



**The EU – Russia Energy Relations**  
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EBC Working Committee “ENERGY”  
Portorose, Slovenia

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# Treaty on the Functioning of the European Union

## Article 194

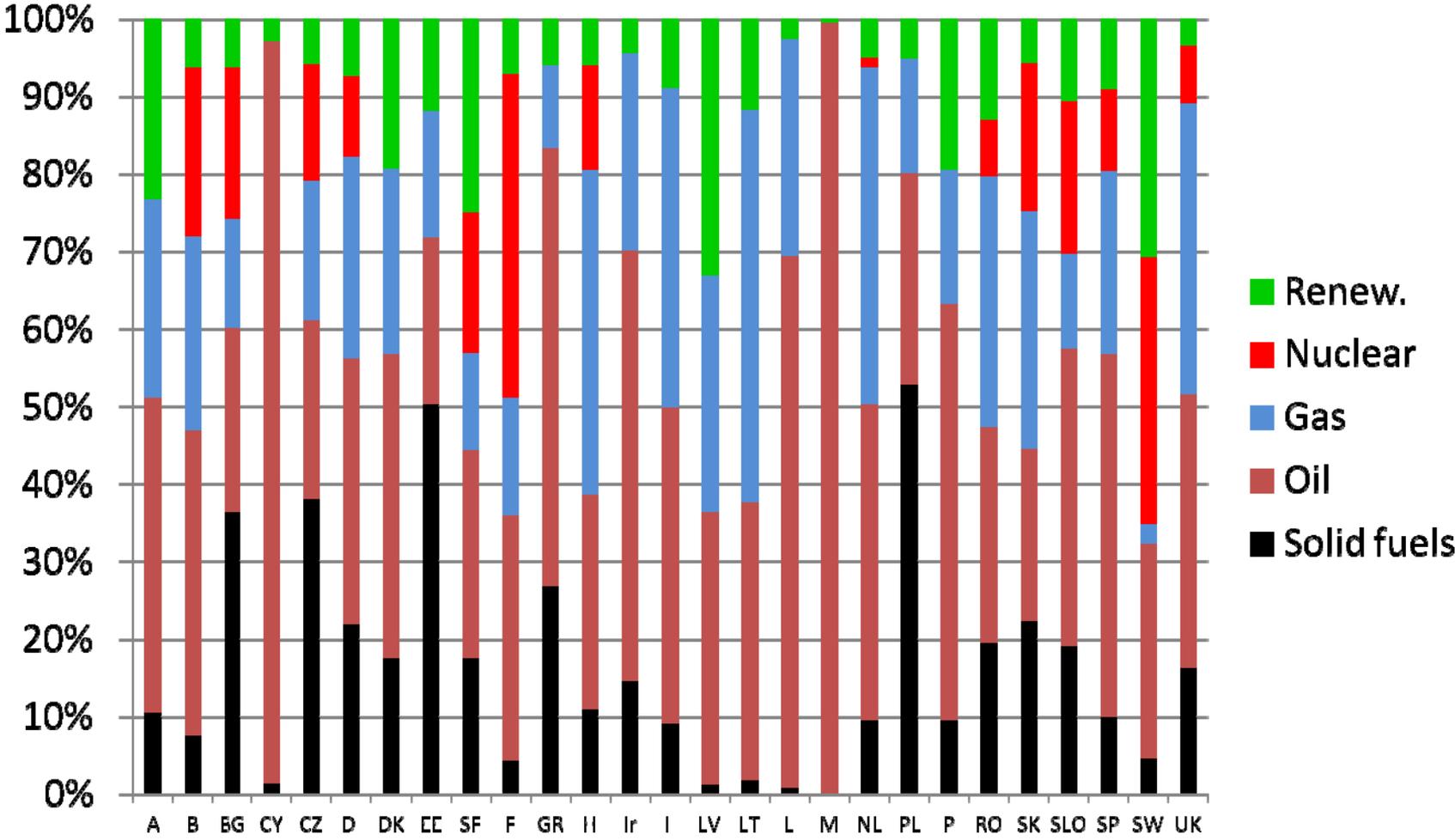
1. In the context of the establishment and **functioning of the internal market** and with regard for the need to preserve and improve the environment, Union policy on energy shall aim, in a spirit of **solidarity** between Member States, to :

- a) ensure the functioning of the energy market;
- b) ensure security of energy supply in the Union;
- c) promote energy efficiency and energy saving and the development of new and renewable forms of energy; and
- d) promote the interconnection of energy networks....

2. (...)

Such measures shall not affect a Member States right to determine the conditions for exploiting its energy resources, **its choice between different energy sources** and the general structure of its energy supply...

