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EUROPEAN ENERGY SECURITY AMID UKRAINIAN CRISIS

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INTRODUCTION

Crimea issue and further escalation of tension and violence between Eastern and Western region of Ukraine have found echo all over the world. For many of the analysts, even if it cannot be denoted as return of the "Cold War" (which was basically ideological and divided the world into two opposite camps, communism and capitalism), definitely it has once again started chilly rivalry1 among world most powerful nations namely Russia, America and the countries of the European Union. The rest of the world is now compelled to take diplomatic and political stands, because of its geopolitical implications for the Eurasia region in particular and for the whole world, regarding this unfolding chain of events in the former Soviet region and there is no escape from this situation. The question of sovereignty and integrity of one country, as well as legitimate interest of another country, is getting defined and redefined. Ukraine issue in general and Crimean issue, in particular, bears political, diplomatic as well geopolitical implications for the world in present as well as in the future.

In this regard, it is important to note that many European nations, as well as America, unilaterally and hurriedly proclaimed Russia the main responsible country for this act of violence, tension as well as geopolitically rival act. However, the fact is diametrically opposite. Writing in international journal Foreign Affairs with the title "Why the Ukraine crisis

is the West's Fault: The Liberal Delusions That Provoked Putin" in September/October 2014 issue, prominent American neo-realist thinker John J. Mearsheimer firstly gave the fact which is prevailing in the West, that "according to the prevailing wisdom in the West, the Ukraine crisis can be blamed almost entirely on Russian aggression. Russian President Vladimir Putin, the argument goes, annexed Crimea out of a long-standing desire to resuscitate the Soviet empire, and he may eventually go after the rest of Ukraine, as well as other countries in eastern Europe. In this view, the ouster of Ukrainian President Viktor Yanukovych in February 2014 merely provided a pretext for Putin's decision to order Russian forces to seize part of Ukraine."² However, clarifying the issue, he is further of the view, that "but this account is wrong: the United States and its European allies share most of the responsibility for the crisis. The taproot of the trouble is NATO enlargement, the central element of a larger strategy to move Ukraine out of Russia's orbit and integrate it into the West. At the same time, the EU's expansion eastward and the West's backing of the prodemocracy movement in Ukraine – beginning with the Orange Revolution in 2004 - were critical elements, too. Since the mid-1990s, Russian leaders have adamantly opposed NATO enlargement, and in recent years, they have made it clear that they would not stand by while their strategically important neighbour turned into a Western bastion. For Putin, the

Barker, Peter. If Not a Cold War, a Return to a Chilly Rivalry // New York Times, March 18, 2014. Mode of access: http://www.nytimes. com/2014/03/19/world/europe/if-not-a-new-coldwar-a-distinct-chill-in-the-air.html? r=0.

Mearsheimer, John J. Why the Ukraine Crisis is the West's Fault: The Liberal Delusions That Provoked Putin // Foreign Affairs, September/October 2014. Mode of access: http://www.foreignaffairs.com/ articles/141769/john-j-mearsheimer/why-theukraine-crisis-is-the-wests-fault.

illegal overthrow of Ukraine's democratically elected and pro-Russian president - which he rightly labeled a "coup" - was the final straw. He responded by taking Crimea, a peninsula he feared would host a NATO naval base, and working to destabilize Ukraine until it abandoned its efforts to join the West."3 However, opposite to this fact, to punish Russia for its act and in order to let it retreat from its position the members of the European Union as well as the USA have announced stepwise economic sanctions against Russia. The first step, which had been announced by Europe and America against Russia, were targeted at freezing assets and imposing travel bans on key Putin allies⁴ and this ban list is still being step by step widened.5

