

The Creation of an Energy Security Society as a Way to Decrease Securitization Levels between the European Union and Russia in Energy Trade

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Abstract

The energy trade between the European Union and Russia is securitized due to a combination of factors. First, there are securitizing agents within the European Union. Second, the domestic consolidation of the energy sector under governmental control, the Gazprom monopoly on transportation networks linking Central Asian gas with European markets and the state imposed-limits on foreign direct investment may also raise concerns in the European Union. Finally, Russia is also securitizing the energy sphere by claiming that the EU is trying to impose its values on Russia (for example through the Energy Charter Treaty), which contradicts Russian interests. This article combines securitization theory and the English School of thought and argues that the creation of an Energy Security Society could help de-securitize energy trade between the European Union and Russia.

Keywords

EU-Russian energy dialogue; Energy security; Common energy policy; NABUCCO; South Stream

THIS ARTICLE COMBINES SECURITIZATION THEORY AND THE ENGLISH SCHOOL OF thought and argues that the creation of the Energy Security Society could help to de-securitize energy trade between the European Union and Russia. The central concept of the English School is 'international society', which is 'established by dialogue and common rules and institutions for the conduct of their relations, and recognizes their common interest in maintaining these arrangements' (Buzan 2004: 9). Each society has specific characteristics which differ from one society to another. The societies of states are not formed by natural reasons or from necessity (for example, alliance in case of threat to security), but because the members of the society share the same norms and values (Brown 2001). The European Union could be regarded as a good example of an international society: it is a group of states which share an understanding of political and economic principles and which have developed a set of norms to protect and regulate these principles through a network of intergovernmental institutions.

However, in terms of regional energy security the integrity of the European Union as the 'international society' is challenged by 'close security interdependence' (Buzan *et al.* 2003: 43) between individual member states and the energy producers (including Russia)

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situated outside EU borders, which means that their interests are not protected by the shared rules and institutions of the European Union. Moreover, there is no comprehensive international agreement that would regulate energy trade between Russia and the EU, since trade is still regulated by the power politics of the international system. As a result, the high levels of dependence on Russian supplies, the negative history of supply interruptions and Russian ambitions to regain the status of a regional power, facilitate the securitization of energy trade, which makes it very difficult to develop mutually beneficial energy dialogue. In order to overcome these difficulties, the European international society should be expanded to include Russia. If Russian interests would be considered, Moscow would not have to promote them on a bilateral level.

Structurally, the article is divided into three sections: the first is devoted to the analysis of the reasons for the securitization process; the second demonstrates the negative consequences of securitization, using the example of two competing pipelines (the South Stream and NABUCCO); and the third section proposes the steps that could lead towards the creation of an Energy Security Society.

The securitization of energy trade between the European Union and Russia

In order to understand how such an Energy Security Society could be constructed, it is important to begin with an analysis of the existing problem of securitization and its consequences. It is difficult to argue that energy trade between Russia and the European Union could be described as a purely economic issue. Uninterrupted energy supplies are crucially important for the industrial development of the member states of the European Union, which makes energy security an important part of national security for the EU members. Energy relations with Russia have specific problems contributing to the securitization process. The high levels of interdependence in energy trade are one of the main pre-conditions for the securitization of energy trade between the EU and Russia. According to European Commission data, Russia supplies Europe with 34 per cent of oil imports and 40.8 per cent of natural gas. In both cases Russia is the biggest importer of fossil fuels to the European Union. Some experts expect this share to grow significantly in the very near future. For instance, D. Finon and C. Locatelli write that the share of Russian gas imports could reach 50 per cent by 2020 (Finon *et al.* 2008: 424). But this high level of dependence on Russian energy supplies is not the only reason for securitization of energy trade.

Karin M. Fierke defines securitization as the extreme point of politicization (Fierke 2007: 111). The Copenhagen School explains the securitization process as the construction of a threat to the security of a state or a group of states (McDonald 2008: 69). The authors of the book *Security: A New Framework for Analysis* have stated that 'any public issue can be located on the spectrum ranging from non-politicized (state does not deal with it) through politicized (the issue is part of public policy, requiring government decision) to securitized (meaning the issue is presented as an existential threat, requiring emergency measures)' (Buzan *et al.* 1998: 23-24). In the case of EU–Russian energy trade, the high level of dependence on Russian energy supplies is the main pre-condition of securitization. But high dependence per se does not justify the securitization process. The individual actors (some of the member-states and Russia) are presenting the energy trade as an issue of security for different reasons, which could be divided as follows: the actual concerns about energy security caused by previous supply interruptions; the domestic political dynamics in Russia; and the lack of trust between the European Union and Russia.

