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THE EU-RUSSIA IN THE ENERGY RACE

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Abstract. The population's main source of energy, in the present as well as in the future, is represented by fossil fuels, in a proportion of 85 %. The net of oil pipelines is the cause of the first dispute on energy between the European Union and Russia, at the beginning of the year 2006. As a consequence, the European Union starts the elaboration of a unified energy policy to reduce the dependence on Russian resources. There are numerous energy projects promoted by each side, Romania being involved in two of these.

Key Words: European Union, Russia, geopolitics, international relations, energy resources.

"Friends, there is no such thing as friends"
Saying attributed to Aristotel

PRESENT CONTEXT

European history speaks of a large number of conflicts of various kinds, which have taken place throughout the ages. The invasions of warrior people coming from the East swept across Europe, frightening royalties and not only them; plagues which seemed to leave the continent lifeless; monthly wars; wars lasting years, thirty year-wars, years which took 100 years and other frequencies and durations which still baffle specialists. Europe was also engulfed by the fires of the two World Wars, which made victims of 26, respectively, 54 million worldwide.

After the Second World War, the continent was divided by the Iron Curtain, and the Cold War set its claws on the European borders. What followed were decades of sterile confrontations which diminished resources, consumed energy, killed dreams, shattering the stability of destinies and thus writing another page of European history.

The year 1990 was filled with historical events with consequences which led to the radical restructuring of the geopolitical context: the dissolving of the Soviet Union, Yugoslavia, Czechoslovakia, the reunification of Germany.

The new European map, much more fragmented, gave access to new options thus fulfilling the natural tendencies of Central and Eastern European countries, not to mention Baltic ones to join the "European Family". This happened mostly in 2004 and in 2007.

The euphoria brought on by the end of the Cold War, the expansion of the EU and NATO, the overall economic growth sustained without any interruptions in oil or natural gas resources overshadowed the possibility of any upcoming conflicts[1].

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[1] Mircea Malița, (2007), *Jocuri pe scena lumii. Conflicte, negocieri, diplomație*, Editura C.H. Beck, Bucureşti, p. 65-66.

ENERGY CONSUMPTION IN THE EU

At a global level, the energy consumption doubled from 1971 to 2004, and in the EU countries, during the same period, a growth of 41 % was registered, at an annual rate of 1.1 %. The energy demand shall rise in all parts of the world, numbers for 2030 announcing a level of energy consumption 60 % higher than that of 2002. The main energy resource shall still come from fossil fuels, providing 85 % of the needed amount. Of these 85 % oil and natural gas shall represent one third each, biomass, 10 % and nuclear energy shall only account for a small part.

In the EU, the dependence went up by 6 % between 1990 and 2004, reaching 50.5 %; in some countries such as the Czech Republic, Ireland, Holland and Portugal, the dependence level registered a growth, whereas other countries: Estonia, Latvia and Lithuania, including Romania (where the dependence fell from 33.1 % in 1990 to 30.2 % in 2004) registered a decrease. In 2004, Denmark had an energy surplus, while other 14 countries were 60 % dependent on external energy resources. The mentioned period of time (1990-2004), registered a significant rise in the coal dependence of the EU countries, peaking at 82 %, and thus causing a rise in imports. Hence, in 2004, 17 countries relied heavily on the coal they imported, 95 % of the necessary amount, of which Great Britain and Germany together imported 60 %, other four countries imported less, and only two countries from the EU (Poland and the Czech Republic) exported coal. The main source of coal for the EU is South Africa, providing 28 %, followed by Russia and Australia which together supply the EU with 35 %.

From 1990 up until 2004, oil registered a slight decrease in imports. In the year 2004, oil consumption totalled 1745 million tons, accounting for 37 % of the total energy consumption.

Of the European Union's countries, only two export oil: Great Britain and Denmark, while 21 others are 90 % dependent: Bulgaria 93 % and Romania 47 %. Oil import resources come from Russia (32 %), Norway (19 %), the OPEC (37 %) and other countries (12 %).

If in the case of oil imports have slackened, natural gases have registered an ascending trend, rising from 47.5 % in 1990, to 54.5 % in 2004, mainly due to rising level of consumption in countries such as Germany, Italy and France. While in the year 2004 14 countries depended 90 % on imports, only two countries from the EU export: Holland and Denmark. From 1999 until 2004, the EU's natural gas imports went up to 27 %, main providing countries being Russia (40 %), Norway (25 %), Algeria (with 19 % of the total) and Holland and Denmark (16 %).

