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# ENERGY SAFETY OF CENTRAL-EAST EUROPEAN COUNTRIES VERSUS „GAS MAIN POLITICS” OF THE RUSSIAN FEDERATION

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## I. INTRODUCTION

According to the Eurostat statistics in 2006 almost 80% of energy consumed in the European Union came from fossil fuels (oil, natural gas and coal), nuclear energy amounted to 14% whereas renewable sources amounted to 7%. At the same time European fossil fuel resources, mainly oil and gas from beneath the North Sea, are extracted considerably faster than resources in the world. This leads to a larger and larger dependence on import and also to a growing danger of impediments in supplies and lack of guarantee of stable prices<sup>1</sup>. In time dependence on import of energy resources and its risks may lead to a disturbance in a stable economic development of the EU countries. In the forecast concerning the energy situation in the world from 2006–2008 the IEA representatives emphasize that “the ability and will of the main producers of oil and

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<sup>1</sup> EU Energy in Figures 2007/2008 (updated: EEA Jun 2008), [http://ec.europa.eu/dgs/energy\\_transport/figures/pocketbook/doc/2007/2007\\_energy\\_en.pdf](http://ec.europa.eu/dgs/energy_transport/figures/pocketbook/doc/2007/2007_energy_en.pdf) (updated: 09.01.2012).

natural gas to increase investment in order to meet the growing global demand are especially uncertain”<sup>2</sup>.

The EU countries are more and more dependent on the import of oil and natural gas, and demand for them in the EU increases by 2.9% annually<sup>3</sup>. According to the European Commission by 2030 the estimated import of energy resources will have increased from the present level of 50% to 65%, the dependence on gas import will have increased from 57% to 84%, while oil from 82% to 93%. By the same year the global demand for oil will have increased by 45%-58% according to the IEA forecast<sup>4</sup>.

The main directions of import of energy resources to the EU are from the Russian Federation, Norway, Near East and Northern Africa<sup>5</sup>. The European Union covers about 80% of demand for oil by importing it from Russia and the OPEC countries<sup>6</sup>, and about 57% of consumed gas is imported from Russia, Norway and Algeria<sup>7</sup>.

When we look at the scale of import of energy resources to the EU (resources, electricity, petrochemicals, and so on) the Russian Federation accounts for 27% and is second to the OPEC cartel – 31%. When we consider the import of oil (32,4%) and natural gas (41,9%) the Russian Federation is the largest supplier of the EU. Russia owes this high position to the huge amount of natural resources (almost one third of the world’s

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<sup>2</sup> World Energy Outlook, [http://www.worldenergyoutlook.org/docs/weo2008/WEO2008\\_es\\_polish.pdf](http://www.worldenergyoutlook.org/docs/weo2008/WEO2008_es_polish.pdf) (updated: 27.02.2012).

<sup>3</sup> Energy consumption and production, <http://www.energy.eu/#non-renewable>, (updated: 10.03 2012)

<sup>4</sup> World Energy Outlook, [http://www.worldenergyoutlook.org/docs/weo2008/WEO2008\\_es\\_polish.pdf](http://www.worldenergyoutlook.org/docs/weo2008/WEO2008_es_polish.pdf) (updated: 27.01.2012)

<sup>5</sup> Energy Overview, Council of European Commission, June 2006; Energy Policy for Europe, Communication From the Commission to the European Council and the European Parliament. COM (2007) 1, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0001:FIN:PL:HTML> (updated: 26.02.2012).

<sup>6</sup> P. Belkin, CRS Report for Congress, The European Union’s Energy Security Challenges, [www.fap.org/sgp/crs/row/RL33636.pdf](http://www.fap.org/sgp/crs/row/RL33636.pdf) (updated: 27.02.2012).

<sup>7</sup> Energy Policy for Europe, Communication From the Commission to the European Council and the European Parliament. COM (2007) 1, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0001:FIN:PL:HTML> (updated: 26.02.2012).

gas reserves and second largest producer of oil), proximity and a developed pipeline that connects Russia to European countries.

Russian natural gas amounts to 100% of import of: Estonia, Lithuania, Latvia, Slovakia, Slovenia, Finland, over 90% – Poland, 85% – Greece, 80% – Hungary, 75% – The Czech Republic, 70% – Austria, 35% – Italy, over 30% – Germany and 25% – France. Almost 80% of gas transported to Europe is sent through Ukraine (in Ukraine there are also containers for gas, which hold about 30 billion m<sup>3</sup>). All these numbers indicate that the “new members” of the EU are dependant on the supplies of energy resources (mainly gas and oil) much more than the so-called countries of the old Union.

The Russian Federation administration tries to make use of the differences in the perception of energy industry problems between the EU countries. A thesis might be proposed that the Russian authorities, seeing the larger and larger demand for energy resources of both the EU countries as well as the world powers, decided to use this situation to regain importance in the international community, lost after the fall of USSR. The goals and tasks of long-term energy political strategy were described in *Energy strategy of Russia till 2020* adopted in 2003 and in *Energy strategy of Russia till 2030* adopted in December 2007. In both documents it was emphasized that “... natural resources and fuel energy complex, which are the foundation of economic development, are also an important instrument in the domestic and foreign affairs”, and “the position of the country in the world energy market highly determines the geopolitical influence of the Russian Federation”<sup>8</sup>.