With GDP of more than \$2 trillion, Russia is the eighth biggest economy in the world and export of commodities, particularly gas and oil, is a basis of its economy.6 The EU is Russia's largest trading partner, and there are deep economic links between the two. Almost half of Russia's exports – \$292 billion worth – end up in the EU countries. 15% of Russia's GDP comes directly from the country's exports to the EU. Russia, in turn, is the third biggest trading partner for the EU, with \$169 billion of its imports. 7 It is important to mention that the use of economic sanctions as a foreign policy tool to get the desired result is not new in this

factor in Russia-European Union relations and as a very important component for Europe overall development, tries to argue that Europe is heavily dependent on Russian energy (mainly gas and oil), and that economic sanctions against Russia would have limited success and in turn can jeopardize the European energy security as well as European security in general. So political and diplomatic tools (not economic) can be regarded to be the best means to solve the ongoing international crisis. **EUROPEAN ENERGY SECURITY AND RUSSIA** Energy has always played an important role

case. Recent examples of economic sanctions

against the two countries, namely Iran and

North Korea, can be sited as an example. In

this regard EU President Herman Van Rompuy

after a meeting in Brussels of the bloc's 28

leaders was of the view that "sanctions are not

a question of retaliation. They are a foreign

policy tool," and "our goal is to stop Russia's

actions against Ukraine."8 In this background

this paper, while making energy as primary

in Europe-Russia overall relationships. In this particular area, the both regions are indispensible to each other. Russia needs money, Europe needs energy. It is important to mention that due to uninterrupted supplies at affordable price Russia has been the main source of energy for European countries, and in the larger European context "Russia stands out as the most important energy supplier. The European Union (EU) imports nearly a third of its oil and almost half of its natural gas from Russia – although the level of dependency differs greatly among the EU member states. According to the European Commission figures, 27% of EU oil consumption and 24% of gas consumption are covered by imports from Russia. As far as EU imports are concerned, 30% of its oil and 44% of its gas come from Russia. Russia is also a major exporter of coal; Russian coal accounted for almost 12% of EU coal consumption in 2005. Furthermore, a few European states are

Ibid.

Yueh, Linda. The Impact of Economic Sanctions on Russia // BBC, March 21, 2014. Mode of http://www.bbc.com/news/businessaccess: 26680182.

Council Implementing Regulation No.2015/240 (9th of February, 2015) implementing Regulation (EU) No.269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. Mode of access: http://eur-lex.europa. eu/legal-content/EN/TXT/HTML/?uri=OJ:JOL 2 015 040 R 0003&from=EN.

Chapple, Irene and Kottasova, Ivana. The West's Tricky Trade Relationship with Russia // CNN, April, 16, 2014. Mode of access: http://fijione.tv/ the-wests-tricky-trade-relationship-with-russia/.

Kottasova, Ivana. Sanctions on Russia: Would World Cup Boycott Hit Harder? // CNN, March 24, 2014. Mode of access: http://edition.cnn. com/2014/03/20/business/russia-eu-sanctionseconomy/.

US, EU, Russia Ramp up Sanctions over Crimea Action / Business Line The Hindu, March 21, 2014. Mode of access: http://www. thehindubusinessline.com/news/international/useu-russia-ramp-up-sanctions-over-crimea-action/ article5813448.ece.

Table 1

World oil reserves, production and consumption (2008)

World share (%)	USA	EU	Japan	China	Russia	Middle East	Total
Oil reserves	2.4	0.5	0	1.2	6.3	59.9	70.3
Oil production	7.8	2.7	0	4.8	12.4	31.9	59.6
Oil consumption	20.9	22.3	6.4	11.4	3.2	3.9	68.1

Source: Fermann, Gunnar. Introduction: Dynamic Frontiers of Energy Security / in Gunnar Fermann (ed.) "Political Economy of Energy in Europe", Berliner Wissenschafts-Verlag, Berlin, 2009, p. 20.

very dependent on imports from Russia: Russian coal accounts for half of the UK's and around 20% of Germany's domestic coal consumption. Russia produces 6% of the world's uranium and supplies around a third of Europe's uranium needs." Russia supplies gas to 14 European countries; however the main market of its crude oil embraces 11 European countries. According to latest data, in this context, "on the 22nd of January 2014, Alexander Novak, the Russian minister of energy, and Gunther Oettinger, the EU commissioner for energy, published the 13th joint report on the state of energy cooperation between Russia and the EU. This document presents data on the volume of energy trade between the two. According to this official statement, 62% of Russian export of mineral products went to the EU. Russia's share in the import of gas and oil to

revenues are generated from the production, sale and export of energy commodities, so Russia needs an oil price higher than \$117 in order to balance the state budget. Most of Russia's energy export revenue has been generated from trade with the EU, which spent, according to its own estimates, \$1 billion per day on importing energy resources from beyond its borders. In 2012, the EU paid \$300 billion to external suppliers of oil, and \$85 million to external suppliers of gas – Russia supplied a third of the oil and 39% of gas imports to the EU."10 To quote Metais, "given its central role in the economy, energy is closely linked to the economic growth. It has been calculated, for instance, that for one percentage point of economic growth, primary energy consumption increases by 0.5 point. Considering the fact that development is based on economic growth, it is not surprising