Securitization of energy trade within the European Union

The former EU Commissioner for Trade, Peter Mandelson, once said that '[t]he incoherence of European policy towards Russia over much of the last decade has been, frankly, alarming. No other country reveals our differences as does Russia' (Mandelson 2008). The different attitudes towards Russia within the European Union due to different levels of dependence on Russia and the different histories with Russia also contribute to the securitization process. When talking about the high level of dependence of the European Union on Russian energy sources, it is important to remember that not all member states are equally dependent on Russia in this sense. There are seven member states who are 100 per cent dependent on Russian oil and gas supplies and another six dependent on around 50 per cent. However, overall Russia provides only around 40 per cent of overall EU energy consumption (Leal-Arcas 2009: 351). Andreas Goldthau divided European consumers into two groups on the basis of their dependence levels on Russian energy supplies. The first is 'old' Europe, which is less dependent on Russia and imports less than half to no energy resources from Russia (Germany is the biggest consumer in this group with a 46 per cent import share); the second group is made up of the so-called 'new' European states, which are almost 100 per cent dependent on Russian supplies, for instance, the Baltic Republics or Poland and the Czech Republic, who import around two-thirds of their supplies from Russia (Goldthau 2008: 687). The second group includes some states that have a difficult history of relations with Russia, which sometimes contributes to the securitization process.

Historical Connotations of the Securitization process within the European Union

Columba Peoples and Nick Vaughan-Williams write that it is easier to present an issue as a threat 'where history of hostile sentiments exist' (Peoples and Vaughan-Williams 2010: 79). For instance, Poland often argues that the Kremlin tries to regain the status of a Great Power using the so called 'energy weapon'. This vision of Russia is caused by high levels of dependence by the majority of the new member states on Russian energy supplies and by the experience of energy cutoffs exercised by Russia since the early 1990s. Even though for a long time Russia was considered to be a reliable supplier of energy resources and the question of energy dependence on Russia was not that crucial for the European Union, the situation changed after a number of transit rows with the transit states (Ukraine and Belarus) in 2006, 2007 and 2009. The energy shortfalls due to price disagreements demonstrated the vulnerability of the EU due to its high levels of dependence on energy imports. However, for some of the new member states energy cutoffs have not been something completely new. Estonia, Latvia and Lithuania had already faced energy supply interruptions during the winter of 1992 to 1993. Russia explained these cutoffs as being the result of the refusal of these countries to pay world prices for energy supplies in hard currency. However, some researchers (for instance Keith Smith) argue that the real reason for the cutoffs was a Russian attempt to prevent policy change in the Baltic States (Smith 2004: v).

In order to protect their own energy security, Poland and the Baltic States are promoting quite defensive energy policies toward Russia. For instance, in 2007 Warsaw vetoed the negotiations on the new Partnership and Cooperation agreement between the EU and Russia because Moscow refused to ratify the Energy Charter Treaty and to sign the Transit Protocol (Morozov 2008: 141). This example demonstrates how some of the new member states try to bring energy trade to the political and security agenda of the European Union. The Baltic States and Poland have historically formed negative perceptions of Moscow and tend to view Russia as a threat to their national security, including energy trade. However, occasionally the attempts of these states to securitize energy trade with Russia are caused not by objective reasons or even by a difficult history of relations with Russia, but by the desire to achieve their own national interests.

Securitization as a way to get personal benefits

Sometimes some of the players escalate the securitization process in order to prioritize specific issues and reach some personal goals. The Copenhagen School defines securitization as 'the negotiation of security act between the securitizer and the audience' (Buzan *et al.* 1998: 26). Ole Waever suggested that security is a speech act. The issue becomes one of security, not necessarily because a real existential threat exists but because the issue is presented as such a threat, because only an extraordinary situation may require extraordinary measures (Collins 2007:61). Sometimes individual member states are covering their own interests with the idea of collective energy security needs. This idea can be illustrated using the example of the Nord Stream pipeline project,¹ which was described by Poland as the new pact of Molotov-Ribbentrop (Gilbert 2009: 131). Polish criticism was based on such reasons as questions of environmental security in the Baltic Sea, the lack of control from the transit states over the energy flow, which can increase the risk of energy cuts from Russia, and potential complications to the development of common energy policy within the EU, amongst others (Gilbert 2009). However, some of the experts are quite sceptical of the real reasons for Polish negativity towards the Nord Stream pipeline. For instance, Dr. Fraser Cameron believes that in reality Warsaw did not want Russia to prioritize the Nord Stream over the traditional overland pipeline, which was supposed to go through Polish territory, and consequently to lose the fees from the transit of Russian gas through the Polish territory.

