



## **Energy Security and State Capture Risks in Europe**

International conference

27 October, 2014

Sofia Hotel Balkan, Sredets Hall

### **Press Release**

On 27 October 2014 the Center for the Study of Democracy (CSD) organized an international conference on *Energy Security and State Capture Risks in Europe* together with the NATO Department for Public Diplomacy and DG Enlargement of the European Commission (EC). Prominent experts from all around Europe discussed the main problems of the common European energy security. In 2013 the European Union depended on natural gas imports for 65.8% of the domestic consumption. Specific emphasis was put on the obstacles faced by countries from Central and Eastern Europe (CEE), Southeast Europe and the Black Sea Region to diversify their energy supplies and to limit foreign interests' infiltration of their national energy policy-making. Conference participants outlined the main challenges European countries and their organisational entities – EU and NATO face in countering the new threats to their energy security following the NATO Newport Summit and the formation of a new European Commission. It was noted that both NATO and the EU have put added emphasis on strengthening their energy security position as part of their overall security. The EU in particular has revamped significantly its focus on energy security and has stepped up efforts to set up the European energy union. In this respect, conference experts have underlined the many challenges the EU faces in establishing the energy union, though they agreed this policy direction is irreversible. The main challenges include: the huge need of investment resources; the need for cross-border connections the different levels of energy poverty and hence ability to pay in member-states; etc. The latter applies directly to Bulgaria, where more than a third of the population cannot afford to adequately heat their homes.

### **Energy Security and Good Governance in the European energy sector**

Energy security is of key importance to the future of the European economy. This is why the European Commission gave priority to the potential establishment of an energy union that would guarantee uninterrupted energy resource imports on reasonable prices. Currently, the countries in Central and Eastern Europe pay close to USD100 per 1000 cubic meters more than the average gas price in Western Europe. An energy union will aim to limit such large price discrepancies by insisting that the international market will set prices, rather than bilateral political agreements. This aims at limiting the use of energy leverage by large suppliers, such as Gazprom for achieving political impact in the region of South East Europe and the Black Sea region. The EU is also trying to improve the functioning of its domestic energy market by creating mechanisms for reaction in case of energy crises. One option is to formulate spare quotas for member countries according to the levels of their vulnerability in cases of supply disruptions. Another option is to increase investments in the European gas and electricity network and to expand gas storages and construction of liquefied gas

ports, which would allow access to alternative gas sources. In any case, Common Energy Strategy is needed so that it could be coordinated at the supranational level, which will help in overcoming member-states' instinct to pursue their personal energy interests only.

### Energy security and state capture risks

Country	Natural gas import dependence (%)	Share of Russian gas in overall import (%)	Average price (\$ for 1000 cub. m.)
Slovenia	100	60.2	485
Greece	100	55.6	476
Slovakia	98.4	83.5	429
Czech Republic	98	58.6	503
Bulgaria	90	100	501
Austria	78.9	76.1	397
Hungary	78.2	100	390
Poland	72	81.3	525
Romania	24.3	100	431
Turkey	99	56	406
Ukraine	55	100	385
Moldova	100	100	400
Republic of Macedonia	100	100	564
Serbia	82	100	457
<b>Average</b>	<b>81</b>	<b>81</b>	<b>453</b>

Source: CSD based on data from BP, Eurogas, European Geopolitical Forum

Amidst the crisis in Eastern Ukraine, the new EU members and the Southeast Europe and Black Sea region countries are not prepared to adequately deal with a new energy crisis, as recently published EU stress tests have shown. The lack of an EU Common Energy Policy, the failure of the energy dialogue with Russia, and the governance deficits in the energy sector were among the highlights of the discussion. Experts concluded that energy prices and the over-dependence on one energy source and one transit route for imports of gas and oil are among the factors that influence energy security levels the most. The negative influence of these traditional risks in front of the energy security is amplified by bad governance and state capture in the sector, which impedes the formation of a common and coherent energy strategy. In response to these challenges, the role of the non-governmental sector in denouncing corruption and making sure international standards for good governance are implemented in the sector in the region of Southeast Europe and the Black Sea is key to improving the European energy security. In that respect, the Southeast European Leadership for Development and Integrity (SELDI) has been successful in building a viable civil society coalition for raising public awareness of widespread corrupt practices in the energy sector and designing policy-making schemes to be adopted at national and regional level.