

THE EU, RUSSIA AND GAS: INTIMATIONS OF MORTALITY AND SUPREMACY OF POLITICS

Quentin Perret*

The EU Energy Policy: Triumph of the Will or Reality Check?

Whether the European Commission's recent proposals for "an Energy Policy for Europe"¹ are eventually enacted or not (and for all the recent expressions of resolve by many Member States, there remains considerable uncertainty on that), the proposals themselves, the product of months of consultation with a wide array of actors, probably define the European Union's vision of its energy predicament for the next decade at least. Neither of these proposals is entirely new or groundbreaking; but the two main features of any future EU energy policy are now firmly in place. Broadly speaking, these two main features are the following:

- *Energy policy must become a fully fledged EU policy.* In other words, energy policy can neither be left exclusively to the care of the Member States (though they will retain a significant role), nor be understood as a mere by-product of other policies, such as the completion of the Internal Market or the growth of the Foreign and Security Policy (though these and other existing policies will contribute to shaping the overall energy strategy). Equally importantly, though the EU's energy supply is and will remain heavily dependent on imports, the new policy is purposefully unilateral: it is free of input from any foreign power and designed according to the EU's exclusive needs and objectives;

* Quentin Perret - Research Fellow at the Fondation Robert Schuman (Paris), Deputy Editor at the international newsmagazine *La Vie des Idées*, MA in Political Thought, Research, Graduate from the Institute for Political Studies (Institut d'Etudes Politiques - Sciences Po).

¹ Commission of the European Communities, *Communication from the Commission to the European Council and the European Parliament: an Energy Policy for Europe*, COM(2007) final, 10.01.2007.

- *The main object of the EU energy policy will be to minimise the EU's reliance on hydrocarbons, specifically on imported hydrocarbons.* The Commission specifically declares that its aim is to “transform Europe into a highly energy efficient and low CO² energy economy”. That imperative runs through the strategy's three main self-defined “challenges”: Sustainability (reducing greenhouse gas is indispensable to offset global warming); Security of Supply (the EU's over-reliance on imports poses an unacceptable security risk); and Competitiveness (promoting energy-efficient technologies would have the additional effects of enhancing the EU's contribution to the new, knowledge-based global economy and creating highly qualified jobs).

As it currently stands, the Commission's proposed energy strategy is far from complete. Most obviously, the full legal, institutional and political implications of the proposed drastic increase in the EU's existing powers in the field of energy are merely hinted at. Nevertheless, the paper clearly delineates a broad array of new policy proposals. These proposals can be brought down to three main policy chapters:

- *Ensuring effective energy solidarity between the Member States.* This objective, the Commission believes, might be attained through a combination of ordinary and extraordinary measures. Ordinary measures would essentially encompass the completion and improvement of the Internal Energy Market (notably through unbundling and harmonisation of regulations) but would also comprise the creation of interconnecting infrastructures (of which the Commission lists several) aimed at effectively ending the mutual isolation of the various national energy markets. Extraordinary measures would mean “effective mechanisms [...] to ensure solidarity between Member States in the event of an energy crisis”. The Commission notably alludes to the maintenance of existing strategic oil stocks and the creation of similar gas stocks. The aim of these measures would be to ensure the swift and comprehensive rescue of any single EU country struck by a sudden or extensive disruption of its energy supply.
- *Boosting energy efficiency.* As the Commission sees it, increasing energy efficiency in the EU will entail boosting investment in both old and new

energy capacities. The first part means not only refurbishing the existing infrastructure in order to upgrade its efficiency standards, but also expanding the role of old but somewhat neglected energy sources (the Commission makes a notable, if noncommittal, reference to nuclear power). As for the second part, it means increasing investments in both energy efficiency measures and new energy sources, most obviously renewable energy, for the expansion of which targets and deadlines are suggested. The Commission even proposes to launch a “European Strategic Energy Technology Plan” to ensure the success of these plans.