In the EU, the consumption of energy of nuclear origins is of approximately 15 %, due mainly to decreased investments in the domain and to the decisions of Germany, Belgium and Sweden to gradually renounce such resources.

Alternative energy resources: biomass, hydro energy, wind power, solar energy, geothermal energy, have gone up slightly in terms of use, but not by much, reaching 6 % of the total energy resources. Biomass is not only used for heating but also for obtaining bio fuels.

IT ALL STARTED IN MIDWINTER

Tensioned moments which came during the import of Russia's of gas and oil where not caused by the lack of those resources, or by a decrease in their

production. It all started from the pipeline system which passes through certain countries. The main supplier, Russia, always apologised, putting the blame of the countries through which the supplies passed.

After the 80's, natural gases come from Russia into the West European countries through the WAG and Megal pipeline-net, which passes through Austria and Germany to get to France (which has imports of almost 4 billion cbm/year, together with the imports coming from Algeria, Iran, Norway – 33 %, Nigeria and Holland); then the pipelines: Bratske – 540 km through the south of Ukraine, Soyouz – 2680 km from the Orenburg deposit, Yamal – 4450 km from Urengoi (west Siberia), Progress – 4600 km from Iamburg.

The first divergence appears in January 2006 when Russia accuses Ukraine of taking a part of the natural gas supply meant for the EU, from the pipeline which goes through the country. Obviously, Ukraine denies the accusation, blaming Russia for the unjustified rise of its costs in midwinter.

For the first time, the European Union finds itself in a critical situation without an instant alternative for the Russian gas. After almost a week, the two countries come to an agreement and things go to normal, but the alarm signal had been activated. In that dispute, Russia had won, Ukraine being forced to admit its defeat and its dependence on Russian gas. The incident brought the energy issue on the EU's agenda.

Gazprom, the Russian company with caters for almost 140/150 billion cbm of natural gas for the European Union, representing 40 % of imports and at the same time supplies almost all the natural gas for the countries in Central Europe, and 80 % of the quantity shipped transits Ukraine.

A new argument appears in January 2007 this time between Russia and Belarus, concerning oil. The theme is similar to the last conflict: Russia accuses Belarus of having taken oil from the pipeline Drujba[2] which goes through Belarus, accusation which Belarus denied, afterwards blocking the pipeline. The cause of the blocking of the pipeline was the same as in the case o Ukraine: Russia had doubled the price of the delivered gas to Belarus, the latter takes countermeasures and puts a tax of 45 $ for each ton of Russian oil in transit, a tax which is of course rejected..

The Drujba pipeline is one of the biggest in the world, as capacity and length, and with its help Russia provides 305 of its exports via pipelines, meeting the 70 million ton yearly demand of five EU countries; Drujba goes through Belarus, where it splits in half: a northern route, with a greater capacity than the southern one which gives millions of barrels to Poland and Germany daily, and the second one, the southern route, which delivers oil to the Czech Republic, Hungary and Slovakia.

For Germany, the imported oil through this pipeline represents one fifth of its needs, and for the four other countries, Russian oil represents 705 of what the necessary amount.

Following some negotiations, the problem was solved; the shipments of oil began once more. However, the incident reminded the Europeans once again that they depend too much on Russian energy resources. Following some bilateral negotiations, the problem was solved and oil shipments continued. However, The EU was once more reminded by this incident that it depends too much on Russia for energy resources.

[2] *Prietenia*, în limba română.

THE EU TAKES ON THE CHALLENGES

If the incident with natural gases was an alarm signal, the one concerning the oil conflict was more like a "brake" which might cause sudden changes and deviations in the EU, therefore taking measures was compulsory.

First of all, a unified energy policy became mandatory in the EU, given the present situations which seem to say "each man for himself" and depict alarming views of the energy future[3].

The first example is that of Germany whose dependence on Russia's energy supplies goes back to 1981, when, contrary to the warnings received from Washington, Berlin accepts the building of the Urengoi 6 natural gas pipeline, a pipeline of 5800 km, linking Siberia with Central Europe. The main benefactor of the gas imports was Germany. Russia's initiative to export natural gas and oil to Western Europe brought it an annual amount of about 30 billion $, used mainly in the race for weapons, and the ones who imported explained their choice saying that they had turned to Russia for energy in order to vary their energy providers.

