



# STRATEGIC FILE

No. 9 (45), June 2014 © PISM

Editors: Marcin Zaborowski (Editor-in-Chief) • Maya Rostowska (Managing Editor)  
Jarosław Cwiek-Karpowicz • Aleksandra Gawlikowska-Fyk • Artur Gradziuk • Piotr Kościński •  
Łukasz Kulesa • Roderick Parkes • Patrycja Sasnal • Marcin Terlikowski

## A Dummy's Guide to Forming an Energy Union

**Aleksandra Gawlikowska-Fyk, Mark McQuay, Roderick Parkes**

*In launching the idea of an “Energy Union,” Warsaw managed to leave its mark on the European Commission’s May 2014 Communication on Energy Security. Compared to 2006, when Warsaw advocated a similar package of measures, this breakthrough is a mark of Poland’s growing influence in the EU and a sign of its capacity to navigate the increasingly complex decision-making processes in Brussels. Yet, there is still a long way to go if it wants to ensure these ideas are acted upon. In this context, it may actually be a useful exercise to reduce the process of selling the Energy Union to the basics and work out how various aspects of the Polish proposal could be promoted by different political channels.*

The Ukraine crisis has been—yet another—wake-up call for the EU, prompting a new round of calls for the bloc to deepen its energy policy and market integration. In March 2014, the European Council called on the Commission to produce a Communication on energy security, including a roadmap for reducing energy dependence. Poland seized the chance and put forward its own energy union (EnU) concept resting on six pillars: infrastructure upgrades to support diversification of suppliers; enhancement of EU security-of-supply mechanisms, such as better crisis management and optimised use of pipelines and storage across the EU; hardening EU and Member State bargaining power vis-à-vis external suppliers; focusing on autonomous European energy production, including in fossil fuels; and improving neighbourhood energy security.

Yet Poland has tried to promote similar ideas in the past, notably in 2006, and it has failed. This was not just down to the fact that Poland, as a medium-sized EU member, needed to win over larger states to a potentially costly strategy. Poland simply failed to play the Brussels game properly, struggling to use the usual four channels for this kind of agenda-setting. There are signs it has learned from these mistakes. This time around it has focused specifically on lobbying the European Commission, with some success it seems. And yet, the inclusion of some of its ideas in the May Communication, “European Energy Security Strategy,” is the beginning of the story, not the end, and the Polish promotional offensive can only rank as a very precarious success.

### **Learning from Experience: the Four Failings of the 2006 Energy Proposal**

In 2006, Poland proposed the formation of an “Energy NATO,” seeking to mobilise the U.S. and EU to ensure the security of Europe’s gas supplies. The idea fell flat for four reasons. First, Warsaw was relying heavily on an EU-wide bargain at the intergovernmental level. Yet, the government began discussions on its blueprint at the highest political level, thus preventing the proposal from evolving consensually, meaning that it contained serious deficits: it was seen as placing disproportionate obligations on other members—on those with a strong hand vis-à-vis Russia, and on those that depended less heavily on Russian gas or Ukrainian transit routes. Poland’s decision to block negotiations on a common EU position towards

EU–Russian partnership only encouraged suspicions that it was only interested in using the EU to further its hand in its own long-running bilateral dispute.

Second, Warsaw seemed unwilling or too inexperienced to engage with settled EU norms. Polish actors moved immediately to lobbying at the highest level among leaders of Member States. The lack of interest of Poland in working within EU structures at the time was highlighted by the timing of the proposal. The Commission was, at the time, working on a Green paper that had been designed specifically to start a broad debate on European energy policy. Warsaw, however, felt only antipathy towards the Commission, seeing it as influenced by climate lobbyists rather than by a scientific appraisal of the situation, and thus engaged in a nakedly interest-driven approach of its own. If its proposal had been introduced later, having been adapted to the main themes of the debate, and had been less openly hostile to the position of the Commission, it might have enjoyed a better reception.

Third, Poland's attempts to internationalise the proposal—to shake up the EU's internal debate by pointing to the international context—also fell flat. The proposal's military overtones and anti-Russian sentiment jarred with the dominant mood among EU members at a time when Russia, despite some warning signs, was seen as a rather reliable energy producer. A further concern was the transatlantic orientation. Although the Bush administration did seem open to the idea of involvement in European energy deals, France in particular was concerned about Washington's involvement in European energy security. Similarly, the Commission was opposed to any involvement of actors outside of the EU framework and structures in European energy policy, which at that time was gaining momentum. It seems that Poland had not guessed that the EU level would soon emerge as a driving force behind energy policy initiatives.