- *Increasing the EU’s leverage in the global energy landscape.* The Commission’s aim is to bring about a new world order for energy, more favourable to the EU’s interests and priorities. Increasing the EU’s leverage means lessening its reliance on any single foreign energy supplier (notably through a determined strategy for the diversification of supplies), using the EU’s general economic and commercial weight to extract more favourable conditions from its partners and more generally ensuring that the EU speaks with one voice on energy matters (this last aim, among others, might be helped through the proposed creation of an Office of the Energy Observatory). With this increased leverage, the EU should seek the creation of a new world order, based on two different kinds of “legally binding international agreements”: a multilateral treaty mapping out the “post-2012 climate regime” and stepping up the fight against global warming; a broad network of Energy Partnerships with selected countries, based on market principles and “clearly defined and transparent legal frameworks” allowing mutual investments in the partners’ respective energy sectors.

The Commission’s aims are remarkably ambitious; whether this ambition proves to be an asset or a hindrance remains to be seen (especially since the policy’s actual implementation will have to be left for the most part to the Member States). One particular characteristic of this new strategy, however, is that it confirms the importance of Russia in the EU’s current energy debates. Russia’s critical role is mostly left unacknowledged, but it is still underlined in some parts of the document, for instance in the rather ominous declaration that “effective mechanisms [...] in the event of an energy crisis” are “particularly im-

portant given that a number of Member States are highly or completely reliant on a single gas supplier". The Commission also calls for "a fully fledged energy partnership [with Russia] benefiting both sides and that creates the conditions necessary for new investments". And the numbers it puts forward merely confirm the story.

According to the Commission, roughly half of the EU's current gas requirements are met by imports from only three countries (Russia, Norway, Algeria), while "reliance on imports of gas is expected to increase from 57 % to 84 % by 2030". But these figures still understate the extent of the EU's future dependence on Russia. Not only is the EU's gas demand projected to increase much faster than that of any other fuel (because, especially for countries having renounced nuclear power, gas is the cheapest and most efficient way to produce electricity, whose demand is soaring). But, whereas Norway and Algeria are now approaching the peak of their production, and whereas "domestic" EU gas production (mostly from Britain and the North Sea) is already decreasing, Russia still holds an enormous amount of untapped reserves. It currently controls almost 40 % of the world's proven gas resources (about 47 Tcm, equivalent to more than 80 years of production at current levels) and, adding yet-to-be-found resources, that figure may rise to almost 50 %². Thus by 2030, with Iran and Turkmenistan as its nearest rivals, Russia will have become by far the EU's foremost gas supplier and its most important energy partner.

Although it finds this reality worrying, the Commission does not propose making the EU totally energy-independent; it rightly considers such a goal as unachievable. It does, however, propose to shield the EU from the supposed "political risks" which energy dependence may entail, while at the same time convincing Russia to open up its energy sector to European investments. There is reason to doubt the wisdom of even these seemingly modest objectives. The first one is probably unnecessary, for the "risks" which the EU faces are economic, not political. The second one, though theoretically sound, is almost certainly unrealistic. And it is not at all obvious that these two objectives will not prove mutually contradictory.

² Russia's role in oil production, while significant, is not as dominant by any means. The present study will solely consider the issue of gas.

“Gasocracy” in Russia

It now seems a common assumption that, as Russia’s share in the EU’s gas supply grows, so will its ability to influence or maybe dictate European policy – the implication being that blackmail or ‘linkage’ might become part of Russia’s dealings with the EU. The fate of Georgia, apparently “frozen out” because of its vocal opposition to Russian policy, appears to lurk in many peoples’ mind. But the EU is not Georgia and there is scant evidence that Russia ever considered using its gas exports to the EU as a weapon. Indeed, not even at the height of the Cold War, when Russia was still part of the Soviet Union, were these exports ever threatened.

