

John J. McCloy Journalism Fellowship Report
Energy Insecurity in the European Union
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Introduction

A month after Russia cut off gas supplies to the Ukraine for the first time in 2006, German Chancellor Angela Merkel said that the European Union – which gets 40 percent of its gas from Russia – needed to develop a common energy policy over the next 15 years to guarantee supply security.

At the same time, Russian energy monopoly Gazprom, along with its German partners E.ON and BASF-Wintershall, were deciding on "Nord Stream" as the name for a pipeline that would make Germany heavily dependent on Russia for energy for decades to come.

Two years later, history repeated itself. Russia rattled the European Union in early March 2008 when it cut Ukrainian gas shipments by half, prompting Ukraine to threaten to siphon Russian gas sent to Europe. After two days of hand-wringing and renewed chatter of a common European Energy policy in Brussels and beyond, Gazprom announced that it was resuming full shipments.

I was fortunate enough to be in Brussels when the second Ukrainian-Russian gas dispute occurred. The incident highlighted the main issue I came to Europe to address - individual nations, including Germany, continue to make deals that make them reliant on Russian energy for the long term. This tension between the recognized need for a common market and nations acting in their own long-term energy security interests is at the core of a growing European rift over how to deal with Russia.

When I arrived in Berlin in February and March of 2008, I was convinced that there would be widespread concern about reliance on Russia for energy. Within days, I dismissed this thinking. It became clear to me that my assumptions, shaped by interviews with officials in Washington before I left, were completely off base. Germany is not only comfortable with Russia as an energy partner, it is comfortable with Russia as a strategic partner. Merkel has rightly condemned Russia for its lack of political freedoms. However, at the same time she has championed the Nord Stream deal, a partnership that enriches the Russian political machine. Also, many in Germany are willing to tolerate the crackdown on political liberties under Vladimir Putin in exchange for stability following the chaos of Boris Yeltsin's years in office.

“What people here are criticizing... is you can't bring freedom by force. That is a big misunderstanding with the relations of the United States to other people in the world,” said Alexander Rahr, director of the Russia/Eurasia program at the German Council on Foreign Relations. “You cannot bring human rights by force. They have to be grounded in the society themselves. People themselves have to fight for this and want this. You can push it from outside but you cannot transmit it.”

There are many within Europe that condemn Russia for its lack of political freedoms, Rahr said, praising Merkel for criticizing Moscow in the past. Other vocal critics of Moscow are the Czech Republic and Poland, which still live in the long shadow of the

Soviet Union. Many EU parliamentarians, and on occasion European heads of state like UK Prime Minister Gordon Brown, have been equally critical. But these criticisms have not stopped large European nations like Germany and Italy from developing partnerships like the ones that will make each heavily reliant on Russian energy monopoly Gazprom. This reliance has scared many in Washington, who fear Russia could use energy to gain political leverage over European customers. One senior Senate Republican staffer told me before I left for Germany that there are fears of an “energy Cold War.”

In Berlin, as well as in Brussels and Paris, this concern was widely dismissed as outdated, a relic of the days of the Soviet Union. Experts believe that Russia needs gas revenue from Europe to fuel its economic boom as much as Europe needs Russian gas.

The U.S. view “is a mixture of oversimplification and sheer wrong-headedness,” said Charles Esser, an energy analyst at the International Crisis Group in Brussels. “Russia cannot put its gas somewhere else. They wouldn’t just shut off gas to Germany. Oil and gas revenues are important to the Russian economy, to it being an important country in the world.”

“Russia has been the largest supplier traditionally for Germany. It’s obvious that Russia is trying to fix this partnership through Europe by building pipelines like Nord Stream,” said Jens Hobohm, a gas security researcher at the German Institute for International Security and Affairs.

Nord Stream spokeswoman Jutta Loosen added: “Russia has been a reliable supplier for so many years,” she said, referring to Russia’s continued supplies of gas throughout the Cold War. “It’s in their interests as well as it’s in Europe’s interests to be a reliable supplier.”

Loosen also said projects like Nord Stream provide a direct supply of gas to Western Europe, bypassing countries like the Ukraine, which threatened to siphon gas earlier this year.

