

Policy Brief

Energy Security: The EU & Russia by Dimitrios Michail Perdikoulis

June 2014

ISSUE:

Some **50 % of the EU's gas imports from Russia** still **pass** through **Ukraine** and these imports have already been interrupted twice before, in 2006 and 2009. With the turmoil in Crimea, between Russia and Ukraine, serious repercussions arise, which relate to energy security.

STAKEHOLDERS AND THEIR POSITIONS:

EU

- Wants to **secure energy passage** through the continent
- **Balance relations** with Russia
- **Dependent on Russian gas** and other energy exports (30% of gas comes from Russia)
- **Strongly encourages diversified energy supplies** to limit dependence

UKRAINE

- The Yanukovich government had managed to **decrease Ukraine's gas imports** from Russia from 45 bcm in 2011 to just 28 bcm in 2013.
- The original plan was to **end any Russian gas imports by 2020**.
- This was a stepping stone on the way to becoming **self-sufficient by 2035** by boosting domestic conventional and unconventional gas extraction
- Ukraine is now **concerned about losing one of the two largest shale gas fields** ("Yuzivska field") in the Donetsk and Kharkiv 'oblasts' or regions.

RUSSIA

- Putin's **annexation of Crimea** was very much **driven by Ukraine's energy and gas diversification strategy**
- It is also expected that **Russia will claim** large parts of **Ukraine's continental shelf** and **Exclusive Economic Zone (EEZ)**, which may seriously complicate the division of the Black Sea continental shelf and EEZs with Romania and Turkey.
- Russia is **dependent on the EU** as its most important gas export market, European **investments and technologies**. Having said this, it is important to be aware that **Russia can live at least one year without any European/Western investments and technologies** but, **Europe cannot survive even 30 days without Russian gas**

POLICIES:

Policy creation in the field of energy security will be extremely challenging because it will depend on **national** decisions, **economic** decisions, **infrastructure** decisions and **EU** level decisions.

- **One NATO suggestion is to include** other **ministries**, during North Atlantic Council sessions, like **Ministers of Finance**.
- **Do European member states have the political will and strategic vision to oppose Russian pressure**; formulate coherent national strategies; and bring national interests and strategies in compliance with the declared common EU energy and gas diversification policies?
- While gas is in the spotlight for most of the time, **oil plays a much more important role** in Russia's economy and Moscow is vulnerable on that front. Russia badly needs Western technology to maintain its oil production by tapping into its own conventional and unconventional reserves, tight oil (or shale oil) in particular. **Tighter sanctions** regime against Russian companies and Rosneft in particular **could be a serious blow** in the medium-term.

WHERE DOES GREECE STAND?

If instead Romania, Bulgaria, **Greece**, Cyprus and Croatia **developed their own offshore conventional** and onshore shale **gas projects**, it would **increase** their gas **production**, create many more **sustainable jobs** and offer **export gas** via much shorter and cheaper pipelines than Russia's to other European countries. **Greece** has made it one of its **priorities** as President of the European Council to ensure the **diversification of energy resources** within the continent.

- **Greece**: Even though debt-ridden Greece is on the recovery path, the country **may need to accelerate privatization, especially in the energy sector**, namely the Hellenic Gas Transmission System Operator (DESFA) and the public Natural Gas Supply Corporation of Greece (DEPA).
- The **Trans Adriatic Pipeline AG (TAP)** and the Interconnector Greece-Bulgaria (ICGB) recently signed an agreement laying the foundations for linking the two projects and thus bringing gas from Azerbaijan to Bulgaria, a country which depends on Russia for almost 100% of its gas imports.
- The "**Projects of Common Interest**" (PCI) constitutes the third pillar and will be implemented with the participation of Greece. According to Yiannis Maniatis, Greek Minister for Energy, "This issue is a priority and is being shaped through Greece's ambition to become an energy hub of the greater region".

Overall **7% of the country's needs could be sustained over the next decade**, although over the decades this percentage might exceed 30%, due to Greece's **ample sunshine** throughout the year. **Wind energy can fulfill another 15%** and wind parks are being constructed in various suitable locations. **If one adds biofuel, geothermic and wave energy**, Greece has the ability to become a **fully independent** energy producer **by the mid-21st century** and reveal itself from the strain of energy imports. Moreover, **Greece** should continue to **collaborate** with **Israel via Cyprus** because that could prove to be an important economic and diplomatic move. According to Maniatis, "the perfect cooperation between Greece, Cyprus and Israel, shapes new policies of energy supply in Europe and sends a quite hopeful message".