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CENTRE FOR EASTERN STUDIES

OŚRODEK STUDIÓW WSCHODNICH im. Marka Karpia

Ukraine crisis & EU's energy policy: Challenges & search for policy responses

Agata Loskot-Strachota

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Ukraine crisis: what energy-related challenges for the EU

- Direct: increased risk to security of gas transit/supply
- Worsening of EU energy/gas relations with Russia (EU's main external supplier)
- Changes in EU energy/gas relations with Ukraine (main transit country, biggest Energy Community member with increased willingness to integrate its market with EU)

EU re-focuses on energy security issues



Meetings & documents

- Several energy or European Councils related to energy security challenges
- EU-US council, G7 meetings etc. – also discussing energy security
- Member states non-papers on EU energy security (UK, PL – call to create Energy Union)
- European Energy Security Strategy (May 2014)
- Stress tests & report on them (Oct 2014)
- EC Strategy for Energy Union (Feb 2015)



Searching for EU energy policy responses - main goals

- Minimalising risk of short term disruptions in Russian gas supplies via Ukraine
- Increasing EU resilience to possible gas supply cuts
- Need to rethink EU external energy relations with both Russia and Ukraine
- Need of both long but also short term policy responses
- Short term policy choices lay grounds for feasibility of longer term ones



Minimalizing risks of short term Russian gas supply disruptions (1)

1. Trilateral gas talks with Russia and Ukraine:

- No gas transit interruption this winter – success
- aimed at sustaining gas flows via Ukraine to EU, not at solving the Ukraine-Russia gas conflict
- risks postponed not eliminated



Minimalizing risks of short term Russian gas supply disruptions (2&3)

2. Assisting Ukraine with immediate / short term gas problems:

- enabling 'small reverse' gas flow Vojany-Uzhorod
- encouraging reverse gas flows via e.g. HU
- not evident if EU directly involved in any ST measures related to increasing energy efficiency or increases of gas/energy prices

3. EU direct talks with Russia

- less frequent & less effective in recent months



Increasing EU resilience to possible gas supply cuts (1)

1. Speeding up market integration (reverse flows, interconnectors, storage, making full use of what's in place) – focus on SEE/CEE/Baltics:
 - Achievements in this field increase SoS BUT mostly result of:
 - earlier investment plans realisation (increase of reverse capacity DE-PL; interconnector RO-MD)
 - Russian decision to redirect gas flows fr Ukraine to Nord Stream (increased capacity at CZ-SK border point)



Increasing EU resilience to possible gas supply cuts (1a)

1. Speeding up market integration:

- not much progress in pushing fwd integration in CEE/SEE due to crisis in Ukraine:
 - SK-HU interconnector not operational all winter (now in testing phase); Bulgarian interconnectors w Greece or reverse flows (w Romania & Turkey) not ready;
 - not much of the most important restrictions to cross-border trade removed (eg. interconnectors HU-HR, HU-RO or TPA in Latvia-storage)
- new EC focus on infrastructure in CEE/SEE: launch of Central & South Eastern European Interconnectivity group (Sofia, Feb 2015) – yet we must wait for results



Increasing EU resilience to possible gas supply cuts (2)

2. Effective emergency measures

- Gas Coordination Group very active
- Recommendations of stress test report – important element BUT not evident if/how implemented
- Beginning of winter – full EU storage
- Revision of SoS regulation – taking place
- Not sure if supply standard of SoS honoured in every EU MS & if every country was prepared for cut of Russian gas supplies
- No real need to launch those measures so no real test of their effectiveness :)



Increasing EU resilience to possible gas supply cuts (3)

3. In search for greater unity, solidarity & cooperation:

- Stress test recommendations,
- EC tools (in Energy Union paper):
 - call for greater role of regional cooperation in energy policy – launch of CESEC
 - Call for more transparency in gas deals – about trust-building among MS – but that contested by some MS
- Differing interests and views on EU-Russia energy relations
- KEY question is what measures feasible to actually increase/stimulate solidarity/cooperation – not obvious



Increasing EU resilience to possible gas supply cuts (4)

4. Diversification of gas & energy sources

- Success: opening of Klaipeda LNG terminal in Lithuania changing situation in Baltic countries; Swinoujscie LNG terminal to be opened soon (yet postponed)
- Re-focusing on Southern Corridor, increased energy diplomacy (Azerbaijan, Turkmenistan) – BUT here questions re feasibility, scope & impact
- In search of EU LNG strategy (also re US LNG) – no clear answer what it will be
- Member states lobbying for their favorite & against those internally least accepted endogenous energy resources (shale, coal, nuclear, RES, efficiency)



Re-thinking EU energy/gas relations with Ukraine (1)

- Increased needs & expectations of Ukraine in its energy relations with EU:
 - needs immediate, short & long term assistance in most vulnerable areas, deep & multilevel reforms & external energy relations (with Russia)
 - visible political will to speed up gas & energy market integration with EU
- EU short term engagement (trilateral gas talks, reverse gas flows) & assistance



Re-thinking EU energy/gas relations with Ukraine (2)

- Strategic vision: EC Energy Union strategy calls for strengthening energy partnership EU-Ukraine & strengthening Energy Community as an important EU external energy policy tools (also in Ukraine) BUT lack of details on:
 - EU main energy (and non-energy) related interests in relations with Ukraine
 - Proposed form and role of such a strengthened partnership
 - Relation to other EU energy policy tools in Ukraine (Energy Community)
 - Interrelation with EU neighborhood & foreign policy goals



Re-thinking EU energy/gas relations with Russia (1)

- Worsening of bilateral energy relations (Ukraine, sanctions, halt of dialogue on priority issues)
- Russian steps to diversify export markets (Asian market) & stop transit via Ukraine (Turkish Stream)
- Gazprom new strategy towards EU gas market (quitting South Stream, quitting assets acquisition, selling more on borders, decreased gas supplies in winter period, sharply increased since March 6)



Re-thinking EU energy/gas relations with Russia (2)

- EU declares speeding up diversification, but in short term not much new projects available + question of prices of alternative gas
- EC declares (Energy Union Strategy) reframing energy relationship with Russia based on level playing field but no details when / how
- No clearly defined EU interests / goals in its energy relations with Russia AND diverging interests of member states (see e.g. Hungary)
- No clear coordination of EU energy & foreign policy

Concluding (1):

- EU has succeeded to survive this winter without a gas crisis – but it will face this risk again in October/November 2015
- EU stress test report & recommendations - great starting point to actually increase EU's gas system resilience. Key issue to actually start implementing its recommendations.
- Diverging priorities of member states & focus on national, short-term goals remain key obstacle in creating effective and coherent EU energy policy and its specific tools.
- Essential also defining role of EC in external energy relations AND increase of coordination of EU energy policy goals & tools with those of EU foreign and neighbourhood policies



Thank you for attention

Agata Loskot-Strachota, agata.loskot@osw.waw.pl

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