Much more concern was expressed in Europe about Russia’s crackdown on political freedoms. However, many in Europe significantly departed from the U.S. approach of directly chastising Russia. They argued that the United States could not force freedom on a Russian public that by-and-large embraced Russian President Vladimir Putin, even if he has cut back on political liberties.

The Russian people believe that “we must have a voice in the world ... we need to be strong,” said Matthes Buhbe, head of the Friedrich Ebert Foundation's department of Central and Eastern Europe. “When there is a player on the outside that tells the Russians; ‘You’re not playing by the rules,’ the Russians tend to say; ‘Let me alone.’”

“The majority of Russian’s view of the 1990s, the first steps towards democracy, they viewed it as kind of a disaster,” added Joerg Himmelreich, a senior transatlantic fellow at the German Marshall Fund. “If you have to struggle every day for the daily income, this

income matters more than the freedom to speak or write as you want. Russia has a long historical tradition of the big leader, the Czar or the general secretary, who reflects the ability and strength of the nation. They have no problem to give up personal freedoms for this. Putin, very sensibly and very smartly, embedded these sentiments in the people.”

The View From Washington

In the months leading up to my time in Germany, I spoke with numerous academics, experts and Bush administration officials in the United States about Europe's reliance on Russia for energy. There was a clear split in views between academics and government officials. Many academics and experts said Russia was a reliable supplier and would be in the future, a view similar to that of the people I spoke with in Germany. They pointed out that Russia needed European money for the Russian political machine to continue working. They also dismissed any Russian imperial ambitions as outdated Cold War-era thinking.

"There's no evidence that Russia is trying to take over Europe using gas," one Georgetown University professor told me. "They have no ideology. What would it be? To gain more respect? Some guys in Washington haven't adjusted their clocks."

This professor also stressed the interdependence between Germany and Russia. He believes Germany needs Russian energy as much as Russia needs German money. Russia might believe they are economically and politically strong, but this professor believes that in reality, Russia cannot back up these claims.

"Russia is good at casting themselves as heavies," the professor said. "The truth is, they see a transit risk by shipping through the Ukraine. That's why they're sticking their pipes directly into Germany."

Energy security is "one of the areas where big strategic anxieties are getting played out," added Ian Lesser, a transatlantic fellow at the German Marshall Fund. "It's not arms control any more, it's energy security."

However, the view from inside the Bush administration was, and still is, quite different. Administration officials and former government intelligence analysts in Washington warn repeatedly that countries like Germany are making deals with the devil by dealing with Gazprom. They argue that Russia will cut off supplies to Western Europe to accomplish political goals, just as they did in 2006 following the Orange Revolution in the Ukraine.

Deputy assistant secretary of State Matt Bryza, speaking in Washington in early February, said: "We don't want our European allies in a position to choose between Gazprom and freezing."

But the general sentiment in Washington toward dealing with Russia and Gazprom was perhaps best summed up at a recent talk in Washington by James Woolsey, who served as CIA director under former President Bill Clinton. "If you meet a really smart, articulate 45-year-old guy at the Noga Hilton bar in Geneva, and he says he's with Gazprom and he'd like to talk to you about a joint venture in some part of the world, he might be what he says he is," Mr. Woolsey said. "He might be a Russian intelligence officer under commercial cover. He might be a senior member of some Russian organized-crime

family. And the really interesting thing is that there's a pretty good chance that he's all three, and that none of those institutions have any problem with that at all."

A senior Republican Senate staffer put the situation in more blunt terms.

"There could be a scenario in which there was a Cold War over energy," the staffer said. "Russia can use energy as leverage. There needs to be more diversified supplies, more of a NATO policy when it comes to energy security. Eastern Europe is being picked off by Russia one by one. Now, [Russia] has Germany."

"Europe recognizes the problem and it sees the solution – more diversified supplies – but it won't act," the staffer continued. "Their failure to act allows Russia to continue to get stronger."

Rethinking Assumptions in Berlin – Where’s the Outrage?

