

2009 Honors Capstone

The Europeanization of External Energy Policy?: The European Energy Security Debate from a Historical-Institutional Perspective



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Univ. Honors in International Studies
Spring 2009

ABSTRACT

The progressive relocation of decision-making to the supranational EU level in the area of external energy policy has long been obscured by the strong desire of individual Member States to keep firm control of perceived national security imperatives. Yet, recurring gas rows in 2006 and 2009 between Russia and its former Soviet satellites have facilitated an emerging debate in both academic and policy circles on the necessity of a “common voice” in addressing the geopolitical vulnerabilities of one of the largest energy consuming regions in the world. This paper traces the trajectory of EU external energy policy from a historical-institutional perspective in order to determine the extent of presumed Europeanization. By attempting to identify historical processes and institutional mechanisms that can explain the inducement for integration and, inversely, that so far have constrained the adoption of a truly Europeanized policy regime, it posits that EU Member States have reluctantly relinquished some national sovereignty to the increased competencies of the supranational decision bodies of the EU as evident by the increasing interference of specifically the EU Commission. By utilizing two contrary cases, the largely bilateral Russo-German Nord Stream pipeline project, and the multilateral EU-Russian Energy Dialogue, this paper ultimately argues that the evolving notion of energy security has finally resulted in a coordinated, if not yet a common, external energy policy.

TABLE OF CONTENTS

ABSTRACT.....	2
INTRODUCTION	4
LITERATURE REVIEW	8
DEFINING EUROPE'S ENERGY PROBLEM	12
A HISTORY OF EXTERNAL EUROPEAN ENERGY POLICY	15
The Foundations of European Energy Policy	16
The Oil Crises: From Dependency to Dependency	18
The Relaunch of Europe	21
The Contemporary Europeanization of External Energy Policy	24
CONTRASTING CASES: THE APPLICATION OF THEORY	29
The Case of Nord Stream: Bilateral Interests & European Disunity	30
The Case of the EU-Russian Energy Dialogue: Supranational Inefficiency?	35
CONCLUSIONS.....	38
BIBLIOGRAPHY.....	41
APPENDIX A.....	53

INTRODUCTION

As Russian energy hegemon Gazprom resumed the natural gas flow through Ukraine on January 4, 2006, following a brief but dramatic shutdown of the vital transit of European-destined gas supplies in a row over pricing,¹ ripples quickly spread in European policy circles.² The crisis underlined a fundamental, and what was to become a recurring, vulnerability of Europe; the security of supply. In the waning days of the dispute, as it became clear that while EU Member States had suffered some collateral damage in terms of temporarily reduced supply, and a broader energy crisis had narrowly been avoided, the European Parliament (EP) assembled in the French city of Strasbourg to discuss the crisis' implications for European energy policy with great urgency. Polish socialist MEP Marek Siwiec, as the EP's chairman, called the crisis, "a wake-up call for all EU Member States,"³ and was echoed by several other MEPs calling for "greater EU cooperation and coordination on energy policy."⁴ The resulting debate marked a significant shift in the longstanding and uncertain path towards a Europeanized external energy policy. With a staunch reminder of the pressing vulnerabilities of one of the largest energy consuming regions in the world, the debate was now focusing on the broader responsibilities of the EU as a supranational actor rather than the policy preferences of individual Member States.

¹ BBC News, "Ukraine and Russia reach gas deal," BBC News, Jan. 4, 2006 <http://news.bbc.co.uk/2/hi/europe/4579648.stm> (accessed Feb. 13, 2009).

² Mark Landler, "Gas Halt May Produce Big Ripples in European Policy," *The New York Times*, Jan. 4, 2006: A6.

³ European Parliament, "Ukraine-Russia gas dispute - call for stronger EU energy policy," European Parliament-Press Service, Jan. 12, 2006, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+IM-PRESS+20060112STO04233+0+DOC+XML+V0//EN> (accessed Feb. 13, 2009).

⁴ Ibid.

It has been frequently indicated that the role of energy policy in the European integrationist project is certainly a unique one.⁵ One that staunchly pits supranational authority against strong national interest, and one that in many regards touches the core issue in the debate on the scope of sovereignty within a multi-national political and economic community. This debate has at present seemingly reached a climax in the wake of successive energy crises,⁶ a favorable public opinion for EU-level solutions,⁷ and high level political discourse on the subject matter. In a speech in the fall of 2006, President of the European Commission, José Manuel Durão Barroso, even addressed the issue in unequivocal terms:

“[E]nergy was one of the drivers for European integration from the start. [...]Energy has once again become one of the driving forces for European integration. An integration driven by a demand for solutions to real problems faced by all Europeans. That is what the European Union continues to be about.”⁸

Barroso’s comments characterize the direction that high-level EU bureaucrats envision but the fact remains that the Europeanization (defined in this paper as a “progressive relocation of

⁵ Simon Usherwood, “Energy Policy” in *Guide to EU Policies*, eds. Gløcker, Junius, Scappucci, Usherwood and Vasallo (London: Blackstone Press, 1998).

⁶ The 2006 gas crisis was succeeded by a similar crisis in January 2009 in where Gazprom and Ukraine failed to reach an agreement on gas prices and supplies for 2009. Gazprom cut off gas destined for Ukraine on January 1, 2009, and pressure soon dropped in pipelines throughout Eastern Europe. With the aid of EU mediation Gazprom and Ukrainian Naftohaz signed a 10-year agreement on natural gas supplies to Ukraine for the period of 2009-2019 and on January 20, 2009 gas supplies were resumed.

⁷ Eurobarometer, “Attitudes towards energy,” http://ec.europa.eu/public_opinion/archives/ebs/ebs_247_en.pdf (accessed Feb. 16, 2009): 4.

⁸ José Manuel Durão Barroso, “A European strategy for energy: closing speech,” Oct. 30, 2006, <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/06/649&format=HTML&aged=1&language=EN&guiLanguage=en> (accessed Feb. 14, 2009).

decision-making to the supranational level”)⁹ of external energy policy has long been obscured by the strong desire of individual Member States to keep firm control of national security imperatives. The role of external energy policy is still very much a point of contention with an uncertain outcome, and as such, is ripe for scholarly analysis.

This paper attempts to trace the trajectory of EU external energy policy from a historical-institutional perspective in order to determine the extent of presumed Europeanization in this subfield of integration. It attempts to identify historical processes and institutional mechanisms that can explain the inducement for further integration and, inversely, that so far have constrained and/or prevented the adoption of a truly Europeanized policy regime. Furthermore, by contrasting energy policy strategies through the examination of the multilateral EU-Russian energy dialogue and the largely bilateral Nord Stream pipeline project, this paper aims to infer lessons of current policy implementation that may be viably applied to determining the current scope and future direction of European energy security policy. It assumes that these two cases present diverging examples that can be theorized as an intergovernmental versus a supranational vision of European integration, and can thus be compared to extract important lessons. In using this perspective this paper;

1. Posits that EU Member States have reluctantly relinquished some national sovereignty over time to the increased competencies of the supranational institutions of the EU as evident by the increasing interference of specifically the EU Commission in external energy policy.

⁹ Andrei V. Belyi, “EU External Energy Policies: A Paradox of Integration” in *Europe's Global Role: External Policies of the European Union*, ed. Jan Orbie (Hampshire: Ashgate Publishing Limited, 2008): 207.

2. Further posits that the gradual bestowal of this policy realm to the supranational institutions is the effect of a changing notion of energy security, the persistent activism of primarily the EU Commission, and the institutional changes that has enabled the EU to take a more active role in external policy.
3. Acknowledges that serious challenges still persist and that although the EU may have gradually gained more informal competences in this policy area, formal competences as specified in the Treaty framework of the European Union are still sorely lacking, and supranational initiatives can still be greatly undermined by the unilateral actions of individual Member States. This will be further demonstrated by utilizing the largely bilateral Nord Stream pipeline as an example of Germany undermining common EU efforts to engage Russia.
4. Ultimately argues that for the foreseeable future, at least until it becomes an expressed competence in future treaty frameworks, external energy policy on the supranational EU level will probably continue to be explored on an ad hoc basis within the realms of cooperation rather than commonality. This point will be expounded by utilizing the EU-Russian energy dialogue as a case in where the EU has taken an active energy policy role outside of formal competences in the spirit of mutual cooperation and gains.

LITERATURE REVIEW

It is curious how external energy policy in the vast academic studies of the EU has often been neglected outside of very niche subfields of energy studies, assumedly because of this area's relative lack of European integration. But why is it that this policy field – so closely related to such policy fields as trade, environment, and climate, where multilateral global governance efforts are concentrated – is scarcely governed cooperatively? It seems that the historical lack of European integration, and the contemporary move towards it, would be precisely the reason to comprehensively study it. The significance of studying EU energy security policy, particularly from the historical-institutional perspective that this paper offers, is that, as Janne Haaland Matlary, a prominent EU energy scholar has put it, “any deviation from member governments as the main actors is both empirically and theoretically interesting.”¹⁰ This assumption is magnified in the energy subsection of supply security, where, perhaps ever since the 1973 oil crisis (as will be explored in the EU context in a later chapter),¹¹ energy security is a key component of national security. As Daniel Yergin makes abundantly clear in his *magnum opus* on the history of oil, entitled *The Prize*, “the objective of energy security is to assure adequate, reliable supplies of energy at reasonable prices and *in ways that do not jeopardize major national values and objectives* [emphasis mine].”¹² Thus, as Yergin defines it, energy security is almost inherently incompatible with multilateral global governance and a move to Europeanize such a policy would be to unequivocally infringe upon major national objectives. Discernible deviations from national security imperatives then offer us valuable insights into

¹⁰ Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin's Press, 1997): 2.

