

Geopolitics of Energy Security

(EEI event report*)



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On May 10th the European Enterprise Institute organised together with Ari Vatanen MEP a meeting on the Geopolitics of Energy Security at the Renaissance Hotel in Brussels. The event attended by 120 senior policy leaders aimed to explore perspectives on current discussion of EU strategic energy policy options with a special view to the EU-Russia relation. Speakers included the former Russian PM **Mikhail Kasyanov**, **Christian Cleutinx**- Director at DG Energy and Transport of the European Commission and **Erik Berglöf** - the Chief Economist of the European Bank for Reconstruction and Development.

Peter Jungen, the Chairman of the EEI opened the debate welcomed the audience provided an introduction to the activities of the European Enterprise Institute and then handed over to co-organiser Ari Vatanen MEP to moderate the debate.

Cleutinx then took the floor and gave a general intro into Russia to put its magnitude in perspective. He underlined that Russia had been a stable and reliable partner for years as well as the mutual dependence of both Russia and EU on each other. Cleutinx also indicated that long term contracts for gas which can guarantee investment are in principle acceptable from an EU competition law perspective. Cleutinx underlined however during the Q&A session that recent Ukraine gas cuts has shown how such goodwill by Europe, accumulated over 30 years, could be destroyed in one night. He called this mainly a psychological effect and a public relations disaster. Commenting upon this point Berglöf said the motive for doing this had been based on outdated thinking which overestimated the dependence on Russia. He said debates like today's which had intensified in the past 4 months demonstrated a reaction to such policy.

This statement echoed his previous presentation in which he predicted a continuing deterioration of the relations between Russia and the EU - saying that complex agreements between the two were not possible in such climate of low confidence. He believed in the medium term the developments of the markets and Russia's own increasing energy demands and investment needs would force third party access for pipelines and reforms. Berglöf did however underline that despite underlying problematic issues with a company such as Gazprom one had still to recognise that its new and younger leadership provided for prospects for a prompt ECT ratification.

Kasyanov talked in his speech at length about the problematic path Russia had taken in recent years in many respects - undemocratic state developments as well as the economy & business climate. He said that the energy dialogue and partnership agreement between Russia and the EU had come to a deadlock and standstill and the tensions which were small problems in the past were now destroying the relationship. He stressed that mistakes had been made on both sides - blaming the EU for their slow progress in terms of energy market liberalisation and communicating the effects of the progress. Essentially he stressed the need for Europe to speak with one voice as otherwise energy relations would inevitably boil down to bilateral agreements such as the North Sea pipeline. Kasyanov also said that the recent calls for a diversification of sources in Europe were received with concern in Russia raising fears of loss of income in Russian exports.

Kasyanov also criticised the European hypocrisy with respect to the ECT transit protocol which only applied to non-EU Member States – a fact that was clearly unacceptable to Russia.

On Russia's side however he said that using energy as a "political weapon" against Ukraine and Belarus had been a "grave mistake". He also lamented the lack of reforms in the energy sector in Russia which had been halted by the current political establishment. In particular Kasyanov criticised Gazprom decision to buy generation capacity for electricity and thus vertically foreclosing the market. Kasyanov said that during his time in government he had always stressed that Gazprom should stick to its core business.

Kasyanov argued also that Russia desperately needs increased transportation capacity for gas which is not possible as long as Gazprom is controlling all pipelines with a comparison to the oil market which had been successfully privatised and where the TPA was is a reality.

Finally Kasyanov called for a proper common energy strategy between Russia and the EU which would ensure reciprocity and give Russia better opportunities to understand European energy policies. This should include a joint energy investment support regime.

The session was ended with vivid Q&A session that was moderated by Ari Vatanen MEP.

- Report compiled by the EEI. For additional information please contact EEI Policy Director Marcus Stober at mstober@european-enterprise.org.

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