



The French Institute of International Relations

European Energy Security : Challenges and Policy Responses

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The EU's energy imports dependence

- **Today (EC):**

- Share of imports in total EU energy consumption is of 50%
 - Coal import dependence: 42%
 - Oil import dependence: 90%
 - Gas import dependence: 70%

➔ *Reduction of domestic oil and hard coal production has not been compensated by the recent rise of renewable production*

- **By 2040 (IEA, NPS scenario):**

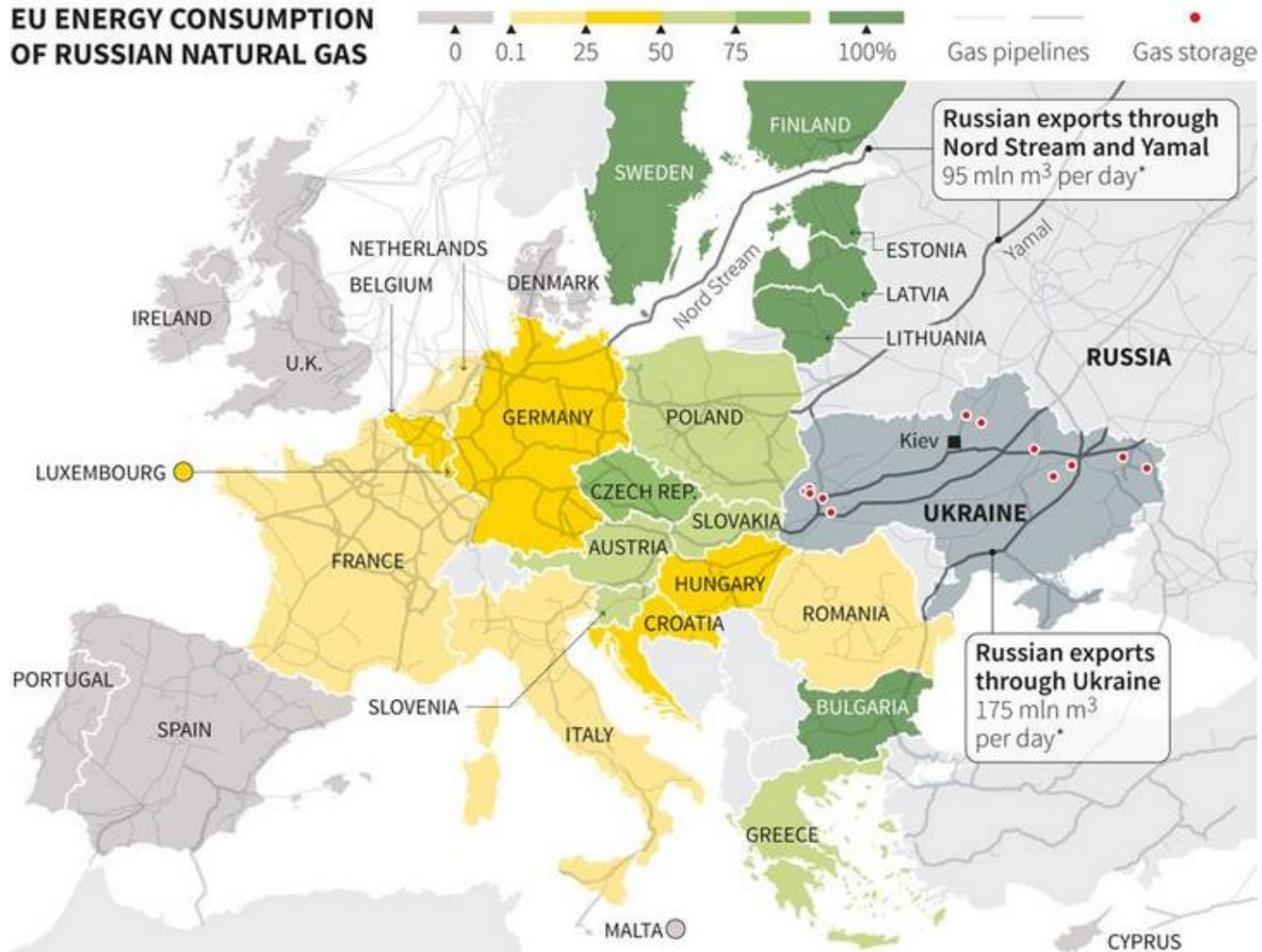
- Dependence on coal to reach 56%
- Dependence on oil imports will continue to increase
- Dependence on gas to reach 81%

➔ *This growing dependence is a concern because fossil fuels will still have the largest share in total consumption (61% in 2040)*

Security of gas supplies raises the most concerns today

- **Switching between suppliers/routes is complex & costly**
 - Historically, the European gas transmission network was built to accommodate for east to west and north to south flows
 - LNG is a strong asset but most terminals are located in Western Europe + competition with Asian/South American buyers
- **Russia is the largest supplier of gas to the EU, although dependency levels vary from 0 to 100% bw States**
 - 136 bcm in 2014, i.e. 33% of total EU imports (BP stats)
- **Ukrainian transit route remains essential for the supply of the South/South-Eastern parts of Europe**
 - 50% of Russian deliveries to EU transited through Ukr. in 2014
 - Belarus and North sea routes cannot fully compensate for Ukr.