¹¹ Joseph J. Romm, *Defining National Security* (Washington DC: Council on Foreign Relations, 1993): 37.

¹² Daniel Yergin, *The Prize: The Epic Quest for Money, Oil, and Power* (New York City: Simon and Schuster, 1991): 567.

both the institutional mechanisms of the EU as a supranational polity and the role of sovereign states in this novel dynamic.

Accordingly, scholars have tended to emphasize the historic inability of the EU to reconcile energy policy under an EU competence as the impetus of individual national security imperatives. The integration theory of intergovernmentalism, as originated and applied to the EU by Stanley Hoffman, argued that national governments determined the nature and pace of integration and therefore acted as metaphorical gatekeepers between supranational initiatives and their own system of national preferences.¹³ As such, redefining national security in the name of multilateral governance would be resolutely demurred by sovereign states. The theory, later redefined as liberal intergovernmentalism, as primarily championed by Andrew Moravcsik, claims that, “the EC is best seen as an international regime for policy co-ordination, the substantive and institutional development of which may be explained through the sequential analysis of national preference formation and intergovernmental strategic interaction.”¹⁴ With this assumption, Moravcsik is at the core suggesting that the European project can indeed be explained within the parameters of existing theories of rational state behavior simultaneously constrained by domestic pressures and strategic environment.¹⁵ Ultimately, this theory maintains that not only are national preferences important, but intergovernmental negotiations, “are determined by the relative bargaining power of governments and the functional incentives for institutionalization created by high transaction costs and the desire to control domestic agendas.”¹⁶

¹³ Stanley Hoffman, “Obstinate or Obsolete: the Fate of the Nation State and the Case of Western Europe,” in *Daedalus* 95 (1966): 862-915.

¹⁴ Andrew Moravcsik, “Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach” in *Journal of Common Market Studies* 31, no. 4 (December 1993): 474.

¹⁵ *Ibid.*, 474.

¹⁶ *Ibid.*, 517.

Conversely, supranational governance, as advanced by Alec Stone Sweet and Wayne Sandholtz, “reject[s] the comparative statics of intergovernmentalists as a mode of analysis incapable of capturing crucial temporal elements of European integration,”¹⁷ and seeks to problematize the simplistic notion advanced by neofunctionalists,¹⁸ “that integration is the process by which the EC gradually but comprehensively replaces the nation state in all its functions.”¹⁹ Instead, a theory of supranational governance advances a causal relationship in which transnational exchange fosters the development of transnational society, which in turn consolidates and facilitates further linkages between private and public actors at all levels of the Community.²⁰ National governments do have an important role within this “loop of institutionalization,”²¹ but are limited in their relation to the integration process. Supranationalism, therefore, is not, as it often is simplistically portrayed as, a clear power grab that decisively shifts clout away from national governments, but a subtle realignment of the prerogative of decision-making to a multi-national polity in all the states’ interests.

The dichotomous nature of this theoretical debate does permeate the debate on European energy policy as well. External energy policy has generally been lumped with the ambiguous realm of EU foreign policy, which in itself has mostly been theorized as an intergovernmental

¹⁷ Alec Stone Sweet and Wayne Sandholtz, “European integration and supranational governance” in *Journal of European Public Policy*, no. 3(Sept. 1997): 299.

¹⁸ see Ernst B. Haas, *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957* (Palo Alto, CA: Stanford UP, 1958); Anne-Marie Burley and Walter Mattli, “Europe before the Court: A Political Theory of Legal Integration” in *International Organization* 47, no. 1 (Winter, 1993): 41-76.

¹⁹ Alec Stone Sweet and Wayne Sandholtz, “European integration and supranational governance” in *Journal of European Public Policy*, no. 3(Sept. 1997): 299.

²⁰ *Ibid.*, 313-314.

²¹ *Ibid.*, 311.

structure of cooperation and coordination in the promotion of national security interests.²²

Indeed, there is little disagreement on the historical lack of integration within the area of external energy policy,²³ with some scholars even going so far as calling it one of the EU's major policy failures.²⁴

As the amalgamation of foreign and external energy policy has resulted in a similar theorization and mode of scholarship, the intergovernmentalist perspective has been broadly applied to rationalizing the difficulties of energy policy integration. It has primarily been championed by academics that have attributed the lack of energy policy integration to the strategic geopolitical importance of the energy sector and thereby inferred that national governments guard this policy hegemony very closely.²⁵ Such perspective was partially emboldened and vindicated by the relative historical lack of energy policy decisions taken at the central EU level and by the curious absence of any such initiatives in the numerous treaty documents.²⁶

A minority, however, argue that energy policy has consistently moved towards increased integration as substantiated by a variety of EU policy papers and initiatives on a supranational

²² Frank Schimmelfennig and Wolfgang Wagner, "Preface: External governance in the European Union," in *Journal of European Public Policy* 11, no. 4 (August 2004): 658.

²³ Internal energy policy, ie. deregulation, also forms a significant part of this debate but falls outside the immediate scope of this paper. For a detailed discussion on the internal energy market see Stephen Padgett, "The Single European Market: The Politics of Realization" in *Journal of Common Market Studies* XXX, no. 1 (March 1992): 53-67; Svein S. Andersen, "EU Energy Policy: Interest Interaction and Supranational Authority," Center for European Studies, Univ. of Oslo, May 2005, http://www.arena.uio.no/publications/working-papers2000/papers/wp00_5.htm (accessed Feb. 27, 2009).

²⁴ Francis McGowan, "The single energy market and energy policy: conflicting agendas?" in *Energy Policy* 17, no. 6 (1989): 547-550.

²⁵ Stephen Padgett, "The Single European Market: The Politics of Realization" in *Journal of Common Market Studies* XXX, no. 1 (March 1992): 55.

²⁶ Philippe H. Schmitter, "Imagining the Future of the Euro-polity With the Help of New Concepts" in *Governance in the European Union*, eds. I G. Marks, F. Scharpf, P.H. Schmitter, and W. Streeck (London: Sage Publications, 1996).

level, especially since the early 1990s.²⁷ These scholars primarily point to the revitalization of the EU beginning with the 1987 Single European Act and the subsequent 1993 Maastricht Treaty as institutional factors in changing the dynamic of EU energy policy (perhaps most importantly institutionalizing foreign policy).²⁸ Furthermore, such scholars perceive, in much the same way as this paper does, that there has been a distinct institutional shift on the part of EU structures towards facilitating supranational governance of external energy policy.²⁹ While these scholars have not been completely vindicated as there is still a noticeable lack of external energy policy initiatives and treaty language, recent events (most notably the gas crises in the 21st century) have elevated their suppositions into concrete policy debates.

DEFINING EUROPE'S ENERGY PROBLEM

The aptly named subsection “Gulliver in Chains,” in the 2000 Green Paper entitled “Towards a European strategy for the security of energy supply (COM/2000/0769 final),”³⁰ accurately portrayed the EU as an important, yet constrained, consumer and importer in the international energy market. While it acknowledged the success of the EU in marginally reducing its energy dependence in the wake of the 1973 and 1979 oil crises (from 60%

²⁷ Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin's Press, 1997); Svein S. Andersen, “EU Energy Policy: Interest Interaction and Supranational Authority,” Center for European Studies, Univ. of Oslo, May 2005, http://www.arena.uio.no/publications/working-papers2000/papers/wp00_5.htm (accessed Feb. 27, 2009); Paul K Lyons, *Energy Policies of the European Union* (London: EC Inform, 1994).

²⁸ Svein S. Andersen, “EU Energy Policy: Interest Interaction and Supranational Authority,” Center for European Studies, Univ. of Oslo, May 2005, http://www.arena.uio.no/publications/working-papers2000/papers/wp00_5.htm (accessed Feb. 27, 2009).

²⁹ Ibid.

³⁰ European Commission, “Green Paper Towards a European strategy for the security of energy supply (COM/2000/0769 final),” EUR-Lex, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52000DC0769:EN:HTML> (accessed Feb. 14, 2009).

dependency in 1973 to 50% in 1999),³¹ it forebodingly also recognized the impact of the EU's energy dependence as a function of long-term economic growth with energy imports, "reaching 70% [of total consumption] within 20 to 30 years."³² The impact on Member States, the Green paper further assessed, was inextricably linked to the vulnerability of the geopolitical instability of supplier nations (and as the Russo-Ukrainian gas rows highlighted, transit nations).³³ This, in essence, defines the EU's energy problem; for the moment and for the foreseeable future³⁴ Europe will remain dependant on gas and oil from a handful of strategically important yet politically and economically volatile energy producers and transit states on the fringes of the European polity.

As was indicated in the introduction, however, energy security has rather rapidly come to the forefront of the European agenda. A 2008 Congressional Research Report on European energy security succinctly attributes such renewed concern to both internal and external factors ranging from "declining European energy production and a fragmented internal energy market" to "concerns in Europe over how to address external influences that could affect future energy requirements."³⁵ Additionally, as already noted, disputes between Russia and its former Soviet satellites every year since 2005³⁶ have highlighted Europe's vulnerability in material terms.

³¹ Ibid.

³² Ibid.

³³ Ibid.

³⁴ For a scholarly discussion on alternative, renewable, and nuclear energy in the European context, see: Daniel Reiche and Mischa Bechberger, "Policy differences in the promotion of renewable energies in the EU member states" in *Energy Policy* 32, no. 7 (May 2004); Paul G. Harris, *Europe and Global Climate Change* (London: Edward Elgar Publishing, 2007); Andrea Lenschow, *Environmental Policy Integration: Greening Sectoral Policies in Europe* (London: Earthscan Publications Ltd., 2001); Kornelis Blok, "Renewable energy policies in the European Union" in *Energy Policy* 34, no. 3 (February 2006): 251-255.