# The diversity of the EU Energy Mix - 2010



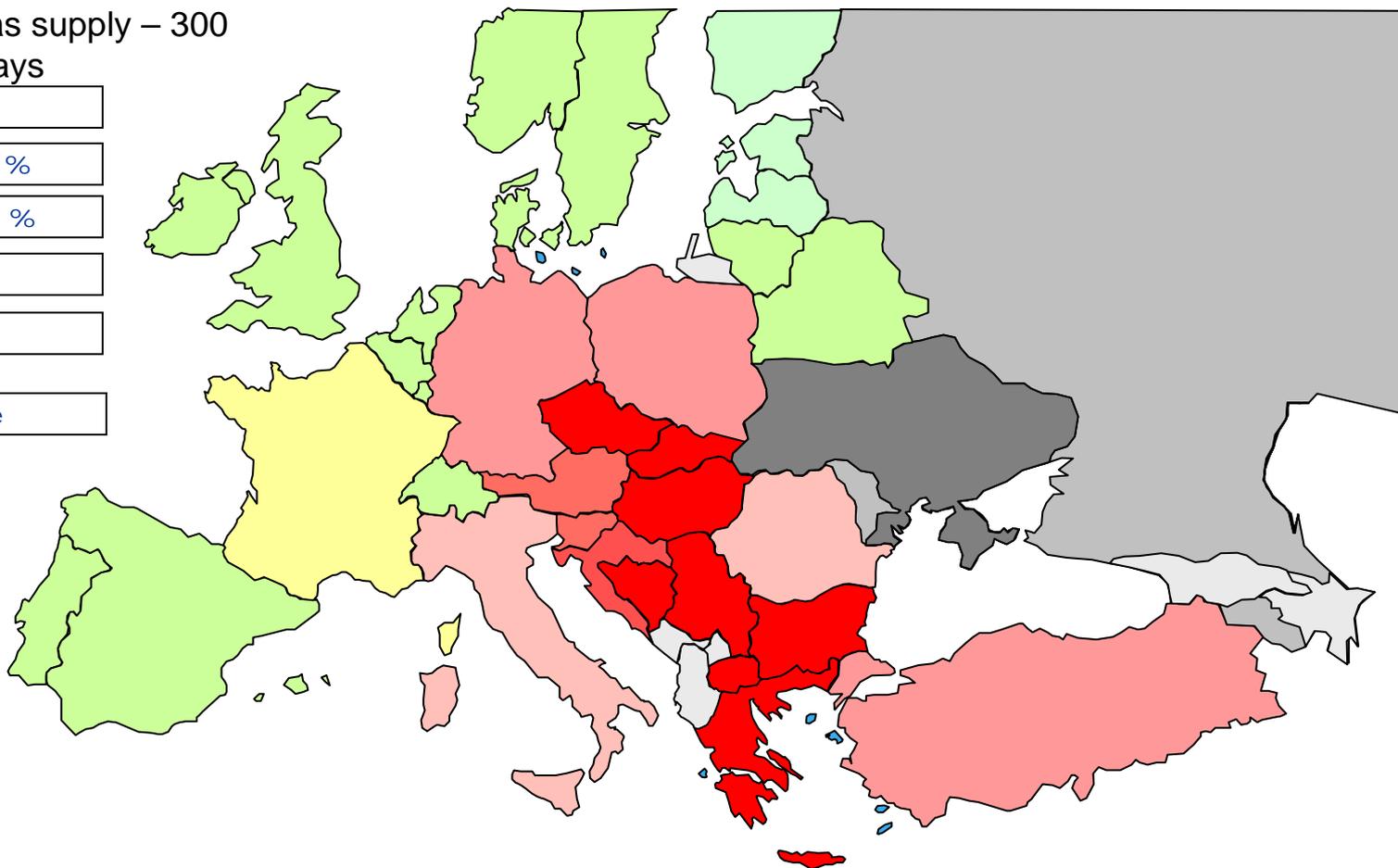
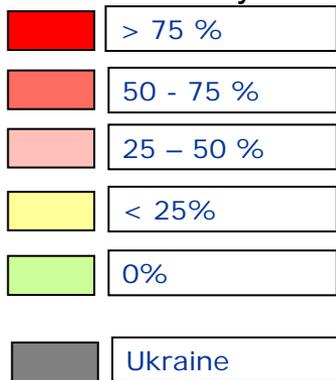
Source : EU Energy Trends to 2030, European Commission

# Share of RU Gas (2009 - %) ...

	<i>in total EU gas imports</i>	<i>In total EU energy consumption</i>
EUR	<b>33</b>	<b>5.7</b>
Finland	100	10,2
Bulgaria	100	25,6
Estonia	100	23,4
Latvia	100	32,3
Lithuania	100	26,2
Slovakia	100	28,4
Slovenia	99	7,4
Romania	98	4,5
Hungary	92	28,7
Poland	92	7,8
Austria	82	15,5
Czech Republic	69	8,9
Slovenia	62	7,4
Germany	51	9
Greece	50	14,4
Italy	32	4,2
Luxemburg	24	6,2
France	19	4,5
Belgium	5	1,2

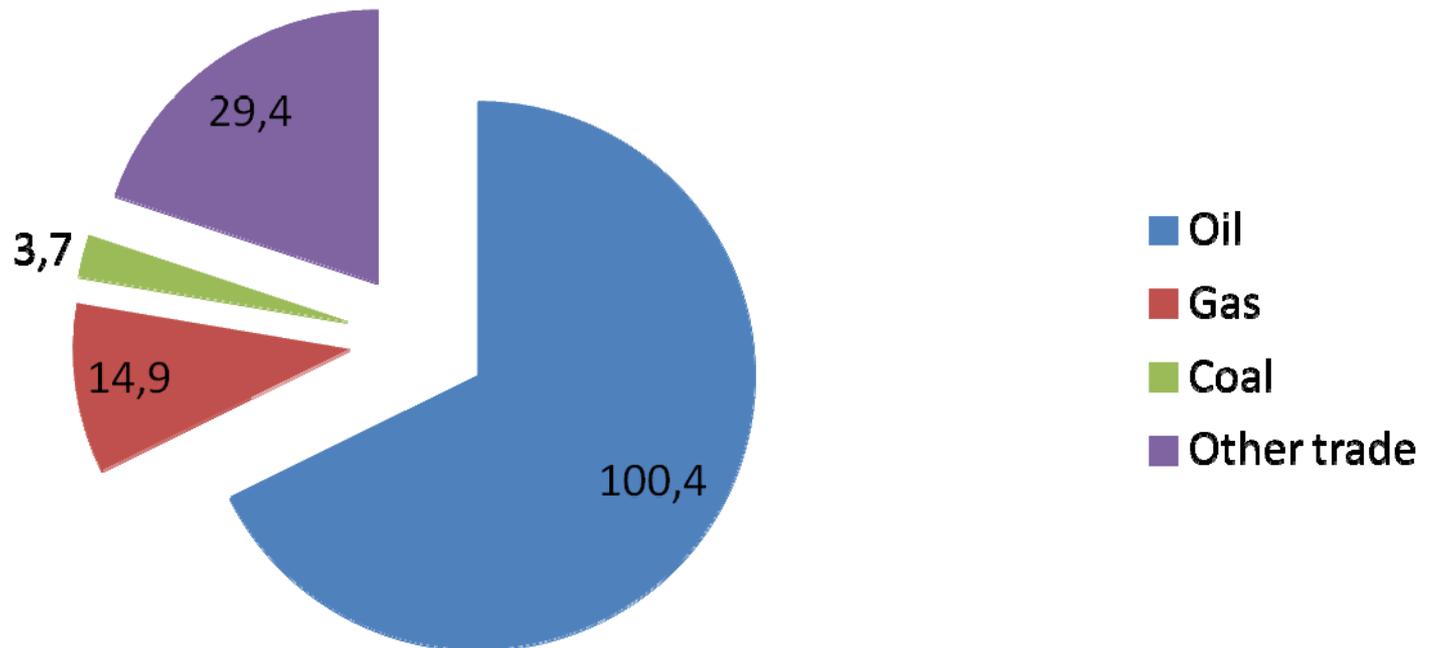
# The Ukraine – Russia natural Gas Dispute (January 2009)

