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Energy and Democracy: The European Union’s Challenge

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Energy issues are creating enormous challenges for the European Union. Cost is one of them. The EU will invest almost \$1.5 trillion in electricity generation over the next 25 years, and energy prices for consumers are certain to increase. A second, even more difficult challenge is finding a way to limit or reverse the environmental damage caused by fossil fuel emissions without undermining the economies and societies of EU member states. (One option now being considered is to halt planned phaseouts of nuclear power plants and even increase the number of nuclear generating facilities. In several EU countries this course would be politically unpopular and would result in large-scale protests.) A third challenge is the imperative to maintain access, or acquire new access, to oil and gas resources, ensuring their timely delivery and avoiding crises of supply.

In response to these and related concerns, the European Commission in 2007 adopted a formal energy policy that calls for a “post-industrial revolution” in Europe. The policy’s objectives include reductions in carbon emissions, greater competition in energy markets, and increased support for technological innovation in renewable energy sources, energy conservation, clean coal burning, and nuclear power.

The EU, in its attempts to pursue these objectives, enjoys some autonomy from external influences. But to achieve a continuous, sufficient flow of oil and gas, the EU depends on political actors outside its own member states and institutions. And this is the most critical aspect of the EU’s

energy challenge—it is certainly regarded as such by European policy makers. As the EU’s dependence on hydrocarbon imports grows, member states are increasingly threatened with exposure to disagreeable international machinations and coercive activity.

A particularly significant implication of this configuration of interests, vital needs, and international relations—yet one that is not widely addressed, and is not even mentioned in the EU’s common energy policy or in other official documents—is that Europe’s energy requirements could end up compromising a central feature of the EU’s self-understanding and projected image: its role as a committed promoter of democratization and civil freedoms and as an unconditional defender against illiberal political behavior. The EU is not the only entity in global politics to face such a predicament, nor will it be the last. Nonetheless, energy questions will pose an interesting test of the EU’s identity as an international actor defined by its dedication to liberal norms.

DEPENDING ON THE NEIGHBORS

The European Commission predicts that, if neither technological nor political innovation produces major changes, the EU will import 65 percent of the energy it uses in 2030, up from 52 percent in 2007. Over the same period, oil import dependence is projected to rise to 93 from 82 percent; for natural gas, the figure will rise to 84 from 57 percent. (Today, oil accounts for about 38 percent of the EU’s total primary energy supply, and gas about 25 percent. Over the next generation, gas’s share will increase and oil’s share will decrease.)

But it is not imports per se that are the core of the EU’s quandary. It is rather the sources from which the energy supplies are available. In many producer countries, the state has control-

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Political Rights and Civil Liberties and the Sources of EU Oil and Gas

State	Political Rights Rating	Civil Rights Rating	Overall Status	Percentage EU Oil Supplies (2004)	Percentage EU Gas Supplies (2004)
Algeria	6	5	Not Free	3	13
Azerbaijan	6	5	Not Free	1	
EU			Free	18	37
Iran	6	6	Not Free	6	
Iraq	6	6	Not Free	2	
Kazakhstan	6	5	Not Free	3	
Libya	7	7	Not Free	8	
Nigeria	4	4	Partly Free	3	1
Norway	1	1	Free	13	17
Qatar	6	5	Not Free		1
Russia	6	5	Not Free	26	29
Saudi Arabia	7	6	Not Free	9	
Turkmenistan	7	7	Not Free		1
Uzbekistan	7	7	Not Free		1

Sources: Freedom House, *Freedom in the World 2008* (with 1 representing the highest level of political rights and civil liberties and 7 the lowest level); European Commission Staff Working Paper, *EU Energy Policy Data*, October 2007; ec.europa.eu/energy; author's calculations.

ling or monopoly interests over resources. Some states manage these resources in ways that reflect national economic or strategic interests, yet importers perceive the governments as reliable partners. Some other states that use energy resources to pursue national interests represent a bigger risk. The reasons for this increased risk might include political culture, geopolitical situation, historical allegiances, economic or social instability, internal security threats, technological deficiencies, or the producer's own dependencies. They might also encompass a country's willingness to manipulate energy supplies to increase strategic leverage or alter international balances of power.

