The EU-Russia Energy Dialogue: history, results, and prospects

Alexey M. Mastepanov
Depute Director Oil and Gas Research Institute of Russian Academy of Sciences,
Member of the Board of Directors of Institute of Energy Strategy

Strasbourg - 10-11 December 2013
EU – Russia – closely interconnected
Основные торговые партнёры ЕС-27 в 2006-2011 гг., %
Main trading partners’ shares of EU-27, 2006-2011 (%)
Основные торговые партнёры ЕС-27 в сфере энергетических продуктов в 2011 г. (%)
Main trading partners’ shares of EU-27 imports of energy products, 2011 (%)

Source: Eurostat
Oil: EU-27 gross inland consumption and imports from Russia between 2000 – 2008

Source:
Natural Gas: EU-27 imports from Russia between 2000 – 2008


Source:
Объём и структура потребления основных энергоресурсов в ЕС-27 в 2012 г.

Volume and structure of consumption of the main energy in the EU-27 in 2012

Нефть 
Oil

ЕС, всего 
EU - total

млн. т 
611,3
Million tonnes

Газ
Gas

ЕС, всего 
EU - total

млрд. м³ 
443,9
BCM

Уголь 
Coal

ЕС, всего 
EU - total

млн. т н.э. 
293,7
MT oe

Собственная добыча
Domestic production

Импорт из России
Import from Russia

Импорт из других стран
Import from other countries

Source: 
BP Statistical Review of World Energy
Зависимость России от Евросоюза
Russia's dependence on the European Union

- 45% импорта России приходится на ЕС
- 45% of the Russian import is from the EU

- Доходы в российский бюджет от экспорта сырья в ЕС составляют около 40%
- Revenues of the Russian budget from export of raw materials to the EU is about 40%

- на страны ЕС приходится 75% накопленных иностранных инвестиций в России
- the EU countries account for 75% of accumulated foreign investments in Russia

Главный вывод: Россия и ЕС являются взаимозависимыми партнёрами
The main conclusion is that Russia and the EU are interdependent partners
Joint Declaration

of the President of the European Council, J. CHIRAC, assisted by the Secretary-General of the Council/High Representative for the Common Foreign and Security Policy of the EU, J. SOLANA, of the President of the Commission of the European Communities, R. PRODI, and of the President of the Russian Federation, V. V. PUTIN

We, the leaders of the European Union and the Russian Federation, meeting in Paris for the sixth summit since the entry into force of the Partnership and Cooperation Agreement (PCA), reaffirm the particular importance we attach to strengthening our strategic partnership, based on the principles of democracy, respect for human rights, the rule of law and the market economy.

The policy of reforms instituted in Russia heralds the beginning of a new stage in its development which the French Presidency’s work programme aims to support. The implementation of these reforms will contribute to the development of our relations. The EU has reaffirmed its willingness to bolster this process, based on the PCA and on its common strategy on Russia. The primary objective of this cooperation, which is entering into a new phase, will be to support the institutional, economic and social reforms, with a view to strengthening the rule of law and meeting the democratic requirements of a modern economy and society. The TACIS programme in particular will be geared towards this goal, in consultation with the Russian authorities.

The recent meeting in Moscow of a round table of Russian and European industrialists also made it possible to identify opportunities for investment and trade which need to be maximised.

We regard Russia’s speedy accession to the WTO as a matter of priority. The EU will continue to provide technical assistance in this context. The EU and Russia have agreed on the need to step up the work in progress in Geneva and, in particular, their bilateral negotiations on the conditions of access to markets in industrial products and services, on the basis of new offers to be submitted by Russia in the near future. The EU and Russia welcome the fact that a conference will be held in Moscow at the end of March 2001 on Russia’s accession to the WTO.