Fourth, Warsaw excluded from the outset the option of creating an *avant garde* of states that might forge ahead on their own. This mode of cooperation was admittedly uncommon in 2006, although it had been employed already in the 1970s and 1980s when a small band of EU members came together outside the EU treaties to establish the Schengen system of passport-free travel in the EU, and was repeated again in 2006 with the Schengen-II or Prüm Convention. Perhaps more seriously, the emphasis of the Polish proposal was on joint security and solidarity. This meant Warsaw felt it could not run the risk of certain—potentially powerful—Member States opting out in the first place, or that it would actually be left out of an *avant garde* in this area. The proposal to resort to enhanced cooperation (based on Article 20 TFEU), or informal cooperation indeed proved one of the most controversial proposals of the Buzek–Delors Energy Community concept.

## **Four Paths to an EnU**

The policy-framing process at the EU level can thus be divided into four main activities: grand bargaining with other governments and engaging with EU norms are the two prime channels, but governments may also resort to *avant-gardism* and internationalisation. In practical terms it is of course impossible to pursue all of these paths—any attempt to do so would lead to much fury but few results. For a medium-sized state like Poland, however, it is necessary to bear each in mind. Not only does Warsaw need to take a pick and mix as much as possible, it also needs to close off certain options for potential partners who wish to sideline it or move ahead on their own terms.

### *Grand Bargaining*

The Polish proposal opens three clear intergovernmental cleavages that might provide the basis for a package deal within the framework of the EU's post-2020 energy and climate agenda. The first pits small against large members. States such as Germany with large domestic energy companies able to negotiate eye-to-eye with external suppliers have little to gain from collective European bargaining. Smaller states, particularly those heavily dependent on Russian hydrocarbons (Baltics, Finland, Visegrad Four) can be expected to be keener. That said, some smaller members, such as Slovenia, Hungary or Finland, generally rub along well enough with Russia. This means that collective bargaining is a rather minority interest in the EU, and Poland would have to identify large payoffs for recalcitrant states or reframe the issue as a collective interest with the help of the Commission.

The second cleavage is between industrial and post-industrial members. Poland's suggestion to "rehabilitate coal" met with opposition from the post-industrials—the Nordics, UK, France, Germany and Austria—which support carbon-emission reductions and promote renewable energy sources. Likewise, Latvia may well resist the Polish proposal, although it has a strong interest in collective bargaining. Importantly, however, support for climate targets is not absolute: the UK's position is susceptible to economic shifts; France's reflects nothing more than its resort to nuclear power. The picture is similar when it comes to granting EU support to unconventional domestic energy production. This proposal raised suspicions in France, Germany and Bulgaria, where shale-gas exploration is outlawed. However, they might sign up to a proposal that safeguarded domestic discretion.

The third cleavage is north versus south. States such as France or Spain have limited interest in collective bargaining, having, like Britain, rather diverse energy sources. Again, though, their position is not absolute and support for the Polish proposal is likely to hinge on whether a move away from Russian gas in Europe's east could in fact be to their advantage. It was noted by Spain's President Mariano Rajoy that if interconnections with France could be improved, Spain could become a major conduit for North African gas going to Europe. The country already hosts seven of Europe's 21 LNG regasification plants and has two major gas pipelines connecting it to Algeria. Northern countries such as Britain or the Nordics have less to gain in this regard and could oppose any measures increasing the Commission's power.

### *Engaging with EU Norms*

Lobbying the European Commission would require a two-pronged approach. For one thing, Poland needed to hook into the Commission's existing policies and plans in the energy field. The EU energy *acquis* is far more advanced than in 2006, and the Commission was clearly going to build its Communication on these hard-won achievements—the ongoing activities at the EU level to build infrastructure (2013 Projects of Common Interest and Connecting Europe Facility regulations); solidarity and security-of-supply tools (reverse gas flows and interconnectivity); and diversification efforts (attracting new suppliers and, if one counts them, efficiency and renewables). Poland duly did this: its proposal may challenge some Commission thinking (e.g., on how to boost security of supply or resilience) but it picks up the Commission's overarching logic and sets out constructive counter-proposals where differences of approach emerge.

