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THE ANALYSIS OF RUSSIA INFLUENCE ON THE TRANSFORMATION OF ENERGY STRATEGY OF THE EUROPEAN UNION

The influence of Russia on the transformation of EU energy strategy, features of the dynamics of development of the relations between Russia and the EU, the priorities of energy goods trade between the EU and Russia and problems of energy relations, outlined the basic principles of cooperation between the European Union and Russia in the energy sphere.

Key words: oil, gas, energy infrastructure, energy efficiency, ecology standarts, innovation.

I. Introduction

The influence of Russia on the transformation of EU energy strategy is determined by several factors. Integrated comprehensive analysis of the current state and prospects of development features energy strategy, the main trends of energy consumption, and internalization in the energy sector of national economies in the European Union is important for Ukraine as a European democratic country. However, insufficient level of studying the international aspects, especially Russian influence, of the growing role of minerals in the modern global economy caused by the complexity of one of the processes of internal transformation model energy under the influence of resource constraints and environmental concerns, and the other implementing their strategy of transformation, is the theme of deep analysis of domestic scientists Y. Pakhomov, V. Geytsa, V. Budkin, O. Belous, A. Filipchenko, O. Shnyrkov, O. Plotnikov, V. Sidenko, D. Lukyanenko, etc. However, in modern scientific publications insufficient attention is rewarded to the complex analysis of the role of Russia in transformation of EU energy strategy, the prospects for the development and improvement of efficiency.

II. Formulation of the objective

The purpose of the article – explore the features of the dynamics of the EU-Russia energy relations, to analyze the dynamics of development and priorities of energy goods trade between the EU and Russia

III. Consequence

Europe's citizens and energy companies need a secure supply of energy at affordable prices in order to maintain their current high standard of living. Europeans are looking for ways to ensure such supplies. External dependence is increasing, however, and is now focused on a worryingly small number of countries: Russia; the Middle Eastern states, Iran, Iraq, and Saudi Arabia; and Caspian, ex-Soviet countries such as Kazakhstan, Azer-

baijan, and Turkmenistan. None of these countries, including Russia, have yet developed liberal open markets and, in almost all of them, raw political power determines energy policy. Getting access to these resources also requires complex pipelines, which in the Russian case, pass through Belarus and Ukraine. The new Baltic pipelines will bypass Poland and the former Soviet satellites in the Baltic. In the Caspian case, problems are even more complex, with a choice of routes between Iran, Georgia, or Turkey—each country bringing their own set of political considerations and negotiations. Russia remains a necessary partner for the European Union's energy security. The dash-for-gas as the preferred fuel for electricity generation makes gas, rather than oil, a global priority. Gas is cheaper when transported through pipelines than when shipped around the world in tankers for LNG, and Russia knows that it currently has the pipelines to provide the affordable gas that Europe needs.

Russia is a major supplier of energy products to the European Union (EU) market and the EU as a major consumer of energy. The European Union Member States remain Russia's largest importers of energy resources. Russia's oil and gas deliveries represent around a quarter of the EU's oil and gas consumption and there is a potential for growth in volume. Furthermore, around a quarter of EU's coal imports and close to a fifth of uranium delivered to EU utilities come from Russia. The EU-Russia energy partnership is of major importance as the demand for energy resources in Russia and the EU is increasing while hydrocarbon production is decreasing in the EU. Although the EU and Russia are diversifying their energy deliveries, the share of Russian hydrocarbons and conversion products at the EU market will remain high in consideration of the geographical proximity of Russia and the EU Member States, existing energy transport infrastructure and traditionally successful energy cooperation implemented since the 1960's. The strategic partnership between

Russia and the EU in the energy sector is aimed at providing reliability, security and predictability in the medium to long term. The partnership represents an important component in the stable mutual relations. Both Russia and the EU have a mutual interest in developing this partnership and maintaining a close cooperation with a continuous dialogue, it is aimed at increasing the level of confidence and transparency in the interrelations between Russia and the EU in the energy sector, including an exchange of information on energy policies of both sides, on the development of legislation and regulatory and legal framework. Therefore, Russia and the EU are objectively interested in strengthening the mutually beneficial cooperation in energy [1].

The energy sector in Russia represents a major opportunity both for investment and revenue creation. However, an ageing energy infrastructure, and increasing demands for hydrocarbons are placing a heavy strain on Russian production. The ongoing global financial

and economic crisis also has an impact on the energy sector and combating its effects must be a priority.

