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Position paper

## **Energy Union & the V4 countries. The last phase of the 1989 revolution?**

The idea of energy union is truly powerful but the question if it is to materialize as powerful entity remains open. European Union's Energy Union, presented more than a year ago, has strong potential to strengthen global position of Europe, including the V4 countries. It stems from idea of deepening cooperation between European countries, that are mostly impoverished in energy resources. For this reason energy has been continually used to interfere into internal matters of the European states that regained independence after 1989.

Hence, the Energy Union is not only purely technical but also political project. Making it alive would bring us to the end of the process Europe's reunification and make our continent truly integrated. However, its potential is yet to be realized as it requires strong political support, much stronger than we see nowadays. The idea itself has many powerful enemies, who prefer to see Europe fragmented and divided. We cannot agree for that. The divide and rule principle has been too long used against us in Central Europe.

### **Why do we need Energy Union in the V4 region?**

Two and a half decades ago our nations decided to change the course of their histories. We decided to take our fate into our own hands and became subjects instead of objects of international politics. However, this processes is yet to be finished as we have not regained our independence completely. Economic freedom is a precondition of political freedom, but our economies remain dependent in terms of energy supply on our former foe. According to a EU commission report<sup>1</sup> concentration in fossil fuel import sources is high in Slovakia (75/100 points) and Hungary (61) and more than the EU average (11) in the Czech Republic (33) and Poland (27). The case of Ukraine as well as many others makes very clear and strong point on how the Russian Federation can interfere into internal issues through energy matters. Gas wars in the first decade of the XXI century or electricity issues in Donbass speak for themselves. Our gas dependency also makes our economies less competitive. LNG terminals

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<sup>1</sup> EU Commission (SWD (2015) 243 final)

in Lithuania and Poland led to immediate reductions in gas prices in 2014 and 2015 respectively. On the other hand, between July 2014 and June 2015, Ukraine imported 10.6 billion cubic meters (bcm) of gas from the EU. European countries have become key suppliers providing more than 70% of total Ukrainian gas imports during that period. Technical interconnectedness and political will proved to be efficient tool of protection for our neighbour's sovereignty. If the V4 countries decide to support NordStream II Europe is to remain divided between those dependent and independent of great powers. This time the Iron Curtain will be build out of steel used for pipelines.

Because of the time that we lost under the communist rule we are still in the process of catching up with more developed European economies. We have less bargaining power than our Western neighbours. European Union's Energy Union could lead to level the playing field and serve our interest in terms of bargaining in energy issues within the whole European community and reinforce the climate policy of EU. It is in our common interest in the V4 region to push the energy union idea high on the agenda.

## **Energy Union as an actor**

Energy Union was prepared by the European Union as European tool to protect Europeans. Yet, it does not have to be geographically limited to the EU itself. There are more countries within our European community of democratic values, which are endangered by the aggressive energy-based foreign policy of our Eastern neighbour. These are Ukraine, Norway, Macedonia, Turkey or the Caucasus countries. While they are not the EU members they should not be excluded from the idea of Energy Union. We have a vested interest in the security of energy infrastructure in the producing or transit countries in our near neighbourhood. European Union's Energy Union might be a useful tool - externally to stabilize economically and politically these of them that remain under external influence, and internally, strengthening liberalisation of the energy market in EU .

The NATO Warsaw summit in July 2016 is excellent opportunity to reconsider its role in energy security. Russia's actions hit into political independence and security that are protected by the article 4 of the NATO treaty. There is even more to do than consultations. NATO not only has pure military power in its arsenal but also shared intelligence in its arsenal that can be leveraged to provide more tangible effects. Thought be the Ukrainian lesson we have to put more attention on critical infrastructure protection – issue that is in the scope of NATO interest. This includes maritime dimension that is key alternative for land-based pipelines. While the majority of the V4 countries are land-locked, entry points for alternative gas supplies belong to maritime critical infrastructure, namely LNG terminals in Poland and

Croatia or the projected Baltic Pipe from Norway to Poland. At the same time high number of incidents involving the Russian forces calls for increased NATO maritime presence in the Baltic Sea to keep it safe for both working interconnections and alternative fuel supplies. Until now a number of diverging political and economic interests has hampered a systematic discussion on energy security among the NATO members but the aggressive posture of Moscow calls for more agreed reply. As energy systems are becoming more interconnected, European security is getting more and more indivisible. Energy union may be the goal as much as a tool itself and finally evolve into new international structure/platform that would bring together states traditionally unbind.