The section above demonstrates that there is a lack of solidarity within the EU with regards to the development of relations with Russia. This inconsistency of energy policy towards Russia allows the separate member states to escalate the securitization process either due to historically formed problems in relations with Moscow, or in order to gain specific benefits out of the securitization of energy trade. However, it is difficult to say that Russia is completely innocent in this sense. In the context of energy trade between Russia and the European Union, Moscow is also a securitizing agent. Due to the complexity of the domestic political and economic situation, the Kremlin also puts a special emphasis on energy security issues.

Russia as the securitizing agent

During the first decade after the collapse of the Soviet Union, Russia went through the process of decentralization of political power: the prestige of the government within and outside Russia had been undermined; the level of quality of life in Russia declined (32 per cent began to live on incomes below the poverty threshold) and the unemployment rate increased (in the 1990s, 14 million people lost their jobs) (Shevtsova 2007: 27-28). The difficult situation within the country was associated with the unpopular political and economic reforms of Yeltsin's government. When Putin came into power in the early 2000s he promised to stabilize the domestic economic and political situation as well as to return the status of a great power to Russia in the international arena. Putin considered energy resources to be one of the main advantages of the Russian Federation that could be used to achieve the aims mentioned above. For these reasons, energy policy was a priority for the Russian government as it could guarantee political security. Political security is defined by Buzan as, 'relatively stable institutionalization of authority' (Buzan 1998: 143). Vladimir Putin saw the revenues from energy sales as a way to ensure economic and political stability within Russia, which in his understanding required the consolidation of the energy sector under governmental control.

¹ The Nord Stream (NS) pipeline goes under the Baltic Sea. The NS aims to connect Russia and Germany by bypassing transit states. The NS is expected to have an annual capacity of 55 billion cubic meters.

The consolidation of the energy sector under the control of the Russian government as the securitizing factor

In Russia there is a close connection between political power and the energy sector. For instance, 51 per cent of the largest gas producing company (Gazprom) belongs to the state. Gazprom is not only Russia's largest producer of natural gas, but also the owner of the world's biggest gas pipelines network, which connects Europe with Central Asian and Caspian States. The monopoly of Gazprom for trade and transportation of Russian gas is secured by Russian legislation. In July 2006 State Duma of the Russian Federation passed the law on gas export, which gives Gazprom the undivided rights for the export of gas. For this reason, Gazprom's export policy is sometimes interpreted 'in the larger context of Russian foreign policy' (Finon *et al.* 2008: 426), which is aimed at limiting the ability of the European Union to diversify gas supplies by importing natural gas from Central Asia and the Caspian region (Ibid).

Another problematic topic in relations between Russia and the European Union is the guarantees of the security of foreign direct investment in Russia. Putin's administration was orientated towards 'establishing a dominant role of the Russian state in key sectors, including the scrutiny of foreign firms in these sectors' (Crane *et al.* 2010: 117). The energy sector is one of the key strategic industries in Russia. According to the Law on Foreign Investment in Strategic Sectors (approved in May 2008) any foreign investment into this industry has to be authorized by Russian authorities, which usually takes a lot of time. Russian legislation often requires joint ownership of shares in companies and projects involved in the development of the energy sector (Crane *et al.* 2010: 117-118). Moreover, foreign investors have to compete with state subsidized enterprises. As a result only large companies such as Shell or BP are able to invest in the Russian energy sector. Considering the desire of Russian companies to invest in the energy sectors of some of the European states (at the moment Gazprom owns equity stakes in Finland, Germany, Greece, Poland, Hungary etc.) (Liuhto *et al.* 2003: 139), Brussels is concerned that the growing share on the European market of state controlled companies such as Gazprom may give the Russian state the leverage to achieve political goals. The situation became even more complicated when Russia denounced its participation in the Energy Charter Treaty in 2009.

