

THE IMPORTANCE OF TRANSIT COUNTRIES IN ENSURING EU ENERGY SECURITY: THE CASE OF UKRAINE

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ABSTRACT

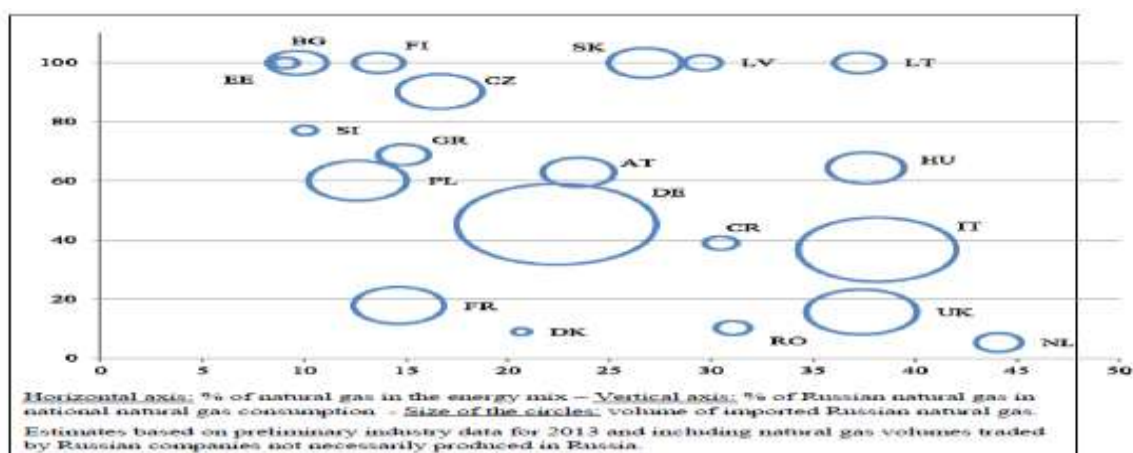
Energy security is one of the main components of national and international security; as a consequence its guarantee should be among the main objectives of states and international institutions. The main focus of policies and also of scientific researches has been mainly related to energy security in importing and exporting countries, leaving thus in a second plan the energy projects of transit countries. European Union countries are characterized from a high dependence from imported energy. Ensuring energy security must be a high priority for EU. The purpose of this article is to analyse the role and importance of energy transit countries in ensuring energy security in the EU. Given that the EU is highly dependent on imports of energy producing countries, mainly Russia, it is necessary for the EU to handle a particular priority diversification of energy sources. This article analyses the role of Ukraine as a transit country in ensuring EU energy security. The Ukraine crisis demonstrated the 'fragility' of EU to guarantee their energy security.

Keywords: Energy security, European Union, Ukraine.

ENERGY SECURITY IN THE EU AND ITS IMPORT DEPENDENCE

Energy security is one of the basic priorities of the EU, ranking the top of the European political agenda mainly in the period after the first Russia-Ukraine crisis in 2006. This crisis raised awareness in the EU regarding the potential and realistic threat in having a high dependency on energy imports from Russia. Despite the level of dependence on Russian energy sources vary from one country to another, from East to West this dependence is constantly rising, for Europe in general this is a problematic situation.

Figure 1: Dependency on Natural Gas Supplies from Russia



Source: European Commission (<http://ec.europa.eu/energy/>)

Stranded in this situation, the EU institutions and member countries began to reconsider their energy policies in order to increase the level of energy security, which is demonstrated by the European Commission's Green Paper of 2006, where was stated the need for "... speaking with a single voice on the international level"(EC, 2006, 14). Such an approach meant the need for unification of energy, where the energy market integration and diversification of sources was considered a necessary instrument in this regard. As noted in the European Commission's Communication of 2014, "the Ukraine Crisis with all its risks for security of supply demonstration once more what the EU stands to gain from well-integrated and well-connected energy markets with diversified supplies and solidarity in the face of crises" (EC, 2014, 3). Energy situation in Europe is characterized by a high dependence on imports. Only in 2013, the EU imported about 65% of the natural gas consumed in order to meet its demand, estimated at about 432 bcm (BP, 2014). According to forecasts, in 2035 it is expected that the EU's dependence on imports of natural gas to go up to 80% (EC, 2014).

The increased dependence is expected to have economic as well as geopolitical implications. EU dependence is characterized by access to a limited number of sources. In 2013, the EU imported about 40% of natural gas from Russia, 33% from Norway and 22% from Algeria and Libya (EC, 2014). According to the Commission, six EU member countries are 100% dependent on Russian natural gas sources, and six other countries have a dependency of over 50% (EC, 2014). These data demonstrate Russia's role and importance in the energy and economic sector of Europe. This role is also connected with geopolitical aspects.

Russia is among the leading producers of energy, thus being one of the leading actors in the energy market in general and in the gas market in particular. Russia has the biggest gas reserves and ranks second in production after USA. It is the leading exporter, with a volume of 170 to 200 bcm (BP, 2013). Russia has often used energy as an instrument in its foreign policy. "At this juncture in history, the fate of Europe is wound up not in ideas but in geopolitics... Armies are not marching; rather, hydrocarbons are flowing. For that is the modern face of Russian influence in Europe" (Kaplan & Chausovsky, 2014, 1). Despite the economic justification, the gas crisis between Russia and Ukraine in 2006 and 2009 were essentially a political issue. Via these actions, Russia is using energy as an imposing instrument on its foreign policy.

