

# UA: UKRAINE ANALYTICA

Issue 2 (2), 2015

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## Politics vs Economics

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### Publisher:

Published by NGO "Promotion of Intercultural Cooperation" (Ukraine),  
Centre of International Studies (Ukraine),  
with the financial support of the  
Representation of the Friedrich Ebert  
Foundation in Ukraine.

UA: Ukraine Analytica is the first Ukrainian academic/analytical journal in English language on International Relations, Politics and Economics. The journal is aimed for experts, diplomats, academics, students interested in the international relations and Ukraine in particular.

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# POLITICS VS. ECONOMY IN EUROPEAN ENERGY AFFAIRS AND THE ROLE OF UKRAINE

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***The European energy market emerged primarily due to economic interests under the European Coal and Steel Community with politics overtaking only in 1973 because of the oil embargo. Politics in energy affairs has been prevailing on the EU agenda since 2007 after the "third energy package" was introduced and Ukraine played a significant role as a catalyst for progressive development. Since 2014, politics has been dominating energy sector development in the EU because of Russia's aggressive behaviour against both Ukraine and the Member-States.***

The EU started to influence the European energy sector in 1996 systematically with the first package of liberalization directives<sup>111</sup>. It has not yet introduced significant incentives for energy market development besides a higher degree of competition. The second package of liberalization directives followed in 2003 with a prolonged timeframe for its implementation and the aim to initiate unbundling as the instrument to counter energy monopolies. However, in 2007 the European Commission published a competition enquiry, claiming significant malfunctions of the energy legislation in force<sup>112</sup>. The above was a result of a very strong superiority of national political interests over general European energy market needs and the resistance towards a new paradigm — a customer-oriented approach versus energy monopolism.

Germany and France specifically were strongly against radical market changes, trying to protect their own big energy companies from losing their power on the market<sup>113</sup>.

In 2005-2006, the first large-scale gas crisis happened in Europe. Formally recognized as a price dispute, it started directly after V.Yuschenko became the President of Ukraine and announced clear messages about its integration into the EU and NATO. From March to December 2005, Russian pressure against Ukraine raised little doubts within the EU, because the latter traditionally perceived relations between both states as something internal, far away from the European interests. It has been one of the reasons for the still existing system of the long-term agreements between Russian and European companies on gas supply with

<sup>111</sup> Liberalisation of the electricity and gas markets. European Commission. April 2012, [[http://ec.europa.eu/competition/sectors/energy/overview\\_en.html](http://ec.europa.eu/competition/sectors/energy/overview_en.html), access: 02 November 2015]

<sup>112</sup> Commission threatens EU power giants. EurActiv, January, 2007, [<http://www.euractiv.com/energy/commission-threatens-eu-power-giants/article-160804>, access: 13 November 2015]

<sup>113</sup> Michael Glos, Minister of Economics and Technologies, Pressemitteilung, Juni 2007, [[http://www.consilium.europa.eu/uedocs/cms\\_data/docs/mailling/file374.PDF](http://www.consilium.europa.eu/uedocs/cms_data/docs/mailling/file374.PDF), access: 13 November 2015]

the delivery point at the western border of Ukraine, thus excluding it from legally binding documents on supply and transit.

Only the reduction of gas supply to several European companies in January 2006 slightly stirred the blood of western politicians<sup>114</sup>. Russian propaganda blamed Ukraine for illegal “gas siphoning” and was echoed by many western media, thus creating a negative image of an unreliable transit country. European politicians refused to conduct an open comprehensive investigation of this case and called only to immediate resolution. It helped Russia to insist on a higher price, the introduction of RosUkrEnergo intermediary for gas supply to Ukraine and disguising the blockade of gas transit from Central Asia to Europe. Price blackmailing became the constant Russian instrument to “divide and rule” in countries supplied by Gazprom.

The efforts of the European Commission to introduce updated energy regulations starting in September 2007<sup>115</sup> resulted in nearly two years of negotiations<sup>116</sup> and proceedings. Only the second “gas war” in January 2009 pushed top politicians from Member-States to a consolidated policy with regard to a more active campaign against energy monopolies and the creation of competitive energy market. The European Parliament and the Council of the European Union adopted the “third energy package” in July 2009 coming into force on 03 September 2009. However, its

implementation has not been completed so far despite several deadlines.