Germany takes another step towards Russia, to ensure its energy future and, only ten days before the September elections of 2005, Chancellor Schröder paraphrases the project concerning the construction of an 1200 km long pipeline which would link Germany directly to Russia, through the Baltic Sea[4], Through that pipeline an annual amount of 55 billion cbm would be pumped into Germany. The opening ceremony for the construction took place at the end of 2005, the present Chancellor Angela Merkel accepting the project which would cost Russia 5.7 billion dollars, but would rid it of transit taxes or any preferential prices for the countries its pipelines transited.

The pipeline through the Baltic Sea would also bring Germany advantages, but the economic interests of Baltic countries and Poland will be at stake, because they will be "disarmed" confronting Russia, given the fact that they will no longer be able to use the pipeline transit as a weapon when needed.

Given the political and economical implications, will Germany give up the project? The answer is clear: works shall continue, Russia shall further remain a supplier for Germany and the EU, especially because the steel used for the pipeline will be a German product sold for a contract of over a billion euro.

The German example was followed by other countries. Hungary tried an agreement between MOL and Gazprom, through which it sought to take part in the construction of the Blue Stream natural gas pipeline for Russian gas supplies on its territory. Blue Stream is the direct competitor of the Nabuco project, which has the same route, but another supplier.

Italy reached an agreement between ENI and Gazprom, through which the Russian natural gases shall be directly sold to Italian consumers. In return, ENI and ENEL (state-owned electricity company) shall have access to the natural gas market of Russia.

Greece and Bulgaria agreed to import oil form Russia and build a joint pipeline between Burgas and Alexandroupoli, to go around Turkey.

Austria, whose commercial exchanges with Russia surpassed 4 billion euro in 2006, signed a contract worth over 2 billion euro with Russia in May 2007, in the energy, mechanical engineering and metalworking fields.

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[3] Ionel Nicu Sava, (2005), *Studii de securitate*, Centrul Român de Studii Regionale, Bucureşti, p. 238

[4] Proiect from 2001.

France received a generous offer: the French Group Total will own 25 % of the company which will finance and use the infrastructure for the exploitation of gas reservoirs from Stokman, in the Barents Sea, against the interests of the Norwegian Statoil ASA and Norsk Hydra ASA firms and the American Conoco Phillips Group.

To diminish the dependence on Russian gas, but not to replace it, the EU decided to allow the Nabuco project, a 3300 km pipeline which, starting from 2015, will transport almost 30 billion cbm and whose construction shall be assisted by the following companies: Botas (Turkey), OMV (Austria), MOL (Hungary), Bulgargaz (Bulgaria), Transgaz (Romania) and Total (France). The project was estimated to come to 4.6 billion euro and shall allow the transport of natural gas from the Caspian Sea region to Europe. Initially, a supply of natural gas from Iran was foreseen, but the current political international tension created by the nuclear program of this country, moved the attention towards Azerbaijan.

Among the alternatives the EU thought of were also the plans Nigeria and Algeria have of building a transsaharian pipeline. Nigerian reservoirs could supply Europe with its needs of natural gases for 10 years.

The Transsaharian pipeline, which will be completed by the year 2015, shall be 4300 km long and shall transport 20 to 30 billion cbm of natural gases annually, at a cost of 7.3 million dollars, meeting 6 % of Europe's demand. The problem which arises in this case is that of the pipeline's safety, given the well-known Nigerian attacks which cause great damage to oil companies.

Moreover, the EU is preparing a project to help member states to switch to the use of environment-friendly energy technology. The European Committee confirmed the importance of nuclear energy and also that of coal for the energy security of the EU. Thus, 12 **coal-free** electric plants shall be built through the cooperation of the member states. The Committee also agreed that the member states should resort to unconventional energy sources for 20 % of their energy, compared to the previous 7 % which was obtained through these pollution-free methods. The desired target is to reduce greenhouse gases by 20 % compared to the year 1990, until the year 2020[5].

RUSSIA STRIKES BACK

The previously mentioned projects present us with a Russia aware of its importance to the EU, which doesn't wish to lose its position, explaining its policy of luring countries, one by one.

At the same time, it has launched a new policy towards the great holders of natural gas reservoirs by organizing a cartel similar to OPEC. This Cartel would represent a counterpoint for the consumer cartel for which the EU stands. This cartel would unite great suppliers such as Iran, Qatar, Algeria, Turkmenistan, Kazakhstan, Uzbekistan, Ukraine and Belarus, which will coordinate, at first, gas production policies to ensure the permanent supply for their clients, but without establishing a fixed price.