The tensions around the Energy Charter Treaty as a securitizing factor

The idea of developing an international treaty on energy trade first appeared in the European Council in 1990. The treaty was intended to serve as a political and legal foundation for cooperation in the energy sector. The Energy Charter Treaty (ECT) was signed in 1994 and is a legally binding multilateral agreement (Haghighi 2007: 188). The Energy Charter Treaty is based on five main elements (ECT 1994): the protection of foreign investment on the basis of national or the most favoured nation treatment and protection from non-commercial risks; the energy materials, products and energy-related equipment trade on the basis of the WTO regulations; the provision for reliable cross-border transit of energy products; the resolution of conflicts between participating states, or between investors and host states; and the promotion of energy efficiency in order to minimize the negative environmental consequences. Russia signed the treaty but never ratified it. Moreover, in 2009 the Russian government denounced its intention to participate in the Energy Charter Treaty.

The main point of contradiction in the Energy Charter Treaty was the transit protocol, which obliges signatory states to provide access to their transport routes (ECT 1994). Russia did not want to lose control over the pipeline network which connects Central Asian gas with the European market. Russian leaders argued that the Energy Charter Treaty focused only on the interests of the energy consumers, and it was not beneficial for

energy producers and transit states to participate in it. Moreover, the Energy Charter Treaty proved itself to be invalid during the energy crises mentioned earlier. For instance, the Ukraine signed and ratified the Energy Charter Treaty and transit protocol, but it did not prevent Ukrainian officials from stealing gas destined for Europe. The Russian decision to denounce its participation in the Energy Charter Treaty was criticized by the European Union. Finon and Locatelli write that this decision by the Russian state demonstrates that 'Russia had moved towards a model of traditional power, deployed diplomacy backed by force to reassert its influence in its "near abroad", and was determined to use its energy resources to exert geopolitical influence' (Finon *et al.* 2008: 425). In order to understand the complexity of Russia's decision, it is important to differentiate the meaning of the Energy Charter Treaty for the European Union and for Russia.

The Energy Charter Treaty as a mechanism of external governance and its perception by Russia

In order to explain the European understanding of the purposes of the Energy Charter Treaty, this article uses the concept of external governance proposed by Sandra Lavenex. She writes that when the achievement of internal goals of the EU requires the participation of the third party countries then Brussels may decide to take external action which may 'bind third party countries to the fulfillment of these internal policy goals' (Lavenex 2004: 681). This external action may involve the promotion of European values and rules outside of EU borders, such as external governance. There are different models of this governance, for example hierarchical, network and market. Hierarchical governance is based on 'the vertical relationship between the "rulers" and the "ruled" when influence is exerted in asymmetric manner' (Lavenex 2009: 797). In network mode actors are formally equal (Lavenex 2009: 798), and in market mode 'outcomes are the result of competition between formally autonomous actors' (Lavenex 2009: 799). For the European Union the Energy Charter Treaty was supposed to be the mechanism of external governance, such as the promotion of market rules in the energy sector. The European Union intended to assist the Mediterranean and Eastern European countries in adaptation of principles and standards of a market economy as well as achieving modernization of the energy sector in order to 'progressively become full, important and equal players in the European Union's internal gas and electricity markets' (Lavenex 2004: 693).

The current Russian government has a different perception of the Energy Charter Treaty. In Russia the Treaty is associated with the period of political weakness when Russia was supposed to accept the rules of the game imposed from the outside, which did not take into consideration Russian interests and needs. At the same time, the current government presents Russia as the stronger player, which would never agree to the provisions of the Energy Charter or any other international agreement that would contradict Russian interests (Rahr 2008: 316-317). For 'new' Russia it is a question of prestige and recognition. It is part of Russian political security to be recognized as an equal partner rather than an inferior actor forced to follow somebody else's rules. Using the language of the Copenhagen School of thought, the importance to be recognized as a strong actor is a question of political-societal security, for instance the justified reason for securitization (Buzan *et al.* 1998: 141-145).

To sum up, the securitization of energy trade between Russia and the European Union is a complex process caused by different factors, starting from high levels of dependence and negative history of supply networks to the personal motives of individual securitizing agents. Vladimir Putin and his government have put energy security on the top of the Russian security agenda because of the importance of the energy sector for the development of the Russian economy, which in turn is supposed to guarantee the popularity and support of the current regime. At the same time, Russia is trying to regain

the status of a great power internationally and uses the energy supply as a way of 'playing with the muscles', by denouncement of participation in the Energy Charter Treaty, the Kremlin wants to demonstrate that the 'new' Russia is a strong actor that is not going to agree to unfavorable conditions. At the same time, some of the EU member states are contributing to the securitization process by covering their interests under the needs of European energy security. As a result, the politicized context of the energy trade complicates the fulfillment of mutually beneficial projects due to the unnecessary security considerations. The example of two competing pipeline projects (the South Stream and NABUCCO) can illustrate this point.