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<sup>8</sup> E. Wyciszkievicz, *Perspektywy współpracy energetycznej w regionie Azji Północno-Wschodniej*, 2006, p. 3, <http://www.pism.pl/index/?id=f5c150afbfbcef941def203e85cf40bc> (updated: 21.02.2012); M. Gołębiewska, *Ratunek dla flagowego okrętu: strategia energetyczna Rosji do 2030 r.*, „Nowy Przemysł” 10.12.2007.

## II. THE POLITICS OF THE RUSSIAN FEDERATION – ALARMING „SYNDROMES” OR ADVANCED “STADIUM”?

The RF authorities deepen the national concerns by renationalization of Russian sectors of gas and oil as well as by limiting the chances of foreign companies' activity in Russia. An example may be the Russian policy of exporting gas and oil from Russia. The RosUkrEnergo company became the exclusive supplier of Russian gas, with Gazprom owning half of its shares. It is noteworthy, that the supervisory board meetings of Gazprom are held at Kremlin according to the president's wish (the former vice-president of the company is now President D. Miedwiediew). In return for the access to the Russian resources western companies tend to trade shares of their own companies. The production and export are almost completely controlled by the state. The goal of Russian political actions fulfilled by Gazprom is to take the greatest control possible over gas export to Europe, which will not only include transporting it in pipelines, but also selling it to the end users. That is why in the recent years Gazprom, using the argument of growing prices of resources and the fears of European countries over the stability of supplies, has persistently strived for concluding new, long-term contracts with clauses that allow the company to work on domestic markets. In bilateral contracts with particular EU countries concluded in 2006 and 2007, before directives that liberalized the retail market of energy in the EU came into life, Gazprom guaranteed the sale of about 90 billion m<sup>3</sup> of gas in 2020–2030<sup>9</sup>.

The transformation of *Forum of Gas Exporting Countries* on 28 December 2008 in Moscow into a gas counterpart of OPEC corresponds perfectly with the monopolistic practices of Russian authorities<sup>10</sup>. It needs to be added, that GECF functioned since 2001 as an informal common ground for summit meetings between the heads of the countries of main exporters of natural gas. At the meeting in

<sup>9</sup> [http://www.rosukrenergo.ch/eng/pub/company/company\\_history.html](http://www.rosukrenergo.ch/eng/pub/company/company_history.html) (updated: 16.02.2012).

<sup>10</sup> <http://www.pb.pl/Default2.aspx?ArticleID=33feb16b-a1b1-430c-884e-a824bfd1b15> (updated: 16.02.2012).

Moscow W. Putin emphasized that “the era of cheap gas has come to an end...” The significance of that meeting of gas producers is stressed by the fact that it took place a week before the deadline for Ukraine to pay off the gas debt to Gazprom. Gazprom threatened its Ukrainian neighbor to cut off the gas supply from 1 January 2009 unless the Ukrainians pay 2 billion USD.

During the meeting in Moscow leaders of 14 countries (Algeria, Bolivia, Brunei, Egypt, New Guinea, Indonesia, Iran, Libya, Malaysia, Nigeria, Oman, Qatar, Russia, Trinidad-Tobago, United Arab Emirates, Venezuela, Turkmenistan expresses interest to join, Norway is just an observer) exporting gas transformed the informal structure of GECF, located in Teheran, into an organization with a formalized structure, with a permanent office in Doha (the capital city of Qatar)<sup>11</sup>.

In the European context, what might be of concern is the Russian authorities’ plan of creating the so-called *energy chessboard* or *remote control panel*, which is to be built with the use of three powerful gas mains: in the north of Europe – Nord Stream, in the south – South Stream and Blue Stream. The plan also assumes the expansion of Russian Gazprom into electro-energy markets of the EU.

The offshore pipeline Nord Stream has 1224 km long<sup>12</sup>, starting on the shore of Portowaja bay near Vyborg, in the Petersburg region, and ending in Greifswald, near the German-Polish border. The North European Gas Pipeline will be connected to the Russian network through the land gas main Griazowiec-Vyborg which is 917 km in length. The main resource base for the North European Gas Pipeline will be the Yuzhno-Russkoye deposit in the Yamal-Nenets Autonomous District in the Tyumen region in west Siberia. Gazprom mentions also additional sources such as Shtokman deposit in the Barents Sea and the Yamal peninsula deposit. The North European Gas Pipeline is operated by the North European Gas Pipeline Company (NEGPC), created by Gazprom, and E. ON-Ruhrigas and BASF. The Russian concern holds 51% of shares, while its German partners have

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<sup>11</sup> <http://www.gecforum.org/> (updated: 18.01.2012).

<sup>12</sup> <http://www.nord-stream.com/pl/o-nas/> (updated: 18.02.2012).

