

The Energy Crisis: Eastern and South-Eastern Europe between EU's Green policies and Russia's supply limitations

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The webinar offered a regional overview of the energy supply crisis and alternative solutions, with a focus on the energy transition and the complete transformation of the energy system that uses fossil fuels as the main source.

Keynote Speakers:

- **Ana Otilia NUȚU**, Policy analyst on Energy and Infrastructure at Expert Forum, EU coordinator of the Eastern Partnership Civil Society Forum (EaP CSF), consultant for the World Bank on Public Administration reform, Romania;
- **Natalia A. PISKULOVA**, Professor, Chair of International Economic Relations and Foreign Economic Affairs, School of Government and International Affairs, Moscow State Institute of International Relations (MGIMO University), Russian Federation;
- **Victoria ROȘA**, International Relations expert, member of the Foreign Policy Association (APE), Security and Defence/ EU Affairs Adviser to the Moldovan Prime-minister, Republic of Moldova;
- **Nevena ŠEKARIĆ STOJANOVIĆ**, PhD candidate at the University of Belgrade, and Research Associate at the Institute of International Politics and Economics in Belgrade, Republic of Serbia.

Moderator: Ana-Maria ANGHELESCU, PhD candidate at the National University of Political Studies and Public Administration (SNSPA), Romania.

Host: Professor Liliana POPESCU, Vice-Rector for International Relations, SNSPA, Romania.

The energy supply stalemate of the EU, Eastern and South-Eastern Europe and Russia

Considering **Ana Otilia Nuțu's** perspective, even though what we are now experiencing is not unprecedented in terms of disturbances of the energy market, we are witnessing now a peculiar energy crisis caused by two main "actors": the pandemic and Gazprom.

The COVID-19 pandemic has brought a historical low energy demand in 2020 because many industrial areas were severely affected or shut down completely. In opposition to last year's significant drop in energy demand, this year, there has been an enhancement of our energy needs. This shift happened due to two main factors - the economic recovery and an unforeseen colder spring - both accelerating residential and industrial energy consumption. As a result, the prices of gas, electricity etc. are rising, as we are currently facing a peak demand with a limited energy reserve.

Gazprom has been trying to find solutions to completely bypass the Ukrainian transit and is using the energy crisis caused by the pandemic as a baseline to "blackmail" Europe into approving the

Nord Stream 2 pipeline. The already unstable gas prices, heavily influenced by Russia for example, through transit technical problems in Belarus and announcements about Gazprom's storage capacity, EU regulations and prerequisites of the EU energy directives are being put to the test.

"The European energy supply is dependent on Gazprom, but Gazprom is dependent on the EU and we either agree to overpass our regulations or we commit to the rules and our supply is cut off."

Ana Otilia NUȚU

Nevena Šekarić Stojanović's perspective on the current context of the energy crisis in the Western Balkans is built around the region's significant importance in the energy environment. Besides the non-EU Western Balkan states (the candidates - Albania, Serbia, North Macedonia, Montenegro; and the potential candidate - Bosnia and Herzegovina), it is necessary to also include Croatia (an EU member state) in the discussion due to its close political, economic and historical energy ties with all the other Western Balkan countries. Historically, the old energy infrastructure in this region has been reliant on vast deposits of fossil fuels, while also depending on some external energy importers. For the region, the major supplier of energy and gas is Russia, which is also the dominant energy actor in Eastern and South-Eastern Europe, alongside the EU, and the new emerging actor on the market - People's Republic of China.

Due to its diverse energy mix, the Western Balkan countries have distinctive energy needs, where the predominant energy sources used are derived from solid fossil fuels, lignite, coal, natural gas, oil etc. Unfortunately, the region occupies the position of one of the main polluters in Europe, as a direct result of its ageing infrastructure and its emissions of CO₂ through the coal-fired power plants as the major energy source (between 65-70%). Nonetheless, the candidate countries are required to harmonize their legislation with the EU laws, which include, among other aspects, higher taxation of the facilities emitting heavy carbon, in alignment with the Green Deal. By imposing higher tariffs on highly polluting energy sources, the current relatively low cost of its resulting energy is expected to rise.

Even though the Western Balkan countries are on an integration path, they are members of the Energy Community, which promotes energy security by encouraging them to adopt the EU energy laws and by benefiting from the EU investments for infrastructure, such as linking electricity cables and gas pipelines. It is worth noting that the EU has been the largest investor in the Western Balkan region, offering direct and indirect financial assistance through grants, EU programs, and loans from the European Investment Bank and the European Bank for Reconstruction and Development. The funds are being raised for accomplishing the EU's interests and mutual projects in the infrastructure sector meeting also the general and specific needs of the Western Balkan countries.

In the current situation, the Western Balkan countries have an important role in the current energy supply standoff, torn between the East, dominated by short/medium-term energy supply needs, that are polluting the environment, and the EU, focused on the long-term Green European policies, while already encountering economic difficulties resulting from the COVID-19 pandemic on top of the regional issues.

"I come from a country where pollution from energy sources is extremely evident and where, almost weekly, citizens from Serbia are organizing public protests to raise awareness. The necessity of introducing clean energy technologies is rising among people."