The consequences of energy trade securitization: the examples of NABUCCO and the South Stream Pipeline Projects

The competition of two pipeline projects, the South Stream and NABUCCO, demonstrates the negative consequences of the securitization of energy trade. Due to the high levels of securitization it seems to be difficult for the European Union to prioritize these projects in terms of their potential contribution to supply diversification. By concentrating on the threat of further increase of the Russian share in the European energy market, some of the critics of the South Stream project are overlooking the benefits of the project for European energy security. Before moving on to the analysis of the competition of these two pipelines it is important to describe both projects briefly.

The NABUCCO project

The idea of a 3300 km long pipeline construction which would connect European customers with gas fields in Iran was first proposed by the Austrian company OMV in the late 1990s. NABUCCO would transport gas from the Caspian region via Turkey to Bulgaria, Romania, Hungary and Austria. The construction should begin in 2011 and finish in 2014. NABUCCO will cost around 5 billion Euros and have a capacity of 31 billion cubic meters (bcm) per year (Nanay 2010: 126).

The main problem with this project is the uncertainty about the possible suppliers. Azerbaijan is only able to provide 10 to 12 bcm per year, which is insufficient (Nanay 2010: 126). According to the original plan, the rest of the gas was supposed to come from Iran, but considering the current intense situation around Iran this is not likely. At the moment investors consider Central Asian states to be potential suppliers (Simonov 2007: 203). This may also include Iraq or Egypt (Socor 2008: 1). This uncertainty creates the risk that there could be no gas to pump through the pipeline. Moreover, the recent announcement made by Baku that Azerbaijan has delayed the beginning of the Shah-Deniz gas field development at the Caspian Sea until 2016 instead of 2014 creates additional concerns about the gas supplies for the NABUCCO project (New Europe 2010).

The South Stream Project

Looking at the Russian project, the South Stream pipeline planned to go under the Black Sea to supply Russian gas to Bulgaria and further to Italy and Austria. At the moment, seven states apart from Russia are involved in the South Stream pipeline project: Croatia, Bulgaria, Serbia, Hungary, Greece, Slovenia and Austria. In the next couple of months Gazprom is planning to finish negotiations with France about the French power group EDF's participation in the project (Filatova 2010). The South Stream is more expensive than NABUCCO, with an estimated cost of around 10 billion Euros. However, it is important to mention that the total cost of NABUCCO depends on the potential suppliers. At the

moment it is difficult to say who will provide the rest of the gas apart from Azerbaijan, but the construction of one or several additional pipelines to connect new suppliers with Europe would definitely increase the cost of NABUCCO.

The competition between the two projects is a complex game. Russia is being blamed for high-levels of governmental interference in the South Stream project. The pipeline is often represented by Vladimir Putin, who is using the lack of solidarity to sign bilateral agreements with countries along the planned NABUCCO route (Socor 2008: 1). Recently Putin visited several EU member states, including Italy and Austria. The majority of his visits are related to discussions about the South Stream project. In this sense the level of governmental interference is higher than compared to NABUCCO. In official interviews Vladimir Putin emphasises that Russia is not threatened by NABUCCO and is not going to sabotage the competing project. However, this is not totally true. The pipeline from Azerbaijan to Europe, bypassing Russian territory, does indeed interfere with Russian interests because it would reduce its share of the European energy market. But it is important not to exaggerate the potential threat to Russia from NABUCCO. At the moment it is still not clear who will produce the rest of the gas required. To start construction without signing any contracts with energy producers is a risky and expensive enterprise (Simonov 2007: 203).

Moreover, it is important to answer the question of whether the competition between South Stream and NABUCCO actually threatens European Energy Security. Austria, Bulgaria and Hungary (the states involved in both projects) argue that there is no conflict between these projects, since both pipelines will contribute to supply diversification. It is argued that these two projects have two different aims. NABUCCO is aimed to connect Azerbaijan and Central Asian gas with Europe, bypassing Russia. At the same time, the South Stream and Nord Stream intend to reduce dependence on the transit states. 95 per cent of Russian gas supplies transit through the territory of at least one country before reaching consumers in Europe. This creates transit risks for both Russia and Europe (Spanjer 2007: 2891). The transit rows with Ukraine in 2006, 2008 and 2009 resulted in gas cutoffs to EU customers. The South Stream would help to avoid such disruptions of supplies in the future.