For another thing, Poland had to present its proposal as something new—as a novel headline project capable of giving fresh impetus to European integration. Warsaw made a stab at this too: not only did the Polish administration show a readiness to shelve the more expedient and crisis-driven aspects of its proposal in favour of the rhetoric of strategic planning, it also presented its proposal as an EU-2.0 project, adapting the rationale behind EnU's 1951 forerunner, the European Coal and Steel Community, to our times. And yet, this two-pronged approach contains internal contradictions. Inevitably, it is difficult to present a new idea of integration whilst also recognising existing political agendas, let alone to offer a comprehensive vision of energy integration whilst also facing up to the realities of its scatter-gun approach.

The EnU proposal was thus criticised for launching bold new ideas such as common purchases despite the existence of laborious ongoing processes such as market liberalisation, and for professing a firm commitment to European integration whilst at the same time permitting considerable national discretion when it comes to sensitive choices such as domestic energy mix. As regards the former, the proponents of EnU quickly made clear that common gas purchases (be it in the form of a central agency or a joint company) were only a preliminary, media-friendly concept, rather than a firm demand. As regards the latter, the current practical and legal hurdles to reducing national discretion on energy mix are dauntingly high—indeed, the Commission itself is open to the use of indigenous energy sources (coal and unconventional oil and gas reserves).

### *Avant-Gardism*

If these traditional approaches to policy-framing become too laborious, Poland might resort to avant-gardism with a smaller band of Member States. To justify such expedience, Poland could simply highlight the nature of the crisis: a major Russian-Ukrainian gas dispute in the upcoming months could have a catastrophic impact on EU states such as Bulgaria and Slovakia, which import more than 90% of their gas

supplies from Russia via Ukraine, with knock-on effects for major EU states. Alternatively, but still following this crisis-driven logic, the EnU proposal could be framed in financial terms. Recent figures show that the EU as a whole could save up to €30 billion per year if collective bargaining on energy was introduced. In the context of the acute financial crisis besetting Europe, this emergency-framing could win popular support in many cash-strapped capitals.

The trouble with this approach, of course, is that major EU states are more resilient to crisis than Poland and the other core advocates of the proposal, as well as being wary of any signs of free-riding from their partners. And without, say, France or Germany on board, a European energy avant-garde would not amount to much. This does not mean that Paris or Berlin have ruled out avant-garde cooperation of course, but France has gas links to Algeria and is anyway rather self-sufficient in terms of energy due to its large nuclear sector. Germany, meanwhile, has invested heavily in the idea of Russia as a reliable source of energy, having recently collaborated to build the Nord Stream pipeline in the Baltic Sea, bypassing any potentially problematic third parties such as Ukraine or Belarus.

That said, Germany has already resorted to the ultimate avant-gardism: Berlin claims its unilateral *Energiewende* provides a model for all Europe. A new German-led initiative to promote collective bargaining and energy solidarity, framed within an environmentally-friendly context, could thus gain the level of support needed to form at least a small grouping, with the possibility of integrating it into EU structures at a later date. Poland is thus trying to provoke these two states into providing clarity on a range of broader issues. But it must tread carefully. It has always been wary of embracing avant-gardism due to the threat of finding itself excluded, and is wary of being tugged into the strange big-state politics of Germany, France and outlier Britain (with whom it has much in common, but would not want to jeopardise relations to France and Germany).

### *Internationalisation*

Finally, Poland might strengthen its hand by placing the proposal in a broader context. The most obvious means of doing so is to point to regional developments. Ukraine's dependence on Russian gas is recognised as the key obstacle to its western integration, and Central Europe's dependency likewise as a source of insecurity. At a time of increasing international competition for energy resources, the EnU proposal highlights the need for the EU to diversify its supply and shield itself from price hikes from major suppliers. Warsaw would therefore need to highlight the benefits for the EU and its neighbourhood policy in its proposal, namely a better bargaining position towards external suppliers, greater stability and rationality of prices. It could also play the internal market card, showing that dependence causes market fragmentation to the detriment of EU industry and society.

On this basis, Poland might also approach other Member States also seeking to internationalise the EU's agenda, and with greater global contacts. France, for instance, could also be open to engagement on this basis since it is due to host the 21<sup>st</sup> United Nations Climate Change Conference (COP21) in Paris in 2015. It is hoped that this conference will lead to a global agreement on targets for the reduction of greenhouse gas emissions. However, to achieve this goal, Europe will need not only to establish a common position but also a general approach amenable to emerging powers that show deep scepticism of the EU's usual green agenda. Styling itself as an "emerging European power," Poland may position itself as a useful partner in achieving this.