Nevena ŠEKARIĆ STOJANOVIĆ

According to **Victoria Roşa**, the current situation in Republic of Moldova is difficult because of the energy crisis and the harassment coming from Russia. The tensions intensified when a pro-European party won the early parliamentary elections in Republic of Moldova and established a pro-European government with new policies. The new government faces a major energy crisis due to the lack of energy security policies, and the positioning of major energy infrastructure in Transnistria, a *de facto* breakaway region of the Republic of Moldova. The acute lack of oversight in Transnistria, coupled with the questionable contracts signed by Gazprom and Moldova Gas, which proved to be a large-scale political and contractual ruse, have led Moldova Gas to incur an accumulated debt of over 7 billion dollars at the end of 2019 to Gazprom.

Historically, Republic of Moldova has been highly dependent on Russia's gas supplies and energy, and Russia is known to use the gas price as a political tool to promote its foreign policies in the country. To diminish the dependency on Russian gas, Republic of Moldova is looking to diversify its energy suppliers through European projects and collaboration, but the process is too slow for the Moldavan needs, and for ensuring energy security. Republic of Moldova needs to rely on its strengths, such as NATO and EU borders, the Danube and the Black Sea connectivity, and also on the two important neighbours and allies, Romania and Ukraine.

Like many other countries, Republic of Moldova's policies align with the Green Deal and the EU's fight against climate change, and the protection of the environment.

"In order to have a fruitful collaboration and cooperation, especially with Russia, the political entities must respect the sovereignty and territorial integrity of other states. This cooperation has to be based on the partners' mutual respect, and only then we can find a common ground, to solve other problems that exist and affect all of us."

Victoria ROŞA

Alternative pathways: the energy sector transition

Notwithstanding Russia being the energy security provider of Eastern Europe, with high interdependence and political standoffs, the hardship of the current energy crisis pushes countries towards alternative solutions for gas, forcing them to look for means to diversify their electricity and gas suppliers and infrastructure.

Following **Prof. Natalia Piskulova**'s view, the EU's alternative for its high dependency on one energy source is the energy transition, which is a process of technological development for the transformation of the energy system from the use of fossil fuels as the main sources of energy to alternative ones (renewable energy sources, hydrogen, biofuels etc.). The urgency and importance of the energy sector's transformation come from the fact that the majority of all greenhouse emissions of the planet are produced by the energy sector.

Unlike previous transitions, which were accelerated by transnational oil clubs, oil companies, fossil fuel markets etc., the current energy transition is accelerated also by climate change and global warming. It is also advanced by states accounting for more than 70% of the world's greenhouse emissions, which have already set specific goals towards greener sources of energy and for a net 0 emission target by the middle of the century. Approximately 170 states have agreed to similar goals, including a complete energy transition for Renewable Energy Sources (RES), while 50 states chose Hydrogen as an alternative energy source. Despite the urgency and the momentum of the common concern for energy transition, various estimates indicate that the costs associated with this process are between 70 and 130 USD trillions, a sum that is larger than the modern world's total economy.

The impact of the Green Deal on the relationship of the EU and Russia

Although substantially interconnected, the EU and Russia have significant disagreements when it comes to moving forward into the transformation of the energy sector, specifically the Green Deal and the Carbon Border Adjustment Mechanism (CBAM), one of the mechanisms to offset the costs of the European producers to reduce emissions. For the EU, these instruments represent a way to improve the competitiveness of the European companies, to eliminate the so-called carbon leakage, to reduce the European dependence on raw materials from third countries, and drive other countries to intensify their climate policies. However, for Russia, the new competitive advantage of the European companies comes from political considerations meant to switch to energy products from Europe (especially considering that Russia accounts for almost half of the gas inputs, and 25% of oil/petroleum inputs from gas partners of Europe), and introduce "unfair" taxation forms on greenhouse gas emissions (Russia's share is 6%, while Europe's share is 22%, the second-highest in the world).

Despite the different approaches, climate change and the policies to respond to its effects provide the EU and Russia with the same potential and risks, especially considering that the climate sphere became nowadays one of the central platforms of competition and championship in the world. The new markets are a place where national interests are at stake, but also an opportunity to build a better relationship, cooperate and improve the environment.

"Given the obvious lack of interaction between the EU and Russia in other areas, the implementation of common climate reforms can become the basis of the positive side of their relationship."

Prof. Natalia PISKULOVA

Conclusions and policy recommendations

To move on from the energy crisis and to contribute to environmental security concomitantly, all the speakers agreed that the politicians in their countries should find a connection between authorities and the population. **As our region is prone to corruption, propaganda and disinformation, the politicians need to improve their cooperation with the people, who are often not correctly and sufficiently informed about the current situations.** Even though the crisis took Europe by surprise and pressures decision-makers to respond, the EU can learn from the regional lessons, which show that, after each crisis, the countries have emerged stronger, as was the case of Ukraine's improvements in energy efficiency since 2014.

Decisions should not be taken just to quickly fix the prices on the domestic dimension, without considerations for the consequences in the long term, but should include a greener approach, better regulations, contracts, routes, while the suppliers need to be more energy-efficient and less polluting, therefore prepared to face a similar crisis in the future.

The speakers also agreed that, **in terms of preparedness, cooperation and mutual support are instrumental for a better response to adversity**, as exemplified by the regional role of Romania, which is nowadays discussing potential means to ensure the Republic of Moldova's energy security (through an alternative route, Iasi-Ungheni-Chisinau to be used in case of another energy crisis).