The European Union and Russia have decided to institute, on a regular basis, an Energy Dialogue which will enable progress to be made in the definition of an EU-Russia energy partnership and arrangements for it. This will provide an opportunity to raise all the questions of common interest relating to the sector, including the introduction of co-
Structure of the EU-Russia Thematic Expert Groups of the Energy Dialogue in 2001

Overall Coordination
EU: C. Cleutinx, Head of the Coal and Oil Unit, DG Energy & Transport, European Commission
RUSSIA: A. Mastepanov, Head of the Department of the Fuel and Energy Complex Strategic Development, Ministry of Energy

Energy Strategies and Balances
- P. de Sampaio Nunes, Director Conventional Energies, DG Energy & Transport, European Commission
- H. Heden, Deputy Director General, National Energy Administration, Sweden
- Ph. Petit Laurent, Director, Directorate General for Economic and Financial Affairs, European Commission
- H. Schneider, Deputy Director General, Federal Ministry of Economics and Technology, Germany

Infrastructures and Technologies
- A. Mastepanov, Head of the Department of the Fuel and Energy Complex Strategic Development, Ministry of Energy, Russian Federation
- A. Misyulin, Head, External Economic Activities Department, Ministry of Energy, Russian Federation
- I. Garivadskly, Deputy Head, Investments Policy Department, Ministry of Economic Development and Trade, Russian Federation
- Y. Kolochkov, Head of Department, Ministry of Economic Development and Trade, Russian Federation

Investments

Energy Efficiency and Environment

EC Secretaries
- J. Enzman – J. Piper, DG Energy & Transport, European Commission
- F. Bensarsa, DG Energy & Transport, European Commission
- O. Onidi, DG Energy & Transport, European Commission
- P. Lambert, Head of Unit, DG Energy & Transport, European Commission

Source:
Timeline EU-Russia Energy Dialogue

1994
EU-Russia Agreement on Partnership and Cooperation signed, establishing a legal framework for cooperation between the European Union and Russia. It is a provision on political dialogue, providing the legal basis for an Energy Dialogue.

30 October 2000
EU-Russia Summit in Paris

February–October 2001
Agreement to initiate a regular Energy Dialogue with the aim of establishing an energy partnership between Russia and the European Union.

3 October 2001
EU-Russia Summit in Brussels

5 November 2002
Political decision to establish a format of Permanent Partnership Council to deal with all areas of cooperation.

31 May 2003
EU-Russia Summit in St. Petersburg

Initial analytical phase of the Dialogue, work of four working groups of EU and Russian experts and representatives of industry and IPPs on analysing the areas of common interests in the energy sector. Energy Strategies and Balances, Infrastructure and Technologies, Investments, and Energy Efficiency and Environment.

Vice-Prime Minister Viktor Khristenko and Director General François Lamoureux, first “role interlocutors” of the EU-Russia Energy Dialogue.
Timeline EU-Russia Energy Dialogue

December 2006
Moscow

November 2007

January 2008

February 2008

8 October 2008
Paris

27 June 2008
EU-Russia Summit in Khanty-Mansiysk

3rd Meeting of the EU-Russia Permanent Partnership Council on Energy

Reorganisation of the Thematic Groups:
1) a new Thematic Group on Energy Strategies, Scenarios and Forecasts
2) a Sub-Group on Energy Economics under Thematic Group 1 established,
3) the Thematic Groups on Trade, Investments, and Infrastructure merged into a single Thematic Group on Energy Market Developments,
4) the mandate of the Thematic Group on Energy Efficiency prolonged

Source:

Source:
Structure of the EU-Russia Energy Dialogue

Coordinators
A. Novak – Minister of Energy of the Russian Federation
G.H. Oettinger – Commissioner for Energy

Delegated Coordinators
A. Yanovsky - Deputy Minister of Energy of the Russian Federation
P. Lowe – Director General, DG Energy

Gas Advisory Council
Thematic group on energy markets and strategies
Thematic group on electricity
Thematic group on nuclear energy
Thematic group on energy efficiency and innovations

Subgroup on scenarios and forecasts
Subgroup on the Roadmap of the EU-Russia Energy Cooperation until 2050

Informal EU-Russia Consultations on Gas Issues
Advisory bodies and mechanisms of partnership

Partnership for modernization
Change in oil demand in selected regions in the New Policies Scenario

Share of world primary energy demand by region

Доля отдельных регионов в мировом энергопотреблении

Source: WEO - 2013
Primary energy demand in selected regions and the share of global growth in the New Policies Scenario (Mtoe)

*These regions experience a decline in primary energy demand in 2035 relative to 2011.