24,5% of shares each. Gazprom agreed with E. ON-Ruhrgas and BASF that if Gazprom manages to enlist other partners, then the German interests will be proportionally reduced, but not below 20%. When Dutch Gasunie joined the Nord Stream project (talks are under way with British BP, French Gaz de France and Norwegian Norsk Hydro) the proportions changed: Gazprom 51%, E. ON-Ruhrgas 20%, BASF 20%, Gasunie 9%. The contract to start building was signed on 8 September 2005<sup>13</sup>. Gas transport through Line 1 began in November 2011. It has the capacity to deliver up to 27.5 billion cubic metres (bcm) of gas a year. Construction of Line 2 is progressing on schedule. Line 2 will be completed in the third quarter of 2012 and will be transporting gas by the fourth quarter of 2012<sup>14</sup>.

South Stream is designed to be 900 km long (depths in excess of 2,000 meters), the offshore part starting in Beregovaya by the Black Sea in Russia and ending in Varna in Bulgaria. The gas main will run along the continental shelves of Ukraine and Romania, both countries need to agree on that. That part would be built and operated by South Stream AG. From Varna in Bulgaria it would continue to the south-east through Greece and the Ionian Sea to southern Italy. The Greek south section will run through Turkey, Greece and Italy. The north-west part will go through Serbia, Hungary and will reach Austria, finishing in a gas hub in Baumgarten. Another option is that the north-western route would run through Slovenia to northern Italy. It is most likely that two smaller parts will go through Bosnia and Herzegovina to the Port of Ploče and another through Croatia to Port of Rijeka and the pipeline will end in Italy's Port of Trieste. There are also talks to connect South Stream pipeline to the largest gas hubs in Central Europe Wingas in Haidach. The pipeline (four strings) is planned to carry 63 billion m<sup>3</sup>. The hubs in Bulgaria in 2009 are to hold 1,7 billion m<sup>3</sup>, pipeline sections in Serbia and Hungary will have the capac-

<sup>13</sup> <http://www.nord-stream.com/en/> (updated: 12.01.2012).

<sup>14</sup> When fully operational in 2012, the twin pipelines will have the capacity to transport a combined total of about 55 bcm of gas a year – that's enough to satisfy the energy demand of more than 26 million European households. Nord Stream has designed the pipelines to operate for at least 50 years, more in: <http://www.nord-stream.com/about-us/>. (updated: 14.01.2012).

ity of 10 billion m<sup>3</sup>. In both countries there will be constructed two huge gas storage facilities, one with capacity of 1 billion m<sup>3</sup> in Hungary and another in Serbia with capacity of 3.2 billion m<sup>3</sup>.

Hungarian company MOL offered to use natural gas storage facility at Pusztaföldvár (9 billion m<sup>3</sup>). MOL also offered its unused gas pipelines in West Hungary, between Serbia and Austria. If Austria does not take part in the South Stream project but Slovenia does, MOL will offer to replace the Baumgartner switch point in Austria with a MOL facility in Városföld.

The feasibility study was completed in 2011. Construction of the Serbian stretch is scheduled to start by 2015<sup>15</sup>. The pipeline is expected to cost \$20 billion, of which the construction of Hungarian section will cost \$2 billion. The South Stream AG project will be completed by: Gazprom, ENI, ZUG (Switzerland) and Gaz de France. The section in Bulgaria will be built by Gazprom and Bulgargaz, while the Serbian section by the joint venture of Gazprom and Srbijagas. The Hungarian section would be built by joint venture between Gazprom and the Hungarian Development Bank MFB, the feasibility study will be prepared by Hungarian SEP Co., a joint venture of Gazprom and MOL<sup>16</sup>.

When talking about The South Stream project, one should also take a look at the EU countries' project of pipeline NABBUCO, which would connect: Near East with Central Asia and Western Europe (Turkey with Austria, through Bulgaria, Romania and Hungary)<sup>17</sup>. Hungary will start building a huge pipeline under the Black Sea. The pipeline South Stream under the Black Sea will provide about 31 billion m<sup>3</sup> a year. Thus, the Russians theoretically blocked the Nabucco project, favored by the Union, which would deliver Asian gas through Turkey, Bulgaria, Romania and Hungary to Austria. The head of the government in Budapest decided to sign an agreement on South Stream, despite being fiercely criticized. The leader of the opposition said, that it was outrageous to conclude a contract, which would determine the energy strategy of the country for the next

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<sup>15</sup> South Stream – Guarantee of Europe's Future Energy Security, <http://south-stream.info/index.php?id=28&L=1>. (updated: 12.02.2012).

<sup>16</sup> <http://www.gazprom.ru/eng/articles/article27150.shtml> (updated: 11.01.2012).

<sup>17</sup> Project Description / Pipeline Route, <http://www.nabucco-pipeline.com/project/project-description-pipeline-route/project-description.html> (updated: 11.01.2012).