% of missing gas supply – 300  
mcm/d for 14 days



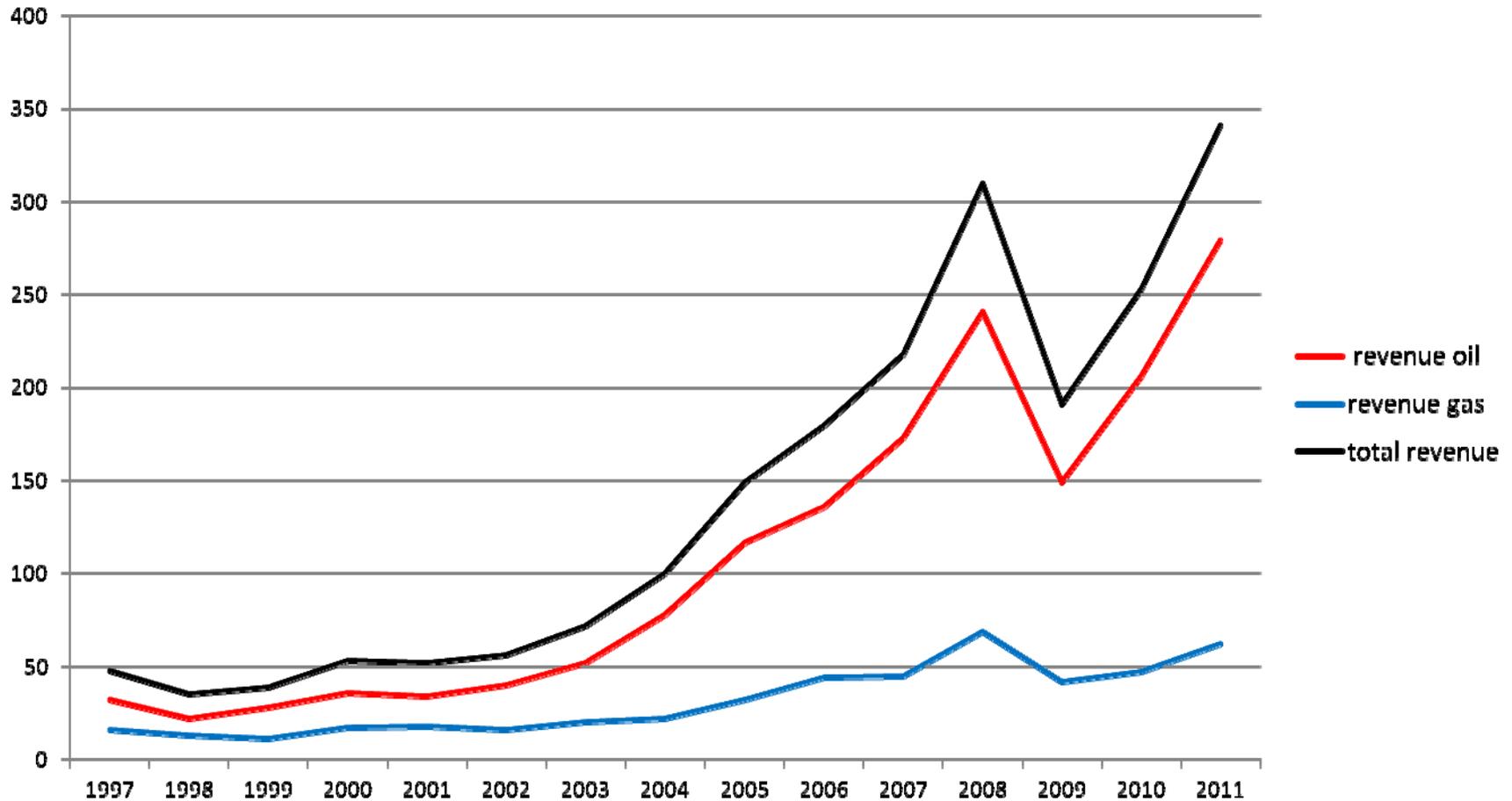
# Trade with Russia is dominated by Oil

**EU Imports from Russia in 2010 (000 mio €)**



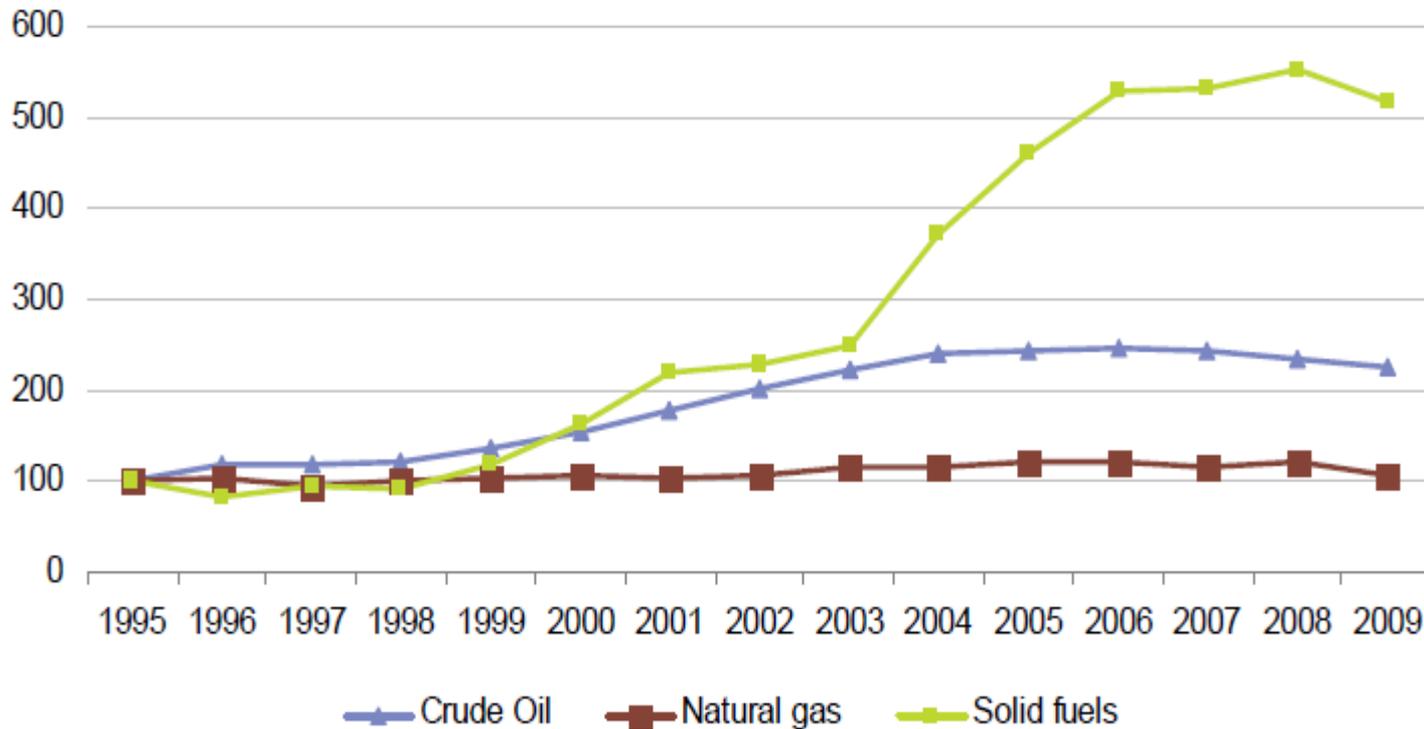
Source : European Commission 2011

# Russia : Export Revenue from Hydrocarbons is dominated by Oil ( bn US\$)



Sources : Bank of Russia 2012, Industry, own calculations