In 2004, the EU obtained only about 18 percent of its oil and 37 percent of its gas from internal sources. According to British Petroleum's 2007 "Statistical Review of World Energy," Europe (in which the EU, Switzerland, Norway, Iceland, the Balkans, and Turkey are included) in 2006 imported almost 13.5 million barrels of oil per day (bpd), an increase of 1.5 percent over the previous year. Of that, almost 5.9 million bpd, or about 44 percent of total European oil imports,

came from states associated with the former Soviet Union—chiefly Russia, Kazakhstan, Turkmenistan, and Azerbaijan. Nearly 24 percent was imported from the Middle East, and 14 percent from North Africa. By comparison, of the United States' 13.6 million bpd of oil imports, less than 3 percent came from states of the former Soviet Union, 5 percent from North Africa, and 17 percent from the Middle East.

Of the EU's external oil and gas suppliers, only Norway—which provides about 13 percent of the EU's oil and 17 percent of its gas—could be categorized as a democracy with a free civil society and a guaranteed separation of powers reflected in genuinely independent state institutions. Freedom House, a private monitoring group, has given poor marks to the political rights and civil liberties that exist within the EU's other major suppliers.

In Freedom House surveys, a rating of 1 represents the highest level of political rights (PR) or civil liberties (CL) and a 7 represents the lowest level. As the table above indicates, the ratings for the EU's major suppliers excluding Norway range from 4 (PR) and 4 (CL) for Nigeria to 7 (PR) and 7

(CL) for Libya. Russia, the leading source of EU oil and gas, has ratings of 6 (PR) and 5 (CL), with an overall status of “not free” and a downward trend in recent years.

Many of these supplier states are located in the EU's expanding “neighborhood,” and several participate in the European Neighborhood Policy (ENP) or are eligible to do so. The European Neighborhood, defined by the European Commission in 2003, encompasses the Mediterranean shores of Africa and Asia, as well as former communist states in Eastern Europe and the Caucasus. The ENP offers financial aid and trade benefits to nations in these regions beyond the EU's frontier in exchange for commitments to make political and economic reforms. The process is overseen by an “Action Plan” negotiated by Brussels and the target country. Other EU neighbors are energy transit states or could otherwise influence the exploration, extraction, or transportation of natural resources.

It is not certain which countries in Europe, North Africa, or Eurasia will eventually join the EU, which ones will never join, or which of the states that are now members might one day leave. Reaching and sustaining high democratic standards is, however, a prerequisite to membership. The EU wants to extend such standards to all its neighbors, including those it has no intention of accepting as members. Yet, at the same time as the EU is striving to promote democratization, the alignment between energy competition and geostrategic competition in its neighborhood is intensifying.

THE RUSSIANS ARE STOCKPILING

Russia is central to the EU's energy dependence. Moscow's regression to autocratic governance, its increasing assertiveness in its “near abroad” and beyond, its restrictions on foreign firms engaged in mineral exploration and extraction within Russia, and its role in energy supply disruptions for some former Soviet republics and EU member states have all caused anxieties in Brussels and elsewhere to rise.

Russia's relations with impertinent Georgia and Moldova are bad. They are not much better with Belarus, the “last dictatorship in Europe.” These three states and Ukraine, the main transit for Russian gas supplies to Europe, are all countries in which the EU wishes to build influence, and they

all rely on Russian gas. Russian President Vladimir Putin's precise future role in his country's leadership, assuming he steps down as president and becomes prime minister, is not entirely clear, but it is evident that he plans to retain at least some power, including over foreign policy.

It is also evident that Putin's aims go beyond merely achieving large inflows of foreign currency through resources sales and the granting of exploration access. Energy is a spearhead for other goals. The Kremlin strategy includes acquisition of external energy resources by purchase or through state partnerships—despite the fact that Russia has its own vast deposits of the same raw materials. Indeed, Russian diplomacy is cultivating other resource-rich states in Central Asia, the Middle East, and Africa, as well as political-business partners such as China. Cheap gas has been purchased

from Turkmenistan and resold; uranium has been repatriated from Vietnam.