³⁵ Paul Belkin, "The European Union's Energy Security Challenges," *Congressional Research Service*, Jan. 30, 2008, www.fas.org/srgp/crs/row/RL33636.pdf (accessed Feb. 23, 2009): 1.

³⁶ Although a detailed discussion of each dispute is out of the scope of this paper, several comprehensive articles have been written on the specific disputes. For information on the tension of Russian-Belarusian energy relations see;

Moreover, the statistics paint an increasingly sober picture for Europe's future energy security. The EU-27 is collectively a net energy importer, with the EU's depleting energy production satisfying less than half of its needs.³⁷ Oil imports comprised 60% of total energy imports, of which 38% comes from OPEC and 33% from Russia.³⁸ Gas imports account for 26% of total energy imports and here Russia contributes a staggering 42%.³⁹ While it is easy to generalize the EU's energy dependency, it should also be noted that Denmark and Norway are actually net exporters of energy, and that energy dependence varies greatly from the relatively energy dependent Ireland (91%) to the relatively independent UK (21%).⁴⁰ This dynamic, of course, impedes EU efforts to act in unison on energy security.

While current dependency ratios create a bleak picture, future predictions signify the importance of this looming issue. EU's primary energy needs are predicted to continue growing, albeit at a slower pace than currently, and would rise between 5% and 9% by 2020.⁴¹ Analysis

Chloë Bruce, "Fraternal Friction or Fraternal Fiction?: The Gas Factor in Russian-Belarusian Relations," Oxford Institute of Energy Studies, March 2005, <http://www.oxfordenergy.org/pdfs/NG8.pdf> (accessed Feb. 24, 2009); for an excellent discussion on the 2006 Russia-Ukrainian gas row see; Jonathan Stern, "The Russian-Ukrainian gas crisis of January 2006," Oxford Institute of Energy Studies, January 16, 2006, http://www.oxfordenergy.org/pdfs/comment_0106.pdf (accessed Feb. 24, 2009); and for analysis of the 2009 Russian-Ukrainian gas conflict; Simon Pirani, "The Russo-Ukrainian Gas Dispute, 2009," in *Russian Analytical Digest*, no. 53 (January 20, 2009): 2-5; Simon Pirani, Jonathan Stern and Katja Yafimava, "The Russo-Ukrainian gas dispute of January 2009: a comprehensive assessment," Oxford Institute of Energy Studies, February 2009, www.oxfordenergy.org/pdfs/NG27.pdf (accessed Feb. 24, 2009).

³⁷ European Commission, "Europe's current and future energy position," in Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan {COM(2008) 744}, November 2008, http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_wd_future_position2.pdf (accessed Feb. 23, 2009): 8.

³⁸ Ibid., 8-9.

³⁹ Ibid., 9.

⁴⁰ Eurostat, "Energy consumption and production," Jul 10, 2008, epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT...YEAR.../8-10072008-EN-AP.PDF (accessed Feb. 23, 2009).

⁴¹ European Commission, "Europe's current and future energy position," in Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan {COM(2008) 744}, November 2008, http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_wd_future_position2.pdf (accessed Feb. 23, 2009): 13.

based on the continuation of current trends and policies predicts a collective EU-27 dependency ratio of oil of 93% and of gas of 77% by 2020.⁴²

Under these dire circumstances, EU energy security depends largely on strengthening the ability of the Community to react jointly to current and impending challenges. This, however, has proven problematic within a historical context. Polish scholar Ernest Wyciszkievicz has identified three largely interdependent rationales that help to frame this problem; the first is related to the structural inhibits of the EU in its treaty framework, as it explicitly lacks competence in the area of energy; the second reason acknowledges that energy security is largely a sovereign prerogative and thus not voluntarily conferred upon a supranational institution by individual member states; the third and final reason admits that the policy of energy security has been largely neglected in the “relatively stable international political and energy environments in the 1990s.”⁴³ These *raison d'être* lay at the core of this paper as it begins by examining the historical-institutional evolution of EU energy security policy, and specifically seeks to identify increased EU competences in the policy area and the dichotomy of national preferences versus supranational policy making.

A HISTORY OF EXTERNAL EUROPEAN ENERGY POLICY

A history of European external energy policy is an essential component to understanding how the EU has found itself where it is today. This section intends to analyze historical developments across primarily three distinct time periods, with the intention of identifying and

⁴² Ibid., 18.

⁴³ Ernest Wyciszkievicz, “EU External Energy Policy – Between Market and Strategic Interests,” in *PISM Strategic Files*, no.1 (January 2008): 1.

scrutinizing apparent shifts towards or from an institutional pattern of the Europeanization of external energy policy. First, it will analyze the period from the inception of the European Coal and Steel Community in 1952 to the 1973 oil crisis. Second, it will analyze the effects of the oil crisis leading up to the 1991 Energy Charter Treaty and the 1992 Single European Act (SEA) in what many have regarded as the “relaunch of Europe”. Third, it will trace the impact of this revitalization through the 90s and explore the most contemporary developments.

The Foundations of European Energy Policy

Several scholars have poignantly noted the paradox in the fact that two⁴⁴ of the three original treaties of the European project concerned energy.⁴⁵ Energy was a primary area of integration beginning with the treaty establishing the European Coal and Steel Community (ECSC) in 1952, effectively creating a common market in these two vital resources in post-war Europe.⁴⁶ This Treaty, as an extension of the 1947 European Coal Organization (ECO), created an “ad hoc intergovernmental institution”⁴⁷ dedicated to scrutinizing the production of coal and steel so as to, in the words of the main architect, French foreign minister Robert Schuman, “make war not only unthinkable but materially impossible.”⁴⁸ Seeing as coal made up about 80 percent of primary energy use at the time, this energy treaty was a very functional instrument to

⁴⁴ The EURATOM Treaty, one of the 1957 founding Treaties of the EC, addresses only the sector of nuclear energy, establishing a framework of cooperation in research and safety standards, but is not relevant to the scope of this paper.

⁴⁵ Andrei V. Belyi, “EU External Energy Policies: A Paradox of Integration” in *Europe's Global Role: External Policies of the European Union*, ed. Jan Orbie (Hampshire: Ashgate Publishing Limited, 2008); Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin's Press, 1997): 14.

⁴⁶ Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin's Press, 1997): 14.

⁴⁷ Andrei V. Belyi, “EU External Energy Policies: A Paradox of Integration” in *Europe's Global Role: External Policies of the European Union*, ed. Jan Orbie (Hampshire: Ashgate Publishing Limited, 2008): 204.

⁴⁸ Ernest Wistrich, *The United States of Europe* (London: Routledge, 1994): 29.

achieve lasting peace on the continent.⁴⁹ More concretely, however, the ECSC created a free trade area in the basic materials of post-war industrialized societies; iron ore, coal, steel, and scrap.⁵⁰ Further, this free trade area was monitored and regulated by a centralized institution; the largely supranational High Authority. As Nugent has described it, this institution was endowed with broad sweeping powers which included the authority to “see to the abolition and prohibition of internal tariff barriers, state subsidies and special charges, and restrictive practices; fix prices under certain conditions; harmonize external commercial policy [...]; and impose levies on coal and steel production to finance ECSC’s activities.”⁵¹ The seeming functionality of the Treaty and the described supranational powers of the High Authority of the ECSC were however almost immediately inhibited by strong national interests.⁵²

The High Authority did not merely operate within the intentions of the Treaty as a functional regulator; it soon became “a forum where policies based entirely on the pursuit of national advantage were supported [...]”.⁵³ The power swiftly shifted from the High Authority under the 1951 Treaty of Paris, to be conferred upon the national executive-dominated Council of Ministers under the 1957 Treaty of Rome.⁵⁴ Indeed, the integrationist visionary behind the

⁴⁹ Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin’s Press, 1997): 15.

⁵⁰ Neill Nugent, *The Government and Politics of the European Union* (Durham: Duke University Press, 2003): 35.

⁵¹ Ibid.

⁵² Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin’s Press, 1997): 15.

⁵³ Alan S. Milward, George Brennan and Federico Romero, *The European Rescue of the Nation-state* (London: Taylor & Francis, 1994): 15.

⁵⁴ Peter L. Lindseth, “Contradictions of Supranationalism: Administrative Governance and Constitutionalization in European Integration since the 1950s,” in *Loyola of Los Angeles Law Review* 37 (Fall 2003): 371.

project, French politician Jean Monnet, resigned in 1955 partly due to the failure of the ECSC to establish a form of common energy policy.⁵⁵

In the early years of the ECSC, its supranational competence was fiercely opposed by the individual preferences of the six original member states. Gradually, the High Authority, particularly under the presidency of Rene Mayer, “preferred to funnel its advocacy of further integration through [...] intergovernmental channels instead of insisting on any immediate increase in the sphere of competence of ECSC.”⁵⁶ Indeed, the ECSC was as much about changing perceptions of sovereign power as it was a functional entity of a fusion of intergovernmental and supranational dynamics. Initially though, “[the] ECSC clearly had not brought with it a general enthusiasm for supranational institutions and federal powers in limited spheres,” but as Haas envisaged, “it gave an undoubted impetus to further integration.”⁵⁷

The Oil Crises: From Dependency to Dependency

Scholarship of Europe’s modern external energy policy has predominantly emerged out of an interest in the simulative strategic impact of the subsequent energy crises of 1973 and 1979.⁵⁸ The oil price shock brought on by OPEC’s embargo on the US, Japan, and the Netherlands in 1973, largely as a result of the Yom Kippur War, and the spike in oil prices in the wake of the 1979 Iranian revolution, had two primary effects on European external energy

⁵⁵ Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin’s Press, 1997): 15; Ernst B. Haas, *The uniting of Europe; political, social, and economic forces, 1950-1957* (Palo Alto, CA: Stanford UP, 1968): 106.