As a response to the Russian aggression against Ukraine in 2014, where gas blackmailing became an important instrument, the idea of Energy Union emerged<sup>117</sup>. Initiated by the Polish Prime Minister Donald Tusk as a mechanism of solidarity against Russian energy expansion, it has been changed already by European Commission to the new “envelope” for existing energy acquis<sup>118</sup>. Once again, the EU started discussions on the basis of medium-to-long-term development of the energy market instead of emergency talks about instruments for making its own stronger foreign energy policy under “single voice” umbrella.

### **European economic and political interests**

The EU aims to gain “secure, sustainable, competitive and affordable energy”<sup>119</sup>. Every effort of politicians is directed towards internal energy market and the achievement of “noble” political goals of climate and nature protection. External challenges in the form of an oil embargo in 1973, the above-mentioned “gas crisis” and the necessity to ensure energy imports have little effects on European foreign energy policy. The latter is subordinated to economic benefits of consumers and European business.

<sup>114</sup> Ukraine ‘stealing’ Europe’s gas, BBC, January 2006, [<http://news.bbc.co.uk/2/hi/europe/4574630.stm> , access: 14 November 2015]

<sup>115</sup> Energising Europe: A real market with secure supply. European Commission Press Release, September 2007, [[http://europa.eu/rapid/press-release\\_IP-07-1361\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-07-1361_en.htm?locale=en), access: 14 November 2015]

<sup>116</sup> Johann-Christian Pielow, Legal and economic aspects of ownership unbundling in the EU, *Journal of World Energy Law & Business*, Volume 2, Issue 2, February 2009, Pages 96 — 116.

<sup>117</sup> Piotr Buras, The Polish initiative for an energy union. European Council on Foreign Relations, May 2014, [[http://www.ecfr.eu/blog/entry/polish\\_initiative\\_for\\_an\\_energy\\_union](http://www.ecfr.eu/blog/entry/polish_initiative_for_an_energy_union), access: 14 November 2015]

<sup>118</sup> Energy Union package. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, 25 February 2015, p.4 [[http://ec.europa.eu/priorities/energy-union/docs/energyunion\\_en.pdf](http://ec.europa.eu/priorities/energy-union/docs/energyunion_en.pdf), access: 14 November 2015]

<sup>119</sup> *Ibid.*, p.2.



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***External challenges in the form of an oil embargo in 1973, the above-mentioned “gas crisis” and the necessity to ensure energy imports have little effects on European foreign energy policy***

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The EU institutions, in particular the Energy Commission, have been working on regulations in order to change the energy market and make it more consumer-friendly. This should be achieved through growing competition, access to different energy sources and diversification of suppliers and supply routes. Being an attractive marketplace in terms of effective demand, the EU considers every supplier around the globe to be interested in mutually profitable cooperation. As a result, it is used to rely on the USA for ensuring security on main maritime energy supply routes and refused to accept Russia as a threat for European energy security until 2014.

National governments of many western countries have been enjoying preferential relations with Russia in energy sector and often sought to find compromises in order to avoid hampering Russian interests. The most evident case is the German attitude towards the construction of a bypass pipeline “Nord stream” via the Baltic Sea after the “Orange Revolution” and the Memorandum of Understanding on co-operation in the field of energy between the European Union and Ukraine<sup>120</sup>, which has evidently been a damage to Ukraine and several EU Member States in Central Europe due to the reduction

of transit. Peculiar “economics” underlies the decisions of Finnish and German top officials to support the construction of “Nord stream” gas pipeline with the “Shroeder case” and the possibility of its reiteration by German socialists in 2017<sup>121</sup> after the eventual resignation of the acting Federal Chancellor.

Countries like Austria and the Netherlands have used to benefit from Russian investments and preferential energy cooperation for many years, thus remaining pro-Russian at least in compromises on sanctions. Slovakia and Hungary are still significantly dependent on Russia’s supplies of energy sources and try to keep an ongoing cooperation to reduce financial losses for their own energy companies. Reverse gas supplies cannot supplement the downturn of revenues after 2012.



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***European energy companies often served as effective lobbying structures for Russian interests in the EU, aiming to gain advantages in downstream and midstream of the energy supply chain***

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European energy companies often served as effective lobbying structures for Russian interests in the EU, aiming to gain advantages in downstream and midstream of the energy supply chain. Some German companies (Verbundnetz Gas AG, Wingas GmbH, Wintershall Erdgas Handelshaus GmbH & Co. KG) are joint ventures with Russian Gazprom and enjoy special terms and conditions for gas supply<sup>122</sup>.