By the same token, Poland might also seek out international allies of its own. Poland would need to frame its proposal as dealing not merely with a European, but a global problem, engaging partners in all appropriate forums—the G7, G20, IEA/OECD. The G7 leaders have already decided upon the establishment of the Rome G7 Energy Initiative to concentrate on ways to strengthen collective energy security. A further avenue could be found in the upcoming G20 summit in Brisbane. Key G20 members Australia and the U.S. are important energy producers, and might see the initiative as a market opportunity for their LNG supplies. Other energy-exporting countries should not be forgotten—Canada, the Caucasus, the south Mediterranean, North Africa. Less-developed countries in particular need "security of demand" to come up with investments for exploitation and shipment.

## Capitalising on the Commission Communication

Just two months after it first presented its proposal, the Polish administration is claiming a victory: the European Commission, in its May 28<sup>th</sup> Communication, echoed Polish priorities, including strengthening solidarity mechanisms, increasing internal energy production, diversifying routes and suppliers, and reinforcing the external dimension of energy policy. This came as a relief to supporters of the EnU proposal: following the lack of interest in its 2006 offering, Warsaw could have been forgiven for a lack of readiness for the take-up of its ideas this time round in Paris, London, Madrid and by the Commission.

For a time, Warsaw did indeed seem to be pursuing too many approaches at once. And yet it seems to have avoided the pitfalls of intergovernmental bargaining (managing the polarisation and cleavages among Member States), of internationalisation (the EU-phobic UK's attempt to consign the EnU ideas to the care of the G7, or indeed Russia's attempt to diversify its security of demand), and of avant-gardism (Paris's move to package up EnU as a joint Franco–Polish proposal in order to preclude the emergence of a Polish–German agenda) and succeeded in engaging with EU norms and inserting its ideas into the Commission's strategy.

But Poland cannot afford to blow its own trumpet. Indeed, if it does, the Commission Communication will be undermined: association with a particular Member State would politicise not just the usual issue of deeper integration (e.g., purchasing power) but also of maintaining national discretion (e.g., energy mix). Some capitals are already complaining that, just as Warsaw tried in 2006 to mobilise them in a coup on the Commission, now Poland has tried to mobilise the Commission to mount a coup on the states. Warsaw would do better to play down its success, stressing that the Commission was, anyway, planning to include such issues in its Communication.

But this is not time for false modesty, either: this is genuinely a rather modest achievement, and Poland stands at the beginning rather than the end of the lobbying process:

1. *The Communication will quickly fade.* The fact that the Commission brought forward the publication of its Communication suggests a fear that these ideas would be kicked out into the long grass. But its fears only highlights the difficulties of the political situation and the scale of the incipient change-over at the top of the EU. Perhaps ironically, there is also some speculation that the Commission was planning to put a stronger case for this package of energy security measures had it not been reassured by Polish activism. As it stands, these ideas are unlikely to be dropped altogether, but the parameters of the discussion have not really been set.

2. *The cleavages remain undefined and all paths remain open.* Not one of the various paths to an energy union has yet been closed. In any upcoming talks, some states may thus strengthen their hand by pointing to the possibility of avant-gardism, thereby undermining the long-term post-2020 aspects of the proposal and its demand for EU-wide solidarity. Others will seek to internationalise affairs, not least France, desperate for a successful COP, again shifting the cleavages. And the European Parliament will now step in where the Commission left off, to debate and define EU norms.

3. *The grand bargain may not even be about energy.* Poland will also struggle in Council to insulate its proposal from parallel negotiations on matters such as defence solidarity, further eurozone integration or the appointment of the EU's new top personnel. Already there is speculation in some capitals that the EnU was a "Potemkin proposal," not designed to be taken seriously as an energy agenda but meant to provoke Poland's partners into giving clarity on a range of other issues—would Germany show solidarity, for instance, or abandon Poland? Now members will seek to buy Poland off with concessions in fields unrelated to energy.

Poland might therefore usefully try to establish a relatively discrete package of ideas—perhaps now an "Energy Security Union"—and set out its own key positions so as to frame the options and paths available. Internally, Warsaw would need to clarify where its own priorities lie: is this agenda a greater priority than, say, defence or the achievement of a high-profile Commission post; is it more important than maintaining untroubled relations with Germany or France? Externally, it needs to establish its red and blue lines on the emerging cleavages: is it more important to Poland to maintain discretion over the national energy mix or to boost integration in the area of purchases; to rehabilitate coal or to boost external security of supply?