To sum it up, the example of two competing pipeline projects demonstrates the negative consequences of securitization of energy trade. The context of confrontation and unclear vision of the EU on which project is more important for energy security gives Russia an opportunity to use bilateral relations to promote its interests. Connecting the securitization theory with the ideas of the English school of thought, it is possible to say that the securitization of energy trade between Russia and the European Union became possible because Russia and all the EU member states are operating by the rules of the international system. Considering that Russia denounced its participation in the Energy Charter Treaty, there is no international legal framework that would be able to regulate the energy trade between the two sides. As a result power politics are dominating the energy relations between Russia and the European Union. In this sense the creation of an Energy Security Society may help to overcome the difficulties created by the securitization process.

An Energy Security Society: definition and implementation

Pami Aalto proposed the following definition of an Energy Security Society as 'a group of states that have established common rules and institutions for the conduct of their mutual energy relations with a firm interest in maintaining these arrangements' (Aalto 2010: 161). This society shares three main principles, namely markets and competition, security of supplies and sustainability. Ideally this society should include not only energy consumers,

but also energy producers and the transit states (Ibid). This section focuses on the steps which should be taken in order to construct an Energy Security Society. In order to connect the idea of the potential positive impact of an Energy Security Society for de-securitization of energy trade, these steps are linked to the securitization problems listed in the first part of the article.

De-securitization within the European Union

As was mentioned above, one of the major difficulties in relation to Russia within the European Union is the different perspectives of different member states on the development of energy policy towards Russia. The lack of solidarity within the European Union contributes both to the securitization process and allows Russia to secure deals on a bilateral level which are not always beneficial for the European Union as a whole. For these reasons, the development of a Common Energy Policy would be the first step towards the development of an Energy Security Society, because this would mean the existence of common values and interests shared and accepted by all the member states – the essential factors for the creation of an international society according to the leading theorists of the English School (Little 2000; Bellamy 2005; Buzan 2004). If the European states would overcome the contradictions in the field of energy security, develop common principles and priorities in external energy relations and delegate the authority over energy trade to the EU institutions, it would, without doubt, benefit the energy security of the European Union. If the EU is able to 'speak with a single voice' it would be extremely difficult for either Russia or any other third party to undermine common EU interests by securing deals on a bilateral level with individual member states (see the example of competition of the NABUCCO and South Stream pipeline projects). However, the Common Energy Policy per se would not sort out all the problems that exist in EU-Russian energy trade. The specifics of the Russian domestic political situation should be taken into consideration. If a common energy policy would focus only on the security of supplies, it would fail to harmonize relations with Russia in the same way as the Energy Charter Treaty. The Kremlin would consider this policy to be another way to impose European rules without taking into consideration Russian interests, and the example of the Third Energy Package could illustrate this point.

The defensive nature of the Third Energy Package

European officials are already working on formulating common principles of a European energy policy. At the moment the Common Energy Policy aims to achieve the following: 'A European Energy Policy will firmly commit the European Union to a low consumption economy based on more secure, more competitive and more sustainable energy. Priority energy objectives involve ensuring the smooth functioning of the internal market in energy, security of strategic supply, concrete reductions in greenhouse gas emissions caused by the production or consumption of energy and the EU's ability to speak with a single voice on the international stage' (European Commission 2007). To put it simply, the EU is aiming to unify the internal market and acknowledges the importance of diversification of supplies by developing renewable energy sources. This communication also demonstrates the intention of the EU to coordinate relations with the energy producers. These provisions are known as the Third Energy Package, which is supposed to ensure the energy security of the European Union. However, at the moment it is difficult to say that the new provisions would improve relations with Russia. The Third Energy Package requires energy producers to liberalize access to oil and gas transportation networks and to allow third parties to get access to pipelines. Russia opposes these requirements for the same reasons the Kremlin refused to sign the Transit Protocol, as Russia does not want the third parties to have access to its transportation networks. Russia

already tries to find a way to be exempt from the non-beneficial provisions of new European energy market regulations, and most probably the Kremlin would continue to secure its interests on a bilateral level. For instance, according to the representative of German Ministry of Economics Russia already reached an agreement with Germany that within German territory different branches of Gazprom would be responsible for the sale and transportation of Russian gas. This indicates that Russia would continue to secure deals on a bilateral level.