20–25 years without consulting the parliament<sup>18</sup>. Nabucco is assumed to be the only alternative pipeline connecting the former USSR republics in Central Asia (Azerbaijan and Kazakhstan) to Western Europe. The oil could be purchased directly from producers and as a result its price would be much lower than the price of oil from the pipeline owned and controlled by Gazprom (by Russia). This pipeline would run from Erzurum in Turkey to Baumgarten an der March (the largest gas pumping station) in Austria. The pipeline would be located totally outside the territory of the Russian Federation and it could connect the EU to Azerbaijan and Kazakhstan, with the use of pipeline located across Georgia (BTC – Baku-Tbilisi-Ceyhan). The project is supported both by the EU representatives and the USA. Preparations to create Nabucco started in February 2002 with the first talks between Austrian OMV and Turkish BOTAS. In June 5 companies (OMV Austria, MOL Hungary, RWE West Germany, Bulgargaz Bulgaria, Transgaz Romania and BOTAS Turkey) signed a protocol on mutual cooperation in October 2002. In December 2003 the European Commission agreed on covering 50% of the cost of all the necessary feasibility studies, technical, financial and economic analyses. In 2004 establishment of Nabucco Gas Pipeline International GmbH. On June 28, 2005 a joint venture company was created comprising the aforementioned 5 companies. In February 2008 the German RWE joined the company. The first talks on the route of the pipeline from Azerbaijan to Bulgaria took place on June 11, 2008. RWE joins the Nabucco Project as the sixth shareholder in February 2008. On January 27, 2009 Nabucco achieves full political support from the EU and Nabucco countries at the Budapest Summit and on July 13, 2009 Intergovernmental The IGA harmonises the legal framework and grants stable and equal transport conditions for all partners and customers. In 2010 National Nabucco Companies established in the transit countries and ratification of the IGA by National Parliaments<sup>19</sup>. The pipeline is to be 3893 km long, connecting the Tabriz-Erzurum pipeline with the South Caucasus Pipeline, connecting Nabucco

<sup>18</sup> A. Łakoma, Węgry poparły rosyjski gazociąg, choć nie służy UE, „Rzeczpospolita” 29.02.2008.

<sup>19</sup> [http://www.nabucco-pipeline.com/portal/page/portal/en/company\\_main/about\\_up](http://www.nabucco-pipeline.com/portal/page/portal/en/company_main/about_up) (updated: 12.01.2012).



Pipeline with the planned Trans-Caspian Gas Pipeline. Polish gas company PGNiG is said to join the project, having already prepared feasibility studies. In early years the deliveries are expected to be between 4.5 and 13 million m<sup>3</sup>, of which 2 to 8 will go to Baumgarten. Later, half of the capacity is expected to be delivered to Baumgarten and half of the natural gas is to serve the markets en-route. The transmission volume of around 2020 is expected to reach 31 billion m<sup>3</sup>, of which 16 billion m<sup>3</sup> will go to Baumgarten<sup>20</sup>. The Nabucco project is included in the EU Trans-European Energy Network programme and will be supported with the EU grants. The Nabucco Pipeline construction is scheduled to start in the end of 2013. Construction will start end of 2013, first gas will flow end of 2017<sup>21</sup>. It is estimated to cost around €7.9. billion. The company leading the project is OMV from Austria. The guidelines for the project are: connecting to the Shah Deniz gas field in Azerbaijan in 2013. The authorities of the country agreed on extracting 8 billion m<sup>3</sup> and further expansion; Turkmenistan would provide for Nabucco 10 billion m<sup>3</sup> from the largest natural gas reserves in the Dauletabad gas field; The natural gas could also be transported through Iran or across the Caspian Sea via planned Trans-Caspian Gas Pipeline; Iran has also proposed to supply gas to Nabucco pipeline, but the proposal was rejected due to political factors that is the relations of the EU and the United States; in the long term a connection to Kazakhstan to the Trans-Caspian Gas Pipeline is planned; Egypt, which has discovered large gas reserves in the Nile Delta basin could provide 3–5 billion m<sup>3</sup> through the Arab Gas Pipeline; Also Iraqi gas would be imported via the Arab Gas Pipeline from the Ekas field; Nabucco could even be connected to the Blue Stream pipeline owned by Gazprom. The

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<sup>20</sup> More in: Commission Staff Working Document Annex to the Report from the Commission to the European Parliament, The Council, The Economic and Social Committee and the Committee of the Regions on the implementation of the Guideline for Trans-European Energy Networks in the Period 2002–2004 Pursuant to Article 11 of Decision 1229/2003/EC, [http://ec.europa.eu/ten/energy/documentation/doc/2006\\_09\\_19/implement\\_guidelines\\_ten\\_e\\_2002\\_2004\\_working\\_doc\\_en.pdf](http://ec.europa.eu/ten/energy/documentation/doc/2006_09_19/implement_guidelines_ten_e_2002_2004_working_doc_en.pdf) (updated: 14.01.2012).