Source: WEO - 2013
Energy-related CO2 emissions by region in the New Policies Scenario

Source: WEO - 2013
Energy-related CO2 emissions by region in the New Policies Scenario

Source: WEO - 2013
Дорожная карта энергетического сотрудничества: март 2013
Energy Cooperation Roadmap: March 2013
Основные принципы Дорожной карты энергетического сотрудничества

Energy Cooperation Roadmap: principles

- признание суверенности политических решений России, ЕС и стран, входящих в ЕС

  Recognize the sovereign policy decisions of the Russian Federation and of the EU and its Member States

- достижение приемлемого уровня неопределенности в контексте будущего устойчивого и взаимовыгодного развития отношений России и ЕС в области энергетики

  Achieve a tolerable level of uncertainty in the context of the robust and mutually advantageous future development of Russia-EU energy relations

- ориентация на перспективу и наличие рекомендаций по последовательным шагам для укрепления сотрудничества России и ЕС в области энергетики в ближайшие десятилетия

  Be forward-looking and make recommendations for a series of steps to enhance Russia-EU energy cooperation over the coming decades

- отношение к Дорожной карте как к «живому» документу, рассматриваемому в качестве общей точки отсчета в контексте энергетического диалога Россия – ЕС

  Be a living document and serve as a common reference in the context of the Russia-EU Energy Dialogue
Стратегическая цель Дорожной карты
Energy Cooperation Roadmap: strategic target by 2050

«Формирование к 2050 г. пан-Европейского энергетического пространства с функционирующей интегрированной сетевой инфраструктурой, с открытыми, прозрачными, эффективными и конкурентными рынками, которое будет способствовать обеспечению энергетической безопасности и достижению целей устойчивого развития России и ЕС»

“To achieve a Pan-European Energy Space, with a functioning integrated network infrastructure, with open, transparent, efficient and competitive markets, making the necessary contribution to ensuring energy security and reaching the sustainable development goals of Russia and the EU”.
Применение Дорожной карты

Energy Cooperation Roadmap: implementation

- Дорожная карта не является юридически или политически обязывающим документом, поэтому механизм её реализации должен базироваться в первую очередь на процессе регулярного мониторинга достигаемых результатов – в том числе в рамках Ежегодного обобщающего доклада о ходе Энергодиалога Россия-EC

  *Energy Cooperation Roadmap doesn’t and shouldn’t have status of legally or politically binding document, so the implementation mechanism is based on its continuous monitoring process, including regular presentation of the corresponding results in frame of the annual Russia-EU Energy Dialogue progress report*

- Все тематические группы в рамках Энергодиалога должны будут учитывать рекомендации Дорожной карты в своих рабочих планах

  *All the Thematic Groups and Gas Advisory Council should take into account the Energy Cooperation Roadmap recommendations in their respective work programs*
Risks associated with the implementation of the EU’s Third Energy Package provisions

Areas of concern

- Cross-border issues are left unregulated: import, export, transit and the corresponding structure on the EU’s external borders
- No provision is made for robust mechanism to raise investments for infrastructure development
- Exemptions to be granted to new energy transportation projects: criteria are blurry and the procedure is overly bureaucratic
- Requirements set for foreign companies to be certified as transmission system operators are discriminatory

Risks arise for:

- Gas exports to EU
- Security of electricity supply
- Long-term contracts
- Large infrastructure projects
- Investment protection
European Union natural gas supply and demand balance in the New Policies Scenario

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2011</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas demand</td>
<td>371</td>
<td>492</td>
<td>494</td>
<td>523</td>
<td>537</td>
<td>554</td>
</tr>
<tr>
<td>Natural gas production</td>
<td>213</td>
<td>185</td>
<td>135</td>
<td>122</td>
<td>114</td>
<td>104</td>
</tr>
<tr>
<td>Net natural gas trade</td>
<td>-308</td>
<td>-360</td>
<td></td>
<td></td>
<td>-450</td>
<td></td>
</tr>
<tr>
<td>Share of demand or output (%)</td>
<td>63%</td>
<td>77%</td>
<td></td>
<td></td>
<td>107%</td>
<td></td>
</tr>
<tr>
<td>2011-2035 Delta</td>
<td></td>
<td></td>
<td></td>
<td>62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAAGR*</td>
<td></td>
<td></td>
<td></td>
<td>0.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: WEO - 2013
Natural gas balance in the European Union in the Golden Rules Case*