There is a simple reason for that. As dependent as the EU may be on gas imports, Russia is even more dependent on gas exports. About 90 % of Russia’s total natural gas exports are delivered to European countries. When adding oil exports and other raw materials, Russia’s energy exports to the EU account for roughly 75% of Russia’s export earnings and 40 % of Russia’s budget receipts³. Those numbers are reinforced by the sheer value of the European markets, which “boast” retail prices at least three times as high as Russia’s domestic prices, despite the latter’s sharp increase in recent years. More critical still is the fact that, outside the former Soviet Union, Russia currently has no credible alternative customer to Europe. The current pipeline network is directed solely towards Europe; Russia currently lacks both large-scale LNG equipments – which would allow it to trade with North America – and eastward-bound pipelines – which would allow it to serve the booming Chinese market. Given the size and cost of these new infrastructures, Russia will almost certainly have no choice but to sell its gas to Europe for at least another decade, and probably significantly longer than that⁴.

Russian authorities are well aware that they cannot afford to threaten their energy trade with Europe⁵. But self-interest is not the sole determinant of Rus-

³ Cf. “The Energy Dialogue between the European Union and the Russian Federation between 2000 and 2004”, COM(2004) 777 final, 13.12.2004.

⁴ Even the construction of the much-touted pipeline to China would not materially affect European supplies, as the gas transported to Asia would be drawn from different reserves from those affected to Europe.

⁵ One evidence of such awareness is how short-lived the recent “energy crises” involving Ukraine and Belarus have proved to be. As soon as European leaders began to voice their concerns and threatened to rethink their pattern of imports, Russia hastened to reassure them and (with Ukraine and Belarus being pressured as well) the crisis was soon over.

sia's reliability, and there are perfectly valid reasons for the Europeans to worry about the safety of their supplies. These reasons are to be found in the state of Russia's gas sector.

Four major evolutions have shaped Russia's gas industry in the last few years:

- *Outdated capacities.* The obsolescence which characterises Russia's gas sector applies to both production and transport. Ever since Soviet times, Russian gas production has been relying on three large gas condensate fields at Urengoy, Yamburg and Medvezhe, in North-Western Siberia. Those three fields are now being rapidly depleted and are within sight of the end of their productive lives. While the opening up of the supergiant Zapolyarnoye field, in the early 2000s, was able for a time to conceal that decline, that latest field has now reached its peak as well. In order to prevent a slump in production, nearby satellite fields have recently been put into operation, but that potential will also quickly be exhausted. On current resources, therefore, Russia has now entered a sustained period of production decline: by 2020, it will need to replace around 200 Bcm of production capacity, which will not be achievable unless entire new gas fields are opened up for exploitation. The sums involved, however, are huge. The most promising fields for any sustained increase of Russia's gas production, the Yamal Peninsula deposits which alone account for more than 10% of all proven gas reserves, would require capital investments in the order of \$20-25bn for the first phase of development alone. The total sum would be much higher than that; so far, a clear strategy for developing the Yamal Peninsula has yet to be established⁶.

In the meantime, well over 20 % of high pressure transmission lines are beyond their design lifetime of 30 years, while nearly 60 % of the network is over 20 years old. The resulting degradation of the pipeline network has two consequences. One is massive waste due to pipeline leakage and gas flaring (that latest factor is reckoned by the IEA to amount to nearly 60 Bcm/year⁷). The other is rapid congestion of the entire network, which cannot cope with the grow-

⁶ A draft feasibility study for one of the deposits had been established by 2005. It was eventually rejected due to the inferior quality of the materials.

⁷ See: <<http://www.quintessential.org.uk/SimonPirani/gm-aug06.html>>

ing demand (“traffic” on some parts of the network is now above 90% of the infrastructure’s transportation capacity). So in addition to replacing production capacity, massive investments are also needed to start the wholesale refurbishment of the Unified Gas Supply System (UGSS).

- *A shortage of domestic investment.* It is commonly agreed that actual investments have not been anywhere near those needs so far. There have been two explanations for that. One is the unreliability of the regulatory, fiscal and political framework within which companies have to operate. In spite of half-hearted attempts at establishing a lasting settlement, the laws governing the Russian gas sector remain uncertain and their implementation sometimes arbitrary. This lack of stability has been compounded both by the stalling of the reform process and by the Kremlin’s increasingly brazen interference, often of an informal nature, in the gas sector.