⁵⁶ Ernst B. Haas, *The uniting of Europe; political, social, and economic forces, 1950-1957* (Palo Alto, CA: Stanford UP, 1968): 108.

⁵⁷ Ibid., 110.

⁵⁸ Andrei V. Belyi, “New Dimensions of Energy Security of the Enlarging EU and Their Impact on Relations with Russia,” in *European Integration* 25, no. 4 (December 2003): 365.

policy. Since the inception of the ECSC, oil prices had steadily decreased and gradually replaced coal as the primary energy source both in Europe and in much of the rest of the world.⁵⁹ The crises, however, most markedly shifted energy consumption patterns away from oil to natural gas and nuclear fuel,⁶⁰ but also highlighted Europe's dependence on foreign oil (with up to 80 percent of oil supplies coming from the Middle East and North Africa at the time)⁶¹ and consequently accelerated and solidified the nationalization of energy policies.⁶²

The energy crises of the 1970s spurred a renewed interest in a unified EC energy policy, but the obstinacy of individual member states also, once again, highlighted the limitations of the Community in enacting such policy.⁶³ This fact became woefully apparent at the December 1973 Copenhagen EC summit where the EC failed to even present a joint response to the Arab oil producers, as primarily Britain and France sought to deal bilaterally with the Arab suppliers in order to ensure their own secure supply of oil.⁶⁴ The Commission was thus reduced to mediating the convergence of national preferences into a semi-common policy, including the creation of a 90-day emergency oil reserve, but largely failed at presenting a unified EU policy or exerting authority over national policy.⁶⁵

⁵⁹ Kepa Sodupe and Eduardo Benito, "Pan-European Energy Co-operation: Opportunities, Limitations and Security of Supply to the EU," in *Journal of Common Market Studies* 39, no. 1 (March 2001): 166.

⁶⁰ Hanns W. Maull, "Europe's Energy Situation" in *The Future for European Energy Security*, ed. Curt Gasteyger (London: Frances Pinter Publishers Limited, 1985): 11.

⁶¹ Brigid Laffan, *Integration and Co-operation in Europe* (London: Routledge, 1992): 52.

⁶² Andrei V. Belyi, "EU External Energy Policies: A Paradox of Integration" in *Europe's Global Role: External Policies of the European Union*, ed. Jan Orbie (Hampshire: Ashgate Publishing Limited, 2008): 205.

⁶³ Stephen Padgett, "The Single European Market: The Politics of Realization" in *Journal of Common Market Studies* XXX, no. 1 (March 1992): 55.

⁶⁴ Dick Leonard, *Guide to the European Union*, 9th ed. (London: Profile Books, 2005): 191.

⁶⁵ Stephen Padgett, "The Single European Market: The Politics of Realization" in *Journal of Common Market Studies* XXX, no. 1 (March 1992): 55-56; Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin's Press, 1997): 18; Dick Leonard, *Guide to the European Union*, 9th ed. (London: Profile Books, 2005): 191.

It should be noted, however, that in the wake of the 1973 crisis the European Commission drafted the first of many policy papers on the desired direction of external energy policy. “Towards a New Energy Policy Strategy for the European Community,”⁶⁶ regarded as a cornerstone of European external energy policy throughout the 70s and 80s,⁶⁷ outlined a systematic reduction in dependence on outside sources of oil while simultaneously increasing community production and reliance on natural gas.⁶⁸ It went on to acknowledge that energy independence is an unfeasible objective considering Europe’s rather limited production capacity of most energy resources and therefore stressed the importance of increasing security of supply through diversification.⁶⁹ The outlined objectives were pursued with great success over the coming decade as the EC cut its oil imports by half by 1985 and ominously increased its dependence on natural gas and nuclear energy.⁷⁰

The impact of the successive oil crises was as obvious as it was diverse. Yet, it did little to Europeanize policy. Instead, Member States reverted to national policy solutions. Some turned to alternative sources of indigenous energy mainly for national use; France, for example, turned to nuclear energy, while Britain intensified oil exploration in the North Sea.⁷¹ Or, as was demonstrated in the previous case of the Copenhagen EC Summit, European nations sought to deal unilaterally with OPEC countries for the continued supply of energy. Ultimately, however,

⁶⁶ European Commission, “Towards a New Energy Policy Strategy for the European Community. Communication and proposals from the Commission to the Council. [COM (74) 550 final],” 26 June 1974, http://aei.pitt.edu/5190/01/001648_1.pdf (accessed Mar. 1, 2009).

⁶⁷ Dick Leonard, *Guide to the European Union*, 9th ed. (London: Profile Books, 2005): 191.

⁶⁸ European Commission, “Towards a New Energy Policy Strategy for the European Community. Communication and proposals from the Commission to the Council. [COM (74) 550 final],” 26 June 1974, http://aei.pitt.edu/5190/01/001648_1.pdf (accessed Mar. 1, 2009): 10.

⁶⁹ *Ibid.*, 11-12.

⁷⁰ Dick Leonard, *Guide to the European Union*, 9th ed. (London: Profile Books, 2005): 192.

⁷¹ Giorgia Yiangou, “European Energy Security: The Mediterranean Dimension,” Euro-Mediterranean Observatory, Apr. 2006, http://emo.pspa.uoa.gr/data/papers/15_paper.pdf (accessed Feb. 27, 2009): 138.

the energy crises facilitated a realization of the destructive impact of energy vulnerabilities and acknowledged the need for a coherent European energy strategy. Still, the energy crises of the 1970s did not initiate a complete reconceptualization of strategic dependency in the European context, but merely moved Europe from the dependency of Middle Eastern oil to the dependency of Soviet gas.

The Relaunch of Europe

New proposals for a common European external energy policy in the late 1980s and early 1990s were closely related to the “relaunch of European integration,”⁷² institutionally characterized by the Single European Act (SEA) of 1986 and the Maastricht Treaty of 1992. This ‘relaunch’ emerged out of the ironically named 1985 Intergovernmental Conference during an unparalleled era of ‘Euro-sclerosis,’ a legislative stall in the Community, and economic uncertainty,⁷³ in an attempt to link the liberalization of the European market, as outlined in the 1985 ‘White Paper on the Completion of the Internal Market, with institutional reform.’⁷⁴

Energy policy was not explicitly included in the 300 EU directives outlined in Lord Cockfield’s White Paper on the Internal Market that served as the prelude to the renewal of the European integrationist project, but it was affected by the institutional changes that were introduced in the SEA.⁷⁵ First, the SEA introduced qualified majority voting as a replacement for a unanimity requirement and thus enabled consensus on proposals that partly infringed upon

⁷² Volker Bornschier, *State-building in Europe: the revitalization of Western European integration* (Cambridge: Cambridge University Press, 2000).

⁷³ Philip Budden, “Observations on the Single European Act and ‘relaunch of Europe’: a less ‘intergovernmental’ reading of the 1985 Intergovernmental Conference,” *Journal of European Public Policy* 9, no. 1 (February 2002): 77.

⁷⁴ Andrew Moravcsik, “Negotiating the Single European Act: National Interest and Conventional Statecraft in the European Community,” *International Organization* 45, no. 1 (Winter 1991): 19.

⁷⁵ Janne Halland Matlary, *Energy Policy in the European Union* (New York City: St. Martin’s Press, 1997): 19-20.

national preferences.⁷⁶ This, of course, was not meant to apply directly to energy security policy, but its introduction would add a supranational dynamic to the EU's decision-making process where in individual interests of Member States could be circumvented by a weighted majority rule. Second, it transformed the institutional dynamic of the EU by allowing the Commission and the European Parliament increased independence and competences.⁷⁷ As would be almost immediately evident, such a shift would facilitate primarily the Commission to try and forge a more unified external policy of the EU. Third and last, the reform made possible a "political spill-over" effect in where actors in other policy areas redefined traditional energy policy.⁷⁸ This would mean, for example, that the principles of the free market as outlined in the Treaty of Rome would first gradually be applied to the protectionist domestic energy markets, and later to external energy trade.

Another important aspect in the 'relaunch of Europe' stems from the adoption of the Maastricht Treaty in 1992. The Maastricht Treaty formalized the foreign policy competence of the EU by establishing the Common Foreign and Security Policy institutional structure (or 'pillar').⁷⁹ Energy security was not explicitly included in the CFSP framework, principally in accordance with the strong intergovernmental tendencies explored in this paper. In fact, energy policy was temporarily on the agenda of the Maastricht Treaty, only to be struck by Britain, "as

⁷⁶ Ibid., 20.

⁷⁷ Ibid.

⁷⁸ Svein S. Andersen, "EU Energy Policy: Interest Interaction and Supranational Authority," Center for European Studies, Univ. of Oslo, May 2005, http://www.arena.uio.no/publications/working-papers2000/papers/wp00_5.htm (accessed Feb. 27, 2009).

⁷⁹ Karen Elizabeth Smith, *European Union Foreign Policy in a Changing World* (Cambridge: Polity Publishing, 2008).

part of a strategy to limit the scope of supranational authority.”⁸⁰ Furthermore, intergovernmental tendencies hampered the strength of the CFSP as its policy implementation was not subject to qualified majority voting but rather unanimity.⁸¹

The CFSP, however, was important in that it established a foreign policy driven by, “the state-building imperative, the pressure for institutional reform, [and] issues of democracy and accountability,”⁸² which in turn addresses the core problems of energy supply security. As an example of this point, there is an inextricable linkage between the monopolistic Russian gas market and the volatile supply of gas to Europe, and thus, pressures for institutional market reform through EU investment or forms of soft power has an unequivocal impact on energy security.