A good example of Russian stockpiling is the coup landed in September 2007 by Putin at the

Asia Pacific Economic Cooperation summit in Sydney. Putin signed a deal whereby Australia agreed to supply Russia with about \$880 million worth of uranium per year. Russia, of course, hardly needs more uranium. It is estimated to possess between 5 and 10 percent of the world's natural uranium supplies, and it provided 17 percent of the EU's uranium imports in 2005. It also has large quantities of Soviet-era nuclear material.

Perhaps the most spectacular demonstration of Russia's acquisitive intentions was the staking of the national flag in the summer of 2007 on the marine floor of the North Pole, accompanied by a Russian claim to sovereignty over mineral deposits believed to exist there.

Concurrently, Moscow's political relationship with the EU and some of its member states, in particular the United Kingdom, has deteriorated. The UK is the biggest foreign investor in Russia, but bilateral tensions have been raised by the poisoning of ex-Russian spy Alexander Litvinenko in London, provocative actions by the Russian air force in or near British airspace, and environmental concerns and bureaucratic holdups regarding the Sakhalin 2 oil field development. In the summer of 2007, Putin noted a “mini-crisis” in Russia-UK relations but predicted it would be overcome.

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Another EU member state with much to lose from a worsening of relations with Russia is Germany. European apprehension about being on the receiving end of energy supply cuts and price hikes—as has happened with Ukraine, Georgia, and Belarus—is greatest in Germany, even though Poland and the Baltic states have higher ratios of oil and gas imports from Russia.

Notwithstanding the replacement of Putin's confidant Gerhard Schröder as chancellor by the more skeptical Angela Merkel, German diplomacy is unlikely to be diverted much from its "Russia first" orientation, even if this perpetuates old frictions, or incites new ones, with some EU members. The German energy company Ruhrgas (now E.ON Ruhrgas) was in partnership with the Soviet Union in the 1970s and, supported by successive federal governments, began new projects with Russia in the 1990s. Germany's economic and political investment in Russia is considered too big to allow a derailment of the relationship. The German political elite hopes that the presence of German commercial interests in the Russian energy industry will help reduce Russian state controls. The European Commission hopes that it will lead to more competition in energy markets.

Meanwhile, the EU-Russia Partnership and Cooperation Agreement—an institutional framework for bilateral contacts, activities, and dialogue in a number of areas—is set to expire. (The 10-year agreement, which entered into force in 1997, is now automatically extended on a yearly basis, unless one side withdraws.) And Russia is in a far stronger position today than when the pact was negotiated during Boris Yeltsin's first term as president. The EU will want energy guarantees and a dialogue on democracy and human rights included in a follow-up agreement, as well as cooperation on terrorism, expanding trade, and strengthening cultural links. But Russia will want to avoid any implication that the EU has a hegemonic role or that the EU's values and norms are predominant. Russian leaders will stress that they and not the EU will determine the nature of Russia's domestic politics and foreign relations.

PROBLEMATIC PARTNERS

Germany has been prominent in diplomatically courting not only Russia but also Russia's

neighbors in Central Asia. In the summer of 2006 Foreign Minister Frank-Walter Steinmeier toured the region, meeting with government leaders including Turkmenistan's late ruler, Saparmurat Niyazov. Steinmeier's excursion was a key part of preparations for Germany's presidency of the EU, which it was to hold in the first six months of 2007. In June 2007, a paper appeared, drafted by the German Foreign Ministry on behalf of the EU, entitled "The EU and Central Asia: Strategy for a New Partnership."

If America's interest in Central Asia is primarily geostrategic—related to US involvement in Afghanistan, achieving some control over nuclear materials, and balancing or checking the influence of Russia and China—the EU's predominant concern in the region is energy. To be sure, human rights, good governance, developing democracy, and "adhering to international norms" are all noted early, and recur, in the German strategy paper. Nevertheless, a "paramount interest" shared by the EU and Central Asia lies, according to the report, in "enhancing energy security as an

important aspect of global security." In 2006 the EU banned the direct purchase of gas from Turkmenistan on human rights grounds. However, EU states then bought Turkmen gas indirectly via Russia's state-owned energy monopoly Gazprom after Turkmenistan sold it on to the Russian firm.