# Growth of EU energy imports from Russia (%)



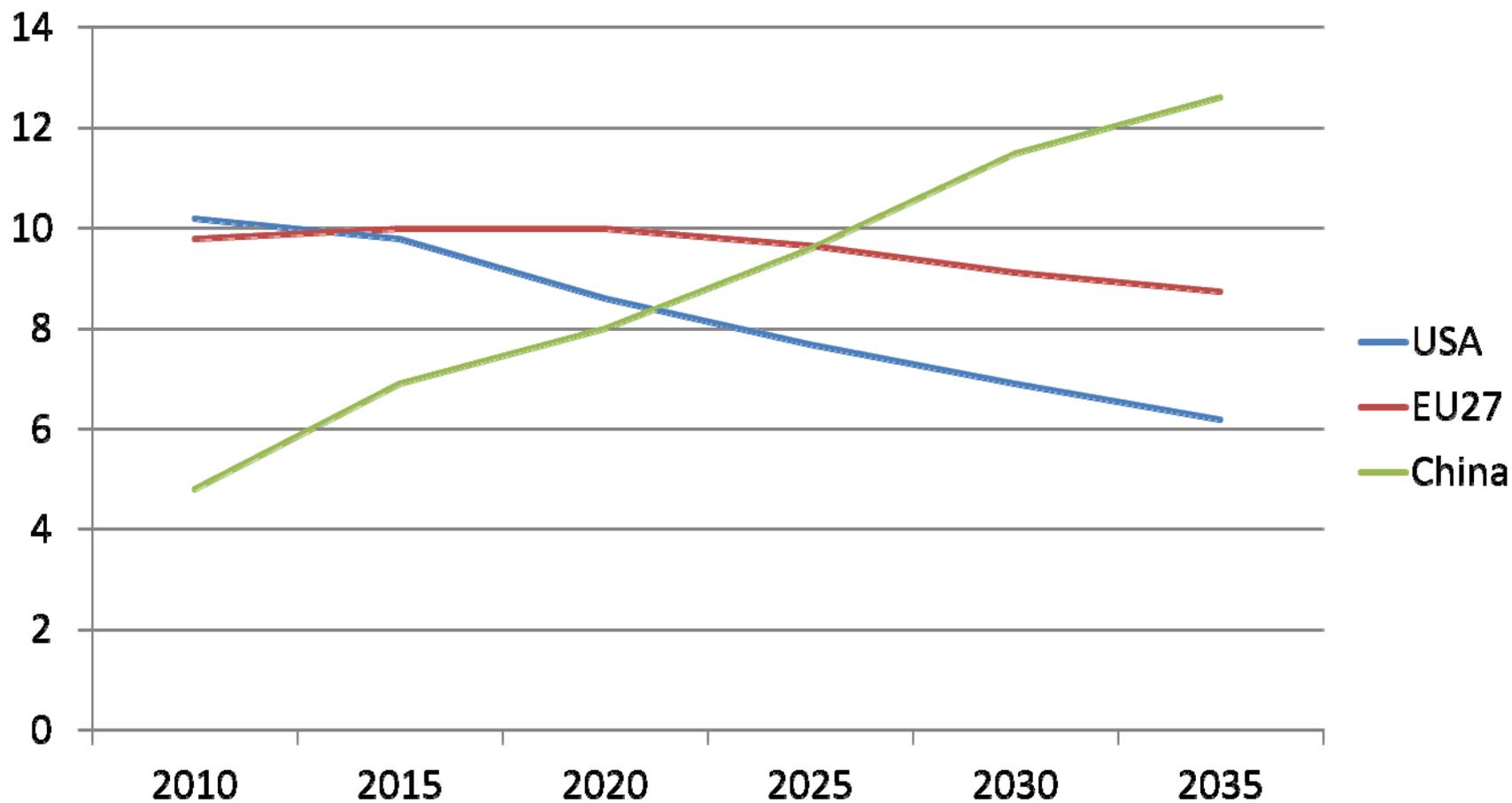
Source : Eurostat 2011

Share of Russian gas in total EU gas imports has been decreasing from 75% in 1990 to 33% in 2010 and represented, in 2010, 5.7% of total EU energy consumption.

# Evolution of Oil Imports (mb/d)

USA - EU 27 – China

*Can the EU afford to sit on the geopolitical Fence ?*



Source : Based on data from New Policies Scenario, World Energy Outlook 2011, IEA, Paris.