In summation then, the “relaunch of Europe” was not so much to do with energy security per say, but rather set the framework for future reform. Indeed, the SEA and the Maastricht Treaty strengthened supranational authority in several policy areas, most notably by institutionalizing a common foreign and security policy. In the aftermath of the Maastricht Treaty, it promptly becomes evident that the EU was going to take a more active role in international affairs as a supranational authority with one unified voice rather than a hodgepodge of dissenting voices.

⁸⁰ Svein S. Andersen, “EU Energy Policy: Interest Interaction and Supranational Authority,” Center for European Studies, Univ. of Oslo, May 2005, http://www.arena.uio.no/publications/working-papers2000/papers/wp00_5.htm (accessed Feb. 27, 2009).

⁸¹ Reinhardt Rummel and Jörg Wiedemann, “Identifying Institutional Paradoxes in CFSP,” in *Paradoxes of European foreign policy*, ed. Jan Zielonka (London: Martinus Nijhoff Publishers, 1998): 60.

⁸² Christopher Hill, “CFSP: Conventions, Constitutions and Consequentiality,” in *The International Spectator* 4 (2002): 77.

The Contemporary Europeanization of External Energy Policy

Whereas the Maastricht and SEA Treaties provided the institutional framework necessary for a substantial reform in external energy policy, it is not until recently that the Commission has begun to explore its informal competence in this area. The latter part of the 1990s and the early 2000s bears witness to an ever-more frequent and activist usage of the foreign policy competences of the EU to begin formulating a common external energy policy.

The 1995 White Paper on Energy Policy⁸³ is generally regarded as having initiated the Europeanization of energy policy.⁸⁴ Even as it did not institutionalize policy it introduced an EU ideology based on security of supply, competitiveness, and environmental protection, and thus pioneered the path of European external energy policy.⁸⁵ It is interesting to note, however, that in asserting the Commission's authority over such diverse fields, it utilized its expressed competence in the internal market and competition policy, "to establish, first of all, a framework for the discussion of energy policy that involves all of the public and private operators concerned, secondly, a framework for consultation on energy policy guidelines and on activities in this area and, finally, a framework for cooperation with the Member States in order to achieve jointly-defined aims."⁸⁶ As evident, the Commission was implicitly attempting to depoliticize the issue by framing it more as a constructive discussion between relevant parties, but it certainly also had ulterior motives in attempting to extend its competency to external energy policy.

⁸³ European Commission, "White Paper: An Energy Policy for the European Union (COM (95) 682 final)," 13 December 1995, <http://aei.pitt.edu/1129/> (accessed Mar. 13, 2009).

⁸⁴ Andrei V. Belyi, "EU External Energy Policies: A Paradox of Integration" in *Europe's Global Role: External Policies of the European Union*, ed. Jan Orbie (Hampshire: Ashgate Publishing Limited, 2008): 207.

⁸⁵ European Commission, "White Paper: An Energy Policy for the European Union. (COM (95) 682 final)," 13 December 1995, <http://aei.pitt.edu/1129/> (accessed Mar. 13, 2009).

⁸⁶ *Ibid.*, 2.

Almost simultaneously, an initiative emerged, pioneered by Dutch Prime Minister Lubbers that aimed to create a multilateral energy treaty. The resulting 1994 Energy Charter Treaty (ECT), “[established within the energy sector] legal rights and obligations with respect to a broad range of investment, trade, and other matters, and in large part provides for their enforcement.”⁸⁷ The Treaty upheld the principles of comparative advantage, “whereby substantial economic gains are obtained through trade between energy-poor but technology-/capital-rich Western Europe and the energy-rich but technology-/capital-constrained [economy] of Russia.”⁸⁸ It is also interesting to note, as Svein Andersen has, that the ECT managed to mesh the interests of the European Commission and Member States by simultaneously “strengthen[ing] the market framework prevalent in the West” and the “power concentration around large [national] companies.”⁸⁹ It was signed by 51 states in December 1994, including Russia.⁹⁰ The Treaty did indeed internationalize energy relations and initiated the bridging of EU-Russian interests in the energy sector, yet, as will be shown in the EU-Russia Energy Dialogue subsection, Russia’s refusal to ratify the ECT continues to constitute a fundamental dispute in EU-Russian relations and Russian WTO accession.

⁸⁷ Craig S. Bramberger, “An Overview of the Energy Charter Treaty” in *The Energy Charter Treaty: an east-west gateway for investment and trade*, ed. Thomas W. Waelde (Kluwer Law International, 1996): 1.

⁸⁸ Debra Johnson, “EU–Russian Energy Links: A Marriage of Convenience?” in *Government & Opposition* 40, no. 2 (Spring 2005): 273

⁸⁹ Svein S. Andersen, “EU Energy Policy: Interest Interaction and Supranational Authority,” Center for European Studies, Univ. of Oslo, May 2005, http://www.arena.uio.no/publications/working-papers2000/papers/wp00_5.htm (accessed Feb. 27, 2009).

⁹⁰ Kirsten Westphal, “Energy Policy between Multilateral Governance and Geopolitics: Whither Europe?” in *Internationale Politik und Gesellschaft*, 4 (2006): 53.

The second major EU initiative, the 2000 Green Paper *Towards a European Strategy for the Security of Energy Supply*,⁹¹ attempted to form a comprehensive energy security strategy and is perhaps one of the first patent shifts towards an Europeanization of external energy policy. As previously mentioned, the Green Paper carried a foreboding message on Europe's strong current and future dependence on primarily Russian natural gas but it also makes a bold and convincing argument for energy policy to assume a Community dimension. The Green Paper argues that the energy interdependence of member states has inevitably bestowed the Commission with a new informal competence, and chastises uncoordinated national energy policy for its negative impact on the available scope of action.⁹²

The 2000 Green Paper did in many ways initiate a debate on the security of energy supply to Europe by identifying risks in primarily the demand side of energy trade.⁹³ Yet, even though the Green Paper highlights fairly uncontroversial practices such as energy saving as a key component in reducing energy dependence, "member states still either rejected the Green Paper as an attempt to pool sovereignty on the Community level or neglected the content of the paper altogether."⁹⁴ Once again, showing the difficulty in transferring energy security competencies to supranational EU institutions.

If the 2000 Green Paper provides the blueprint for a lofty vision of European energy policy, the March 2006 Green Paper, entitled *A European strategy for sustainable, competitive*

⁹¹ European Commission, "Green Paper: Towards a European strategy for the security of energy supply (COM/2000/0769 final)," EUR-Lex, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52000DC0769:EN:HTML> (accessed Feb. 14, 2009).

⁹² Ibid.

⁹³ Kirsten Westphal, "Energy Policy between Multilateral Governance and Geopolitics: Whither Europe?" in *Internationale Politik und Gesellschaft*, 4 (2006): 55.

⁹⁴ Ibid.

and secure energy,⁹⁵ sets the foundation for the shape and direction of the EU's future external energy policy by promising, "a better integration of energy objectives into broader relations with third countries".⁹⁶ The 2006 Green Paper was largely the Commission's response to a mandate given to it following the October 2005 Hampton Court Summit in where EU Heads of State recognized the need for a more coherent EU energy policy.⁹⁷ Its urgency was however amplified by the aftermath of the Russian-Ukrainian gas dispute of January 1 to 4, 2006.⁹⁸

Amongst the six priority areas the paper identifies, two stands out for the purpose of this paper; creating a coherent external energy policy and fostering solidarity amongst the Member States.⁹⁹ The Green Paper in many regards stresses the necessity of a commitment to common solutions to shared problems.¹⁰⁰ The Commission goes on to urge a "common vision" and for the EU "to speak with the same voice" in matters of external energy policy.¹⁰¹ The solidarity of Member States was linked to the proposed establishment of a European Energy Supply Observatory, to identify shortfalls in terms of infrastructure and supply, and a revision of the existing Community legislation on oil and gas stocks.¹⁰² Yet, while there was general agreement on the need for a more coherent EU external energy policy, there was also a sentiment, as van

⁹⁵ European Commission, "Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy (COM/2006/0105 final)," ec.europa.eu/energy/green-paper-energy/doc/2006_03_08_gp_document_en.pdf (accessed Mar. 12, 2009).

⁹⁶ Ibid., 4.

⁹⁷ UK Department for Business Enterprise and Regulatory Reform, "EU Common Energy Policy," <http://www.berr.gov.uk/energy/international/eu/page28034.html> (accessed Mar. 12, 2009).

⁹⁸ Kirsten Westphal, "Energy Policy between Multilateral Governance and Geopolitics: Whither Europe?" in *Internationale Politik und Gesellschaft*, 4 (2006): 44.

⁹⁹ European Commission, "Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy (COM/2006/0105 final)," ec.europa.eu/energy/green-paper-energy/doc/2006_03_08_gp_document_en.pdf (accessed Mar. 12, 2009).

¹⁰⁰ Ibid., 14.

¹⁰¹ Ibid.