The EU's attempt to gain leverage in Central Asia is occurring as diplomatic and geopolitical rivalry in the area increases. Along with the principal players—the United States, Russia, and China—countries like Turkey, Iran, India, Pakistan, Afghanistan, Ukraine, and the Caucasus republics are active in the region as well. In this international environment—a contrast to its own refined, institutionalized interactions—the EU's promotion of democracy and human rights is confronting other, cruder interests and methods of pursuing them.

Within the EU complex of states and institutions, the European Parliament is the main champion of the democratization agenda, manifested in initiatives like the European Instrument for Democracy and Human Rights and the European Commission Humanitarian Office. The European Parliament, however, can only advocate foreign policy directions; it cannot enforce and implement them. This capacity remains with the mem-

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ber states, in particular the larger ones. And they perceive securing energy supplies, and avoiding tension with crucial providers, as primary.

In the Middle East and North Africa, the EU has had less success with democratization efforts than in Eurasia, despite having had the opportunity to advocate reform for a longer period and despite being increasingly drawn into regional politics, economics, and security concerns. The EU's "Euro-Mediterranean Partnership," through which it has aimed to build and institutionalize bilateral and regional relationships, has operated since 1995. But this series of initiatives has been absorbed into the European Neighborhood Policy, and represents the southern flank of a strategy in which energy is ever more important.

Algeria, with which a bilateral Action Plan is still being formulated, has a 2008 Freedom House rating of 6 in political rights and 5 in civil liberties. (In 1995 the scores were both 6.) Algeria supplies about 13 percent of the EU's gas, with France and Spain the biggest customers. Algeria's gas deliveries to the EU and its share of EU gas imports will, if anything, increase over time. Libya, which has received Freedom House scores of 7 in both political rights and civil liberties since 1995, is part of the ENP but has no bilateral Action Plan. It provides about 8 percent of the EU's oil, and the amount it supplies is also likely to grow.

THE DEMOCRACY AGENDA

It has been almost two decades since the Berlin Wall fell and 17 years since the Soviet Union collapsed. The new EU supported political and economic transformation in the states of Central and Eastern Europe before absorbing most of them as members. For the former Soviet republics that remain outside the EU, democratization has been much slower and, in some cases, has hardly registered. Investment has flowed in and partnership agreements have been negotiated, but authoritarian politics and restrictions on civil society prevail.

What does this mean for the EU's democratization agenda, and what does it say about what it has achieved so far? Other democracies certainly have invested in and purchased energy and other resources from undemocratic regimes. Many scholars, however, have argued that the EU is "different"—a "normative power" that places democratic values, human and civil rights, international law, dialogue, development, and positive incentives at the forefront of its external involvements. The Union, for example, is today the world's

largest aid donor, providing over 50 percent of the global total.

But is the EU a genuinely different type of actor that—as its projected image and discourse suggest—does not engage in the appeasement, bribery, coercion, and pragmatism that other, "normal" powers practice? Or does it disguise these activities with rhetoric, diplomatic diversions, flanking policies and programs, and other camouflage?

For the EU, the conditionality that it applies in its foreign relations means that outside partners must engage in political and economic behavior consistent with democratic processes and values, and desist from contrary forms, in order to obtain positive incentives. Demonstrating politically liberal or liberalizing conduct will be rewarded with money, technical assistance, and phased access to the EU market. Negative incentives, in fact, are virtually nonexistent. There are lots of carrots and very few sticks. EU largesse, however, has not often resulted in real improvements in democratic standards among states that have not joined or are not seeking to join the union. Meeting EU conditions is less important to states that possess energy and other resources sought by the EU. And conditionality is diluted further when there are alternative buyers, such as China, for these resources.

The formalization of EU human rights consultations with Russia, for example, has done little to prevent the erosion of civil freedoms there. The EU certainly is constrained in its attempts to encourage change within Russia by Putin's popularity and by the apparent acceptance of at least quasi-authoritarian governance by many of the Russian people. And yet, while the EU cannot confront Russia head on and try to impose democracy, neither does it appear to want to.

