

Book Review

Alexander Gusev (2011)

EU-Russia Energy Relations after the Lisbon Treaty

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One of the most controversial aspects of the EU integration process, and the relations between the European Union and Russia, is represented today by the creation and implementation of the European energy market. Alexander Gusev's analysis tackles very effectively the main issues on top of EU-Russia energy dialogue, underlining all factors behind the stop-and-go process taking place between Brussels and Moscow. The well defined structure of the study helps understanding the reasoning process behind the research, built on three chapters plus the conclusion, with every chapter followed by three sub-chapters. The first chapter addresses the argument of EU energy security, with a deeper analysis of the process that should lead to a better definition of EU energy policy, particularly after the implementation of the Lisbon Treaty. The second chapter deals with the legal, institutional and conceptual bases for the EU-Russia energy cooperation, taking in consideration a comparative approach to the energy strategies of these two actors, together with its developments in the last three years. The last chapter analyses present problems and prospects for the EU-Russia cooperation in the energy sphere, with a particular reference to the common interests in infrastructural projects, the question of energy efficiency and the often discussed Third Liberalization Package and Energy Charter Treaty. In the conclusion the author, after stating that EU and Russia's long term energy strategies are mutually compatible, considers the pros and cons of the respective models of cooperation on the energy sector, affirming that the European model, thanks to its drive towards liberalization (which sets a wider legal base for cooperation and enhanced commercial competition on a multilateral level) is more effective.

The opening of the introduction quotes a sentence from the ex-German Chancellor Helmut Schmidt, stating that "[t]wo countries, dependent on each other economically, will not be at enmity. It means that the economical cooperation serves the creation of peace". The author, as his analysis proceeds, repeatedly emphasises the concept of interdependency, which is the result of a bilateral dynamic, where on one side EU is constantly growing dependant on Russian gas, and on the other Russia have substantial difficulties in finding alternative costumers for his resources. He correctly arguments that, thanks to this mutual dependency, both actors are deemed to cooperate and to formulate a compromise satisfactory enough to meet respective interests, and even more correctly underlines the necessity (despite all difficulties) of de-politicizing these issue. Nevertheless, major problems persist and are evidenced in the stalemates occurred since the very

beginning of negotiations regarding the revisions introduced by the Energy Charter Treaty and its internationalization in 1994. The author looks at these problems as the natural outcome of different energy concepts. But while his analysis is very lucid in outlining most of them, at the same time he doesn't give the same importance to others. When for example he correctly stresses the natural tendency towards monopolies when describing Russian energy markets, which is by the way one of the points of frictions in EU-Russia negotiations, particularly for the terms of transit infrastructures (this is also true for some European firms like Eni), he doesn't mention a structural problem quite typical of all oil/gas exporter countries, the so called "Dutch disease". Although cautious analysts argue Russia is not affected by this phenomenon (Oomes 2007), others like Marshall I. Goldman (2010) outline a "Russian disease" that has taken the country to a point in which its GDP count for more than 30 per cent on energy (and 65 per cent of exports). For this reason, I would have liked to see a sub-chapter dedicated to the political decisions made in the 1990's and in the past decade (see the Yukos affaire or the controversies in the Sakhalin project between many others) and the lack of substantial re-distributions of incomes coming from this sector, resulted in a *de facto* vertical structure of Russian extraction and distribution chains. The importance of this point is behind Russian resistances in possible EU supply diversifications routes that could harm its considerable yearly growth.

In the final part of his analysis, the author interprets the flow of acquisitions in European downstream facilities as a reaction to uncertainties coming out from the market reforms taking place in the Old Continent for what concerns volumes and prices terms in future contracts. This argument, clearly articulated, goes again in the same direction of the above described dynamic of substantial resistances from the Russian side to deal with the perspective of losing shares in EU markets (and is concretely confirmed by the controversial reactions towards the so called "Gazprom clause"). One of the remarkable results of the arguments outlined in Gusev's work is probably that, by underlining Russia's reliance on the EU for gas (particularly) and oil consumption and on foreign investments, he manages to balance European fears of being over dependant on Russia's energetic resources. Although this has become a reality from several decades onwards, the European public should never forget that on the other side of the table the situation present strong and parallel concerns, even if they are expressed in different terms. In the final part of the conclusions, Gusev states that both the EU and Russia need to reboot their respective energy approach towards each other, since the EU has failed in introducing western values inside Russia in the 1990's, when it was considerably weaker, and Russia has failed (by reinforcing its state monopoly) in attracting those investments that it vitally needs in order to explore new gas fields. Obtaining an effective compromise which could overcome differences and strengthen common grounds can only result from constant dialogue and new energy treaties, since it's clear that interests are stronger than resistances. The need for de-politicization has never been felt so strongly, although it is still not clear on what ground it can be reached as long as political actions are so strongly linked to economical and strategic interests on both sides.