The second reason has to do with the peculiarities of the most important actor of all, Russia’s state-owned company Gazprom. The nature of the company itself and the quality of its decision-making process are the subject of considerable disagreement among experts⁸. However, several facts stand out. First, Gazprom accounts for more than 85 % of Russian gas production – and other gas-producing companies often have no choice but to use Gazprom’s pipeline network to bring their production to the market⁹. Second, Gazprom is now by law the ‘single export channel’ to Europe – meaning that European consumers cannot benefit from any remaining competition within Russia¹⁰. Third, the Russian State openly favours Gazprom and seldom hesitates to use its regulatory powers to ensure a ‘favourable’ outcome whenever a commercial dispute arises between Gazprom and any of its fellow competitors.

⁸ For a reasonably benevolent view of Gazprom, cf. Jonathan Stern, “The Future of Russian Gas and Gazprom”, *Oxford Energy Forum*, November 2005. For a damning verdict, cf. Vladimir Milov, “The State should leave the energy sector”, *Beyond Transition*, The World Bank & CEFIR, April-June 2006.

⁹ In 2005, companies other than Gazprom accounted for around 14% of production and a similar share of gas sales within Russia. The most important of these companies were Lukoil, Rosneft, TNK/BP, Surgutneftegaz and Novatek.

¹⁰ Recent Russian legislation officially restricts foreign access to national natural resources and the pipeline system. Most pointedly of all, a new law (signed in July 2006) officially recognised Gazprom’s monopoly over gas exports, thus officially turning the company into the ‘single export channel’ to Europe

Finally, both the nature of Gazprom's spending and the level of its strategic investments over the past few years have been inconsistent with the maintenance of long-term production capacity. Gazprom's accrued investments in gas field development over the past seven years amount to a mere \$12,5bn in current prices. In the meantime, in the past three years alone and after more or less sustainable windfall exports revenues, Gazprom has spent nearly \$18bn on the acquisition of shares in companies operating outside the gas sector¹¹. The company has also been busy buying off its domestic competitors, while prioritizing pipeline construction (mainly export pipelines) and the purchase of assets in oil, power and petrochemistry industries. In other words, Gazprom has devoted most of its resources to consolidating its near-monopoly and expanding its activities, while apparently neglecting the actual requirements of its core business. Whether these decisions stem from rational economic behaviour or the self-serving needs of company insiders, the consequences in terms of long-term production capacity are clear – and disquieting.

- *A principled hostility towards foreign investment.* One obvious way to compensate for the lack of domestic investments would be for Russia to welcome foreign investments in gas production and transportation. That the Russian authorities have determinedly rejected this policy option is not necessarily surprising: the experience of the 90s has essentially discredited Western economic prescriptions among Russians of all stripes, while retaining sole ownership of the country's "strategic resources" may seem a natural way for the State to enhance its own sovereignty and project its power abroad. In any case, "energy nationalism" is hardly a Russian preserve. Russia, however, has been both capricious in enforcing its "sovereign rights" and improvident in coming up with a viable alternative.

Russia's current policy towards foreign-owned companies has two distinct features. One is the willingness to use the State's supposedly neutral regulatory institutions as a weapon to expropriate targeted companies, usually in favour of Gazprom¹². The other is a principled opposition to international legal standards

¹¹ Cf. Judy Dempsey, "Problem for Europe: Russia needs gas, too", *International Herald Tribune*, November 21, 2006.

¹² Recent events appear to reflect a general trend. Last September, Gazprom chairman Alexei Miller broke off talks with several foreign energy companies, including Conoco Philips of the US and Norsk Hydro of Norway, on development of the giant Shtokman fields in the Barents Sea, arguing that Gaz-

regulating the energy sector. Russia has thus far refused to ratify the Washington Convention of 1965, which establishes international legal mechanisms for foreign investors to resolve investment disputes. The European Energy Charter, which would guarantee the safety of European investments in Russia's gas sector, is rejected for similar reasons. That particular feature of Russian policy is unlikely to change any time soon. Another notable element of Russia's energy policy include the secrecy surrounding reserve data, which is deemed a State secret and remains inaccessible to all but a few insiders.