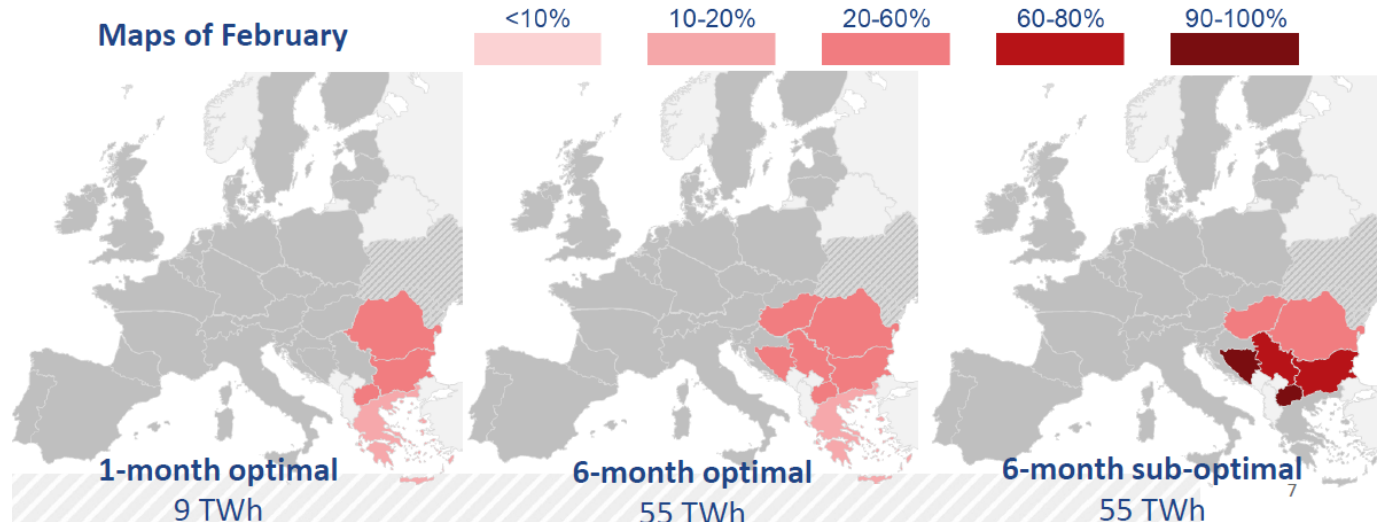
Share of Russian supplies in total gas consumption per Member State



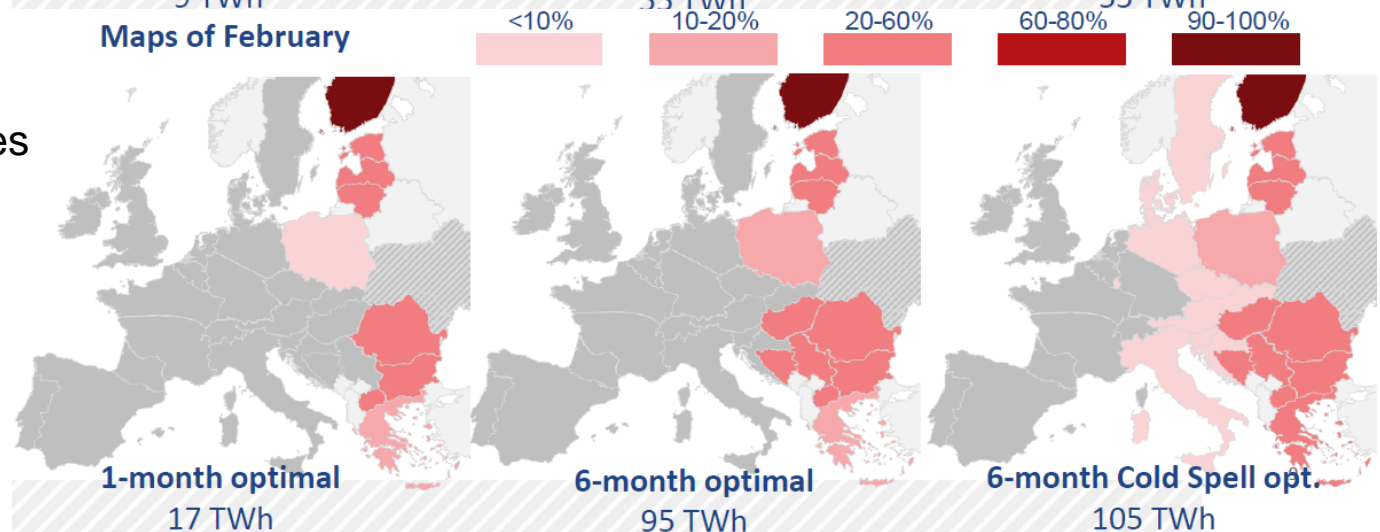
Source: Gas Infrastructures Europe, Reuters 2014