To reduce the supply source for natural gases in the Nabuco project, Russia has made an agreement with Turkmenistan and Kazakhstan at the same time, in view of building a gas pipeline which will lead the flow of exported gas

[5] George Angliţoiu, *Strategia de securitate energetică a Uniunii Europene*, în Cadran Politic, nr. 45, <http://www.cadranpolitic.ro/view_article.asp?item=1048&title=Strategia_de_securitate_energetic_%C4_%83_a_Uniunii_Europene>, 31/10/2007.

from the two countries into Russia. Thus Russian imports from the Caspian region shall dwindle, Gazprom importing an astounding 80 billion cbm/year from Turkmenistan, up until the year 2028, which will allow Russia to buy cheap Caspian gas and later sell it at a profitable price to the EU countries.

Russia hasn't stopped at just these plans; considering a possible decrease in the EU's oil and natural gas demand, it has directed its attention towards another potential big client: China, world's second oil consumer.

China, in full economic growth, wishes a secured route for Russian oil. The 15 million tons exported by Russia currently are transported chiefly by train, whereas China desires a high capacity pipeline, for at least 1.6 barrels/day.

The construction of the pipeline, approved in theory, will tie the oil fields from eastern Siberia and north-east China; two more gas pipelines will be built (one of them has already received a name: Altai) through which approximately 80 billion cbm of Russian natural gas shall be imported.

Russia carefully analysed the situation and made strategic moves to counterbalance European initiatives to escape the energy network: it annulled sources for Nabuco; it attracted main reservoir owners in the Caspian region into long term contracts so it can control them, and it offered enticing and accepted deals to some EU countries such as Germany, France, Italy, Hungary, Bulgaria etc.[6]

Russia didn't stop at the energy area; it invested in the EU: it bought 5.02 % of EADAS stocks, European Industry's giant of defence which also produces Airbus planes. European concerns towards the Russian actions have been tempered by the promises made that natural gases from the Barents Sea shall go to Europe, of which Germany itself shall receive up to 45 billion cbm annually. Russia consistently sought to repossess energy reservoirs, to win back the monopoly over production and transports and at the same time stubbornly stood against any foreign investments in the construction of oil and gas pipelines. This is what made the removal of Mihail Hodorkovski and the overtaking of the majority of Yukos shares; Roman Abramovici, in return for 13 billion dollars, gave up the Sibneft Company, and the two state-owned giants: Gazprom and Rosneft (oil) have grown without limits. What followed was the removal of other companies which had managed to enter the Arctic Ocean's resource perimeter, such as Exxon, the world's largest oil company, and then Shell. Their places were taken by the Russian Gazprom and Rosneft.

The Arctic Ocean is comparable to the North Sea, resource-wise, only the oil resources that might be there being astronomical: 160 billion barrels.

The strengthening of the two Russian companies was made on several levels: they rose their transport and refinement capacity and they purchased shares from European energy distributing: Gazprom closed a supply-contract of natural gas with Gas de France, until the year 2030, this being a sort of payment in advance for the shares which antitrust laws in the EU shall force the French to sell after the fusion between Gaz de France and Suez. The same procedures were followed by the Austrian OMV, which the Russians shall supply with 1.7 billion cbm of natural gas; what follow on the map of conquests are the Italian ENI and the Dutch company Gasunie.

Russia's measures didn't stop here: on the 22nd of June 2007, a law was passed through which nuclear fuel producers and exporters must form a joint

[6] Igor Ivanov, (2003), *Politica externă a Rusiei în epoca globalizării*, Editura Fundației Culturale Române, Bucureşti, p. 458.

state-owned company, Atomoprom, which already offers civil nuclear technology at half the price offered by European firms. The new Company has already stated building two nuclear plants in India, other four are in contract state, some reactors are on the way in Indonesia, China, Egypt etc.

WHERE SHOULD ROMANIA HEAD TO?

In the elaboration of any energy strategy one must start with the facts one has: according to the estimations of the Ministry of Economy, in November 2007, Romania had oil reserves of 73.7 million tons, 184.9 billion tons natural gases, and the production of the mentioned resources was of 5.2 million tons of oil and 12.5 billion cbm of natural gas.[7]

Electric energy production reached 55-60 million Kwh from which we used 50.3 million kWh, in 2006, 2.7 % more than in 2005. Out of the consumed amount, 14.2 % was used by the population and 64.5 % was used in economy. The electric energy comes from plants working on coal and **hydrocarbons**, (61.5 %), **hydroelectric plants** (29.5 %) and nuclear resources (10 %).

