CHAPTER I

PREFACE

1.1 Background

Security is a multifaceted concept, large scale of military and violent conflict has dominated security discourse and receives the most attentions from policy makers in the past, while developing military capability as a response to possible military conflict consumes large amounts of public resources. However, other referent objects of security besides states are increasingly being considered nowadays. The risks of energy supply and climate change, for examples, have become elements of energy security topic and the core pillars of energy policy. As the results of growing demand, external dependency on energy supply sources, rising energy prices and global environmental change on economic, social and ecological systems, coinciding with a more fluid international security environment since the end of the Cold War, energy is increasingly being understood as a security issue.\(^1\)

Energy is something crucial that plays a vital role in our society, underpinning all areas of economic activity. Thus, energy supply disruptions could impact economy of state and government should guarantee that secure and reliable energy

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sources are readily available. An energy security policy is a means of a state to minimize the risks of supply disruptions below a certain tolerable level. It aims to ensure that a supply of energy is readily available and affordable to meet domestic demand. Energy has emerged as both a foreign policy issue and a foreign policy instrument that are used in pursuit or defense of states’ national interest. Therefore, becoming dependent upon other states in terms of energy supply could bring serious risks. One entity that has great dependency to external actor in terms of energy supply is European Union.

European Union is the world’s deepest integrated region. The European integration process was initiated and developed in Western Europe. The historical root of the European Union lies in the World War II. The war brought a serious trauma for Europeans as a result of massive casualties and destructions in the continent, and thus they determined to prevent such event ever happening again. Soon after the war ended, Europe was divided into Western and Eastern Europe as the 40 years of Cold War between United States of America and Soviet Union began. In 1949 six Western European countries, which are Germany, France, Italy, Netherlands, Belgium and Luxembourg, created the Council of Europe underpinning further cooperation between them. On May 9th 1950 French Foreign Minister Robert Schuman presents a plan for deeper cooperation, which later on called as Schuman

\[2 \text{ Ibid., p. 51.}\]

Plan. This plan is the first step towards a treaty in 1951 to run their heavy industries of coal and steel under a common management of European Coal and Steel Community (ECSC). Following the success of the ECSC, the six countries expand cooperation to other economic sectors. They sign the treaty of Rome in 1957, creating the European Economic Community (EEC), which were a common market enabling people, goods and services to move freely across borders.⁴

In 1962 the six countries community starts their common agricultural policy giving them joint control over food production. And in the middle of 1968 the six countries remove custom duties on goods imported from each other, allowing free cross-border trade for the first time. Besides, they also started to apply the same duties on imports from outside countries.⁵ April 24th 1972 was the date when the European Community members decided to allow their currencies to fluctuate against each other only within narrow limits, such Exchange Rate Mechanism (ERM) was a first step towards the introduction of the Euro. In the beginning of 1973 Denmark, Ireland and the United Kingdom joined the community, it was the first enlargement of the European Community from six into nine countries.⁶

On January 1981, Greece joined the community. The number of member

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countries was growing, bringing membership to 12 countries as Spain and Portugal joined on January 1986. The European Union was officially established as the member countries of European Community signed the Treaty of European Union or the so-called Maastricht Treaty on February 7th 1992. The treaty is a major EU milestone, setting clear rules for the future single currency as well as for foreign and security policy and closer cooperation in justice and home affairs. Under the Maastricht Treaty, the name ‘European Union’ officially replaces ‘European Community’.

The enlargement of European Union was progressing by the entry of Austria, Finland and Sweden in 1995. The Union was extended to central and Eastern Europe only after the key features of the European Union (EU) as they are today had been created and become established. After the collapse of communism in Central and Eastern Europe in 1989-90, ten additional countries became EU members in May 2004. On January 2007, two more countries from Eastern Europe, Bulgaria and Romania joined the EU, bringing the number of member states to 27 countries (also called the EU-27). As of the 1st January 2007, the EU membership composed of 27 member countries with a population of more than half a billion. These countries are

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Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom. Croatia, the former Yugoslav Republic of Macedonia and Turkey are also candidates for future membership.\textsuperscript{10} This expanding regional integration of European countries has contributed to its member states in terms of economy development as well as military security and peace of the region.

As an integration that brings peace to the European continent since the post of World War II, energy is something central and it is one of many challenges faced by EU today. The prominent of energy in European integration can be seen by the fact that EU was initially build from common management on coal and steel under European Coal and Steel Community (ECSC). Coal in the 1950s was an important energy resource for Europe in order to build back the continent after the catastrophe of World War II that vanished most of European infrastructure. This fact depicts the importance of energy issues for European Union even since it was initiated. Energy is a power that influenced all aspects of Europeans life, especially economic growth and development after the war.