Stress-tests for fall-winter 2014-2015

Ukraine transit cut



Total Russian supplies cut



Source: ENTSO-G

No “easy solution” to replace Russian supplies

- Maximising existing supplies?
 - Depleting reserves in the North Sea fields (Norway, UK)
 - Decrease of Algerian exports to the EU over the past 7 years
 - No “shale revolution” expected (only in Poland and UK so far)
- Building the Southern gas corridor?
 - New pipeline Azerbaijan-Turkey-Italy to be commissioned in 2016 **but** low volumes (2% of the EU’s 2012 gas consumption)
 - Potential additional volumes from Turkmenistan, Iran and Irak **but** geopolitical uncertainties and other buyers competing
- Betting on LNG?
 - Ample capacities (West) but low rate of use because of competition with higher-paying markets
 - LNG is now coming back thanks to falling oil prices; can it last?

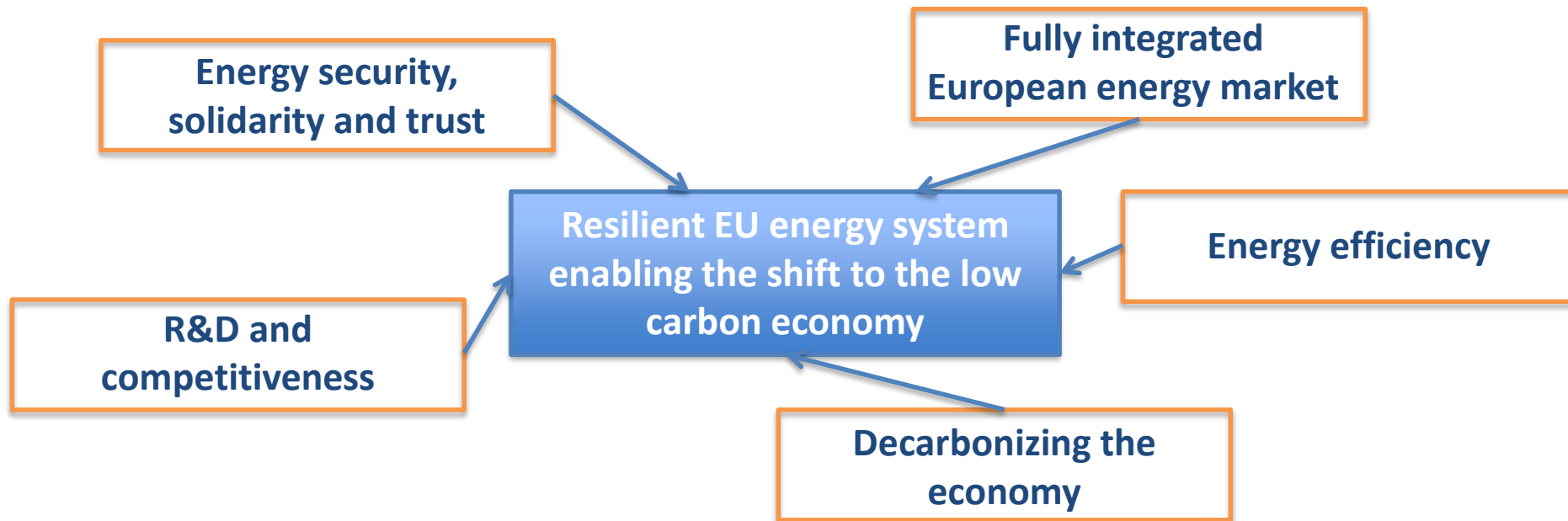
Vulnerability to supply crises emphasized the need for an EU “Energy Union”

- Amid concerns over Russia/Ukraine, initial proposal by Donald Tusk (Poland) to create an “Energy Union”
 - “develop a mechanism for jointly negotiating contracts with RF”
 - “guarantee solidarity between MS in case of energy supply cut”
 - “build the adequate energy infrastructures [...and] sign agreements with emerging suppliers”

→ **Strong focus on security of supply**
 - Wide support from most MS: seen as an opportunity to build, at last, a more unified EU energy policy
 - Call for a ‘joined-up’ approach: improve consistency between competitiveness, SoS and env. objectives
 - Enhance dialogue/coordination on national energy policy choices

→ **Taking a more political approach to all energy challenges**
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The five “mutually-reinforcing and interrelated dimensions” of the Energy Union



→ *Essentially a clarification of the EU's priorities*

→ *Dynamic process: annual report on the state of the Energy Union*

→ *No substantial change in terms of governance*

Can the “Energy Union” be the answer to the EU’s gas SoS challenges?

- **Domestic response**
 - EU-wide preventive and emergency plans
 - Investment to facilitate the flow of gas throughout the EU network
 - **Push for supply diversification**
 - Support for the Southern corridor
 - “LNG strategy”: ensure reasonable prices and facilitate US imports
 - **Speaking with one voice**
 - Collective purchasing of gas, on a voluntary basis
 - EC involved in Intergovernmental Agreements negotiations
 - Establishment of strategic energy partnerships with producing and transit countries
- Clear recognition that the market alone cannot guarantee SoS**
- First test: deciding “jointly” on the future of South Stream**



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Thank you for your attention



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