I arrived in Berlin on a cold, wet Monday morning in mid-February, expecting to leave later that day for Switzerland to meet with the Nord Stream people at their headquarters in Zug. Unfortunately, an email from Nord Stream was waiting for me, asking to reschedule, scrapping my plans for my first two days in Europe. I scrambled to fill those first two days with new interviews, and, after some initial missteps, began interviewing people on Tuesday afternoon.

In 2005, when the controversy over German Chancellor Helmut Schroeder’s role in securing the Nord Stream deal took place, German opposition parties were outraged. The issue even gained international traction when the *Washington Post* and some individuals on Capitol Hill condemned Schroeder. The indignation in the United States has quieted, but the people I talk to in Washington still widely view Schroeder's decision, as the recently deceased Tom Lantos called it in 2007, as "political prostitution." This judgment comes from the widely held belief among American politicians that Russia will use Gazprom as a foreign policy tool. They envision a situation in which Russia will hold a European customer hostage if they do not acquiesce to a Russian position or support a Russian policy. Its widely believed on Capitol Hill that Gazprom is the instrument Russia will use to again conquer territory lost when the Soviet Union collapsed.

When I visited Berlin earlier this year, I expected outrage over Schroeder - and in turn, the Baltic Sea pipeline to be alive and well in Germany more than two years later. I also expected to find some Germans fearful about being so dependent on Russian energy imports. I've found neither.

What I have found is widespread acceptance of the deal. Some are still quite upset about the deal's circumstances [which were?], and everyone agrees the Nord Stream job will affect Schroeder's legacy, but the outrage has disappeared. As one person told me, the pipeline and Schroeder's role in creating it have been accepted by the German public.

Fear of Russia is also rare. Many of the people I've spoken to view the Russians as a strategic partner. The relationship may not be ideal, but it is not one-sided - Russia needs European money as much as Europe needs Russian gas, they argue.

This struck me as very curious. Seven years later, many people in the United States are still outraged by Vice President Dick Cheney's ties to Halliburton and President George Bush's ties to big oil, and how these ties might have affected U.S. foreign policy. Perhaps it's the nature of the Bush presidency that his opposition is not likely to forget any of his missteps. Either way, conflict of interest issues within the Bush administration are still very much talked about in Washington, even if they've been accepted as a reality. Why isn't Schroeder's role in the Nord Stream deal more a part of the public debate in Germany? Does it exist, and am I talking to the wrong people? Why is everyone outside of Germany worried about Nord Stream, while people in Germany seem okay with it? I suspect there is little opposition because it's easier to ignore reliance on imported energy than it is to confront the problem. Look no further than the United States for proof of this. I doubt Germany and Russia will ever form any real alliance, but I do get the sense that

people in Germany accept the authoritarian steps ex-Russian President Vladimir Putin has taken to secure the country. At the very least, they are more accepting than the Americans, who view any departure from democracy as a cardinal sin.

I spoke with numerous politicians, journalists, academics and experts while in Berlin. To my surprise, nearly all of them had the same opinions about dealing with Russia, whether it was through the Nord Stream pipeline or other business ventures. In short, these officials took the exact opposite position of the Bush administration officials I spoke with in Washington. They argued that Russia was a reliable supplier in the past, was currently a reliable supplier, and would be a reliable supplier in the future. They said Washington, through indirect confrontation with Moscow over numerous issues (the one most often mentioned was the U.S.-Czech missile shield), made Russia appear more powerful than they actually are.

"There's a broader feeling in Germany that everything is fine in Russia," said Alexander Rahr, director of the Russia program at the German Council on Foreign Relations. Germans "had different expectations about the breakdown of the Soviet Union. But there is not fear of Russia."

Rahr criticized Russia's political situation and expressed hope that it could change under newly elected President Dmitri Medvedev, the former chairman of Gazprom.

But unlike the United States, which chides Russians over constraints on democracy, Germans reluctantly accept Russia as it has shaped up under Putin. They view antidemocratic practices as the price of stability following the turmoil of Yeltsin's final years in office. Berlin is willing to work with Moscow, even if payments to Gazprom bolster the Russian political machine.

"It may not be the world that we wanted to create," Rahr says of Russia, "but it's a reality. What we need is an interest-driven policy, a *realpolitik*."