# Energy 2050 Roadmap scenarios

## ***Business As Usual Scenarios (BAU) - Policies underway and proposed by the European Commission as of ...***

- Reference (March 2010)
- Current Policy Initiatives (as of April 2011)

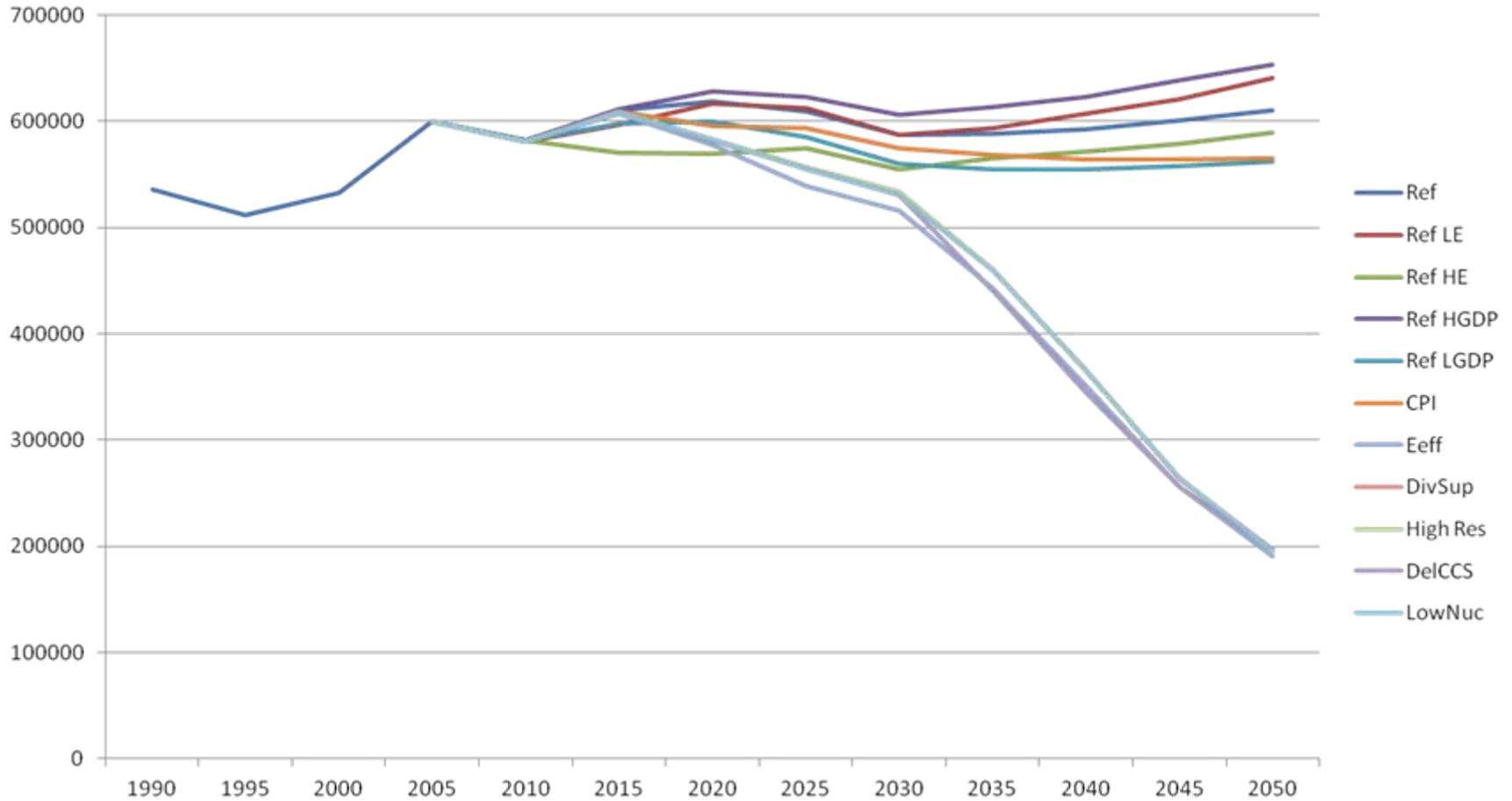
***Result: GHG emissions about 40% below 1990 by 2050***

## ***Decarbonisation Scenarios (New Policies to be eventually proposed to reach GHG emissions target of 80% below 1990 by 2050)***

- High Energy Efficiency
- Diversified Supply Technologies
- High Renewables
- Delayed CCS
- Low Nuclear

# Energy 2050 Roadmap : Oil Imports (000 toe)

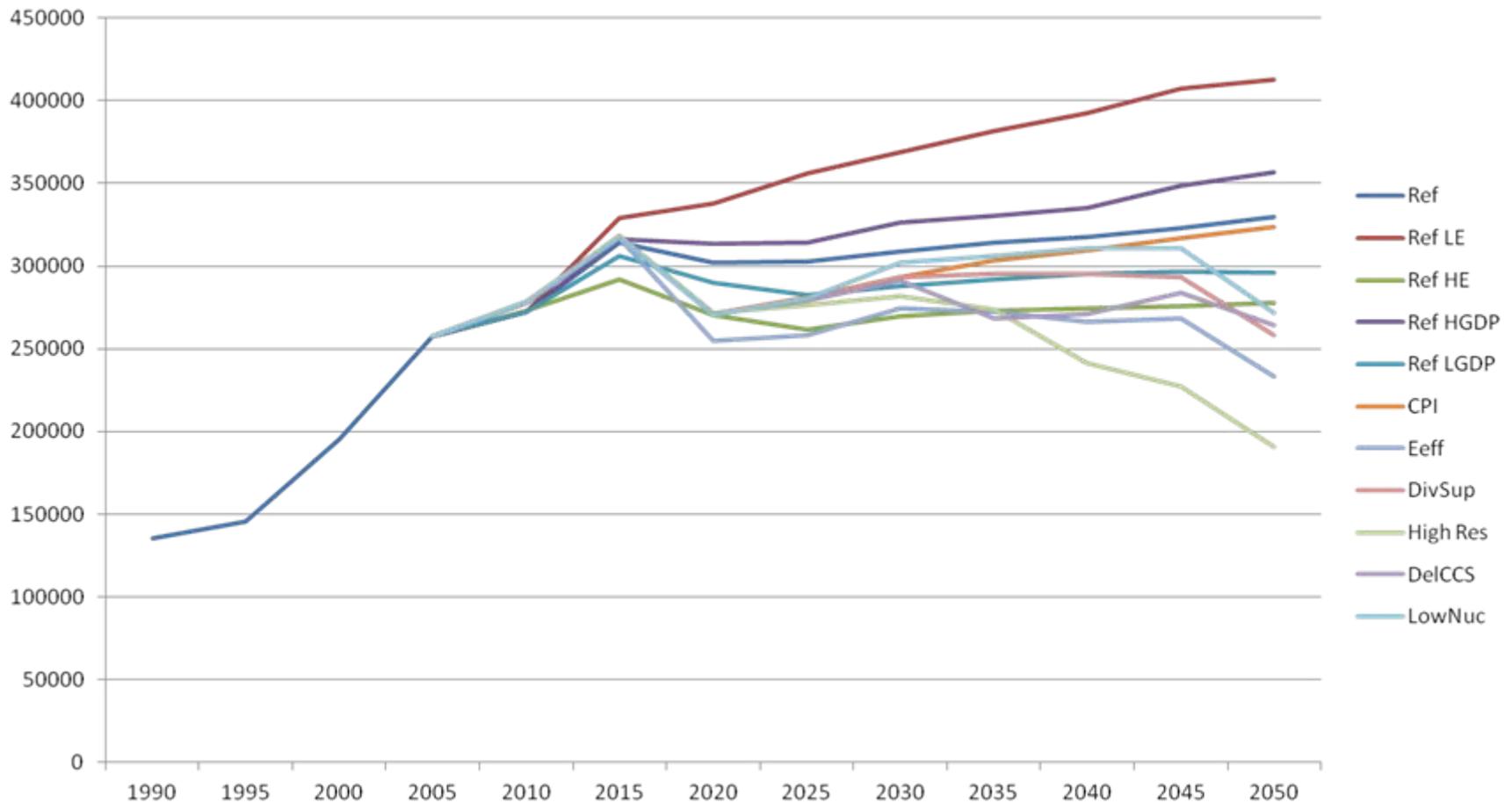
A spread in 2050 of 463 million toe (9.3 million barrels/day)