<sup>21</sup> [http://www.nabucco-pipeline.com/portal/page/portal/en/pipeline/timeline\\_steps](http://www.nabucco-pipeline.com/portal/page/portal/en/pipeline/timeline_steps), from (updated: 14.01.2012).

project Nabucco Gas Pipeline International GmbH has the following shareholders with equal number of shares (16,7%): OMV (Austria), MOL (Hungary), Transgaz (Romania), Bulgargaz (Bulgaria), BOTAŞ (Turkey), RWE (Germany). French company Gaz de France was also interested to get connected to the pipeline, but was rejected by Turkey. In future there is a plan to include also the State Oil Company of Azerbaijan Republic (SOCAR). Also Kazakhstan has indicated its readiness to join the project, or even Gazprom (though in 2006 Russia proposed an alternative project competing with Nabucco Pipeline – the Blue Stream pipeline beneath the Black Sea to Turkey, through Bulgaria, Serbia and Croatia to western Hungary<sup>22</sup>. In 2007, the South Stream project through Bulgaria, Serbia and Hungary to Austria, or alternatively through Slovenia to Italy, was proposed. It is seen as Russia's biggest reply to the Nabucco pipeline. Ukraine proposed White Stream, connecting Georgia to Ukraine.

Blue Stream is to connect Russia to Turkey. The pipeline will be constructed by the Blue Stream Pipeline B.V., joint venture of Gazprom and Italian Eni based in Holland. It will run through Russia including compressor stations in Beregovaya with Turkish Botas, where Gazprom committed itself to building forks for third countries. Preparations for the pipeline project started in 1997. On 15 December 1997, Russia and Turkey signed an intergovernmental agreement on construction of the sub sea pipeline. At the same time, Gazprom and BOTAŞ representatives signed a 25-year cooperation contract. In February 1999, Gazprom and Eni signed the memorandum on the Blue Stream project and registered on 16 November 1999 in Ireland. On 23 November 1999, contracts on designing the offshore section construction were signed with Saipem, Buig Offshore S.A., Katran K companies and the consortium of Mitsui, Sumitomo and Itochu.

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<sup>22</sup> More in: Trans-European energy networks (TEN-E), [http://ec.europa.eu/energy/infrastructure/index\\_en.htm](http://ec.europa.eu/energy/infrastructure/index_en.htm), Austria: Niech Nabucco trasportuje rosyjski gaz , <http://www.money.pl/gospodarka/wiadomosci/artykul/austria;niech;nabucco;trasportuje;rosyjski;gaz,66,0,243010.html> (updated: 15.01.2012); R. Berger, OMV Gas GmbH Nabucco Working Group, <http://www.seerecon.org/infrastructure/sectors/energy/documents/031005gas/Nabucco%20Presentation%20Belgrad%20Oct%202005.pdf> (updated: 15.01.2012).

The construction of the Russian land and offshore section took place in 2001–2002. The offshore section of the pipeline was built by Italian constructor Saipem and the Russian onshore section by Stroytransgaz with Gazprom<sup>23</sup>. Gas flew from Russia to Turkey in February 2003. However, due to the price argument between Russia and Turkey, the official inauguration ceremony took place only on the 17 November of 2005.

Blue Stream is designed for a capacity of 16 billion cubic metres per annum. Total length of the pipeline is 1212 km (the Russian section is 373 km long from the Izobilnoye gas plant, Stavropol Krai, up to Arkhipo-Osipovka, Krasnodar Krai). The land section consists the Stavropolskaya and Krasnodarskaya compressor stations. The offshore section is 396 kilometres long laying from the Beregovaya compressor station in Arkhipo-Osipovka to the Durusu terminal locating 60 kilometers from Samsun (Turkey). Turkey's land section is 444 km long up to Ankara). The total cost of the Blue Stream pipeline was \$3.2 billion (, including \$1.7 billion for its submarine segment). At the end of August 2005, talks at the highest level were on the way discussing building a second line of the Blue Stream by the Samsun-Ceyhan and to South East Europe. The the second line of pipeline would run through Bulgaria, Serbia and Croatia to western Hungary. Gazprom proposed it to five countries engaged in the Nabucco project. So far, this expansion has replaced the South Stream project, which foresees laying pipeline sub sea pipeline directly from Russia to Bulgaria. There are also plans for a sub sea pipeline from Samsun-Ceyhan and the Ceyhan-Ashkelon leading from Russia to Israel<sup>24</sup>. This pipe created a strategic connection between Ukraine, Moldova, Romania and Bulgaria, at the same time being a protection against “troubles” between Russia and Ukraine.

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<sup>23</sup> More in: About / Major Projects / Blue Stream <http://www.gazprom.ru/eng/articles/article8895.shtml>; BLUE STREAM PROJECT OFFICIALLY INAUGURATED, <http://www.gazprom.ru/eng/news/2005/11/18313.shtml> (updated: 16.01.2012).

<sup>24</sup> More in: “Economic Brief: The Blue Stream Gas Pipeline”, [http://www.pinr.com/report.php?ac=view\\_report&report\\_id=403&language\\_id=1](http://www.pinr.com/report.php?ac=view_report&report_id=403&language_id=1) (updated: 17.01.2012); Gazprom boosts Blue Stream flows, <http://www.upstreamonline.com/live/article119089.ece> (updated: 17.01.2012); About / Major Projects / Blue Stream, <http://www.gazprom.ru/eng/articles/article8895.shtml>. (updated: 16.01.2012).

