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Wolfram Hinz/Rafał Ulatowski (Ed.)

Bonner Studien zum globalen Wandel

Energy Policy in Europe

Internal Dimensions and External Perspectives

Tectum

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Prof. Dr. Wolfram Hilz

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Rafał Ulatowski
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1 Introduction

Wolfram Hilz / Rafał Ulatowski

After two decades of rather moderate interest in energy issues on the part of international relations scholars, the number of publications in this area began to grow again in the early 21st century.¹ The reasons for this were a number of changes in the energy market, of which four can be singled out as most important: First, the price of crude oil – the most important energy resource – began to rise, fueled by rising demand and decreasing spare capacity, achieving a record level in the summer of 2008. After a short interlude during the financial crisis of 2008-2009, the price of crude stabilized at a very high level of approximately 100 USD per barrel, up until 2014, when it collapsed.² Second, the competition among the great powers for access to energy resources increased. Especially China³ and In-

¹ See Van de Graaf, Thijs, Sovacool, Benjamin K., Ghosh, Arunabha, Kern, Florian & Klare, Michael: States, Markets, and Institutions: Integrating International Political Economy and Global Energy Politics, in: Van de Graaf, Thijs, Sovacool, Benjamin K., Ghosh, Arunabha, Kern, Florian & Klare, Michael (eds.): *The Palgrave Handbook of the International Political Economy of Energy*, Basingstoke, 2016, pp. 6-7.

² See Stocker, Marc, Baffes, John, Some, Y. Modeste, Vorisek, Dana & Wheeler, Collette M.: *The 2014–16 Oil Price Collapse in Retrospect. Sources and Implications*, World Bank Group, Policy Research Working Paper 8419, 2018.

³ See Zweig David & Jianhai, Bi: China's Global Hunt for Energy, in: *Foreign Affairs*, Vol. 84, No. 5, 2005, pp. 25-38; Myers Jaffe, Amy & Lewis, Steven W.: Beijing's Oil Diplomacy, in: *Survival Global Politics and Strategy*, Vol. 44, Issue 1, 2002, pp. 115-134.

dia⁴, but also other newly industrialized countries, developed their energy diplomacy and started searching for access to energy resources all over the world, undercutting the position of the established powers; the possibility of a “resource war” scenario was discussed.⁵ Third, the second biggest exporter of energy resources, Russia, started to develop its energy diplomacy by trying to transform resource wealth into political power.⁶ For European countries, the repeating gas conflicts between Russia and Ukraine became a nightmare as physical access to contracted gas became problematic. The question of the effectiveness of Russia’s “energy weapon” became only too clear.⁷ Finally, the impact of climate change on energy policy became a hot topic in international politics. The energy sector is the largest producer of greenhouse gases. Transforming it toward a greater use of renewables is expected, and this will have significant economic and geopolitical consequences.⁸

New research trends are currently under way. First, theoretical plurality has increased. Although most scholars do their research within the school of political realism, an increasing number of authors are engaged in energy research, and belong to the school of liberalism or constructivism. Another major feature of the current literature is a growing interest in international organizations. For decades, only OPEC and IEA attracted the interest of scholars, whereas today, ASEAN, NAFTA, Mercosur and, most importantly, the European Union, are seen as important actors. The exact number of

⁴ See Gurjar, Sankalp: India-Africa Oil Partnership in the New Millennium, *India Quarterly*, in: *A Journal of international Affairs*, Vol. 74, Issue 2, 2018, pp. 197-214.

⁵ Klare, Michael: *Resource Wars: the New Landscape of Global Conflict*, New York, 2001.

⁶ See Monaghan, Andrew: Russia’s Energy Diplomacy: A Political Idea Lacking a Strategy?, in: *Southeast European and Black Sea Studies*, Vol. 7, Issue 2, 2007, pp. 275-288; Chun, Hongchan: Russia’s Energy Diplomacy toward Europe and Northeast Asia: a comparative Study, in: *Asia Europe Journal*, Vol. 7, Issue 2, 2009, pp. 327-343.

⁷ See Smith Stegen, Karen: Deconstructing the “Energy Weapon”: Russia’s threat to Europe as Case Study, in: *Energy Policy*, Vol. 39, Issue 10, 2011, pp. 6505-6513; Schmidt-Felzmann, Anke: EU Member States’ Energy Relations with Russia: Conflicting Approaches to Securing Natural Gas Supplies, in: *Geopolitics*, Vol. 16, Issue 3, 2011, pp. 574-599.

