



# BULLETIN

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## Energy Summit in Budapest

by Ernest Wyciszkiewicz

*Convened by the Visegrad Group (V4) countries, an energy summit in Budapest adopted a document of importance for potential regional cooperation in the field—a declaration on energy security, where proposals for joint infrastructure projects were interestingly complemented with an idea of seeking cohesion policy funding for them. The document clearly states that its goals should be sought through effective cooperation within the EU, e.g. towards securing a financial basis for the bloc's energy policy.*

The Energy Security Summit, held on 24 February 2010 in the V4+ format, was attended by prime ministers of the V4 countries, Bulgaria, Romania, Slovenia, Croatia and Serbia, and also representatives of Austria, Bosnia–Herzegovina, the US, the European Commission and the International Energy Agency. In the adopted declaration, they announced the pursuit of several initiatives aimed to increase the energy security of countries in the region. The signatories found to be faced with similar challenges reflecting their high sensitivity to energy supply disruptions and the EU's limited capabilities to properly react to crisis situations.

Action should be focused on overcoming the effects of an insufficient integration of national transmission networks, which prevents crisis-time assistance, and an excessive dependence on a single supplier (coupled with the absence of alternative supply routes). The document lists three major infrastructure initiatives expected to help attain these goals. Coming first is the expansion of trans-border interconnectors along the North–South line and to create a linkage between LNG terminals in Poland and Croatia. Support was reiterated for the Nabucco project and for the Hungarian initiative NETS, which seeks technical and regulatory integration of regional gas networks. And finally, the signatories backed the idea of building an LNG terminal in the Romanian port of Constanta and any similar projects in other Black Sea countries.

An impulse to closer regional cooperation came with the January 2009 gas crisis, where countries in Central and Southeast Europe were particularly affected. But it would be wrong to assume that differences have disappeared in the perception of energy-related threats or in individual countries' strategies (especially towards the Russian supplier). For example, probably in the expectation of Russia's negative reaction to the proposals put forward in the declaration, some participants (Bulgaria, Croatia, Hungary, Serbia and Slovenia) confirmed in a footnote their involvement in the South Stream gas pipeline project, a competitor to the EU's project Nabucco. But the adopted document demonstrates that a consensus has been reached on the need to provide a regional-level response to the energy challenges.

**Financing.** A major weakness of many previous regional political documents on energy security has been their entirely wishful-thinking nature and absence of proposals on how to finance the required projects. This time, the participating states said they would cooperate in creating a new EU financial tool, the so-called Energy Security and Infrastructure Instrument, and they threw their weight behind the idea of earmarking the required resources for energy-security infrastructure projects within the cohesion policy. The declaration also notes that these will have to be supplemented with financial instruments aiming outside the EU, to pursue the goals of the Energy Community established by the EU and Western Balkan countries. Concrete proposals are to be prepared by relevant working groups at the expert level.

Unequivocal emphasis on the need to allocate cohesion policy resources to energy-related objectives greatly broadens the room for cooperation among the regional countries within the EU framework. The future character and extent of cohesion policy, under the next financial perspective, is the subject of an ongoing discussion where the biggest net payers to the EU budget speak about an inadequate structure and allocation of resources (influencing, in their opinion, the policy's ineffectiveness), while the main new beneficiaries, i.e. largely the newcomers under the 2004 and 2007 enlargements, want that important financial instrument to be retained. With a cohesion policy reform a foregone conclusion, it is in the interests of V4, Bulgaria and Romania to reach an agreement on the policy's future shape. Cooperation in energy infrastructure development, therefore, may bring about a major value-added, as being in line with the Europe Commission's position supporting the idea of using a large portion of cohesion policy resources for such purposes.

But three important elements are lacking in the declaration. First, it has no mention of raising infrastructure-expansion finance from the European Investment Bank. And with the Lisbon Treaty having come into force, the majority-voting rule replaced unanimity in EIB's decision-making procedures, which enhances the importance of member states capable to build coalitions. Second, no reference is made to private sector resources, which must not be ignored in raising funds for costly investment projects. And third, the declaration passes over the question of putting to use the EU budget resources which in 2009, under the European Economic Recovery Programme, were earmarked for listed energy projects. Unless these funds are employed by end-2010, they will have to be paid back to the EU's budget, thus lowering the credibility of regional efforts for energy security.

**New Forms of Cooperation.** The noteworthy announcement of regular summits and ad hoc working groups of experts, to flesh out particular proposals and ideas, offers the hope that the several-year-long energy cooperation will assume features of permanency. That would boost chances for the emergence of an authentic forum for consultation and coordination of positions not only on the EU's energy policy but also on other related areas (cohesion policy, budget, climate change policy, transport policy, internal market, the environment). An energy cooperation pursued in this way, within the framework of ongoing or planned discussions on Community policy reforms, would increase the chances for building intra-EU coalitions and, consequently, capabilities to pursue common interests within the EU. A first test will be provided by the effects of efforts to ensure adequate financing for the proposed projects. Without initiating broader intra-EU cooperation in the pursuit of common projects and initiatives, successive summits will only turn into unproductive exercises in ritual.

**Meaning of the Declaration.** The Budapest declaration's notable feature is that, in comparison with previous documents of this kind, it devotes much more space to the raising of EU financing for the proposed projects. And it is rooted in ongoing EU discussions, which offers chances for a closer EU-level cooperation among countries in the region and, consequently, for a more effective pursuit of the projects in question. For example, the signatories emphasised the importance of launching an effective crisis-response mechanism, in a direct reference to the draft gas supply security regulation, currently discussed at the European Parliament. Among other things, they pronounced themselves in favour of the Commission's participation in coordination of national crisis management efforts in the region, thus indirectly criticising the position of Germany and France, who are wary of ceding new competences to the Commission and who instead call for the strengthening of company-level support mechanisms. An important question is how much the regional partners have so far coordinated and consulted their negotiating briefs on that regulation at the Council and Parliament levels. But irrespective of whether the declaration comes as a result of earlier cooperation or as an announcement of this cooperation's new stage, a chance has emerged for more effective pressures to be exerted under the gas security regulation for arrangements benefiting those EU member states whose single-supplier dependence is the strongest.