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<sup>120</sup> Memorandum of Understanding on co-operation in the field of energy between the European Union and Ukraine, 01 December 2005, p.8 [[https://ec.europa.eu/energy/sites/ener/files/documents/2010\\_ukraine\\_mou.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/2010_ukraine_mou.pdf), access: 14 November 2015]

<sup>121</sup> Gabriel spielt in Moskau den Gerhard Schröder, (Gabriel plays in Moskau according to Gerhard Shroeder style), Die Welt, [<http://www.welt.de/politik/ausland/article148156440/Gabriel-spielt-in-Moskau-den-Gerhard-Schroeder.html>, access: 14 November]

<sup>122</sup> Gazprom ‘adjusts’ prices for selected European clients, EurActiv, Januar 2012, [<http://www.euractiv.com/energy/gazprom-adjusts-prices-selected-news-510253>, access: 14 November 2015]



## ***Despite the new Ukrainian legislation in gas sphere and external challenges, Ukrainian government failed to introduce state programmes on energy efficiency***

Even Sakhalin problems,<sup>123</sup> the delays of Stockman<sup>124</sup> field development and strong pressure on British Petroleum<sup>125</sup> have not cooled down the interests of European companies to cooperate with Russian state-owned energy counterparts.

Several European energy giants have often used a factor of social responsibility for politicians, claiming that losses are happening because of changes on energy market and threatening politicians with a huge reduction of workforces and destabilization of energy supply. They do not want to change their own development strategies and try to keep status quo in terms of their own energy mix and partners.

### **Ukraine — cooperation versus confrontation**

Despite two “gas wars” with Russia in 2006 and 2009, Ukraine started to reduce gas imports from Gazprom only in the late 2012 because of enormous pricing. However, it was only after the open military aggression that Ukrainian government changed its economic attitude for a political one with regard to gas imports, preferring supply from the EU Member-States despite higher

prices in the second quarter of 2015. It managed to play its political cards by using a combined strategy of request and offer in relations with the EU institutions and single national governments. United efforts opened three directions of reverse gas supply with annual volumes over 15 bcm. Starting from October 2015, Ukraine has been offering direct access to consumers for European gas suppliers. Since 2017, Ukrainian internal gas market will become completely liberalized, excluding Russian suppliers.

Nevertheless, the growing diversification from the European direction is still under the threat, because many politicians and oligarchs want to return to former opaque gas deals with Gazprom and to continue earning money on sold volumes and price differences. They are used to making populist statements and taking advantage of the acting government in unjustified pricing and tariff setting. However, the Ukrainian government makes mistakes regarding other issues.

Despite the new Ukrainian legislation in gas sphere and external challenges, Ukrainian government failed to introduce state programmes on energy efficiency<sup>126</sup> in order to build up preconditions for sustainable reduction of energy consumption in the future. The current fall in gas consumption was a preliminary result of a drop in industry demand. Raised gas prices for private households will affect consumption only during the heating period, because in summer time gas consumption is rather low.

<sup>123</sup> Shell cedes control of Sakhalin-2 as Kremlin exerts its iron fist, The Independent, September 2011, [<http://www.independent.co.uk/news/business/analysis-and-features/shell-cedes-control-of-sakhalin-2-as-kremlin-exerts-its-iron-fist-428157.html>], access: 14 November 2015]

<sup>124</sup> Gazprom's Shtokman Project: Relic of a Past Era, Jamestown, August 2012, [[http://www.jamestown.org/single/?tx\\_ttnews%5Btt\\_news%5D=39757&no\\_cache=1#.VkdPE\\_nhDIU](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=39757&no_cache=1#.VkdPE_nhDIU)], access: 14 November 2015]

<sup>125</sup> Rosneft takes over TNK-BP in \$55bn deal, The Guardian, March 2013, [<http://www.theguardian.com/business/2013/mar/21/rosneft-takes-over-tnk-bp>], access: 14 November 2015]

<sup>126</sup> Проект розпорядження Кабінету Міністрів України “Про затвердження Національного плану дій з енергоефективності на період до 2020 року” (Draft Decree of the Cabinet of Ministers of Ukraine “On approval of the National action plan for energy efficiency for the period until 2020”, [<http://sae.gov.ua/uk/activity/zakonoproektna-diyalnist>], access: 14 November 2015]

State programmes to support energy efficiency are inadequate in comparison to programmes of subsidies with nearly one billion UAH, spent on the first one (programme), while the latter accounts to over 25 billion only for 2015 and is expected to increase in coming years. The government does not want to introduce incentives in the form of monetized support with time-limited but close to zero or zero-interest rates instead of subsidies. Only in September 2015, private consumers eligible to subsidies were allowed to request 70% reimbursement for energy efficiency measures (thermal modernization and equipment), while authorized banks still experience problems with transactions from state budget to reimburse energy efficiency credits.