⁸ See Green, Jemma & Newman, Peter: Disruptive Innovation, stranded Assets and Forecasting: the Rise and Rise of renewable Energy, in: *Journal of Sustainable Finance & Investment*, Volume 7, Issue 2, 2017, pp. 169-187.

organisations dealing with energy in international relations is unknown, but estimates range from 6⁹ to 128¹⁰. Also, the relationships between them within Global Energy Governance (GEG) receive increasing attention.¹¹

In recent decades, the EU has gained importance in the field of energy policy. At first it concentrated on creating a single market for energy goods and services, but subsequently started to develop as an important player on the international energy market, building institutions, promoting norms and supporting the liberal market on the one hand, but later also becoming more of a “realist” actor interested in improving its own energy security. Moreover, the EU’s climate policy strongly affects its energy policy, driving a transformation from fossil fuels to renewables.¹²

Nevertheless, there are still some research gaps remaining to be closed: 1) Comparative studies on various aspects of the energy policies of EU member states, especially those that include the “new” member states; 2) the consequences of market developments and international agreements on the energy policies of EU member states and the EU as a whole, where the two most important issues are the shale revolution in the United States and the Paris Agreement; 3) the consequences of geopolitical changes for the energy order: Russia has officially declared “the liberal idea” to be “obsolete”¹³ and China is promoting the Belt and Road Initiative – the

⁹ See Kérébel Cécile & Keppler, Jan Horst: *La gouvernance mondiale de l'énergie*. IFRI: Paris.

¹⁰ See Sanderink, Lisa; Kristensen, Kristian; Widerberg, Oscar & Pattberg, Philipp: *Mapping the Institutional Architecture of Global Energy Governance*, IVM Institute for Environmental Studies Report, No. R-18/02, 2018, available at: https://ivm.vu.nl/en/Images/R1802_TechReport_Energy_tcm234893218.pdf (15 June 2019).

¹¹ See Van de Graaf, Thijs & Colgan, Jeff: *Global Energy Governance: A Review and Research Agenda*, in: Palgrave Communications, No. 2, 2016.

¹² See Prontera, Andrea: *The New Politics of Energy Security in the European Union and Beyond: States, Markets, Institutions*, Abingdon and New York, 2017; Szulecki, Kacper (ed.): *Energy Security in Europe. Divergent Perceptions and Policy Challenges*, Cham 2018; Godzimirski, Jakub M. (ed.): *New Political Economy of Energy in Europe. Power to Project, Power to Adapt*, Cham 2019.

¹³ Putin, Vladimir: *All this Fuss about Spies.... it is not Worth serious Interstate Relations*, in: *Financial Times*, 27 June 2019, available at: <https://www.ft.com/content/878d2344-98f0-11e9-9573-ee5cbb98ed36> (15 July 2019).

biggest geo-economic plan since the Marshall Plan.¹⁴ At the same time, OPEC members increasingly cooperate with producers outside the organization, limiting market competition. Thus, the liberal international order faces multiple challenges. The United States and Europe are finding it increasingly difficult to find a common position on numerous international issues¹⁵, and energy is one of them. What the consequences of this trend will be is difficult to assess today, but there is no doubt that many EU members are dissatisfied with this development and will work hard to counter it. Looking at the energy sector, it is visible that for some EU members the energy abundance of the United States is an important incentive for keeping transatlantic relations strong.

The goal of this publication is to contribute to the ongoing discussion on energy in international relations, closing some of the above mentioned research gaps with papers covering different aspects of EU energy policy. The analysis focuses on the national perspectives of three EU members – Germany, France and Poland – as well as on the perspective of the EU as a whole. It also discusses a wide variety of internal EU energy issues, and the role of the EU on the global stage.¹⁶

In the first chapter of this volume, Wolfram Hilz focuses on the “Energy Union”, which the Juncker Commission launched at the very beginning of its term in 2014. He analyzes the chances for realisation of this ambitious project inside the EU. Due to high structural hurdles consisting of controversial national energy interests and decreasing willingness to search for compromises, Wolfram Hilz argues that the preconditions for a true “Energy Union” are still missing. In this respect the positive self-assessment of the Commissions progress 2019 is misleading. Hubertus Bardt and Florian Engels provide critical analyses of French and German energy regulatory structures with a special focus on the vulnerability

¹⁴ See Yu, Hong: Motivation behind China’s ‘One Belt, One Road’ Initiatives and Establishment of the Asian Infrastructure Investment Bank, in: *Journal of Contemporary China*, Vol. 26, Issue 105, 2017, pp. 353-368.