¹⁰² Frank Umbach, "Towards a European Energy Foreign Policy?" in *Foreign Policy in Dialogue* 8, no. 20 (January 2007): 12.

der Linde has noted, that “[Member States] were reluctant to move on the competence issue.”¹⁰³

Once again, Member States were adamant about keeping national sovereignty over key strategic issues related to energy.¹⁰⁴

The 2006 Green Paper also introduced an action plan, known as the Strategic EU Energy Review that is to be presented to the Council and Parliament on a regular basis, covering the issues identified in this Green Paper. To date, two such strategic reviews have been published, each attempting to contribute both targets and initiatives for further integration. The first, entitled *An Energy Policy for Europe*,¹⁰⁵ frankly noted the lack of progress in the area of security of supply, “the mechanisms to ensure solidarity between Member States in the event of an energy crisis are not yet in place and several Member States are largely or completely dependent on one single gas supplier.”¹⁰⁶ It once again stressed the importance of diversification, whether through transit lines from new regions and/or the construction of new liquid natural gas terminals,¹⁰⁷ but failed to provide any real guidance as to how such objectives would be achieved. It furthermore, echoed the calls for the Europeanization of external energy policy by maintaining that, “energy must become a central part of all external EU relations.”¹⁰⁸ The Second Strategic Energy Review,¹⁰⁹ presented in November 2008, essentially reiterated the ambitions of the first one by

¹⁰³ Coby van der Linde, “External Energy Policy: old fears and new dilemmas in a larger Union,” in *Fragmented Power; Europe and the Global Economy*, ed. Andre Sapir (Brussels: Bruegel, 2007): 282.

¹⁰⁴ Ibid.

¹⁰⁵ European Commission, “An Energy Policy for Europe,” 10 January 2007, <http://europa.eu/scadplus/leg/en/lvb/l27067.htm> (accessed Mar. 14, 2009).

¹⁰⁶ Ibid., 4.

¹⁰⁷ Ibid., 11.

¹⁰⁸ Ibid., 18.

¹⁰⁹ European Commission, “EU Energy Security and Solidarity Action Plan: Second Strategic Energy Review,” November 2008, http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_memo.pdf (accessed Mar. 14, 2009).

once again stressing the importance of adopting energy policy as an integral part of EU's international relations.¹¹⁰

The vagueness of the strategic energy reviews and the notable lack of clear implementation plans make it hard to evaluate their success, but it is clear that through a series of well-read documents the Commission is actively trying to gain both informal and formal competence in the area of European energy security. In a sense, these regular strategic reviews present a common EU position on external energy policy, even though they may only be able to present the lowest common denominator. The repetitiveness of the reviews and apparent lack of progress, however, may be a subtle indication that the EU is still finding an expansion of its powers difficult.

CONTRASTING CASES: THE APPLICATION OF THEORY

The second part of this paper examines two contrasting cases that aim to highlight the continued discrepancy between EU-wide and individual member states' energy interests. By contrasting the bilateral dimension of a German-Russian Energy Dialogue manifested primarily in the proposed Nord Stream pipeline with the multilateral EU-Russia Energy dialogue, it hopes to highlight the current split in EU external energy policy. Further, by contrasting these divergent policy approaches, this paper aims to highlight the hindrances and opportunities available to creating an integrated European energy policy. Through a careful examination of unilateralism and multilateralism, supranational and intergovernmental theories of integration, one may be able to evaluate current approaches and distinguish feasible patterns of further integration.

¹¹⁰ Ibid., 1.

Additionally, these case studies provide us with tangible applications of the theoretical debate that has been highlighted in this paper, and thus allows us to evaluate the merits of each in an applicable situation.

The Case of Nord Stream: Bilateral Interests & European Disunity

Russia has long seen an inherent value in a “divide and rule” strategy in where they drive a wedge between the new and old Europe using energy as a geopolitical tool.¹¹¹ Russia, under the leadership of Premier Vladimir Putin, has actively sought to increase the energy dependence of individual EU member states through a two-pronged strategy. Gazprom, the Russian state’s gas behemoth, has steadily gained strategic inroads into the European energy market through both bilateral agreements with national energy companies and/or the monopolistic ownership of the pipeline network that supplies Europe. As Baran has argued, Russia is in a unique position to “pursue strategies that make little economic sense but that serve the long-term interests of the Russian state,” since Gazprom is merely a thinly disguised intermediary of the Kremlin.¹¹² While there already was little unity in European energy policy, a lack of cohesion has enabled Russia to “[pursue] a divide and conquer strategy of amassing bilateral deals with member states,”¹¹³ and thus rendered an efficient EU response effectively mute. Russia sees the economic value in maintaining good relations with the sizeable energy consumers in Western Europe while simultaneously attempting to assert influence over the new EU members of the former Soviet

¹¹¹ Paul J. Sanders, “Russian Energy and European Security: A Transatlantic Dialogue,” The Nixon Center, February 2008, www.nixoncenter.org/monographs/saunders08.pdf (accessed Mar. 10, 2009): 6; Katinka Barysch, “Russia, realism and EU unity,” Center for European Reform, July 2007, www.cer.org.uk/pdf/policybrief_russia_FINAL_20july07.pdf (accessed Mar. 10, 2009): 2.

¹¹² Zeyno Baran, “EU Energy Security: Time to End Russian Leverage,” in *The Washington Quarterly* 30, no. 4 (Autumn 2007): 135.

¹¹³ Ibid., 131.

dominion. In recent years several European heads of state, including Silvio Berlusconi and Jaques Chirac, have generously engaged in a special relationship with the Kremlin on a variety of issues, including energy, and consequently undermined a common EU position.¹¹⁴ Perhaps nowhere has this relationship been as evident and contentious, however, as in the case of Germany.

Several scholars have acknowledged the historical reasons for a special Russian-German relationship,¹¹⁵ dating to what Westphal has identified as the “*Erdgasröhrengeschäft*, the natural gas pipeline deal wrapped up during *Ostpolitik* era in order to economically back the political strategy of the normalization of East-West relations through rapprochement.”¹¹⁶ The transfer of energy became a key component of a strategy towards easing relations across the Iron Curtain. A “web of interdependencies” in the energy export sector was soon created as Germany dependence on Russian gas increased and as German foreign investment increased in Russia.¹¹⁷

This interdependence has grown significantly over the last couple of decades. In the early 1980s, German gas imports from the Soviet Union comprised only 7 percent of domestic consumption,¹¹⁸ today, it equals a staggering 43 percent.¹¹⁹ Conversely, Germany dwarfs other EU member states in terms of foreign direct investment, accounting for 39 percent of total EU

¹¹⁴ Katinka Barysch, “Russia, realism and EU unity,” Center for European Reform, July 2007, www.cer.org.uk/pdf/policybrief_russia_FINAL_20july07.pdf (accessed Mar. 10, 2009): 2.

¹¹⁵ Alexander Rahr, “Germany and Russia: A Special Relationship” in *The Washington Quarterly* 30, no. 2 (Spring 2007): 137-145; Kirsten Westphal, “Germany and the EU-Russia Dialogue” in *The EU-Russian Energy Dialogue: Europe's Future Energy Security*, ed. Pami Aalto (Hampshire: Ashgate Publishing Limited, 2008): 93-118.

¹¹⁶ Kirsten Westphal, “Germany and the EU-Russia Dialogue” in *The EU-Russian Energy Dialogue: Europe's Future Energy Security*, ed. Pami Aalto (Hampshire: Ashgate Publishing Limited, 2008): 94.

¹¹⁷ *Ibid.*, 94-95.

¹¹⁸ *Ibid.* 95.

¹¹⁹ Ariel Cohen, “Europe's Strategic Dependence on Russian Energy,” The Heritage Foundation, Nov. 5, 2007, <http://www.heritage.org/Research/Europe/bg2083.cfm> (accessed Mar. 11, 2009).

investment in Russia.¹²⁰ The historic economic interdependence has now expanded to a strategic relationship between Russian gas giant Gazprom and Germany's major gas company E.ON Ruhrgas,¹²¹ a strong personal friendship between Putin and Schröder,¹²² and most notably the proposed Nord Stream gas pipeline, the proverbial "watershed in European energy debates and European-Russian energy relations."¹²³

On 11 April 2005 partners representing Russian Gazprom and German companies BASF/Wintershall and E.ON/Ruhrgas,¹²⁴ signed an agreement on constructing the Nord Stream pipeline from Vyborg, Russia to Grefiswald, Germany.¹²⁵ Nord Stream, a proposed natural gas pipeline, linking Russia and Germany by traversing the array of economic zones that constitute the Baltic Sea (Finnish, Swedish, Polish, and Danish),¹²⁶ is still largely conceived as a purely bilateral project between Germany and Russia. Although its benefits would extend to the European consumer market through a series of subsidiary pipelines towards the Netherlands and the UK, Gazprom and the Kremlin holds the political clout, and a majority of the gas supply is

¹²⁰ Konstantia Petridou, "EU-27 Foreign Direct Investments in Brazil, Russia, India and China increased by more than 50% in 2007," Eurostat, May 2008, epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-064/EN/KS-SF-08-064-EN.PDF (accessed Mar. 11, 2009).

¹²¹ Kirsten Westphal, "Germany and the EU-Russia Dialogue" in *The EU-Russian Energy Dialogue: Europe's Future Energy Security*, ed. Pami Aalto (Hampshire: Ashgate Publishing Limited, 2008): 102.

¹²² Ibid., 105; Robert L. Larsson, "Nord Stream, Sweden and Baltic Sea Security," Swedish Defence Research Agency, March 2007, <http://www.foi.se/upload/english/reports/foir2251.pdf> (accessed Mar. 10, 2009).

¹²³ Pami Aalto, "European perspectives for managing dependence," March 2008, <http://www.ii.umich.edu/UMICH/ceseuc/Home/ACADEMICS/Research%20Projects/Energy%20Security%20in%20Europe%20and%20Eurasia/European%20Perspectives%20for%20Managing%20Dependence%20-%20Aalto.pdf> (accessed Mar. 10, 2009): 12.