* The sum of production and net imports represents total demand.
Regional gas prices in the New Policies Scenario and in the Gas Price Convergence Case

Source: WEO - 2013
Приоритетные энергетические коридоры ЕС и районы «умных» сетей

7 corridors prioritaires

Source : COM(2010) 677 final du 17.11.2010
Южный (Южно-Европейский) газовый коридор
East-West (South-European) gas corridor

Source: M. Samuele FURFARI – http://www.iehei.org/Club_de_Nice
The main characteristics of existing and newly established (designed) routes for export of Russian gas to Europe

<table>
<thead>
<tr>
<th>Направление поставок/название проекта</th>
<th>Мощность, млрд. куб. м в год</th>
<th>Протяжённость, км</th>
<th>Ввод в эксплуатацию</th>
</tr>
</thead>
<tbody>
<tr>
<td>Из России на северо-запад</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Из России на запад транзитом через Белоруссию</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ямал-Европа</td>
<td>33 (проектная) 25 (существующая) 20 (на польском участке)</td>
<td>более 4000</td>
<td>1999 г.</td>
</tr>
<tr>
<td>Из России на запад транзитом через Украину</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Оренбург (Союз)</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Уренгой-Помары-Ухтирск</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ямбург (Прогресс)</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Северное сияние</td>
<td>25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Балканы (для Болгарии, Румынии и Турции)</td>
<td>20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Из России в Европу – строящиеся и проектируемые

| Южный поток                         | 63 (первый очередной – 32)   | Более 900 (морской участок) | 2013 г.               |

Source:
A. Ananenkov, A. Mastepanov
Top performing countries in the 2013 Energy Sustainability Index

**Sweden**
- **2020**: 50% of total energy consumption from renewable sources and 17% GHG emission reduction from 2005
- **2050**: Zero net GHG emissions

**United Kingdom**
- **2020**: 20% GHG emission reduction from 1990 levels and 15% of total energy consumption from renewable sources
- **2050**: 80% GHG emission reduction

**Netherlands**
- **2020**: 16% GHG emission reduction from 2005 and 14% of total energy consumption from renewable sources
- **2050**: 80–95% GHG emission reduction from 1990

**France**
- **2020**: 14% GHG emission reduction from 2005 and 23% of total energy consumption from renewable sources
- **2050**: Under development

**Spain**
- **2020**: 10% GHG emission reduction from 2005
- **2050**: None

**Denmark**
- **2020**: 30% of total energy consumption from renewable sources and 20% GHG emission reduction from 1990
- **2050**: Independent

**Germany**
- **2020**: 14% GHG emission reduction from 2005
- **2050**: 80–95% GHG emission reduction

**Austria**
- **2020**: 16% reduction of total energy consumption from renewable sources
- **2050**: 100% self-sufficient

**Switzerland**
- **2020**: 20% GHG emission reduction from 1990
- **2050**: Under development

---

<table>
<thead>
<tr>
<th><strong>Fundamental approaches of the Russian side</strong></th>
<th><strong>Implementation mechanisms</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>● Compliance by the parties with the previously signed bilateral international agreements and acknowledgement of their supremacy over national legislation.</td>
<td>● Agreement between the Russian Federation and the European Union on cooperation in the implementation of infrastructure projects for natural gas exports from the Russian Federation to the European Union, including projects of mutual interest</td>
</tr>
<tr>
<td>● Safeguarding the existing and new export-import power systems</td>
<td>● Cooperation between national regulators</td>
</tr>
<tr>
<td>● Recognizing that long-term contracts are the key mechanism for natural gas supplies</td>
<td></td>
</tr>
</tbody>
</table>
СПАСИБО за ВНИМАНИЕ!

Avec mes meilleurs remerciements

pour votre attention!

THANK YOU FOR YOUR ATTENTION!