Table 2

World gas reserves, production and consumption (2008)

World share (%)	USA	EU	Japan	China	Russia	Iran	Qatar	Total
Gas reserves	3.6	1.6	0	1.3	23.4	16	13.8	59.7
Gas production	19.3	6.2	0	2.5	19.6	3.8	2.5	53.9
Gas consumption	22	16.2	3.1	2.8	13.9	2.5	0.7	62.6

Source: Fermann, Gunnar. Introduction: Dynamic Frontiers of Energy Security / in Gunnar Fermann (ed.) "Political Economy of Energy in Europe", Berliner Wissenschafts-Verlag, Berlin, 2009, p. 21.

the EU reached 29%. At the same time, more than 50% of gas exported by Russia, 66 % of oil and petroleum products, and almost 50% of coal went to the EU. According to preliminary data for 2013, Russia exported 153.9 million tons of oil, 139 bcm of natural gas and 60.5 million tons of coal to the EU. The value of Russian mineral product exports reached \$377 billion in 2013. At the same time, approximately 50% of Russia's state budget

that energy has come to the forefront of political issues". 11

The table below has been presented to show unevenness of overall energy (oil and gas) distributions (reserves) and its consumption.

Perovic, Jeronim. Introduction: Russian Energy Power, Domestic and International Dimensions / in Jeronmic, Perovic; Robert W. Orttung and Andreas Wenger (eds) "Russian Energy Power and Foreign Relations Implications for Conflict and Cooperation." — Routledge, Abingdon-Oxon, 2009, p. 5.

Jakub M. Godzimirski. European Energy Security in the Wake of the Russia-Ukraine Crisis / Natural Gas Europe, December 30, 2014. Mode of access: http://www.naturalgaseurope.com/europeanenergy-security-russia-ukraine-crisis.

Metais, Raphaël. Ensuring Energy Security in Europe: The EU between a Market-based and a Geopolitical Approach / Cole Europe, 2014. Mode of access: https://www.coleurope.eu/sites/ default/files/.../edp_3_2013_metais.pdf.

However, it can be noted that there are different "Europes" taking into account energy needs. Whether it is the EU-30, the 27 current EU members, or the 15 states that made up the EU before the enlargement of May 1 2004, the level of dependency on Russia varies. In this regard "the countries of the European Union can be divided into three groups. Germany and Italy belong to the first group of countries whose dependency is growing, and which are willing to fund joint projects and invest in Russia's up-stream activities. The second group of the European states are those whose dependency on Russia is even higher than that of Germany and Italy, such as the Baltic States, Finland, and Central Europe. The third category is represented by states which are less dependent on Russia, but whose gas reserves are waning, including Norway, the Netherlands, and the United Kingdom". 12 The real energy situation in European countries and their dependence on Russia can be presented in the following table:

Table 3

EU Natural Gas Data, 2012

(Units equal billion cubic feet per year (bcf))

States	Natural Gas Consumption	Natural Gas Production	Natural Gas Import*
Austria	318	64	268
Belgium	597	0	1,084
Bulgaria	95	14	95
Croatia	100	57	48
Cyprus	0	0	0
The Czech Republic	290	5	353
Denmark	138	226	0
Estonia	20	0	22
Finland	109	0	109
France	1,501	22	1,600
Germany	2,656	318	3,065
Greece	148	0	102
Hungary	343	109	208
Ireland	159	7	187
Italy	2,456	275	2,359
Latvia	51	0	55
Lithuania	117	0	192

¹² Closson, Stacy. Russia's Key Customer: Europe / in Jeronmic, Perovic; Robert W.Orttung and Andreas Wenger (eds) "Russian Energy Power and Foreign Relations Implications for conflict and cooperation." – Routledge, Abingdon-Oxon, 2009.