Nord Stream is the most famous Gazprom project of strategic importance to Poland, Germany, Lithuania, Latvia, Estonia and Belarus. The official reasons why Russia and Germany decided to build the pipeline are purely economic. The cost born during the construction of the pipeline (much higher than in the case of alternative routes) would be balanced by the lack of costs of transit through the Baltic countries, Poland and Belarus. It is hard to believe, since neither the Russians nor Germans conducted any negotiations about possible transit through Estonia, Lithuania and Poland. The cost itself of the exploitation of the pipeline is doubtful. It can considerably go beyond the cost of exploiting alternative gas pipes – built completely on land.

It should be emphasized that in official statements the German authorities see the north pipeline as a part of diversification and increasing energy safety. What is also significant is the tightening of relations with Russia, and as a result ensuring more opportunities for German capital to be invested in Russia. Although German authorities take care of political correctness, they do not seem to be bothered by the atmosphere of scandal concerning the circumstances of signing the documents on Nord Stream construction. The deal concerning *Nord Stream* was signed on 8 September 2005, two weeks before the parliamentary elections in Germany. The decision to sign the agreement was made by G. Chancellor Schroder, who soon after finished his term and took a high-ranking position in a consortium responsible for building the pipeline. Such behavior of a former chancellor was regarded as scandal in many political circles in Germany and the EU and there were also suspicions that it was Schroder who benefited from that decision, and not the state<sup>25</sup>.

The main opponents of the German-Russian investment are the Baltic countries and Poland. The authorities of the Central East European countries tried to use their diplomatic methods to stop the construction of the pipeline or to delay it maximally. Most of those countries fear that as a result of this investment the Russian administration will get the chance

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<sup>25</sup> More in: P. Wróbel: Wpływ Rosji na współczesne bezpieczeństwo energetyczne Unii Europejskiej, <http://www.psz.pl/tekst-15734/Wplyw-Rosji-na-wspolczesne-bezpieczenstwo-energetyczne-Unii-Europejskiej/p.12> (updated: 18.01.2012).

to put pressure on them, threatening them with temporary reduction or cutting off gas supply (officially due to technical problems). Nowadays, due to the problems of protecting gas supplies to the “old” EU countries a long-term cut in supplies is highly unlikely, but cannot be completely excluded.

Polish authorities have justified concerns of the Nord Stream project, since they can see the possibility of stopping gas supplies through the *Yamal I* pipeline for political reasons when Nord Stream is open<sup>26</sup>. In Poland the credibility of Russian administration as far as gas supplies are concerned is doubtful because the Russians did not meet their obligation of building the pipeline *Yamal II*. The second section of Yamal-Europe pipeline running also through Poland was to be built by the end of 2001, later by 2010, but since Russia was involved in constructing the North Pipeline it was not even designed<sup>27</sup>. An alternative to the North Pipeline *Amber* which was to connect Western Europe to Russia, through Baltic countries and Poland, turned out to be a similar fiasco<sup>28</sup>. In addition, all alternative proposals of running Nord Stream through Poland were rejected by Russian authorities.

Scandinavian countries also expressed their disapproval of the Russian plans. Denmark warns against disturbing toxic materials dumped in the sea after World War II. The environmental problems which might arise due to the construction and exploitation of the pipeline were the reason for 30 thousand petitions from the EU citizens (mainly from Lithuania, Latvia and Estonia), which were sent to the European Parliament in 2007. Polish Euro representative M. Libicki presented a report to the European Parliament, which was intended to stop the pipeline project due to legal

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<sup>26</sup> The Yamal-Europe pipeline started to operate in November 1999. It is 2 thousand kilometers long and runs through Russia, Belarus, Poland and Germany. Within eight years of operation 173 billion m<sup>3</sup> of Russian gas was exported, and at the beginning of 2007 the pipeline reached its designed capacity of 33 billion m<sup>3</sup> of gas per annum.

<sup>27</sup> Jamał II przegrywa z Nord Stream, <http://www.money.pl/gospodarka/wiadomosci/artukul/jamal;ii;przegrywa;z;nord;stream,240,0,281584.html> (updated: 18.01.2012).

<sup>28</sup> The Amber pipeline was to run from Russia to Germany. It was to be an alternative to Nord Stream undertaken by: Poland, Lithuania, Latvia and Estonia, more in: R. Mickiewicz, Gaz nie morzem, a lądem, „Rzeczpospolita” 25.08.2007; A. Kublik, Gazociąg Amber utknął w Rydze, „Gazeta Wyborcza” 06.02.2008.

reasons, forcing German to withdraw their government guarantees granted for the project. The authors of the report summoned the EU council, European Commission and member countries to review the contracts as regards the conformity with the Union law. The document, however, was strictly political in nature and could only serve as a device to draw attention to the Russian-German plans.