The vision of Russia as a threat to energy security pushes EU member states to develop a common energy policy to restrain Russian ambitions to control Europe via energy sales. However, the defensive nature of a common energy policy would not help to overcome the difficulties in the energy trade between the two partners. The development of the Common Energy Policy would definitely be a step towards the construction of a European Energy Security Society. However, the lesson of the failure of the Energy Charter Treaty demonstrates that an Energy Security Society with the focus on the security of supplies would not be able to resolve the problems in energy relations between the EU and Russia. The defensive nature of the international society would leave Russia outside of its borders and the relations between Russia and the EU would still be regulated by the power politics of the international system. Ideally, to avoid this, the European Union needs to develop some of the aspects the Third Energy Package further and to indicate its intentions to move from a hierarchical mode of external governance to a network one.

A network model of external governance as a way to include Russia in an Energy Security Society

It was mentioned earlier how it is important for Russia to be accepted as an equal partner, both in order to de-securitize the relations with Russia and at the same time to include it into an Energy Security Society. Coming back to the discussion of different modes of external governance, the European Union should demonstrate the shift towards network governance, where 'actors have equal rights and that no party can bind the other party to a measure without the latter's consent' (Lavenex 2009: 797). Little writes about 'the endless debates that take place in the international arena as statesmen try to reach agreement about the nature of the problems they are confronting. But any agreement achieved necessarily involves language and often the creation of new language' (Little 2000: 396). Coming back to our discussion, it is important for EU and Russian officials to adapt 'their language', or in other words to find compromise in order to create an Energy Security Society. For instance, Pami Aalto suggests that Brussels needs to ease the requirement for market liberalization in Russia and to accept the Gazprom monopoly on the Russian energy market (Aalto 2010: 177).

Of course, Russia needs to compromise as well to reduce the levels of securitization in its energy relations with the EU. The way to go would be to open the energy sector for foreign investors. This would allow Russia to solve some of the problems both internally and in the energy trade. First of all, to keep the high volumes of supplies Russia needs to invest a lot in the development of new oil and gas fields and the construction of new pipelines. It is almost impossible to support such a demanding sector without private investors. If Russia would let foreign investors participate in some of the projects it would be able to get essential money to increase the productivity of the energy sector and improve its image in the European Union. It is important for Russia to keep its share of the European market or even to increase it. For this to be possible, Russia should be viewed as a reliable and close ally in the EU. However, at the moment the situation is the opposite, since Russia is perceived as a potential threat to energy security in a number of EU member states. This results in the development of various projects of supply diversification. If European customers could be involved in the development of new

energy fields in Russia or pipeline projects it would help to rebuild trust between Russia and the European Union. Recently, Russian experts have begun to realize this. For instance, Konstantin Simonov said that Russia would invite more foreign investors in future (Simonov 2010). Finally, it is important to develop a coherent international legal framework, which would protect the interests of both energy consumers and energy producers.

An international agreement as the last step towards an Energy Security Society

The relations between Russia and the European Union are so complicated because the majority of the problems are addressed on a bilateral level. The mechanisms of regulation of trade between the EU as a whole are either non-existent or very weak. In the 1990s, the Energy Charter Treaty was supposed to be such a mechanism. The main elements of the Energy Charter Treaty included the main principles of the Energy Security Society formulated by Pami Aalto, namely free market, energy sustainability and security of supplies. Hypothetically, the Energy Charter Treaty was supposed to ensure energy security for energy producers and the transit states, as well as for energy consumers. The reason why the Energy Charter Treaty failed to regulate relations between Russia and the EU is that the treaty was developed to protect the interests and values of energy consumers. The role of Russia as an energy producer was to guarantee this security. At the same time, the security of demand was overlooked. As a result the treaty not only failed to facilitate cooperation, but became another point of contradiction. The Energy Charter Treaty proved to be ineffective in regulating the energy trade between Russia and the European Union because it was imposing the norms and values beneficial for the energy security of the European Union.