In 2006, coal production increased by 10.6 % and natural gas imports went up by 14.3 %, coal imports dropped 5.6 %, while exports of electric energy represented 8.3 % of the produced amount. EU policies concerning energy give each country the freedom to establish its own energy sources, depending on their specific opportunities, and at the European Brussels Summit at the beginning of 2007, state leaders agreed officially to consider nuclear energy "clean" energy, an opinion sported by France mainly, and then by Romania, Belgium, Bulgaria and the Czech Republic.

In the year 2015, Romania's energy map shall suffer slight modifications which will correspond with the Committee's proposal in the energy field:

- 32 - 33 % hydro energy and renewable resources ;
- 25 - 28 %, nuclear energy (by activating the second Cernavoda reactor in September 2007 this source shall provide 18 % of production) ;
- 39 - 43 % of the energy from hydrocarbons and from coal.

The two great projects: Nabuco and Constanța - Trieste, approved by the EU as measures to access Caspian energy resources and thus reduce dependence on Russian sources, have a part in them for Romania[8].The first project, Nabuco, is a sensitive situation due to the decrease of supply sources and high costs, which make it achievable only in an unpredictable future.

The Constanța - Trieste energy project appeared after the signing of the "ministerial declaration" in March 2007, at Zagreb." The declaration mentioned the construction of a pipeline sustained by: Croatia, Italy, Romania, Serbia and Slovenia. This 1800 km oil pipeline would serve to take over the oil from Azerbaijan and Kazakhstan, arriving at the Black Sea through Georgia, and from that point on with oil tanks to Constanta. Construction would have to start in 2-3 years, and end in 2011-2013, at estimated costs of 2 billion at most 4 billion euro, seeing as the Constanta "terminal" needs between 200-400 million euro for modernizing, and the entire territory of Romania will be transited by 650 km of the total length of the pipeline.

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[7] Ministerul Economiei şi Finanțelor, Politica energetică a României în perioada 2006-2009 – proiect, <http://www.minind.ro/foaie/PEN_19_10_2006.pdf>, 31/10/2007.

[8] Alexandru Moldovan, Oleoductul Constanța-Trieste reînvie, în Săptămâna Financiară, nr. 105, 9 aprilie 2007, <http://www.sfin.ro/articol_8465/oleoductul_constanta_trieste_reiinvie.html>, 31/10/2007.

Aside from these two energy projects, Romania isn't involved in anything else, like other European states are, this due to the rigid position towards Russia, sustained by a political and diplomatic class with many flaws when it comes to understanding the present geopolitical context our country is in.

Another task, in the present context, is the Reunion of several Balkan states at Zagreb, in June 2007, where Russia too was present.

Romania, through the voice of its president, declared at the mentioned reunion that "We must all agree that energy is a commodity, but we will never accept the idea of using it as an instrument of political pressure"[9]. Our country relies only on its European projects, while other EU states are dealing directly with Russia.

At the Zagreb reunion (Albania, Bosnia, Bulgaria, Croatia, Macedonia, Montenegro, Romania, Serbia and Slovenia) Romania was a spectator which came home with dignity yet no results.

At the reunion numerous projects were promoted, which make Nabuco and Constanța – Trieste far away targets, if their supply sources are reduced, and their routes doubled by other projects. The construction of a pipeline between Burgas – Alexandroupoli was debated. It would bind the Bulgarian Black Sea Coast with the Mediterranean one. Another discussion focused on the expansion of the oil pipeline route Drujba to Adria (Croatia) - Trieste (Italia) - Bavaria (Germany). Italia[10] hurried one day before the Summit to sign a contract with Gazprom for the construction of a gas pipeline named South Stream, 900 km long, which will bring Russian natural gases through the Black Sea, around Romania, through Bulgaria and into Italy, its final target. All these projects leave Romania out, without its being implied in the near future or in the long run. Romania is thus left yet again alone, facing vital problems regarding the country's energy future.

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[9] Gândul, anul III, nr. 657, 25 iunie 2007.

[10] Compania italiană ENI, a doua ca mărime din UE, a semnat acest acord al cărui cost nu a fost stabilit încă. Construcția conductei ar dura trei ani de zile, din momentul obținerii tuturor aprobărilor, va avea o capacitate de 30 de miliarde de metri cubi şi va aproviziona şi Bulgaria şi Grecia. Prin conducta „South Stream", Rusia ar elimina Turcia ca intermediar iar Gazprom şi-ar putea transporta gazul fără probleme. Italia este al doilea mare client al Gazprom.