## Russia's game with energy supplies

After V. Putin came to power in Kremlin in 2000, energy sources and transport infrastructure have become an instrument for comprehensive offensive operations against independent states in neighbourhood and the EU Member-States. Utilizing energy assets for political purposes is a long-term strategy of V. Putin, as indicated in several documents and statements of Russian top officials:

- Energy Strategy of Russia: "Russia possesses huge energy resources deposits and powerful fuel energy complex, which is the base for development of its economy, an instrument of foreign and domestic policy implementation<sup>127</sup>";

- The following recommendations demonstrate the conceptual approach for an updated Energy strategy of Russia until 2030 (draft): «...main priorities of energy policy for concerned period are <...> effective deployment of Russian energy potential with regard to international economic and political relations <...>, ensuring geopolitical and geo-economic interests of Russia in Europe and neighbouring countries, as well as in Asian-Pacific region»<sup>128</sup>.
- Now, while Russia formulates the basic provisions of the Energy strategy until 2035, an additional dimension of the external energy policy is revealed: «Russia, as a responsible state, considers external energy policy not from the exporter's narrow point of view intended to maximize short-term revenues, but as a tool to solve both national and global problems»<sup>129</sup>.

The above makes it evident that Russia has used primary gas supply as an instrument to keep control over Ukraine. It became possible because of the two main factors — opaque gas negotiations with top officials involvement from both Russian and Ukrainian sides and corruption.

Russia has been deploying energy supply as the leverage for political pressure against Ukraine since late 1990s. For instance, it requested Ukraine to prolong the leasing for Russian Black Sea fleet in the Crimea until 2017 and 2042 in exchange for restructuring of the so-called "gas debts" in 1997<sup>130</sup> and 2010 respectively. In 2014,

<sup>127</sup> Энергетическая стратегия России на период до 2020 года (Energy Strategy of Russia till 2020), May 2003, p.4

<sup>128</sup> Energy Strategy of the RF Concept till 2030 (project). Institute of the Energy Strategy. [<http://www.energystrategy.ru/editions/concept.htm>, access: 14 November 2015]

<sup>129</sup> Энергетическая стратегия России на период до 2035 года (проект) (Energy Strategy of Russia for the period till 2035) (draft). Institute of the Energy Strategy. [[http://www.energystrategy.ru/ab\\_ins/source/ES-2035\\_03\\_2014.pdf](http://www.energystrategy.ru/ab_ins/source/ES-2035_03_2014.pdf), access: 14 November 2015]

<sup>130</sup> Подолати корупцію — означає подолати її в газовій сфері. З іншими різновидами буде легше (To counter corruption means to do it in the gas sector at first. It will be easier to repeat successfully with other kinds of corruption), Dzerkalo Tyzhnia (Weekly Mirror), December 2014, [[http://gazeta.ua/articles/events-journal/\\_podolati-korupciyu-oznachaye-podolati-yiyi-v-gazovij-sferi-z-inshimi-riznovidami-bude-legshe/589670?mobile=true](http://gazeta.ua/articles/events-journal/_podolati-korupciyu-oznachaye-podolati-yiyi-v-gazovij-sferi-z-inshimi-riznovidami-bude-legshe/589670?mobile=true), access: 14 November 2015]



Russia's instruments of offensive energy aggression were enhanced by diversion acts on main gas pipelines in Ivano-Frankivsk and Poltava<sup>131</sup> regions, damage and capture of coal mines in Donbass, destruction of transportation infrastructure and electricity generation enterprises along the confrontation line<sup>132</sup>.

Russia has gained better political results in Belarus, Armenia and Moldova than in Ukraine. Belarus sold to Gazprom its gas transportation system in two tranches in 2007 and 2011<sup>133</sup> in order to keep moderate prices on Russian gas after facing strong pressure and threat of gas cut off. Armenia followed the same route in 1997 and 2013<sup>134</sup>, the last 20% of stocks were sold after the rapid turnover from association agreement with the EU to Eurasian Union. Sometime before, Kremlin intensified pressure on Armenia to force it to abandon closer cooperation with the EU, in particular, by threatening with 60% increase of gas prices<sup>135</sup>.