However, the development of an international agreement, which would regulate energy trade among all the sides involved, is extremely important. It could be considered as the final step in the creation of an Energy Security Society, which would guarantee the protection of interests of both energy producers and energy consumers. In 2009 Russian President Dmitry Medvedev proposed the incentive to develop a new treaty beneficial for the EU, Russia and the transit states (Lo 2009). However, Brussels does not support the idea of the development of a new treaty. The representative of DG Energy in the European Commission said that, 'More than fifty states signed the Treaty and for this reason it would be more rational to upgrade the Energy Charter Treaty rather than to develop the entirely new treaty' (DG Energy 2011). This position is shared by the majority of the EU member states. For instance, the representative of the Ministry of Economics of Germany said, 'that Germany supports the initiative of the European Commission to continue cooperation with Russia on the Energy Charter Treaty' (German Ministry of Economics 2011). In case the European Union does not want to develop a new agreement, the Energy Charter Treaty needs to be amended to accommodate the interests of Russia. Moreover, the development of EU–Russian energy dialogue created in 2000 could contribute to further strengthening of the Energy Security Society. Some experts argue that the progress of this dialogue is rather limited and 'the member states rather than the EU still play the dominant role vis-à-vis Russia' (Finon *et al.* 2008: 427) However, the European Commission gives positive feedback on the recent development of the dialogue and expresses hope for future improvement of its effectiveness (DG Energy 2011). The amendments to the Energy Charter Treaty and the further development of EU–Russia energy dialogue would create legal and institutional grounds of Energy Security Society.

Conclusion

When looking at the energy trade between Russia and the European Union from the perspective of the English School, the European Union could be described as an international society uniting a group of states with a shared identity and understanding of norms, rules and values, as well as a system of supra-national institutions (Buzan 2001: 475). The society does not exist in isolation from the rest of the world and has to communicate with the units outside of its borders. And these relations with third party countries are still going to be regulated by the rules of the power politics of the international system. The case of energy trade with Russia is even more complicated due to the securitization process initiated by some individual member states as well as by Russia itself.

This article divided the factors contributing to the securitization process into three main groups. First, there are securitizing agents within the European Union. Different member states have different reasons to present Russian energy policy as an existential threat. For the Baltic states, these reasons may be based on previous experience of energy cutoffs by Russia and negative consequences of these cutoffs. Second, the domestic consolidation of the energy sector under governmental control, the Gazprom monopoly on transportation networks linking Central Asian gas with European markets and the state imposed limits on foreign direct investment may also raise concerns in the European Union with regards to the possibility that the Kremlin will use energy supplies as a political weapon (Goldthau 2008: 686). This gives the EU a reason to take exceptional measures for supply diversification. Finally, Russia is also securitizing the energy sphere by claiming that the EU is trying to impose its values on Russia (for example through the Energy Charter Treaty), which contradicts Russian interests.

The negative consequences of these securitizing factors could be demonstrated by the example of the competition between the South Stream and NABUCCO pipelines. These two projects should not be considered as competing because they have different aims. According to Gazprom's representative the South Stream project would help the EU to reduce transit related risks of Russian supplies, and NABUCCO would bring new producers on the European market (Gazprom 2010). However, at the moment some of the actors within the EU present the South Stream as a threat to supply diversification. In order to harmonize the situation, this article supports the idea of creation of an Energy Security Society, which was proposed by Pami Aalto. In order for the Energy Security Society to help the de-securitization of energy trade it should consider the factors which caused securitization. This could be achieved by following these steps. First, the development of a Common Energy Policy would help the EU to overcome the internal differences in attitude towards Russia and to prevent any possibility of manipulation of security threats as a way to prioritize national interests over the interests of the European Union as a whole. At the same time the Common Energy Policy should not be defensive in its nature. Ideally, the Common Energy Policy should consider the issues of extreme importance for the energy producers (such as transportation networks for Russia) to exclude the possibility of the third party countries securing bilateral deals with individual member states. Second, the article suggests that if Russia invites more foreign investors into its energy sector it may help to restore trust in Russia as an energy producer and reduce the levels of securitization. Third, in order to protect the interests of energy producers and energy consumers, the Energy Charter Treaty needs to be amended in such a way that the rules are not going to be exported from the European Union in a hierarchical fashion, but would be mutually developed by equal partners (Lavenex 2009: 798).

The combination of these steps would help to minimize the factors contributing to the securitization process and move towards the creation of an Energy Security Society, where

the trade between Russia and the European Union would be based on shared norms and values.

Interviews

- (1) Cameron, F., Director of EU-Russia Centre, interviewed on 16 February 2011 in Brussels.
- (2) Representative of the DG Energy, European Commission, interviewed on 15 February 2011.
- (3) Gazprom representative, interviewed on 7 April 2010 in Moscow.
- (4) Simonov, K., Director General of National Energy Security Fund, interviewed on 8 April 2010 in Moscow.
- (5) Representative of the German Ministry of Economy, interviewed on 20 May 2011.

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