### III. EU ACTIONS IN THE FACE OF „ENERGY POLITICS” OF THE RUSSIAN FEDERATION

Facing the rise of a gas cartel, the EU countries decided to intensify the efforts of the community to neutralize the threats related to the creation of another oligopoly in energy industry. The decision seems to be justified. It is noteworthy that even though there are many differences in perceiving the basic matters, such as, for example diversification of energy resources supplies (for Central East European countries diversification would mean decrease in dependence to import from Russia, where for Germany, France and Italy it would mean its increase) the EU passed a number of very significant resolutions defining directions and standards of cooperation in the electro-energy field within the Schengen area, as well as with third parties. The most important documents passed in the recent years (symbolic and formal examples of evolution of perceiving energy problems) are, among others: *Green Paper: Towards a European strategy for the security of energy supply* from 2000, *Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy* from 2006, *European Parliament Resolution on common foreign energy policy* from 2007, the so-called energy-climate protocol from 2007 (it took its final shape during the European Union summit in December 2008) and *Second Strategic Energy Review – European Union energy security and solidarity action plan* from 2008.

These documents, with their political and legal importance, have definite influence on the EU domestic affairs, and also should serve as a clear signal for Russian, other third countries. However, so far the EU actions,

despite the efforts of the EU establishment, have not made an impression on the Russian authorities

One must be skeptical as far as the effectiveness of the EU energy politics towards Russia is concerned, especially when we look at the results of the so-called energy dialogue between the EU and Russia (started in Paris on 30 October 2000)<sup>29</sup>.

We should remember that the main problem in the EU – Russia energy relations is the lack of ratification by the Russian authorities of the Energy Charter Treaty, though it was signed in 1994.

The signing of Energy Charter in Hague in December 1991 was the first attempt to civilize the European area with respect to energy resources. This political document assumed among other things establishing a competitive petrol, energy and energy services market, free and mutual access to energy markets for the signatories, access to energy resources and its commercial exploitation, without any discrimination, facilitating access to energy transport infrastructure for the international transit, supporting access to capital, legal guarantees for transferring profits, coordinating energy policies of the countries, mutual access to technological and economic data, separate negotiations for conditions for associated countries to meet the standards of the ECT. The document was signed by 46 countries, including Poland and European Communities' representatives. The Energy Chart was the platform for the Energy Charter Treaty signed on 17 December 1994 by EU member countries, Central-East European countries, former USSR countries, including the Russian Federation.

The goal of the treaty was promoting commercial energy cooperation encompassing trade and transit of resources no matter their origin, equality of domestic and foreign investors, safety of resource supplies and settling disputes. The treaty was compatible with the Union energy priorities. The document plays a vital part in shaping international energy relations and spreading Union standards across Eurasia. The treaty was ratified in

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<sup>29</sup> The first report of those groups of experts was presented at the EU-Russia summit in Brussels on 3 October 2001. The following reports were presented every year at one of the successive Russian-Union summits, more in: [www.europarl.europa.eu](http://www.europarl.europa.eu) (updated: 19.01.2012).

1998 by most of the signatory countries. From the European Community perspective the most important country which did not ratify the treaty is the Russian Federation. Its authorities questioned, among other things, the matters that concerned ensuring market conditions in international transit, the right to access the pipeline for the third countries and fixing transit fares (included in the so-called Transit Protocol). Considering the significance of that partner it was thought essential to particularize these matters. The negotiations started in 2000 and turned out to be a fiasco, since in 2002 the Russian representatives made the ratification dependant on the change of the Transit Protocol. Russian the so-called right of first refusal of access to the pipeline, clause it included regional economic organization matters and fixing transit fares. The right to access the pipeline in case of insufficient transmission capacity remained the subject of the dispute. According to the Russian Federation representatives this right should be owed to the first company in order, which had access before, while the European Commission thought it should be decided by the market that is the highest fare offer for the transit<sup>30</sup>.

The most likely cause of the lack of ratification of the Treaty and expected breakthrough in negotiations with the EU was the internal situation of the Russian Federation, determined by its new strategy of rebuilding international position. For Russian authorities export of resources from Russia became the main instrument in its politics. Even the foreign affairs minister S. Lawrow admitted that in the international community Russia has two allies: oil and gas. Using natural resources for political purposes is against the spirit of the ECT, which was intended for liberalization of property structure within the electro-energy field of the signatory countries. This document was supposed to facilitate the expansion of western (world) capital into the Russian resource market, weakening the state's control at the same time. This state of affairs could considerably limit the role of Russia a resource power. One should remember that the

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<sup>30</sup> [http://ec.europa.eu/energy/russia/joint\\_progress/index\\_en.htm](http://ec.europa.eu/energy/russia/joint_progress/index_en.htm). (updated: 18.01.2012); M. Kießner, Dialogue for Power? Energy relations between the European Union and Russia, [in:] *The future of European energy securit*, ed. L. Jesień, Kraków 2006, p. 132



treaty was negotiated in the first half of the 90's, when Russia suffered the effects of the fall of USSR, the time of Jelcyn' chaos and the fall of state structures. The chaos was stopped by W. Putin and his political associates when he became president<sup>31</sup>.