Source :European Commission, Energy Roadmap 2050

# EU 2050 Roadmap : Gas Imports (000 toe)

A spread in 2050 of 222 million toe (242 bcm)



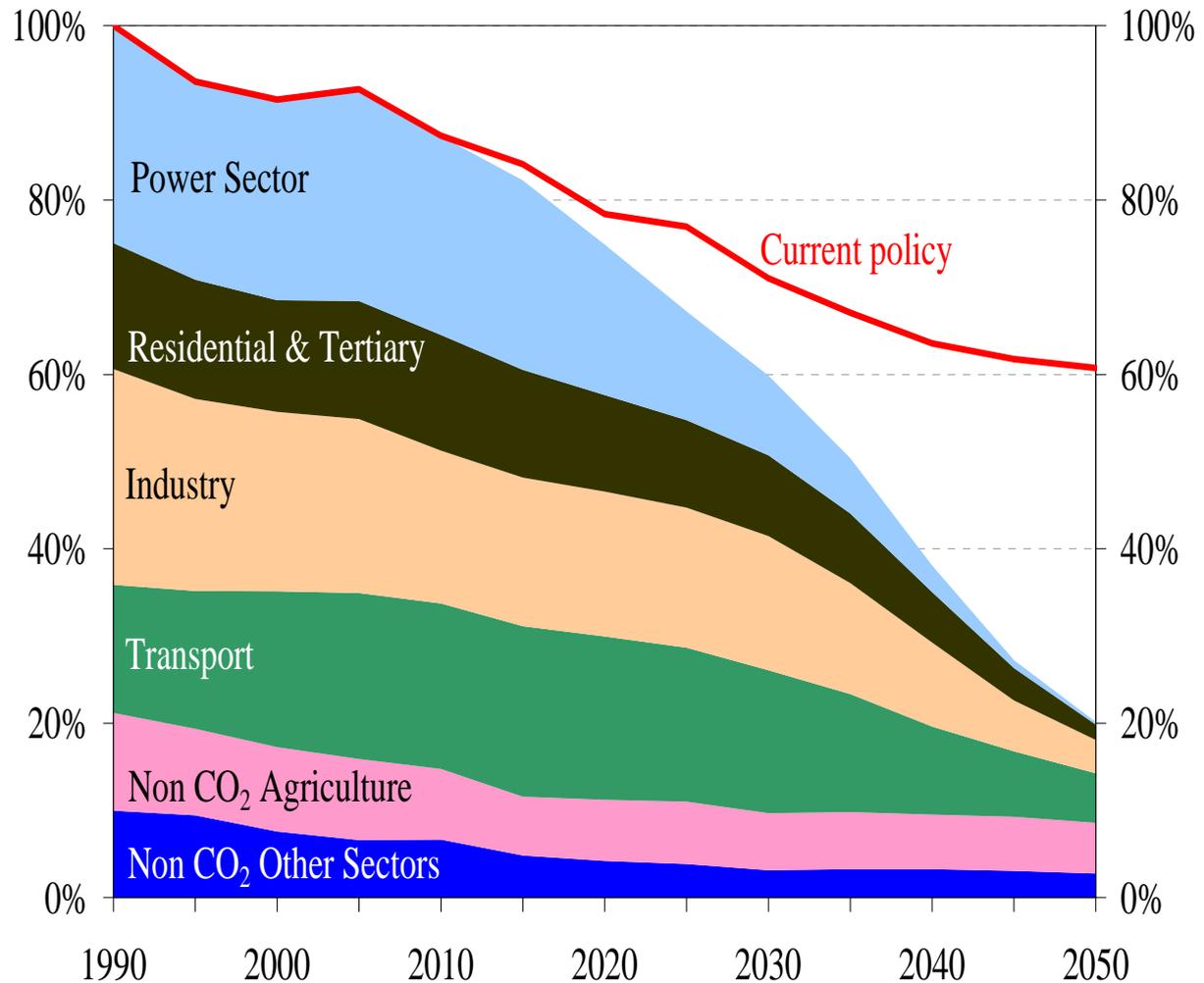
Source :European Commission, Energy Roadmap 2050