- *Russia's increasingly fraught relations with its near abroad.* In the days of the Soviet Union, Russian gas was distributed, at heavily discounted prices, to all Soviet republics. Today, these arrangements would amount to a huge Russian subsidy freely granted to what are now fully independent countries. Russia's willingness to end this preferential treatment and sell its gas at market prices is therefore understandable. However, this issue has been mixed up with the general mistrust characterising Russia's relations with its immediate neighbours, with many describing Russia's policy towards them as neo-imperialist. This difficulty has been exacerbated by the lack of openness surrounding the decision-making process, both in the Kremlin and at Gazprom, and the resulting brusqueness with which decisions are being handed down and enforced. As a result, what might have been normal commercial disputes have twice in recent times escalated in full-blown diplomatic rows, leading to an interruption of energy flows through Ukraine in 2006 and Belarus in 2007. Though the consequences for European customers have been benign, there is no guarantee that such crises will not recur, possibly in much more virulent form.

Whether the combination of these four factors will indeed result in a full-fledged gas shortage and the effective disruption of the EU's gas supplies in the next few years is hard to predict. Many contingencies will determine the

prom now intended to proceed with the exploration alone (even though, according to many observers, Gazprom has very little experience with offshore production and has so far refused to commit itself to the huge sums involved). And last December, Royal Dutch Shell was effectively forced to surrender control of the \$22bn Sakhalin-2 project to Gazprom.

outcome: the future level of Russia's domestic consumption¹³, Gazprom's ability to rapidly develop smaller fields (notably offshore fields in the Ob and Taz Bays, which are close to the existing pipeline network and are reportedly worth around 80 Bcm/year), potential deliveries from Russia's other gas producers, the level of imports from Central Asian countries (chiefly Turkmenistan but also Kazakhstan and Uzbekistan)¹⁴. Nevertheless, it is now clear that maintaining Russia's current production and transportation capacities (never mind increasing them) will almost certainly require massive commitments, both financial and technical, in the years to come and that Russia's willingness or ability to single-handedly incur such massive investments is far from obvious. Yet, while this would seem to validate the EU's current negotiating strategy (notably its repeated attempts to have Russia ratify the European Energy Charter), the final fact to bear in mind is that Russia's current opposition to foreign investments in its gas sector is probably nonnegotiable. The current policy stems not just from a "strategic" posture but covers a complicated array of power and business relations going all the way to the top of the Russian state. Gazprom's current CEO, Alexei Miller, is a protégé of President Vladimir Putin, while Dmitri Medvedev, a deputy Prime Minister and one of President Putin's likeliest potential successors in 2008, serves as the company's board chairman. Gas policy in Russia is not a purely commercial endeavour, nor even simply a "strategic policy" but a component part of the State apparatus. Asking Russia's leaders to significantly alter this policy amounts to asking them to saw off the branch on which they sit. It is simply asking too much.

"Unbundling" Russia and Gas

Whatever amount of gas Russia has to sell, the EU will continue to buy; that much is certain. Beyond this, a hole is developing where the EU's hard-

¹³ Of the 547,1 Bcm produced by Gazprom in 2005, nearly 300 Bcm was supplied to domestic consumers – a nearly threefold increase since 1999. Because of Russia's strong economic growth and the relative energy inefficiency of its industries and power plants, domestic gas consumption is set to increase further still – unless energy efficiency and conservation drastically improve or domestic consumption is deliberately squeezed in order to ensure the security of exports (in spite of a threefold increase since 2000, Russian domestic prices remain much less lucrative than EU prices).