#### IV. CONCLUSION

One of the first tests for the Russian idea of regaining areas of influence and international position lost after the fall of USSR was the so-called *energy crisis* involving Ukraine in 2005/2006. The events were underestimated by a large number of the most influential EU countries. The second crisis was provoked on 1 January 2009 and lasted for over three weeks. At that time both the Ukrainians and Russians accused each other of procuring the situation. The Prime Minister W. Putin informed in the first two weeks of the crisis that it proves how necessary it is to build Nord Stream and for the EU to support this initiative. Then, he started repeating the thesis that the "indecisiveness" of the EU in that matter makes the Russians look for a supplying alternative, especially in the direction of Central Asia. In an interview given to a German TV station ARD Putin emphasized that if Nord Stream (North Pipeline) was not created, Europe would have less gas and it would be more expensive, due to problems with transit countries above all. Putin said that "In that situation Russia may turn to other markets – in the USA or the Far East" and he appealed to the EU: "Europe should send a clear signal not towards Russia, demanding the sale of gas of lower prices, but to Ukraine, so that it would act in a civilized way". Putin hoped that the Czech presidency in the European Union would be

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<sup>31</sup> Between 1975–1990 a KGB officer, at a post in DDR, administration worker in Sankt Petersburg between 1990–1996, administration worker of Russian president Borys Jelcyn between 1996–1998, director of FSS between 1998–1999, Prime Minister of Russia since 8 August 1999 till 7 May 2000, acting as president of Russia after Jelcyn's resignation since 31 December 1999, designated president of Russia on 16 March 2000, 14 March 2004 elected president again. He was the President until 7 May 2008. Since 8 May 2008 he was been Prime Minister of Russia. Since 4 March 2012 (second time) he has been the President of Russia.

favorable for building Nord Stream. It is essential to know that Gazprom plans to build a pipeline reaching the Pacific coast to get a chance of exporting resources to China, Japan and Korea. It also runs an investment of building a terminal for export of liquefied natural gas (LNG) in Sankt Petersburg, thanks to which it will be able to sell resources to the USA and Canada<sup>32</sup>.

The EU countries are practically at a loss in the face of Russian “gas politics”, they do not even try to create a solid block, which could change the stance of Russia with the use of diplomatic and economic means. Perhaps in this case a hypothesis could be proposed that the reasons for the crisis are political, not commercial. The actions of Germany and France which successfully discredit arguments of the heads of countries and governments from Central-East Europe are crucial. Both of these countries, from time to time demonstrate in public their very good relations with the Russian Federation. When we analyze the actions of Russian administration, the fears of Central-East Europe establishment concerning the situation where the EU becomes dependent on the powerful eastern partner are justified. What is more, the problems of these countries are topped with a number of political-economic affairs, which successfully fragment the EU. The “carrot and stick” approach and “salami tactics” seems to be very effective methods, tested by Russians in the USSR times towards the European powers. The French-German tandem is not even bothered by the cartel, or to be specific oligopoly politics of Russian Gazprom supported by political decision-makers (an example of this may be the Russian boycott of the European Energy Chart, basic document regulating the energy market in Europe)<sup>33</sup>. Because of its privileged position in the post soviet territories and unbreakable links with the RF authorities, Gazprom can realize a strategy dictated by short-term political matters towards the Central-East European and Balkan countries. The

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<sup>32</sup> A. Kublik, *Gazowy Kartel na Gwiazdkę*, „Gazeta Wyborcza”, 22.12.2008; Putin: Dzięki Gazociągowi Północnemu gaz stanie się dostępniejszy dla Europy, [http://gazownictwo.wnp.pl/putin-dzieki-gazociagowi-polnocnemu-gaz-stanie-sie-dostepniejszy-dla-europy,69727\\_1\\_0\\_0.html](http://gazownictwo.wnp.pl/putin-dzieki-gazociagowi-polnocnemu-gaz-stanie-sie-dostepniejszy-dla-europy,69727_1_0_0.html). (updated: 21.01.2012).

<sup>33</sup> European Energy Chart, <http://www.ukie.gov.pl/WWW/serce.nsf/0/2EE7A696F7A253C1C1256E7E003D98E7?Open&RestrictToCategory=> (updated: 21.01.2012).

actions of Gazprom consist in creating pipelines in such a way so that it could blackmail a given transit country when necessary. The examples of such transit projects favored by some “old” and “new” EU countries are: *Nord Stream*, *South Stream* and *Blue Stream*.

### Abstract

This article aims to describe the EU's dependence on import and also to a growing danger of impediments in supplies and lack of guarantee of stable prices. In time dependence on import of energy resources and its risks may lead to a disturbance in a stable economic development of the EU countries. At the same time the EU countries are more and more dependent on the import of oil and natural gas. The EU countries are practically at a loss in the face of Russian gas politics, they do not even try to create a solid block, which could change the stance of Russia with the use of diplomatic and economic means. Perhaps in this case a hypothesis could be proposed that the reasons for the crisis are political, not commercial. Germany and France from time to time demonstrate in public their very good relations with the Russian Federation.