States	Natural Gas Consumption	Natural Gas Production	Natural Gas Import*	
Luxembourg	39	0	34	
Malta	0	0	0	
Netherlands	1,285	2,257	512	
Poland	586	148	385	
Portugal	166	0	73	
Romania	477	385	115	
Slovakia	212	4	145	
Slovenia	31	0	26	
Spain	1,109	6	1,225	
Sweden	39	0	39	
United Kingdom	2,765	1,448	1,734	
TOTAL	15,776	5,402	14,048	

Notes: Imports plus internal production does not equal consumption because some countries export imported natural gas or their own production within the region. Imports include natural gas received from the other EU countries.

*Some EU countries import more natural gas than they require to re-export natural gas to other countries.

Sources: BP Statistical Review of World Energy 2013 and Eurogas; cited in Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification / in Michael Ratner, Paul Belkin, Jim Nichol, Steven Woehrel. Congressional Research Service; CRS Report for Congress Prepared for Members and Committees of Congress, 2013, p. 8.

Table 4

EU member states' import dependency on Russian natural gas

on Russian natural gas				
Member states	Percentage of total gas imports that comes from Russia			
Austria	70			
Belgium	8			
Czech Republic	100			
Estonia	100			
France	23			
Germany	57			
Greece	84			
Hungry	81			
Italy	36			
Latvia	100			
Lithuania	100			
Poland	68			
Romania	100			
Slovakia	100			
Slovenia	60			
Other EU member-states Cyprus, Denmark,I reland, Luxem- bourg, Malta, Nethelands, Portugal, Spain, Sweden, the UK)	0			

Source: Lisa Pick. EU-Russia energy relations: a critical Analysis / House of Lords, 2008, p.19.

DIVERSIFICATION OF ENERGY RESOURCES

It is not surprising that when member-states of the EU sat together to discuss the next step of economic sanction against Russia on 21 March 2014 in Brussels, the issue that got prominent place was energy.¹³ Now the main issue which has been discussed is to make European nations less dependent on Russian energy sources and diversify its alternative energy. In this regard, it has been argued by many analysts that if Europe wants to hurt Russia on Crimea issue it should stop importing energy from Russia.¹⁴ Otherwise, this exercise of economic sanctions will be futile.15 However, it has been not for the first time this view emerged among member-states of the EU. Many countries of the European Union feel that new Russian administration has time to

Talaga, Tanya. Full-blown Economic Sanctions against Russia Unlikely, Analysts Say / Star. March 22, 2014. Mode of access: http://www. thestar.com/news/world/2014/03/20/want_to_ hurt russia_refuse_energy_imports.html. time used energy as a foreign policy tool against neighboring country as well as the European countries. The years of 2006 and 2009 can be cited as an example when European countries were hit hard by blockage of energy flow to Ukraine.16 Now they are thinking that time is ripe for a search for alternative energy sources. However, congressional research service report prepared for the members and Committees of the Congress in 2013 reveals that "there are many alternatives to Russian natural gas for Europe to choose from, but it would be difficult, if not impractical, for Europe to consider replacing all Russian natural gas imports. Some EU countries and companies also appear reluctant to shift significantly from the status quo. Some of Europe's larger natural gas companies have huge financial interests in maintaining Russian supplies and do not see a problem in depending so much on one country". 17 Similarly given Russia's geographic proximity to Europe and also its large reserves, Wenger is of the view that "Europe's additional diversification options for stable, reliable, and sustainable energy flows are limited. On the one hand, Europe already has a relatively wide range of energy types, sources, and transit routes due to the high diversity of energy policies at the national level. On the other hand, Russia's energy power has been rather successful in capturing Caspian energy and in monopolizing European access to it."18 He is further of the view that "from a European point of view, transit routes