# Decarbonisation scenarios

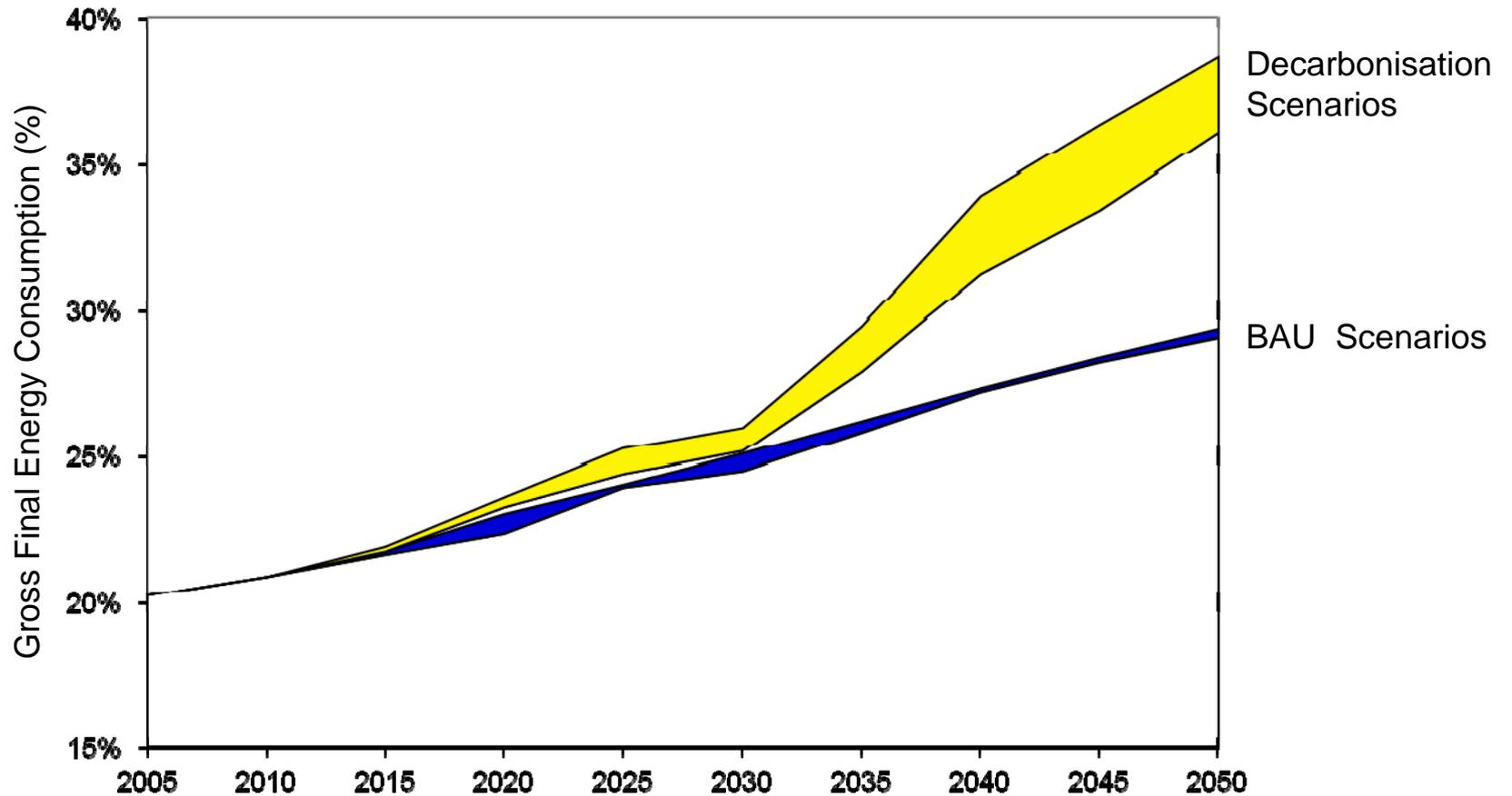
Low-Carbon Economy Roadmap (March 2011)

Basis of scenarios:  
80% reduction in  
domestic GHG  
emissions by 2050  
corresponding to 85  
% related CO<sub>2</sub>

Conclusion on  
efficient pathway:  
-25% in 2020  
-40% in 2030  
-60% in 2040



# Energy 2050 Roadmap : Electricity



# The Energy Dialogue

## A brief history (1)

- **First Progress Report-2001** : *“The European Union and the Russian Federation have decided to establish a Strategic Energy Partnership... at the (Paris) Summit to develop a political partnership”*.
- **Fourth Progress Report-2003** : *“...the establishment of an institutionalised relationship between Russia and the EU in the field of energy, which would pave the way for the creation of a real Energy Community”*.
- **Communication from the Commission on the Energy Dialogue between 2000 and 2004** :

*“The energy dialogue... arose from the notion that the European Continent constitutes a broad geopolitical area linked culturally, historically and economically.... The Russian Federation ... could also to a certain extent play a moderating role on international markets ... being in some way the most promising – and geographically the closest alternative to the Middle-East as energy supplier”*

The term “*strategic partnership*” did create expectations that were not fulfilled as such.

A “*partnership*” involves some exclusivity, equal rights and a constructive discussion about the relationship.

A “*strategy*” needs clearly defined common goals, timeframes and action plans and implies a common intention to reach these goals.

# The Energy Dialogue

## A brief history (2)

BUT

- the Dialogue has been very effective on specific topics such as recently the
  - Implementation of an “Early Warning Mechanism” to prevent and manage energy crises
  - Decision for a EU-Russia Energy Roadmap to make proposals for EU-Russia long-term cooperation in the energy sector
  - Creation of a Gas Advisory Council to assess the development of the gas markets and provide recommendations

# EU-Russia Energy Roadmap to 2050

## Progress report – Expert Papers

### The Way forward

#### **Define the relations between the EU, Russia and their common neighbours**

- By 2050 Russia and the EU are strategic allies
- Russia will be a diversified, modern and competitive economy
- Russia, its non-EU neighbours and the EU will have moved towards a common economic and human continent supported by a further political rapprochement and creating so an inclusive rather than an exclusive European space from the Atlantic to the Pacific Ocean.

#### **Define an energy vision**

- Energy security will no longer be a divisive issue
- An integrated energy market requires a gradual approximation of rules, standards and markets leading to greater reciprocal investment and technology exchanges
- Oil and gas remain for the next decades the core of the EU-Russia energy relationship : vital component for the transition towards a green continent
- At the same time the EU and Russia cooperate with the support of the EU-Russia Partnership for Modernisation in the development of an innovative green sector of the economy emphasising decarbonisation, renewables and energy efficiency
- The long term future of energy relations could prioritise electricity through a transcontinental integrated grid based on renewable and clean energy including CCS in order to transform the European continent into a low carbon zone.