Moldova has accepted dominance of Gazprom (51%) in Moldova-gaz since its creation in 1999. Since that time, the Russian monopolist has threatened numerously to cut off gas because of debts, made by the self-proclaimed Transnistrian Republic, not paying for the gas consumed, but receiving it directly from Russia. Decreasing export volumes and revenues prevented Gazprom from introducing gas leverage against Moldova in 2014 after signing the association agreement with the

EU and full-scale Russian involvement into conflict with Ukraine. In 2015, the situation is coming to an end with little progress of Moldova in terms of the EU integration, several corruption scandals and political instability, which also might delay serious gas blockade. Moreover, Kremlin's aggression toward Moldova is limited, because the main pipeline goes through the self-proclaimed Transnistria and in case of emergency, it might become a victim too.

Georgia faced a full-scale energy blockade from Russia in winter 2006. Sabotage acts on electricity lines and gas cut-offs were used together with political pressure. Since that time, the main source of gas comes from Azerbaijan, while Russia is dependent on Georgia because of the gas pipeline to Armenia and pays for transit of up to 300 mln m<sup>3</sup> of gas annually. During the confrontation in August 2008, Russia threatened transit pipelines from Azerbaijan via Georgia to Turkey, which resulted in a two weeks shutdown. The supply of gas and oil to Turkey was affected; hereby the oil pipeline Baku-Tbilisi-Ceyhan exploded the day before the aggression because of a hacker attack<sup>136</sup>. The explosions on a hydrocarbon infrastructure also occurred during the negotiations about the Turkish stream pipeline, after Turkey clearly insisting on price reduction before any concrete agreement on the mentioned project could be signed. It has been put on hold so far.

The most evident approval of Russian politically motivated approach toward

<sup>131</sup> Ukraine Suspects Terrorism in Pipeline Explosion, NY Times, June 2014, [<http://www.nytimes.com/2014/06/18/world/europe/ukraine-suspects-terrorism-in-pipeline-explosion.html>, access: 14 November 2015]

<sup>132</sup> Centrengo power station damaged by shelling in Donbas, July 2015, [<http://www.fixygen.ua/rs/companies-reviews/20086/>, access: 14 November 2015]

<sup>133</sup> Beltransgas, history of the company, official website [<http://www.btg.by/about/history/>, access: 14 November 2015]

<sup>134</sup> Armgazprom, history of the company, official website, [<http://armenia.gazprom.ru/about/history/>, access: 14 November 2015]

<sup>135</sup> Armenia in the Custom Union, New Eastern Europe, [<http://www.neweasterneurope.eu/subscribe-now/20-eastern-europe-50/854-armenia-in-the-custom-union>, access: 14 November 2015]

<sup>136</sup> U.S. Intelligence: Russia Sabotaged BTC Pipeline Ahead Of 2008 Georgia War, Eurasianet, [<http://www.eurasianet.org/node/71291>, access: 14 November 2015]

energy exports is a comparison of gas prices for different countries of the EU in 2013<sup>137</sup>. For instance, Slovakia, being a transit country for Austria, paid at least 50 USD more (than Austria), Poland, transiting via Yamal-Europe pipeline gas to Germany, paid about 150 USD more than Germany.

Kremlin waged politically motivated restrictions of energy supplies to Baltic States in 2004, encroaching on refineries privatization, against the Czech Republic, trying to prevent the deployment of NATO anti-missile shield in 2008<sup>138</sup> and to, Slovakia, Austria, Poland, and Germany with the aim to stop reverse supply to Ukraine in 2014.

Russian “carrot” style approach brought more in terms of political success and personal enrichment of V.Putin’s nearest circle of politicians in Duma and top managers of Gazprom, Rosneft, etc. In February 2003, Gazprom started to deliver gas to Turkey via Blue stream, the newly constructed maritime gas pipeline through the Black Sea. However, as pipeline construction started at the beginning of 2001, a large-scale bribery scandal<sup>139</sup> threatened the entire project and engulfed several top-officials, making it evident that apart from gas, Russia also exports corruption. Corruption, political advantages and private interests underlie the construction of the Nord stream pipeline via the Baltic Sea with Gerhard Shroeder, appointed evidently according to “casus foederis” as a Chairman of the Nord Stream Shareholders’ Committee<sup>140</sup>.