However, the importance of energy independence in EU policy has not adequately recognized. EU is currently the largest energy importer of the world, more

than 50% of the EU's energy comes from countries outside the Union and the percentage keeps growing year by year. Much of that EU energy comes from Russia, whose disputes with transit countries have repeatedly disrupted supplies in recent years. This highlights the need for the European Union to monitor its oil and gas supplies more closely and be prepared in the event of an energy emergency.\textsuperscript{11} To overcome the rising prices of oil and gas simultaneously with the growing dependency of EU towards importer countries, EU needs huge investment on energy. In order for EU, to meet expected energy demand and to replace ageing infrastructure, investments of trillions of Euros will be needed over the next 20 years. There are three major players in the arena of European energy security: the European Union, its individual member states, and Russia, which is currently the EU’s most important energy supplier.\textsuperscript{12}

Table 1.1 EU energy consumption, net imports and dependence rate (2006)

<table>
<thead>
<tr>
<th></th>
<th>Gross inland energy consumption</th>
<th>Net imports</th>
<th>Energy dependence rate (%)</th>
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<tbody>
<tr>
<td></td>
<td>Mio.toe.</td>
<td>% change 2006/2005</td>
<td>Mio.toe.</td>
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<tr>
<td>EU-27</td>
<td>1 825.2</td>
<td>0.0</td>
<td>1 010.1</td>
</tr>
<tr>
<td>Belgium</td>
<td>60.4</td>
<td>-1.2</td>
<td>53.5</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>20.5</td>
<td>2.8</td>
<td>9.5</td>
</tr>
<tr>
<td>Czech</td>
<td>46.2</td>
<td>2.0</td>
<td>12.9</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Republic</th>
<th>20.9</th>
<th>6.1</th>
<th>-8.1</th>
<th>-22.5</th>
<th>-36.8</th>
</tr>
</thead>
<tbody>
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<td>Denmark</td>
<td>349.0</td>
<td>0.5</td>
<td>215.5</td>
<td>0.1</td>
<td>61.3</td>
</tr>
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<td>15.5</td>
<td>2.6</td>
<td>14.2</td>
<td>4.1</td>
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<tr>
<td>Estonia</td>
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<td>6.0</td>
<td>6.0</td>
<td>71.9</td>
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<td>Greece</td>
<td>143.9</td>
<td>-0.5</td>
<td>123.8</td>
<td>-0.1</td>
<td>81.4</td>
</tr>
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<td>Spain</td>
<td>186.1</td>
<td>-0.6</td>
<td>164.6</td>
<td>2.2</td>
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<td>3.0</td>
<td>5.5</td>
<td>102.5</td>
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<td>Latvia</td>
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<td>3.2</td>
<td>5.8</td>
<td>65.7</td>
</tr>
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<td>-2.2</td>
<td>5.5</td>
<td>7.1</td>
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<td>0.9</td>
<td>98.9</td>
</tr>
<tr>
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<td>-1.0</td>
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<td>4.2</td>
<td>11.9</td>
<td>9.9</td>
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<tr>
<td>Finland</td>
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<td>9.1</td>
<td>20.9</td>
<td>8.5</td>
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<tr>
<td>Sweden</td>
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<td>-1.7</td>
<td>19.8</td>
<td>-1.9</td>
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</tr>
<tr>
<td>United Kingdom</td>
<td>229.5</td>
<td>-1.6</td>
<td>49.3</td>
<td>52.7</td>
<td>21.3</td>
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</table>

Source: Eurostat

According to International Energy Agency (IEA) estimates, the EU gas demand will increase from the present 540 billion cubic meters (bcm) to an approximate 800 bcm by 2030. This figure suggests that the domestic gas production of EU countries, which in 2005 covered 43% of demand, will satisfy less than 25% of demand by 2030. Therefore, the EU’s dependency on gas imports will rise dramatically and is

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expected to reach 80% in 2030. Currently, Russia imports 40-50% share of total natural gas imported by EU. Gas from Russia to the EU flows exclusively through the Russian state-owned energy company Gazprom’s pipelines. The high dependence on Russia as a source of gas and the monopoly of the supply infrastructure by Gazprom are at the core of the EU’s energy security dilemma with Russia.\textsuperscript{14} The energy dependency is one of the greatest challenges faced by Europe today. As the world’s largest regional market (over 500 millions consumers), rising energy prices and increasing dependence on energy imports jeopardize the region security and competitiveness. Several challenges also faced by the EU are climate change, access to oil and gas, technology development, and energy efficiency.\textsuperscript{15}

The Russian-Ukrainian gas dispute during December 2005-January 2006 has awakened EU of its excessive dependence on Russia’s gas. The causes of the Russia-Ukraine dispute was Ukraine’s chronic difficulties in paying for the Russian-supplied gas, the siphoning off of gas bound for Europe and the proposed quadrupling of the price of Ukraine’s gas by Gazprom in March 2005. With about 80% of the EU-bound gas flowing through pipelines crossing the country, Ukraine is the vital transit country for Russian gas flowing to Europe (especially France, Poland, and Italy). The conflict between Russia and Ukraine culminated in the reduction of pressure in the pipelines by Gazprom, resulting in a decrease of supply, which also affected EU


member states. Although the actual supply cut of gas to Ukraine lasted for only three days in January 2006, it resulted in energy security being strongly put on the table in Brussels. The EU swiftly responded to the gas crisis with the March 2006 Green Paper on energy security. The realization of the great energy security problem that the EU was facing is well portrayed by the document’s opening line: “Europe has entered into a new energy era”\textsuperscript{16}. The Green Paper clearly recognized the energy security threat resulting from the excessive dependence on few suppliers, mainly Russia, and consequently set out a number of policy recommendations.\textsuperscript{17}