#### **Define a cooperation strategy**

- Agree on the main drivers, common themes and “no-regrets” options
- Provide for a tolerable level of uncertainty in long term energy relations
- Establish a broad cooperation plan with milestones (for example 2020, 2030, 2040) and recommendations.

# EU-Russia Energy Relations

## Some Food for thought

- **EU**

- Energy in the new make-up of the world's economic and political systems is an economic good, a strategic good and a geopolitical power tool. Will the EU be able to develop an external energy policy or at least a more consistent EU approach to energy relations?
- If so, will it manage to build on the successful energy partnerships that individual EU Member States have with Russia bearing in mind that where business to business, trade, investment promotion and foreign policy are concerned, the Member states as states are an efficient tool?

- **Russia**

- Will the gas sector in Russia in the foreseeable future be unbundled like the Russian oil and electricity sectors?
- Will Russia WTO membership lead to a Deep and Comprehensive Free Trade Area with the EU in the framework of the New Agreement to replace the current Partnership and Co-operation Agreement?
- What will be the impact of the emerging Eurasian Union?
- How to develop a win-win partnership for modernisation between the EU and Russia blending political cooperation and business to business activity? Could an opening strategy be a joint partnership on a focused mega-initiative contributing to accelerate the economic development of Eastern Siberia and the Russian Far East ?

But this is not the end...

Why not a common space from Vladivostok to  
Vancouver?

# A Russian Vision

## **1. Dmitri Medvedev proposal “from Vancouver to Vladivostok” :**

“On June 5, 2008, the President of Russia put forward an initiative to develop a new pan-European security treaty, the main idea of which is to create – in the context of military and political security in the Euro-Atlantic region – a common undivided space in order to finally do away with the Cold War legacy.”

**2. This policy is reconfirmed in its principles** by the “Executive Order on Measures to implement the Russian Federation Foreign Policy” of May 7, 2012.

## **3. Russia in the 21st century: Vision for the Future , Institute of Contemporary Development, Moscow, 2010.**

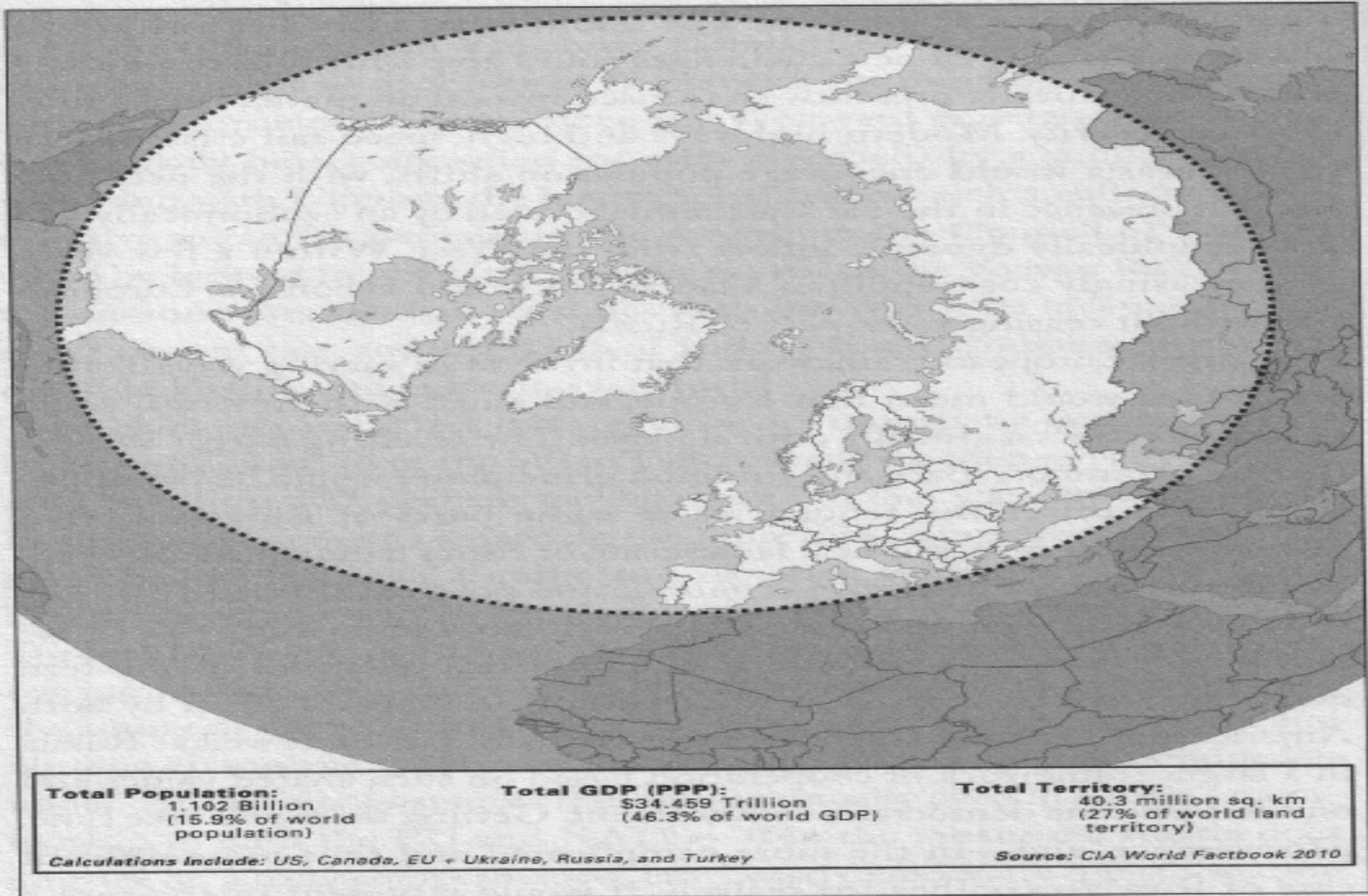
“Russia is linked with the European Union through its status as a strategic ally on a qualitatively new legal framework -- a “big contract.”

Russia and the EU jointly develop and provide sales in global technology markets, as well as products and services in the most advanced sectors

Russia and the United States are connected by a strategic partnership. These relationships were built gradually through the improvement of dialogue, conclusion of agreements on military strategic stability on a global level, construction of a new European security system, as well as successful partnership in countering global terrorism and extremism”

# An American Vision

MAP 4.1 BEYOND 2025: A LARGER WEST—  
THE CORE OF GLOBAL STABILITY



Thank you for your attention

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