¹⁴ Cf. "La Russie: producteur puissant ou partenaire fiable ?", in *Energie et Géopolitique*, Rapport d'information de l'Assemblée nationale, 29 novembre 2006.

headed reappraisal of its dependence on Russian gas imports should stand. The bottom line is that the EU might indeed face a major gas shortage in the next few years, that there is very little it can do against that and that it has scarcely begun to prepare for this ghastly but realistic possibility. Indeed, for all their well-publicised anxiety, Europeans by and large continue to take the availability of Russian gas for granted. Such levity is worsened by the fact that energy has remained a mostly national policy so far, with governments and “national champions” (especially in the West) busy striking their particular deals with Gazprom, without any mechanisms to ensure European solidarity in the event of a crisis. This has two consequences. One is to forfeit the increased leverage which a united EU might summon in its dealings with Gazprom – a leverage which might bring sizable commercial benefits. The other is the risk of an enormously damaging rift between EU members, should Russia decide or be forced to “prioritise” one set of European customers over another – say, to continue its deliveries to West European countries while bypassing the new Member States. The new North European pipeline, once completed, would provide Russia with the requisite tool to this end¹⁵.

The recent Commission proposals should not be ditched; most of them, indeed, should be implemented as a matter of urgency. But complementary measures need to be imagined in order to prepare the EU for a possible ‘gas drought’. The Commission’s proposal to set up strategic gas reserves should be made the first order of business; more ambitiously but equally importantly, an EU-wide list of critical infrastructures should be drawn up, whose gas supply should be “prioritised” in the event of a general shortage (though whether this measure could actually be implemented in the absence of fully opened energy markets and interconnected networks is debatable). On a more symbolic level, the EU’s energy solidarity needs to be reaffirmed. Any hint of energy nationalism on the part of (notably Western) EU members risks undermining the new members’ faith in European solidarity and support and confirming their destructive suspicion that the West would not flinch from dealing with Russia at their own expense, provided their interests are safeguarded.

More generally, the particular issue of gas imports inevitably brings the EU back to the more general topic of its overall relations with Russia. Yet, just as

¹⁵ The North European Pipeline, between Russia and Germany, is scheduled to open in 2010. It will add another 27,5Bcm to transportation capacity, and eventually twice that volume.

energy should be understood as a fully autonomous policy realm, it is vitally important to remember that relations with Russia go well beyond energy matters. Indeed, so important are the stakes here that a general reappraisal of the EU-Russia partnership is required, one that would sharply de-emphasize the importance of energy and focus on the more substantial, and ultimately more momentous, general positioning of Russia and the EU on the world stage. This return to basic foreign policy principles may or may not impact the EU-Russia energy relationship; but the reverse must not be allowed to become true. However important energy policy may be (and it *is* important), it must not be allowed to dominate the bilateral and multilateral agenda, especially since such emphasis has borne so little fruit so far.

There is no space here to analyse in depth the various general elements of the EU – Russia Partnership and their complicated interaction. With regard to energy, however, three facts need to be underlined:

- The EU's goal of gradually exporting the European political and economic model in Russia, with the commendable aim of creating a fully integrated Euro-Russian legal and economic community, has failed. Failure may or may not have been preordained; with a deeply imbalanced economy, a weak and fledgling public sphere¹⁶ pitted against strong and assertive security services, deeply ingrained habits of secretiveness, unaccountability and administrative command and a recent history of traumatic upheavals, Russia was perhaps an unlikely candidate for a peaceful transition to social democracy – a fact compounded by well-meaning but misguided Western meddling in the 1990s and resurgent Russian nationalism in the 2000s¹⁷. For now, moderate despotism probably remains Russia's best realistic possibility. And while it is assuredly too soon to judge Vladimir Putin's presidency, it is certainly possible to argue that he might have been much worse. In particular, macroeconomic and fiscal policies have remained prudent and successful: the authorities have largely resisted the

¹⁶ "Public sphere" here refers to both the institutions of a liberal-democratic State and the civic spirit which both citizens and leaders in such a State are *supposed* to exhibit. Needless to say, Russia's deficiencies in this respect are not hers alone, but the legacy it has to contend with is far more troubled.

¹⁷ For an account of both developments, cf. Dmitri Trenin, "Russia leaves the West", *Foreign Affairs*, July/August 2006.

temptations of the oil and gas boom and there has been no unsustainable spending spree so far¹⁸. This achievement remains obviously vulnerable to any change in Russia's political circumstances; but however this and other issues play out in the context of the 2008 presidential election, the one certainty is that the EU's ability to influence Russia's core domestic policies – including its energy policy - will remain extremely limited. Any realistic new Partnership and Cooperation Agreement will have to take this fact into account.