¹²⁴ The project is financed through Nord Stream AG, a joint venture composed of Russian energy giant Gazprom, German companies, Wintershall Holding (BASF AG subsidiary) and E.ON AG, and Dutch N.V. Nederlandse Gasunie. Since June 2008, shareholdings are split: Gazprom – 51%, Wintershall Holding and E.ON AG – 20% each, and N.V. Nederlandse Gasunie – 9%. The joint venture is expected to finance 30 % through shareholder equity according to the individual stakes in the consortium, while 70% will come from external financing, including banks and export credit agencies. As of the writing of this paper, no external financiers have been named.

¹²⁵ Robert L. Larsson, "Security Implications of the Nord Stream Project," European Parliament Briefing Paper, February 2008, www.foi.se/upload/nyheter/2008/security_implications_of_nord_stream_robert_larsson.pdf (accessed March 10, 2009): 22.

¹²⁶ See Appendix A for a detailed map

earmarked for the German market.¹²⁷ Thus, the project is in many academic and policy circles envisioned as a tool of Russian geopolitical ambitions, that would give Russia the political power derived from circumventing former Soviet satellites, and the financial gains from accessing the heart of Western Europe's energy market, while Germany would finally address a very real energy concern by securing a long-term, direct, and dependable supply of Russian gas.

The Nord Stream project highlights a principal predicament of the Europeanization of energy security in that while it supposedly diversifies and increases Europe's energy supply, it also notably adds to the vulnerabilities of the new European member states. Nord Stream enables Gazprom to reduce its dependency on Ukraine, Poland, Belarus, and the Baltic states in the energy supply route to Western Europe, and therefore increases future Russian leverage vis-à-vis these states in the negotiation of gas prices and transit fees. All these states have unsurprisingly been vehemently opposed to the project since its origination, with Polish Defense Minister Radek Sikorski likening the deal to the infamous 1939 Molotov-Ribbentrop Pact.¹²⁸ The inherent problem to Germany's solution to its energy problem is that Poland and the Baltic states are EU members, and as Robert Larsson has cautioned, "without acknowledging the priorities of the new members, EU might lose legitimacy in its northern dimension and common EU-projects as well as integration in general might be more difficult to achieve."¹²⁹

¹²⁷ Robert L. Larsson, "Security Implications of the Nord Stream Project," European Parliament Briefing Paper, February 2008, www.foi.se/upload/nyheter/2008/security_implications_of_nord_stream_robert_larsson.pdf (accessed March 10, 2009): 14.

¹²⁸ Simon Taylor, "Why Russia's Nord Stream is winning the pipeline race," EuropeanVoice.com, Jan. 29, 2009, <http://www.europeanvoice.com/folder/energyquarterlypipelinesandsecurityofsupply/100.aspx?artid=63780> (accessed Mar. 16, 2009).

¹²⁹ Robert L. Larsson, "Security Implications of the Nord Stream Project," European Parliament Briefing Paper, February 2008, www.foi.se/upload/nyheter/2008/security_implications_of_nord_stream_robert_larsson.pdf (accessed March 10, 2009): 42.

Germany's bilateral energy relations have in many ways undermined EU solidarity and by extension a common EU energy approach. Germany has, as Westphal notes, "failed to follow the major principles of managing energy dependency and securing energy supplies: diversification and multilateralization."¹³⁰ First, Nord Stream substantially increases European dependency on Russian gas. Second, Nord Stream is hardly the uniting project Gazprom officials would have you believe,¹³¹ Germany has rather explicitly ignored the security concerns of its Baltic counterparts, diminished the importance of EU solidarity, and favored economic pragmatism over EU integration.

It is interesting to note, however, that despite vehement opposition from a sizeable EU contingent, the 2009 Ukrainian gas crisis consolidated the political backing of the project.¹³² While this may seem counterintuitive, the ensuing debate largely focused on physical diversification strategies rather than the obvious hazard in increased Russian dependence. The EU partially embraced the project in 2002 by declaring it a "priority project" in the EU's continued efforts to diversify supply,¹³³ but has since been marred by political infighting. It now seems that leading EU Commissionaires, including EU Commissioner for Energy, Andries Piebalgs,¹³⁴ have succumbed to sustained pressure from Chancellor Merkel and the Nord Stream consortium to support the project. However, such nominal support, this paper argues, does not

¹³⁰ Kirsten Westphal, "Germany and the EU-Russia Dialogue" in *The EU-Russian Energy Dialogue: Europe's Future Energy Security*, ed. Pami Aalto (Hampshire: Ashgate Publishing Limited, 2008): 112.

¹³¹ Robert L. Larsson, "Nord Stream, Sweden and Baltic Sea Security," Swedish Defence Research Agency, March 2007, <http://www.foi.se/upload/english/reports/foir2251.pdf> (accessed Mar. 10, 2009): 27.

¹³² Philippa Runner, "Nord Stream to pump EU gas by 2011, Russia says," euobserver.com, Jan. 21, 2009, <http://euobserver.com/9/27449> (accessed Mar. 16, 2009).

¹³³ Robert L. Larsson, "Nord Stream, Sweden and Baltic Sea Security," Swedish Defence Research Agency, March 2007, <http://www.foi.se/upload/english/reports/foir2251.pdf> (accessed Mar. 10, 2009): 21.

¹³⁴ Ibid., 26.

translate into a unified European position, nor does it indicate a Europeanization of energy security policy.

The Nord Stream debacle continues to be the quintessential example of clashing national interests within a broader multilateral polity, of the undermining impact of unilateral initiatives for self-interest, and as a explicit illustration of the intergovernmentalist theory of European integration. While the majority of EU members probably have a latent interest in multilateralizing their energy relationship with Russia in order to gain leverage in energy negotiations, Germany has forgone EU solidarity in its own economic interest.

The Case of the EU-Russian Energy Dialogue: Supranational Inefficiency?

It is perhaps ironic how the German-Russian special relationship also laid the groundwork for the most potent Europeanized forum of energy security policy; the EU-Russian Energy Dialogue. During the 1999 German EU Presidency, then under the leadership of Chancellor Schröder, the EU adopted the Common Strategy on Russia¹³⁵ during the Cologne Summit.¹³⁶ This strategy was a hotchpotch of vague and poorly funded policy directives under a theme of “strengthen[ing] the [EU-Russian] strategic partnership.”¹³⁷ The strategy was largely discredited in a 2001 evaluation report by CFSP High Representative Javier Solana,¹³⁸ but the initiative did eventually spawn the EU-Russian energy dialogue from a recognition that the exiting frameworks were insufficient.

¹³⁵ The Common Strategy itself was seen as one of the key tools under the CFSP to frame and blueprint a unified European policy toward key strategic neighbors to the East and South of Europe

¹³⁶ James Hughes, “EU Relations with Russia: Partnership or Asymmetric Interdependency?” LSE Research Online, 2006, <http://eprints.lse.ac.uk/archive/00000651> (accessed Mar. 12, 2009): 5.

¹³⁷ Ibid.

¹³⁸ Ibid., 7.

The dialogue was officially launched during the French EU Presidency in October 2000 as a constructive recognition of the continued EU-Russian interdependence in European energy supply security. In the words of the EU Commission, the project “set out above all to resolve all questions of common interest relevant to [the energy] sector.”¹³⁹ Since its inception, working groups have met regularly to address mainly technical aspects of cooperation, including, technology transfers, investments and energy efficiency.¹⁴⁰ There is also a political component of the dialogue in the twice-annual EU-Russia Summit composed of Heads of State of the EU and Russia.¹⁴¹

The success of the dialogue is primarily symbolic and technical. First, it is significant that the EU and Russia engages in dialogue of mutual strategic importance. The EU-Russian Energy Dialogue has now institutionalized a framework for cooperation in where personal relationship can be fostered at a fairly high level and where issues of contention will be addressed in a fairly regular and timely manner. Second, the technical dimension of the dialogue has arguably been quite successful in a relative short time. The dialogue facilitated the setting up of a centre for energy technology in Moscow in 2004¹⁴² and the harmonization of technical standards in the gas sector.¹⁴³

¹³⁹ European Commission, “The Energy Dialogue between the European Union and the Russian Federation between 2000 and 2004,” December 2004, ec.europa.eu/energy/russia/reference_texts/doc/2004_0777_en.pdf (accessed Mar. 12, 2009): 2.

¹⁴⁰ Ibid., 2-3.

¹⁴¹ EurActiv.com, “EU-Russia Energy Dialogue,” Nov. 28, 2005, <http://www.euractiv.com/en/energy/eu-russia-energy-dialogue/article-150061> (accessed Mar. 12, 2009).

¹⁴² Gawdat Bahgat, “Europe’s energy security: challenges and opportunities,” in *International Affairs* 82, no. 5 (October 2006): 969.

¹⁴³ EC delegation to Russia, “EU-Russia Energy Dialogue,” http://www.delrus.ec.europa.eu/en/p_217.htm (accessed Mar. 18, 2009).