## Conclusions

The above-mentioned makes it evident that the EU, Ukraine and other neighbouring countries consider energy sector as an important tool for economic benefits both of national and private dimension. Even the EU, as the global economic power, does not have political ambitions and instruments to play an active foreign energy policy aiming to enlarge its own presence and secure its interests, including “hard power” similar to the USA.

Russia has very ambitious goals and little respect to internationally acknowledged principles of relations with counterparts. Given the lack of economic advantages, V. Putin has chosen the way of compulsion to reintegrate countries of the so-called “Soviet space” and punish the West for destruction and ignorance of Moscow’s “super power”.

Having no chances in regular economic or military confrontation, it has started a long-term strategy to destroy the EU, playing with differences and spreading corruption. Energy sector with its large-scale financial turnover and significance for every country becomes the core instrument to “poison” Europeans, “divide and rule” by abusing democratic rights and freedoms.

Post-Soviet space has had little attention from the EU for a long time, which allowed Russia to initiate and “freeze” local conflicts in many neighbouring countries. Energy dependency was used for gaining political

<sup>137</sup> Gazprom Isn't Being Run By Evil Geniuses, It's Being Run By The Keystone Cops, Forbes International, February, 2013, [<http://www.forbes.com/sites/markadomanis/2013/02/20/gazprom-isnt-being-run-by-evil-geniuses-its-being-run-by-the-keystone-cops/>], access: 14 November 2015]

<sup>138</sup> Czechs See Oil Flow Fall and Suspect Russian Ire on Missile System, NY Times, July 2008, [[http://www.nytimes.com/2008/07/12/world/europe/12czech.html?\\_r=0](http://www.nytimes.com/2008/07/12/world/europe/12czech.html?_r=0)], access: 14 November 2015]

<sup>139</sup> Prosecutors widens corruption probe to the Blue Stream project, Hurriyet Daily News, April 2001, [<http://www.hurriyetedailynews.com/prosecutors-widens-corruption-probe-to-the-blue-stream-project.aspx?pageID=438&n=-prosecutors-widens-corruption-probe-to-the-blue-stream-project-2001-05-04>], access: 14 November 2015]

<sup>140</sup> Our Management, Nord Stream AG, Gerhard Schröder, [<http://www.nord-stream.com/about-us/our-management/>], access: 14 November 2015]



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***Starting an open military confrontation against Ukraine, V. Putin intensified European efforts toward more energy efficiency and saving, the development of renewables and cooperation with new suppliers***

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advantages and control over foreign policy of Belarus and Armenia. It is still considered by V. Putin as a core precondition to keep supervision over Moldova, Georgia and Ukraine, as all these countries remain energy intensive and import dependent.

Starting an open military confrontation against Ukraine, V. Putin intensified European efforts toward more energy efficiency and saving, the development of renewables and cooperation with new suppliers. However, the expansion of the Nord stream can erode unity within the EU and threaten the development of single energy market. Russia tries to target two main European drivers, using “carrot” for Germany, which is concerned by the growing costs of “Energiewende” and “sticks” for France, supporting right and left wings of Eurosceptic parties.

The EU might face a large-scale reduction of energy supplies during the next heating period to multiply negative consequences and worsen security. The EU Member-States should be ready to gain control not only over their domestic critical infrastructure, but also over main maritime routes and pipelines, in particular from the Southern Supply Corridor (North Africa, Middle East), including the help of military means.

The reduction of energy intensity in Ukraine’s economics and private households

should become a core priority for the next 5-10 years, as it is the cheapest way to strengthen energy security of the country and ensure the competitiveness of industries. The second precondition is the shift from short-term priorities of state budget balancing by taxing hydrocarbon production to incentive reduction of rent payments in order to increase domestic output. Both elements should become a unified comprehensive approach for the next years. Growing tensions and conflicts on the energy supply routes together with Russian aggressive behaviour make this strategy inevitable for Ukraine, as it needs to survive as an independent state.

Therefore, Ukraine will most likely prefer a rather political than economic approach toward energy policy and security in coming years, which is needed to push forward reforms and damage interests of oligarchic financial and industry groups. In its external energy policy, Ukraine is forced to have a stronger dialogue with both European and Russian counterparts. The achieved diversification results have an important role to gain affordable prices for energy and to demand changes in long-term contracts with European companies towards the eastern border.

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Issue 2 (2), 2015