¹³ Lewis, Barbara. Britain Sets out Europe's Energy Alternatives to Russia // Reuters, March 20, 2014. Mode of access: http://www.reuters. com/article/2014/03/20/ukraine-crisis-britainidUSL6N0MG4YI20140320; Van Rompuy: EU Moves to Reduce Energy Dependency on Russia / Voice of Russia, March 21, 2014. Mode of access: http://voiceofrussia.com/news/2014 03 21/EUmoves-to-reduce-energy-dependency-on-Russia-Van-Rompuy-2608/; Krukowska Ewa. EU Readies Natural-Gas Plan to Cut Reliance on Russia / Bloomberg, March 21, 2014. Mode of access: http://www.bloomberg.com/news/2014-03-20/ eu-readies-natural-gas-plan-to-cut-reliance-onrussia-in-months.html; Kennedy, Bruce. Ukraine Crisis Highlights Europe's Dependence on Russian Energy // CBS, March 14, 2014. Mode of access: http://www.cbsnews.com/news/doesrussian-oil-trump-possible-european-sanctions/.

Stranglehold Few and Pricy/Yahoo, March 21, 2014. Mode of access: http://news.yahoo.com/insighteu-options-russian-energy-stranglehold-few-pricy-141402503--finance.html; Chow, Edward C. and Hudson, Anne. The Russia-EU Gas Relationship: A partnership of necessity / CSIS, November 20, 2013. Mode of access: https://csis.org/publication/russia-eu-gas-relationship-partnership-necessity; Oegg, Barbara and Elliott, Kimberly A. Russia and the Effectiveness of Economic Sanctions between Big Players / VOXEU, October 8, 2008. Mode of access: http://www.voxeu.org/article/futility-using-economic-sanctions-against-russia.

Ukraine Gas Row Hits EU Supplies // BBC, January, 1, 2006. Mode of access: http://news.bbc.co.uk/2/hi/europe/4573572.stm; Factbox: 18 Countries Affected by Russia-Ukraine Gas Row // Reuters, January 7, 2009. Mode of access: http://www.reuters.com/article/2009/01/07/uk-russia-ukraine-gasfactbox-idUKTRE5062Q520090107?sp=true.

Ratner, Michael et al. Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification / CRS Report for Congress Prepared for Members and Committees of Congress. Mode of access: www.fas.org/sgp/crs/row/R42405.pdf.

Wenger, Andreas. Russia's Energy Power: Implications for Europe and for Transatlantic Cooperation / in Jeronmic, Perovic, Robert W.Orttung and Andreas Wenger (ed) "Russian Energy Power and Foreign Relations Implications for conflict and cooperation" – Routledge, Abingdon-Oxon, 2009.

and supplies from the Caucasus, North Africa, and the Middle East are fraught with risks of their own, given the complexities of the political conflicts in these regions – a point driven home during the 2008 crisis in Georgia". In this regard, writing about ongoing Crimea crisis and its possible implications, Barker and Crofts have an opinion that EU struggle to reduce its reliance on Moscow in the short term and most alternatives will be more costly than the oil and gas that is currently pumped directly to the West from Russia.¹⁹ However, Russia does not face this type of limitations in searching for alternative energy markets; it has met success also in this regard with the signing of a big gas pipeline deal with China (400 billion dollar worth) moving its energy pivot further to the East.²⁰

CONCLUSION

It is because of the above reasons why Western newspapers are full of information about why there has not been any consensus among the European countries about actual modalities of the economic sanctions.²¹ In this regard, it is important to mention that European countries cannot follow the American path of imposing economic sanction on Russia because "the economic relationship between Russia and the U.S. is more unbalanced. Russia is the

Barker, Luke and Adrian Croft. Europe Set to Add Names to Russia Sanctions List, Weigh Energy Issues // Reuters, March 20, 2014. Mode of access: http:// www.reuters.com/article/2014/03/20/us-ukrainecrisis-eu-sanctions-idUSBREA2J0PU20140320.

Young, L. Patrick. Russia-China Deal: Even Energy Pivots East / Russia Today, May 21,2014. Mode of access: http://rt.com/op-edge/160212russia-china-gas-deal-east/.