Russia and the EU both seek to ensure stable energy markets, to secure reliable exports and imports at increased volumes, and recognise a pressing need to modernise the Russian energy sector. Both wish to see improved energy efficiency and a reduction in greenhouse gas emissions from energy production and use in their respective economies. The overall objective of the Energy Dialogue is to enhance the energy security of the European continent by binding Russia and the EU into a closer interrelationship in all issues of mutual concern in the energy sector. Against this background, the EU-Russia energy relations has identified a number of common and complementary interests for which concrete actions for the short and medium-term are implemented. Common goals, interests and objectives are stated on figure 1.

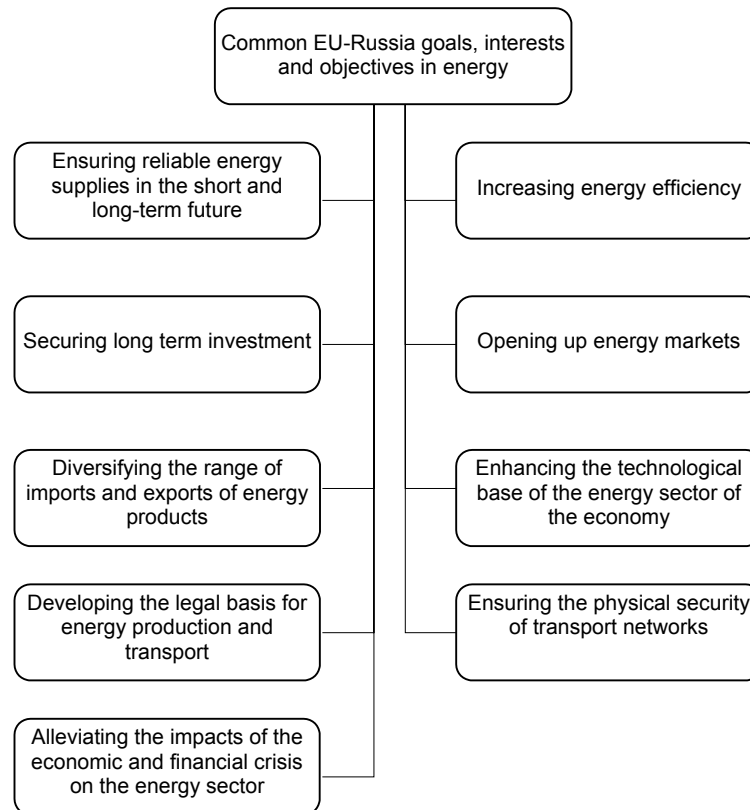


Figure 1. Common EU-Russia goals, interests and objectives in energy

These areas include: Ensuring reliable energy supplies in the short and long-term future; Increasing energy efficiency; Securing long term investment; Opening up energy markets; Diversifying the range of imports and exports of energy products; Enhancing the technological base of the energy sector of the economy; Developing the legal basis for energy production and transport; Ensuring the physical secu-

urity of transport networks; Alleviating the impacts of the economic and financial crisis on the energy sector. EU-Russia relations also have an environmental aspect as they aim to reduce the impact energy infrastructure causes on the environment, to encourage the ongoing opening of energy markets, to facilitate the market penetration of more environmentally friendly technologies and energy resources,

and to promote energy efficiency and energy saving.

Among the most important issues for the EU is the need for Russia to continue economic reforms in the energy sector. The European Union is ready to cooperate with Russia in further developing a number of basic market principles in the energy sector, such as: an energy efficiency and saving policy, investment facilitation and protection, the right of access to energy transport infrastructure, network operators' independence from the natural monopoly producers, sector regulation, and reform of monopolies.

In the coming years, Europe will be more dependent on imports as its reserves of fossil fuels are depleting. The infrastructure needs to be improved. To respond to these challenges, EU leaders have agreed on the objectives of an energy policy for Europe: the security of energy supplies, competitiveness, and environmental sustainability, including a substantial increase in renewable energy sources and energy efficiency, all of which also form priority targets of cooperation with the Russian Federation [2].

