports are expected to increase due to the successful exploitation of shale gas in the US (Richter & Holz 2014).

However, the import of LNG poses several problems. The limited integration of the energy market as well as the significant state interference bothers exporters. Furthermore, Asian demand is growing while Asia is a more profitable market for LNG exports. Another obstacle is the European infrastructure which needs to be expanded considerably to be able to receive the gas (Goldthau & Boersma 2014). While the capacity to import LNG is expanding significantly – exemplified by the 15% increase between 2009 and 2015, with currently 16 additional LNG ports planned or considered throughout the EU, the EU's import capacity remains limited (Richter & Holz 2014, King & Spalding 2016).

Remarkably, despite the EU's strong intention to reduce its reliance on Russian gas, in 2017 it imported 8% more gas from Russia than in 2016. This is ascribed to the economic recovery, reduced domestic gas production (see below), cold winter and the improved competitiveness of gas compared to coal ("EU more dependent on Russian gas" 2018)

## **5 DOMESTIC ENERGY PRODUCTION**

Apart from diverting imports, raising domestic energy production is advocated as an alternative to Russian gas. Overall, the EU's domestic production of gas has diminished due to the falling Dutch gas extraction that followed warning for increased risk of earthquakes ("No new tremor-tackling steps needed at Dutch gas field" 2018).

Arguing from the security of supply perspective, which favors energy security over climate measures, Eastern European countries opt to raise their coal production. Coal is a more polluting but cheaper energy source than gas. Between 2011 and 2013 Polish coal production has been rising, but ever since its production declined again in line with the negative (-1,6%) annual growth rate (British Petroleum 2017). Poland's rhetoric is thus not (yet) matched by an actual increase in coal production as old coal plants retire. Poland's energy minister announced that the country is not planning new investments in coal plants after three large new plants that are currently planned have been constructed. As Poland has to comply with the EU's climate regulations is moving towards nuclear power (Morgan 2017).

This trend is similar in Germany, which has been heavily criticized for its high share of coal consumption, while being a champion of renewable energy and climate measures. In line with its coal production, German coal consumption slightly increased between 2011-2013 (British Petroleum 2017). This has been linked to its decision to phase out its nuclear power plants.

Shale gas is debated fiercely within the EU. Some countries such as the UK are exploring shale gas as an alternative, while other EU members have rejected the option (Helm 2014). In light of the current Russian-Ukrainian crisis conservative commentators such as Richard Rahn argue that „*the eco-left's opposition to oil and gas use leaves Ukraine to the mercy of Russia*“ (Rahn 2014). According to him Europe has the resources to become independent from Russia. In contrast to the current sanctions that have a negative impact on the European economy, extracting shale gas and lowering gas demand would profoundly damage Russia while at the same time benefiting Europe. As such the environmental movement is blamed for the European dependency on Russian gas (Rahn 2014).

Most alternatives mentioned above continue to generate greenhouse gasses. From this perspective, the EU's climate and short term energy security objectives seem contradictory. However, renewable energy production is a top priority of the EU as exemplified by the 2030 Climate and Energy objectives, the Energy Union and the numerous related policy initiatives aiming at the advancement of the 2015 Paris Agreement. Efforts to align climate objectives with energy security emphasize the potential of energy efficiency and renewable energy (Ecofys 2009). The Energy Union is promising exactly due to this alignment of energy security concerns and its focus on renewables.

*„Given a long enough time frame, energy security and climate change objectives are compatible as energy security can only be achieved in the long-term through sustainable resource use, that is to say renewable forms of energy.“* (Adelle, et al. 2009, p. 50).

As such, the Russian-Ukrainian crisis also inspires voices that see renewable energy as a solution (Hands 2014), and even an imperative:

*„Change in the energy mix should be in accordance with climate mitigation targets and not involve the dirtier fossil fuels coal and oil. Rather, the increased deployment of renewable energies and the intensified improvement of energy efficiency represent the sustainable complement to secure natural gas supplies.“* (Richter & Holz 2014, p. 24)

As with shale gas and new pipelines, time is needed to develop renewable energy infrastructure. However, renewable energy production, both in the EU and globally, has been increasing at an impressive rate during the last decade. The EU is a global leader in terms of renewable energy production. In 2016, 86% of newly installed electricity-generating capacity came from renewable energy sources, while renewables accounted for 16,7% of its final energy use (EEA, 2017a). Supported by falling prices for solar and wind energy generation, the EU's renewable energy policy objective aiming at a 20% renewable energy share in 2020 will be achieved. However, the European Environmental Agency warns that continued effort is needed to fulfil the 2030 objective of 27% (EEA, 2017b).

## **5 CONCLUSIONS**

Despite its intentions, Europe's dependence on Russian gas has not decreased and recently even deepened due to several factors such as a rising gas demand following the economic recovery and cold winters. If the planned but contested pipelines are eventually constructed, only the EU's reliance on Ukraine as a transit country will be lowered. Russian gas will continue to play an important role in the EU's energy mix.

Still, the Russian-Ukrainian gas disputes and Russia's willingness to use gas delivery as a strategic tool to further its interests have had a considerable impact on the debate about Europe's energy future. In this debate energy security is matched with climate measures despite the internal East-West divide. While CEE countries generally tend to prefer the exploitation of domestic fossil fuels and perceive energy security as a more important policy issues than climate change, the discussions demonstrate that climate policy has gained an increasingly important position among competing EU policy measures. While this might not have been expected at the outset when the internal EU debate started to be influenced by the first Russian-Ukrainian dispute, climate measures tend to be prioritized over domestic fossil fuel use. Furthermore, proposals to pool the EU's negotiating strength confronting Russia have not been picked up by actual policy making. Both policy outcomes can be explained by the fact that Western member states – who are generally more in favor of climate measures and Single Market development – import the largest amount of Russian gas. These countries thus eventually dictate the EU's gas and by extension energy policy framework.

Fossil fuels extraction, notably coal, is still a reality in CEE countries as the energy mix of EU member states remains a national competence. However, the coal production of the EU's most vocal advocate of domestic fossil fuel extraction – Poland – has been falling over the last decades. The CEE countries rhetoric is thus not (yet) matched by an increase in coal production. Europe's increasingly stringent climate

measures could be set to prevent a further increase in domestic European coal production.

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