"The Russians are weak without energy revenue. This is why they need Europe. And Europe is becoming more and more comfortable dealing with Russia," says Jörg Himmelreich, an expert on Russia at the German Marshall Fund. "The relationship between the United States [and Europe] has gone sour in recent years, and Russia has stepped up as a better partner."

Prominent members of the Bundestag also shared the view that Russia needs to be included as a partner and are weak without German revenue.

"A majority [of Germany's parliamentarians] would probably say that it makes sense to include Russia into the European economy," says Hans Ulrich Klose, a Social Democrat in the German Bundestag. "We rely, more or less, on their energy resources; they need Europe for their economic buildup."

Rahr agreed. "They [Russia] aren't bad partners. They have been reliable suppliers of gas for years and would not take the economic risk of cutting off Western European supplies," he says.

But Rahr, Klose, and Himmelreich all say that Germany's willingness to work with Russia should not be taken as ambivalence about Russians' loss of political liberties under Putin. Merkel criticized Moscow for not following democratic norms in the March 2 election, though in the same statement she congratulated then-Gazprom chairman Medvedev for becoming president-elect.

Merkel has "installed a value-driven foreign policy in Germany towards Russia," Rahr said. "Germany has no military might, but it has a moral right. She's critical of moves in Russia that abuse human rights or ... that have nothing to do with liberal values."

However, many German politicians and experts don't agree with recent U.S. policies, including the proposal to put missile shield sites in Poland and the Czech Republic, which Russia views as a military threat. Those interviewed see this discussion of strategic military action as cold-war rhetoric. They argue the US cannot force political freedoms on a Russian public that largely embraces Putin, even if he has cut back on political liberties.

"We did not expect Russia to become a perfect democracy within a period of 10 or 20 years," Klose says. "It will take at least two or three generations and at the end there will not be a system similar to the United States or Western Europe.... A policy of public finger-pointing is not helpful but counterproductive."

The Green Solution – True or False Promise?

After a week of interviews with German officials, it became clear to me that it was impossible to separate a discussion of energy security from a discussion about Germany's environmental initiatives. Many of the people I spoke with said one of Germany's main strategies for diversifying away from Russian energy was to be more efficient with the energy it uses. These efforts range from building of new energy efficient buildings across the country, to using of wind energy (it amazed me to see how many wind mill fields stood on the German countryside) and to encouraging the use of energy-efficient practices in the home.

The most ambitious German environmental effort originated in the European Union. The 20/20 plan – which requires all EU nations to cut carbon dioxide emissions by 20 percent by 2020 – is technically a requirement, but must be implemented by individual member states. Germany, according to officials in Berlin and in Brussels, is ahead of most of its European partners. The Bundestag began considering the plan the week I arrived in Berlin, and the plan is making its way through the German political process right now.

I began expanding my interviews beyond energy experts to experts in the environment. I had a number of interesting conversations with people in the field, and through the conversations was invited to sit on a panel sponsored by the German Marshall Fund at the Danish embassy, entitled “What Price Energy Transformation?” This was the second in a series of three discussions, bringing together journalists, academics, experts and activists from all over the world to discuss how to transform the way Europe and the United States use energy.

The specifics of the daylong discussion were off the record. However, after listening and participating in the talk a number of important points regarding energy security and green initiatives were raised.

- 1) **No matter how much Europe, and Germany specifically, cuts down on carbon gas emissions, it will still be heavily dependent on Russia for energy.** Germany is much farther ahead than many of its European neighbors when it comes to emission reductions. However, it is still heavily reliant on coal. It is also reliant on natural gas. Even 20 percent emission reductions will do little to quell this reliance.
- 2) **While nuclear energy would allow Germany to drastically cut emissions, it is not a viable source in Germany.** It was agreed among the panelists that Germany would not revert to the days of using nuclear energy. The Grand Coalition would fracture if its use were to be promoted. It was also made clear that without nuclear, reliance primarily on coal and natural gas resources would continue – as would reliance on Russian energy.
- 3) **There is strong disagreement within the environmental community on how to move forward.** The conversation I participated in was marked with frustration that the United States has done little in the last 7 years to cut emissions, making the rest of the world's efforts almost futile. There were also disagreements over