## **Energy Union – how to make it working?**

Firstly, the leaders of the EU countries should spend more time to familiarize citizens with the Energy Union assumptions. Without societal pressure it will be hard to succeed in such complex issue where it is required to meet expectations of various parties with incoherent interests. For most citizens of the EU important aspects of the Energy Union remain unclear and unimportant. For obvious reasons Poland and few of the Central and Eastern European countries are exceptions. As opinion poll conducted by IBRIS shows even before the last summit Poles expressed clear expectations toward the EU. 73% of them believe that expansionist Russian policy is the greatest threat for the EU security. 77% of Poles think that dependency on Russian energy resources is important issue for the EU while 37% of Poland's inhabitants treat it as a matter of the greatest importance. In effect, Poles opt for the strong EU. 35% of them do not exclude necessity of further integration.

Secondly, those, who are responsible for the final shape of the Energy Union should work out its details. The Energy Union draft, presented by the European Commission, is not appealing for those who consider the EU as area with economic growth, of common values, a place that is influential in international relations. The proposed draft does not respond in satisfactory way to three basic problems: the lack of energy resources, high vulnerability of European economies to risk of energy resources prices fluctuation and how to increase of political might of the EU. New ideas regarding Energy Union such as binding energy efficiency target, development of renewable sources and infrastructure may help to decrease demand for resources, bring favourable changes in the way energy is being produced in membership countries or increase energy security of the EU members. However, they will not save us from exploiting high dependency of the EU on import of energy resources as a weapon that allows exporters to influence politicians and to have an impact on macroeconomic indicators.

Thirdly, the EU leaders must find solution to overcome political opposition to the strong

Energy Union. There is no agreement to shift energy policy up from national level to the EU level and the idea of buying gas collectively is not economically optimal solution for many EU members. Hence, legal and administrative actions seem to be the only solution to create self-activating crisis response instruments in case of cyber attacks or supply disruptions. The Energy Union must develop its deterring capabilities, not only in a passive way, by the introduction of common management of energy market. It also has to shape international relations in active way, taking into account important countries such as Ukraine, Moldova or Georgia which are critical for its interests.

To learn these three lessons by the EU leaders have critical implications for the union's future. The Energy Union is a test which demonstrate whether the EU will be loose association of states with marginal role in world politics or influential partner, ready to act strategically and coherently in face of threats. The success of the idea will prove that the EU citizens are determined to shape secure and friendly external environment.

## Conclusion

Energy is like a blood for our economies. Each and every aspect of modern lifestyle depends on energy nowadays, including quality of our lives and jobs. Our economic freedom, that offers us the dignity of self-reliance, is not fully realized as long as foreign powers (exporters of hydrocarbon) have tools to keep us dependent. In its "State of the Energy Union 2015" communication European Commission reported: "The EU is making progress to diversify sources, routes and suppliers of energy. However, about 40% of the EU gas imports in 2013 came from Russia and a series of Member States are still totally or predominantly dependent on supply from Russia, notably (...) Czech Republic, (...) Hungary, (...) and Slovakia."<sup>2</sup> As long as the leaders in Moscow will continue to interfere into internal issues of the Central-European countries and will use oil and gas export as a tool to divide EU members our freedom will not be secure.

Let us not therefore be misled by Nord Stream II. Our energy security will not increase as the source of gas will remain the same as our dependency. This may further increase security of supply for the Western part of Europe – where gas supplies are already more diversified – but not for ours. Potential infringements of regulatory laws and environmental concerns, connected to this project, are also not negligible. All these lines of arguments make the project not compatible with the idea of Energy Union. Instead, we have to enhance cooperation in the V4 region to build safety net of connections that will ensure political independence and freedom of choice. Real diversification of gas suppliers and the completion of the North–

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<sup>2</sup> EU Commission COM(2015) 572 final



South Gas Corridor remain the priorities. For too long Central Europe has been a subject of great powers politics.

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