The Commission has largely hailed the usefulness and inclusiveness of the dialogue,¹⁴⁴ but critics are however swift to point out that the energy dialogue has tiptoed around the big policy questions,¹⁴⁵ “where Europe’s future gas will come from, if and when Russia will liberalise access to its pipelines, and why it remains so difficult for European oil companies to invest in Russia.”¹⁴⁶

Perhaps the most acute political issue, however, continues to be Russia’s refusal to ratify the Energy Charter Treaty. Russia’s objections focuses primarily on the Protocol on Transit.¹⁴⁷ This provision, “would oblige Russia to implement the principles of freedom of transit without distinction concerning the origin, destination, or ownership of the energy and of non-discriminatory pricing,”¹⁴⁸ and consequently endangers Gazprom’s monopoly on Russian pipelines. The Russian Duma’s ratification of the Treaty was thus indefinitely delayed by Gazprom’s disputed claim that ratification would, “oblige it to open its network to lower cost gas from Central Asia,” and endanger the very economic security of Russia.¹⁴⁹

The EU-Russian Energy Dialogue is unquestionably a mix of both small successes and failures, yet, its biggest success is often the most neglected. Since the inception of the dialogue,

¹⁴⁴ European Commission, “The Energy Dialogue between the European Union and the Russian Federation between 2000 and 2004,” December 2004, ec.europa.eu/energy/russia/reference_texts/doc/2004_0777_en.pdf (accessed Mar. 12, 2009): 3.

¹⁴⁵ Kirsten Westphal, “Energy Policy between Multilateral Governance and Geopolitics: Whither Europe?” in *Internationale Politik und Gesellschaft*, 4 (2006): 56.

¹⁴⁶ Katinka Barysch, “The EU and Russia: From principle to pragmatism?” Centre for European Policy Reform, November 2006, http://www.cer.org.uk/pdf/EU_russia_barysch_final_10nov06.pdf (accessed Mar. 12, 2009): 4.

¹⁴⁷ Kirsten Westphal, “Energy Policy between Multilateral Governance and Geopolitics: Whither Europe?” in *Internationale Politik und Gesellschaft*, 4 (2006): 54.

¹⁴⁸ Ibid.

¹⁴⁹ Debra Johnson, “EU–Russian Energy Links: A Marriage of Convenience?” in *Government & Opposition* 40, no. 2 (Spring 2005): 273

and through a series of expansions,¹⁵⁰ the EU has witnessed a burgeoning institutionalization of multilateral discussions on energy security. Under the auspices of the CFSP and ‘Common Strategies,’ a framework has emerged that allows for recurring and arguably substantial talks, which in turn enables the EU as an institution to address fundamental concerns of its collective future energy security. A collective solution to collective problems through sound multilateral dialogue ensures EU counter-leverage and ultimately weakens unilateral energy initiatives. The institutionalized dialogue that has emerged as the EU-Russia Energy Dialogue, this paper argues, serves as an important case in exploring the increased supranational competence of the EU in the foreign policy realm and deserves to be further examined as a gradual, if not yet complete, Europeanization of external energy policy.

CONCLUSIONS

The history of European energy security policy in conjunction with the previous two cases highlights the heart of the debate between supranational and intergovernmental governance. The fine line between Germany’s unilateral policy aspirations and multilateral EU initiatives explicitly begs the questions; what competence should supranational EU institutions have in this subfield of external policy and how much sovereignty are Member States willing to cede in this matter?

The scope of this paper has tried to comprehensively demonstrate how the EU’s supranational institutions, with the European Commission leading the way, have continuously

¹⁵⁰ Most notably, the creation of the concept of a Common European Economic Space during the 7th EU-Russian Summit in Moscow in May 2001, as an attempt to influence Russian policy in exchange for a long-term economic relationship

strived towards increased competence. Their argument for a “common [European] voice”¹⁵¹ is derived from a belief that a unified European position on external energy policy would allow for the EU to have “the weight to protect and assert its interests.”¹⁵² A strong EU would then be able to de-leverage Russian power and finally act with the fitting power of 730 million energy consumers. The problem is that such a proposition is difficult to rationalize to a state’s citizenry who is rather concerned with economic prosperity and energy security.

There is indeed hope for a common voice on external energy policy. Growing awareness of energy security concerns, primarily after the 2006 and 2009 energy crises, have permeated several facets of the institutions, mechanisms, and tools of the EU. Consequently, there is currently a momentum to informally Europeanize external energy policy. The EU-Russia Energy Dialogue is an example of this recognition, so is the plethora of initiatives and policy papers that have emerged on a supranational level in the last decade.

What this paper has demonstrated is that the evolving notion of energy security has finally resulted in a coordinated, if not yet a common, external energy policy. Energy security has long been viewed as a component of national security, and thus outside the immediate scope of EU competences, but growing interdependencies, mutual security threats, and attempts to multilateralize European interaction in a global forum, have steadily brought this policy realm under supranational authority. It may logically be assumed that the trajectory explored in this paper would imply an imminent institutionalization of external energy policy, yet, as this paper

¹⁵¹ European Commission, “Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy (COM/2006/0105 final),” ec.europa.eu/energy/green-paper-energy/doc/2006_03_08_gp_document_en.pdf (accessed Mar. 12, 2009).

¹⁵² Ibid.

has also demonstrated, unilateral dealings and sovereign imperatives still undermines a completely formalized common policy approach.

It is finally interesting to note that, although the ratification of the Lisbon Treaty is currently in limbo following the dissenting referendum of Ireland, its passage would finally formalize energy policy as a competence of the EU and perhaps even end the current debate.¹⁵³ Until this happens, however, external energy policy on the supranational EU level will probably continued to be explored on an ad hoc basis, within the realms of cooperation rather than with a ‘common voice, and will as such, also continue to be undermined by unilateral initiatives.

¹⁵³ Tim Bourke, “Lisbon Treaty could be EU's pipeline to better energy security,” *The Irish Times*, Oct. 28, 2008, <http://www.irishtimes.com/newspaper/opinion/2008/1028/1225061111263.html> (accessed Mar. 10, 2009).

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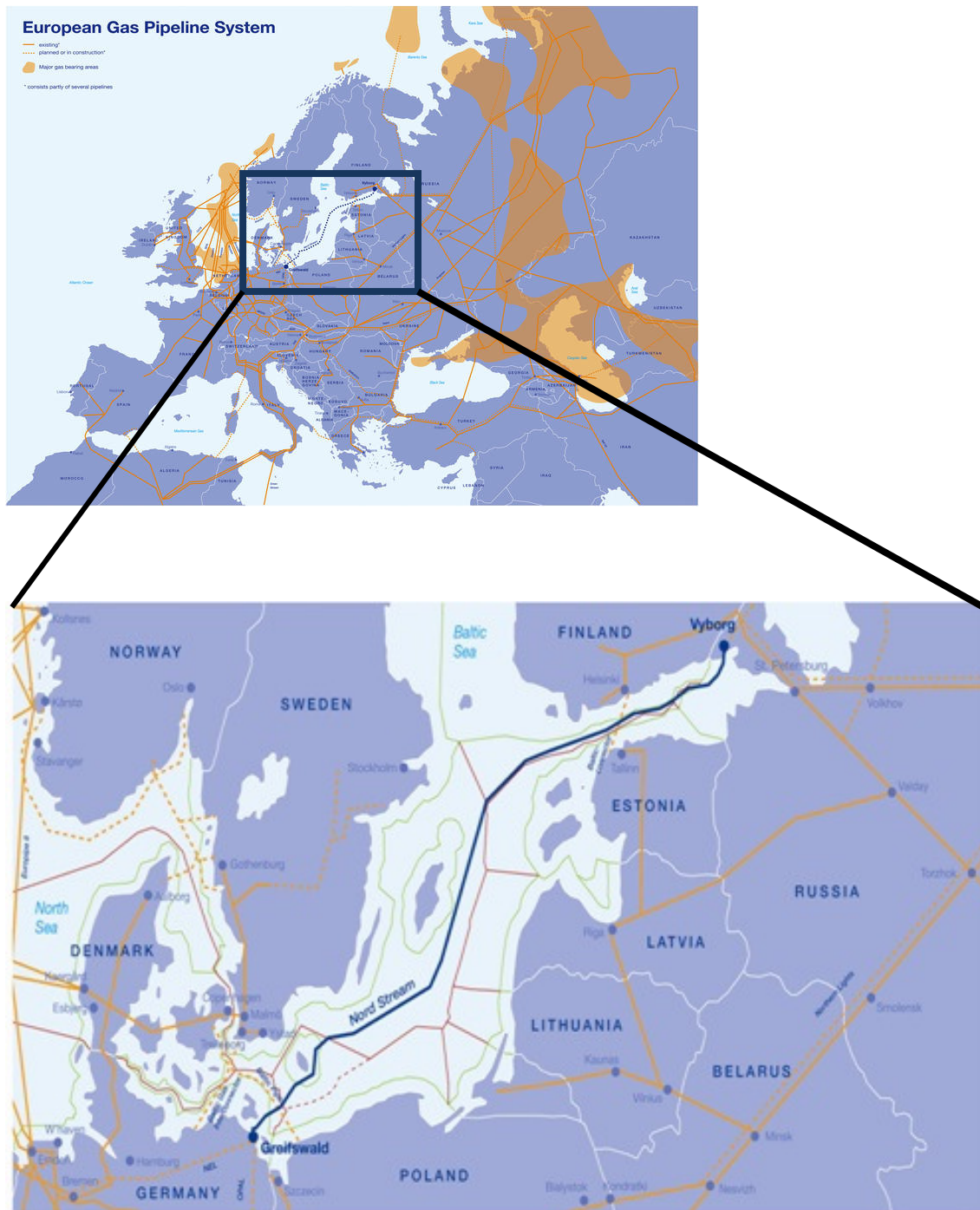
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APPENDIX A¹⁵⁴



¹⁵⁴ NordStream, "Map of NordStream Route," http://www.nordstream.com/fileadmin/Dokumente/3_PNG_JPG/1_Charts/Nord_Stream_Pipeline_Route_ENG.JPG (accessed Mar. 25, 2009).