This is not something new for Russia, since it has often managed to combine through energy some elements of 'soft power' and 'hard power'. To maintain its influence in countries that were once part of the Soviet Union, Russia has applied elements of 'soft power' through financial and technical assistance, as well as through bilateral or multilateral agreements to supply them with electricity at low prices. Russia has made use of such an approach in its relations with Belarus. On the other hand, relations between Ukraine and Russia have mostly been characterized by elements of 'hard power'. The current situation in Ukraine is a demo example of such a thing.

RUSSIA–UKRAINE CRISIS AS EVIDENCE OF THE NECESSITY OF DIVERSIFICATION OF ENERGY SOURCES IN THE EU

Russia-Ukraine crisis and the issues in the Ukrainian energy sector have a direct impact in EU energy security. The Russia-Ukraine crisis brought to the attention of actors in the political, economic as well as academic field the importance of energy security, by ranking it at the top of their agendas. In response to Russia's aggression, the US and the EU imposed a series of economic sanctions against Russia, sanctions which affected to a large extent the

energy sector. This sector has a special significance for Russia, which exports most of its oil and gas into the European countries, since revenue from electricity exports occupies a significant portion of revenue in Russia's budget.

Ukraine plays a key role in this regard because about half of Russia's gas that is transported into the European market passes through its territory. This is one of the main reasons why the Russia-Ukraine conflict has a special importance for the EU. Implications of this conflict affect not only the macro level, the systemic and national level but they affect even the micro level, for it has a direct impact in the lifestyle of European citizens, who might be affected by the lack of energy sources, as well as by the price growth.

The gas issue is not something new in the Ukraine-Russia relations. This issue begins with the dissolution of the former Soviet Union. Due to geographical proximity, the Ukrainian pro-western policies, the possible NATO membership and the EU integration, are perceived as a threat to Russian interests and are seen as obstacles to its regional hegemony. "... a Ukraine outside the Russian sphere of influence transforms Russia into a purely defensive force, one with little hope of resisting pressure from anywhere. But a Russified Ukraine makes it possible for to project power outward, and to become a major regional – and potentially global – player" (Zeihan, 2009, 1). On one hand, Russia is interested in the economic benefits that come from transporting its gas through Ukraine to Europe; on the other hand Ukraine is interested in Russian gas since it is one of the main revenues of its economy.

In October 2014, Russia and Ukraine signed a new gas agreement for a 6-months period; negotiations for this were mediated by the EU. The period of signing this agreement had a special importance because it coincided with the approaching winter, a period in which gas demand reaches its peak. Thus, it was managed to overcome a potential crisis of gas supply to Ukraine as well as to other European countries. Despite this short-term solution, history and context testify to the necessity of finding long-term solutions for Ukraine and for the EU, since dependence on Russian gas remains very high and such a trend is likely to continue and for other decades to come. Given the importance of Ukraine, the EU should focus on reforming the inefficient and corrupt energy sector in Ukraine, as well as conduct assessments on the potential capability of using alternative energy sources in order to reduce its vulnerability to disruptions of gas by Russia (Verrastro & Ebinger, 2014).

The energy sector in Ukraine is characterized by a series of problems which have implications on the domestic and foreign developments. Monopolies created in the energy sector in this country have encouraged corruption of political elites, which have used the benefits that come from the transit of Russian gas to keep going their corrupt system for their personal gain. Given that energy has a direct impact on the Ukrainian economy and politics, but also in Europe's energy security, this system needs a systemic reform wherein are to be included price reforms, the creation of an independent regulatory body, the restructuring of state oil and gas monopoly, the improvement of investing conditions in the domestic energy production, the stabilization of gas supply and Russia's transit on the basis of international business standards (Chow, 2014). Pursuing an all-inclusive strategy, which should integrate the abovementioned elements as well as a direct assistance from the EU, will have a positive impact not only on the development of the Ukrainian energy sector but also in ensuring gas supply to the EU.

CONCLUSIONS

Today EU is one of the main markets of energy consumption and according to expectations demand will increase continuously in the next decades. Because of limited energy sources, EU countries are characterized by a high rate of dependence on external sources, mainly from Russia. Faced with this situation, EU countries have taken a number of steps to diversify energy sources as a major element in ensuring energy security. Developing integrated networks of gas and power supply throughout Europe, including the connection between pipelines, the interconnection lines and the increase of oil and natural gas storage capacity are seen as important steps in ensuring energy security.

The consequences of Ukrainian internal problems, such as high levels of corruption and Russian influence, should serve as lessons for the EU which should ensure this situation never to happen again with other Balkan countries, in which territories a series of gas pipeline are to be built. The latter will affect the level of energy security in the EU. The EU can achieve this by giving concrete guarantees about the prospect of EU integration of these countries, about financial aid and about technical assistance. On the other hand, Russia-Ukraine crisis clearly demonstrate the necessity of diversification of EU energy sources, where the Caspian region can play a very important role in this regard.

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