- The most contentious bilateral issue is neither Russia's illiberal features nor the uncertainty surrounding its energy policies (both of which are essentially domestic matters), but the fate of the "near abroad". Ukraine, Belarus, Moldova and Georgia have not just become pawns in a potentially destructive game of EU-Russian geopolitical rivalry; they have also become a bone of contention within the EU itself, with new members accusing old members of selling out these countries' interests for the sake of peaceful relations with Russia. In the long run, this disagreement is probably the single biggest obstacle to any effective common European foreign policy – including a common external energy policy. Forging a compromise policy regarding the former European Soviet republics is therefore a prerequisite, first between the EU's Western and Eastern members, then between the EU and Russia. Elements of such a compromise might include reaffirming these countries' *de jure* territorial integrity (while allowing considerable tolerance towards contrarian facts on the ground) and agreeing on a policy of "mutual disengagement", with Russia moderating its behaviour towards Georgia, Ukraine or indeed Belarus, in exchange for the EU renouncing its boycott of Belarus and agreeing to withhold full EU and NATO membership for these countries, at least for the time being. The goal should be to allow these countries to fully assert their sovereignty and independence, while preserving the interests of both the EU and Russia.
- The most promising realm of EU-Russian cooperation lies in the common challenges which they face on the world stage. These challenges are first

¹⁸ Cf. "Ensuring sound macroeconomic management", in the *OECD economic survey of the Russian federation*, November 27th 2006.

and foremost domestic security threats: terrorism, organised crime, human and drug trafficking are a worthy and generally satisfactory object of cooperation between European and Russian authorities¹⁹. But in spite of long-standing diplomatic differences (notably over the role of the United States), Russia and the EU have also started to cooperate towards resolving or managing global geopolitical crises. After many months of often difficult negotiations, a resolution was finally agreed at the UN mandating sanctions against Iran and its nuclear program. Similar cooperation might be achieved in other areas, like the Middle East conflicts and Afghanistan, or transversal issues like nuclear proliferation. Two likely near-term evolutions – the continuing rise of China, which provokes uneasy feelings in Russia, and a gradual return of US policy to a less divisive course of action – will strongly favour a continuing EU-Russian rapprochement on the world stage.

Should it continue to improve, EU-Russia cooperation on the world stage will have implications for energy policy as well. No matter what the EU may desire, energy relations will never be ‘solved’ through purely legal and commercial means, but will always take place against a larger political backdrop. In other words, whether or not one should be worried by the EU’s current and future energy dependence on Russia, it is undoubtedly true that the current atmosphere of mistrust does not arise solely from energy anxieties but reflects a more fundamental discrepancy between the EU’s and Russia’s political leanings and outlooks. Whether that mistrust will be lifted depends on whether Russia and the EU eventually manage to clearly define the shared objectives which their Partnership might help them achieve. This, however, implies that the EU itself finally manages to identify its own concrete foreign policy objectives beyond the usual generic statements of principle²⁰. And that in turn brings us back to the nature and competences of the EU itself, whose ability to fulfil

¹⁹ The most successful recent example of this cooperation is the May 2006 agreement on visa delivery. This agreement was coupled with a readmission agreement which strengthens the cooperation between the EU and Russian authorities against illegal immigration. Cf. Andrew Monaghan, *Russian Perspectives of Russia-EU Security Relations*, Conflict Studies Research Centre, August 2005.

²⁰ “Democracy and the rule of law” are not foreign policy objectives *per se*; they are either general preferences or, at best, the means through which the EU proposes to achieve its yet-to-be-defined foreign policy objectives.

its ambitions in the realm of both energy and foreign policies will ultimately depend on whether it remains an intergovernmental organisation or whether it becomes a fully-fledged state-like actor. In that respect at least, the success or failure of any conceivable “Energy Policy for Europe”, as well as the future of the EU-Russia Partnership, depends on the EU and the EU alone.