Russia's economy is heavily dependent on oil and natural gas exports, and at the same time, Russia plays a defining role in the European energy sector as the largest exporter of oil and natural gas to the European Union. In light of this situation, the main challenges Europe will face in its relationship with Russia will be shaped by four realities:

- energy (and gas in particular) is the only economic sector in Russia that is reasonably efficient. Except for arms and minerals, Russia has no other credible exports. Toys, washing machines, clothes, and other manufactured goods are exported to Europe from all over the world, but very few of these products come from Russia [3].
- Europe is an unavoidable partner for Russian energy companies. Over 70 percent of Russian crude oil production is exported; 60 percent of Russian crude oil and 90 percent of Russian gas go to the European Union. Russian crude oil meets 15 percent of European oil needs. Japan, China, and the United States are still emerging markets for Russia and it remains unknown if these countries will play an important role for the Russian energy industry in twenty years. Europe will continue to be Russia's main energy export outlet and LNG will bring more uncertainties to Russia than to Europe because LNG from Africa or the Middle East provides Europe with a real alternative to Russian gas over the long-term [4].
- dependence is a two-way phenomenon. As stated above, the Russian gas network

is 90 percent dependent on European markets. To build new networks, the industry needs to invest labor, money, and time. Russia does not have any new cards to play; it is displaying a tough attitude in gas contract negotiations because Russian negotiators know they do not have a "BATNA" (best alternative to a negotiated agreement). Indeed, some 40 percent of Russian public money comes from European oil and gas markets. Between 75 and 80 percent of Russian export revenues are directly linked to the European Union energy market.²³ Strangely, European leaders do not realize how fragile Russia is when considering their own energy dependence [1].

- oil and gas are part of a game of blackmail, lies, and fear between Russians and Europeans. Chechnya, human rights in Russia, Kaliningrad, and minorities in the Baltic States are considered minor challenges to Russia in comparison to the issue of energy. Because energy is now a question of life or death for Russian revitalization and prosperity, these issues do not have the same importance in Russian policymaking. For Europe too, access to energy is crucial to its future economic success. This explains why Europeans are cautious when responding to any crisis in Ukraine or around the Black Sea, as they want Russia to continue supplying them with oil and gas.

IV. Conclusion

The Russian Federation and the European Union are natural partners in the energy sector. The Russian Federation is the 3rd biggest world trade partner of the EU. Energy represents 65% of total EU imports from Russia. Russia is the biggest oil, gas, uranium and coal importer to the EU. In 2007, 44.5% of total EU's gas imports (150bcm), 33.05% of total EU's crude oil imports, and 26% of total EU coal imports came from Russia. In total, around 24% of total EU gas sources are originating from Russia. In general, energy dependency varies significantly between different Member States, regions in the EU. The EU is by far the largest trade partner of the Russian Federation: 45% of Russia imports originate from the EU, and 55% of its exports go to the EU, including 88% of Russia's total oil exports, 70% of its gas exports and 50% of its coal exports. The export of raw materials to the EU represents around 40% of the Russian budget, and the EU represents 80% of cumulative foreign investments in Russia. Based on this mutual interdependency and common interest, the EU and Russia have developed a close energy partnership and have launched in 2000 an EU-Russia Energy Dialogue. The energy partnership aims at improving the invest-

ment opportunities in the energy sector to ensure continued energy production, to secure and expand transportation infrastructure as well as to improve their environmental impact. Other important objectives are to encourage the opening up of energy markets, to facilitate the market penetration of more environmentally friendly technologies and energy resources, and to promote energy efficiency and energy savings on the way to a low-carbon economy.

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Яган М.Є. Аналіз впливу російського фактора на трансформацію енергетичної стратегії європейського союзу

Досліджено вплив російського фактора на трансформацію енергетичної стратегії ЄС, особливості динаміки розвитку взаємовідносин Росії з ЄС; визначено пріоритети торгівлі енергетичними товарами між ЄС та РФ та проблеми розвитку енергетичних відносин, викладено основні засади співробітництва Європейського Союзу та Росії в енергетичній сфері.

Ключові слова: нафта, газ, енергетична інфраструктура, енергоефективність, екологічні стандарти, інновації.

Яган М.Е. Анализ влияния российского фактора на трансформацию энергетической стратегии европейского союза

Исследовано влияние российского фактора на трансформацию энергетической стратегии ЕС, особенности динамики развития взаимоотношений России с ЕС, определены приоритеты торговли энергетическими товарами между ЕС и РФ, проблемы развития энергетических отношений, изложены основные принципы сотрудничества Европейского Союза и России в энергетической сфере.

Ключевые слова: нефть, газ, энергетическая инфраструктура, энергоэффективность, экологические стандарты, инновации.