In its 2007 World Report, Human Rights Watch is quite critical of the Europeans, focusing its introductory chapter on the EU's failing to fill a void left by the United States and charging it with "punching below its weight." Germany is identified as the main appeaser of Russia and is accused of having avoided strong action against other human rights transgressors such as Uzbekistan.

When the EU wants to register a protest, it presents formal demarches and declarations through the United Nations or directly to states. It has incorporated a human rights clause into bilateral agreements. But this clause is most likely to be invoked regarding African, Caribbean, and Pacific signatories to the Cotonou Agreement (a treaty promoting sustainable development and poverty

reduction in developing countries). The clause has never been activated for an ENP state.

Indeed, what the EU does not do may be as important as what it does. Its member states, supported by the European Parliament and European Commission, could suspend purchases of oil and gas from all regimes with consistently bad, or worsening, democratic records. They have not done so, because all EU member states need these resources and most cannot obtain enough of them anywhere else.

The EU can do little to oblige undemocratic energy producers to change without the backing of the UN and especially the United States. Superior military capability is one reason that the United States may be more assertive than the EU in its democracy promotion efforts, even if, as Human Rights Watch asserts, American credibility has waned. Another plausible reason, however, is that the United States is less dependent on energy resources from states that it wants to democratize.

THE FRENCH EXCEPTION

While Russia has maintained its casual refusal to ratify the Energy Charter Treaty (a pact initially proposed by the EU in 1991 to integrate energy sectors of the former Soviet Union and Eastern Europe into broader European and world markets), the EU still seeks to integrate Russia, Central Asian republics, and North African states into a meaningful institutionalized structure through which it can pursue its energy interests in a preferred setting. In this same context the EU can then push for improvement in democratic governance and civil rights in supplier states—or at least can be seen to be doing so.

Energy resources do not just heat homes, fuel automobiles, and activate light bulbs. They have military applications and are essential to strategic industries. Despite huge and diffuse global flows of private capital, political actors do not forget this. Some EU states may prefer to make changes at home to at least diminish the problem of dependency.

Thus, France's famous insistence on independence in foreign policy is backed by relatively higher energy self-sufficiency through its extensive nuclear power infrastructure. France still needs imported oil and gas, but it generates almost 80 percent of its electricity with nuclear technology. It has to import uranium to do this. But

available suppliers, such as Canada and Australia, do not impart the sort of risks or opprobrium associated with some other energy producers. The French exception may appear increasingly attractive under current circumstances.

Until other European nations follow suit, or great advances are made with renewable energy sources, or major oil and gas producers democratize, the European Commission optimistically believes that the EU can use "demand management" to compel better prices, greater supply reliability, or both. Yet there is no shortage of actual or potential buyers for energy, some of whom will purchase as much as they can get. Moreover, some energy importers, such as China, have no interest in abiding by "normative agendas" of the sort promoted by the EU. The presence of other buyers who are unconcerned about democratic values or domestic public opinion adds to the challenge of promoting democracy in energy-rich states with poor governance and human rights records.

Today several successor states of the Soviet Union, led by Russia, are engaged in political and economic deals among themselves and with external players. The Shanghai Cooperation Organization is developing into a strategic bloc based around energy resources and geography; Gazprom has bought into Algeria's state-owned Sonatrach; Russia and China have provided political and technical support to Iran. And China pursues robust oil diplomacy in Africa. Neither Russia nor Kazakhstan nor Algeria nor Iran needs its oil and gas deposits or sales thereof to be "globally governed." Only Western importers want that.

Faustian pacts are common in international affairs. Some would say they are a defining feature. But the EU presents itself, and has been widely depicted, as not driven by material interests and *realpolitik*. Instead, this portrayal suggests, the EU is consciously non-realist, is an advocate of international institutions, and operates through those institutions. According to this view, the EU promotes dialogue, peace, democratization, and human security; it focuses on humanitarian and social goals; and it always upholds the rule of law and democratic values. Energy needs, however, are a critical influence on the practice of the EU's nascent foreign policy, if not on its accompanying discourse. And energy issues seem certain to stimulate a reappraisal of the EU and its international role and identity. ■