21 Bell, Stewart. Europe's Dependence on Russian Oil and Gas Makes it Hard to Enact Meaningful Trade Sanctions / National Post, March 3, 2014. Mode of access: http://news.nationalpost.com/2014/03/03/europes-dependence-on-russian-oil-and-gas-makes-it-hard-to-enact-meaningful-trade-sanctions/; Unger, David J. Why Europe Can't Hit Russia With Its Biggest Club: Energy Sanctions / Yahoo, March 18, 2014. Mode of access: http://news.yahoo.com/why-europe-cant-hit-russia-biggest-club-energy-164600230.html; Groundi, Pablo. Oil Rises Past \$99 Amid New US Sanctions on Russia / ABC, March 21, 2014. Mode of access: http://abcnews.go.com/International/wireStory/oil-falls-98-demand-crimped-22999539.

20th largest trading partner for the U.S., with \$27 billion worth trade exported across the Atlantic. On the flip side, the U.S. is Russia's fifth largest partner, with just \$11 billion worth trade. According to Russian Foundation's Chair David Clark, trade is a «relatively unimportant» component of their relations. Energy links are also weakening as the U.S. chooses shale gas for its energy supplies and heads toward selfsufficiency."22 However, Europe has much more deep economic and energy ties with Russia. According to one analysis, if the EU turned off the gas taps, the annual loss to Russian revenues would be a painful \$70 billion, or 3% of the gross domestic product, points out Bruegel, a Brussels-based economic policy think tank. But with 30 % of the EU's energy supplies coming directly from the Russian Federation and its energy producing jewel Gazprom, these taps will never be closed. Dependency usually impacts the both sides, and that is definitely the case here, said Nick Chamie, the Scotiabank's Chief investment officer of international wealth management."23 Similarly, Robert Pape, political science professor at the University of Chicago specializing in security studies says that sanctions would hurt the both sides. «Between great powers, leverage is a two-way street; Russia can squeeze us almost as effectively as we can squeeze it," wrote Pape for the CNN.24 The opinion of the President of Lithuania is also suitable for the occasion: economic sanctions will backfire; political and diplomatic action would be the best in this case.25

Kottasova, Ivana. Sanctions on Russia: Would World Cup Boycott Hit Harder? // CNN, March 22, 2014. Mode of access: http://edition.cnn.com/2014/03/20/business/russia-eu-sanctions-economy/.

²³ Talaga, Tanya. Full-Blown Economic Sanctions against Russia Unlikely, Analysts Say. Mode of access: http://www.thestar.com/news/world/2014/03/20/ want to hurt russia refuse energy imports.html.

Kottasova, Ivana. Sanctions on Russia: Would World Cup Boycott Hit Harder? // CNN, March 22, 2014. Mode of access: http://edition.cnn.com/2014/03/20/ business/russia-eu-sanctions-economy.

Stoll, John D. Lithuania President: Economic Sanctions Will Backfire; Political, Diplomatic Action Best // WSJ, March 19, 2014. Mode of access: http://online. wsj.com/article/BT-CO-20140319-707155.html.

European Energy Security amid Ukrainian Crisis

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Abstract: On the basis of overall analysis of the European dependence on Russia for its energy needs (mainly gas and oil) this paper tries to argue that economic sanction against Russia will have limited success. It will hurt the region badly, but it has more potential to jeopardize the European energy security aspect – a long cherished goal of the European nations. So, the best means to solve the Ukraine crisis is political and diplomatic tools, not the economic ones.

Key words: energy security, economic sanctions, EU, Russia, energy crisis, Ukraine, diplomacy, gas, oil export, Ukraine crisis.

Европейская энергетическая безопасность на фоне украинского кризиса

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Аннотация: На основе комплексного анализа зависимости Европейского Союза от российского экспорта энергетических ресурсов (прежде всего, газа и нефти) автор делает вывод о том, что экономические санкции против России не позволят достичь поставленных целей. Санкционная политика нанесет значительный ущерб обеим сторонам; более того, она создает угрозу для европейской энергетической безопасности, обеспечение которой всегда считалось приоритетной задачей Европейского Союза. Таким образом, наиболее эффективный путь к разрешению текущего кризиса – это использование не экономических, а политико-дипломатических средств.

Ключевые слова: энергетическая безопасность, экономические санкции, ЕС, Россия, энергетический кризис, Украина, экспорт нефти и газа, украинский кризис.