¹⁵ See Mearsheimer, John J.: Bound to Fail. The Rise and Fall of the Liberal International Order, in: *International Security*, Vol. 43, No. 4, 2019, pp. 7-50.

¹⁶ The authors employ a theoretical and methodological pluralism in order to provide a broader, deeper and more holistic picture of the place of Europe on the contemporary energy market.

of system transition. Evaluating the cornerstones of the German *Energiewende*, Hubertus Bardt draws attention to the economic dimension of energy transition from a fossil fuelled electricity system to one based on renewable energy sources. He surveys system challenges and discusses a range of aspects that make it possible to shape the design of the future regulatory framework of the electricity market. The article written by Florian Engels sets the stage by explaining what obstacles for the implementation of the French energy transition can be found and how the nuclear energy sector has been powerful in shaping French energy policy. He discusses the complex interdependence between energy security and environmental concerns by showing inherent target dilemmas in this field. The contribution of Rafał Ulatowski illustrates a further national perspective in the EU. He offers key insights on Poland's energy security discourse with regard to the changing structure of world energy landscape resulting from the new discovery of hydrocarbon resources and the increasing exploitation of shale gas. He argues that the shale revolution opened up new opportunities for Warsaw and promises success for other European energy-dependent countries to ensure diversification and energy independence from Russian gas. Timo Karl addresses the EU's climate policy, in particular by examining the European Climate Framework 2030 from different theoretical perspectives in order to reveal the decision-making processes in this context. Using Intergovernmental and Multi-Level-Game approaches, he discusses the interconnection and interdependence between the international UNFCCC scope and the climate and energy politics of the EU. He takes a closer look at different models of interaction and discusses the challenges of negotiation processes.

Finally, Maciej Raś, Shushanik Minasyan and Rafał Ulatowski complete this book by providing thorough analysis of the challenges faced by the external dimension of European energy policy. Maciej Raś deals with the relation between Russia and the EU which is largely impacted by energy policy. In his article, he addresses the Russian perception of energy security and energy cooperation with European partners. He argues that Russian energy discourse focuses on the resurrection of its great power status which negatively affect the country's reliability and generate risks for EU member states. The author concludes that the prospect of increased gas production in the United States, together with the development of the European

energy union, could significantly increase European ‘energy sovereignty’. Shushanik Minasyan concentrates on the role of the Caspian region as an alternative player in the European energy market. She examines the prospects and opportunities of this energy dialogue and explains that the cooperation with Iran and Turkmenistan is crucial for the European energy diversification strategy. In the final contribution, Rafał Ulatowski analyzes the EU-OPEC energy dialogue in the context of Global Energy Governance (GEG) and provides an overview of processes and the evolution of EU-OPEC relations. He argues that bilateral relations between the EU and OPEC have developed considerably, but that there is some room to make this cooperation an important element of GEG regime and to foster an inter-institutional cooperation.

The volume is the result of a conference that took place in October 2018 at the University of Bonn, organized by Wolfram Hilz and Rafał Ulatowski generously supported by the DAAD program “Ostpartnerschaften” and the University of Bonn. A special thanks goes to Mark Offermann and Julia Trautner who were helpful in editing these proceedings.

2 The “Energy Union“: Fixed Goal or Open Process?

Wolfram Hilz

1 Introduction

In the 1950s, the energy resources coal and nuclear energy were closely linked to both economic reconstruction and the start of European integration along with its vision for a flourishing future of Europe. Although the struggle for a common solution in energy policies was important in the early phase of integration, the founding members did not follow up on those issues after the successful start of the first integration communities (ECSC, EEC, Euratom) at the end of the 1950s. This is all the more surprising taking into account the continuously existential dependence on secure access to energy sources for the dynamically developing economies in Western Europe.

In the beginning of the 1950s, the main mobilization tool for the founding fathers Jean Monnet, Robert Schuman and Konrad Adenauer for stabilizing common interests was the competition for the contested coal reserves. In contrast, the widely differing assessment of nuclear energy by the six members of the European Coal and Steel Community (ECSC) rather divides than unifies: the French solicitation for a nuclear community did not lead to an integrational push that would have gone beyond the founding of Euratom. The almost complete vanishing of common energy politics as a part of the European Community’s unifying interests in times of heavy energy shocks during the 1970s or in times of regained courage to