The cruciality of energy scarcity that brings one of non-traditional security threat for EU and the interest to execute a research about the external policies chosen by EU to counter the challenges of energy security ever since the great enlargement and wake up call from the Russia-Ukraine gas dispute has contributed to the choice of the research topic. Therefore, this thesis will describe and entitled \textit{“External Policies of the European Union in Cooperation with Russia on Energy Security (2006-2010).”}

1.2 Research Problems

The shock of the January 2006 gas stoppage as the impact of Russia-Ukraine gas conflict has encouraged European actors to consider the possibility that energy


\textsuperscript{17} European Union, \textit{Op.Cit.}, p.5.
security may require a collective solution. For the past two decades Europe has only focused overwhelmingly on the liberalization of energy (especially electricity and gas) market. Private companies competing in liberalized markets supply Europe’s energy. Though the liberalization of energy market has brought considerable benefits for member states, but in the reality there is no integrated European energy market yet, only a string of national markets with bilateral connections. As a result, physical trade has been limited and competitiveness has suffered.\textsuperscript{18}

Although the Russian–Ukrainian gas conflict in January 2006 has forced energy security way up to European energy and foreign policy agendas, the EU27 member states have largely seen as failed in execute a coherent European energy security and energy foreign policy because political solidarity between member states is still lacking.\textsuperscript{19} The facts that almost all European countries have national energy policies and almost all are engaged in national energy policy reviews are evidences that EU needs common and coordinated external policy regarding energy security. A national policy would not matter if the domain of the core problem remained national too. But the core characteristic of energy security issue is now European and even global, thus requires EU to take lead in addressing it.\textsuperscript{20}

This research is aimed to study deeper about the common external policies that have been taken by the EU since it’s significant enlargement on 2004 and 2007, with


focus on the external policies adopted by EU in 2006-2010 after the Russia-Ukraine gas dispute that has became a wake-up call of escalating energy security threat faced by the Union. The limitation of period of analysis from 2006-2010 is chosen because the Russian-Ukrainian gas dispute that caused disruptions of Europe gas supply in January 2006 is a momentum that has changed EU towards new energy era.

In regards to the determination of the topic, focus, and period of analysis, therefore, the research questions are:

1. What are the EU external policies concerning energy security, especially in relation with Russia from 2006-2010?
2. What are the rationales, reasons, and goals behind the policies made by EU?
3. How had the policy been implemented by EU and what are the implications?

1.3 Research Objectives

Therefore, several objectives of this research are:

1. to describe in-depth the EU external policies concerning energy security especially in relation with Russia from 2006-2010
2. to discover the rationales, reasons, and goals behind the policies made by EU
3. to depict and evaluate the implementation by and implication of those policies for EU.
1.4 Research Contributions

This research is composed and expected to fulfill several contributions to the writer and its reader in accordance to the research problems and research objectives. Several contributions expected from this research are:

1. to provide a deep and comprehensive image for its reader that depict the real condition regarding external policies executed by the European Union regarding energy security in its relation with Russia, the rationales, reasons, and goals behind the policies, and evaluation of the policies implementation. This thesis is expected to be a source of information and reliable reference for future research regarding the same topic.

2. to stimulate reader’s awareness of energy issue as a global source of security threat that not only endangering state existence but also human being’s, and thus every contribution of single individual in addressing energy issue is significant and required.

1.5 The Organization of Thesis

After all the research steps conducted completely, the thesis will be organized into five parts:

Chapter I. Introduction
The first chapter of this thesis is an introductory part that depicts the background, research problems, research objectives and contributions/ significance, as well as the organization of thesis.

Chapter II. Analytical Framework

The second chapter of this thesis contains several definitions of concepts relevant to the research topic. The key concepts used are liberal perspective, neo-functionalism/integration theory, complex interdependence theory, asymmetry interdependence, traditional vs. non-traditional security, factor endowment theory, and foreign policy. All of the theoretical concepts stated above are seen as in fact helpful in answering the questions within this research/thesis. This chapter also contains theoretical explanation and several literatures related to the research topic. The theories will be used as an instrument of analysis making and to formulate answers of research questions.

Chapter III. Research Methods

The third chapter primarily discusses about the scope of the research, research type and method, type and source of data that are going to be used in this research, the technique of data collecting, as well as the technique used in data analysis.

Chapter IV. Results and Discussion
The fourth chapter contains all of the data and analysis used as to answer all the research problems in this research. The result of the research and the discussion of the result will be following the data analysis.

Chapter V. Conclusion and Recommendation

The fifth chapter is the last part of this thesis that contains the conclusion, which also provides a brief explanation about the result of the research in general as well as recommendation relevant to the issue being discussed in the thesis.

Bibliography

Appendices