- the use of solar power, energy efficient vehicles and light bulbs and nuclear power. (Why is a country like Germany, where the sun shined infrequently, relying so much on solar?).
- 4) **Many of Germany's environmental gains in the last three decades are artificial, with emission cuts occurring because emission-spewing East German power plants were taken off-line.** This was commonly referred to as the "reunification effect." East German heavy industry was an environmental disaster. Some argued that any emission cuts in Germany are due mainly to this industry being dismantled, not to any effort made by the German government.
 - 5) **Time to act is running out.** While not all could agree on the path to take towards energy efficiency and, in turn, energy independence, it was universally agreed that the time to act was running short. All looked forward to a new administration in Washington, an administration they hoped would take these issues more seriously. But there was a sense of urgency in the room that I had not felt during similar discussions in the United States.

The last – and most important, in light of my reporting -- lesson was that no short term action to cut emissions and make energy more efficient would make Germany any less reliant on Russian energy. I left for Brussels with this lesson learned.

Brussels, Paris and the Second Ukraine-Russo Gas Dispute

I was fortunate enough to arrive in Brussels the day that the Ukrainian-Russo gas dispute began, and was able to file a story for the *Christian Science Monitor* with a Brussels dateline. As the story outlines most of the reporting I did while there, I won't expand upon it. However, there are a few observations from Brussels and Paris that are worth noting.

The first is that any hope of common EU policies on important issues like defense, energy security and the environment is a false hope. Everyone I spoke to in Brussels, from members of Parliament to NATO officials to diplomats to experts, dismissed any notion that nationalism would succumb to Europeanism any time soon.

The second observation is the enormity of the bureaucracy in Brussels. Coming from Washington, I'm no stranger to big government. However, the size of the EU rivaled that of the United States, if not in power, in physical size. The Parliament building is a hulking structure with security tighter than that of the U.S. Capitol building. Once inside, one is presented with a labyrinth of offices, with slow and cramped elevators and rows of cubicles.

The sheer size of this bureaucracy makes it almost impossible for things to get done in Brussels. I had quite an interesting conversation with some young staffers as I waited to speak with their boss, an MP from the north of England. These workers, the oldest being 30, had difficulty explaining how things got done in Parliament. Of course, they knew the legislative process, but they were very much disinvested from backroom dealings common in Washington. They attributed this to the large number of MPs involved in getting any piece of legislation passed. This surprised me, as staffers in DC are part of the legislative process from start to finish. This did not appear to be the case in Brussels.

Third, I was surprised how often I heard the English language in Brussels. It very much reminded me of Washington. When walking through Dupont Circle, you hear people speaking many different languages, but the language of business is English. The same is true in Brussels. Some staffers I spoke to attributed this to EU expansion – many representatives of the former Soviet bloc states did not speak French, so English became the default language of government.

In Paris, I met with numerous academics, the head of the Paris office of Amnesty International and a number of young non-profit workers who deal specifically with Russia. The view in Paris from the higher-ranking academics and senior NGO workers was very similar to that of the Germans I spoke with in Berlin – doing business with Russia is perfectly acceptable, as they are reliable partners. These officials also said the United States tended to overstate the Russian threat.

However, there is a difference of opinion that correlates with age. Younger NGO workers expressed real concern about Putin's crackdown on civil and political liberties. Most

worked to draw attentions to these violations, despite knowing that European reliance on Russian gas would continue to make Russia stronger.

In Paris I also overheard a lively debate about nationalism vs. Europeanism. One night I had dinner with a Parisian lawyer and an Italian NGO worker. They argued throughout dinner about if and when being European would be more important than national origin. To my surprise, the French lawyer argued that she was beginning to feel as European as she did French. She compared it to being from New York City, but still being American. The Italian, on the other hand, said he in no way felt European, despite having worked in numerous countries other than his motherland. I was energized to witness this debate, because on many occasions during my travels I felt as if the younger generation had stopped caring about the European Union and the concept of a united Europe. This conversation proved otherwise.

A Brief Stop in Switzerland

I had rescheduled my meeting with Nord Stream for mid-March, and met them in their offices in Zug on a sharp and sunny Tuesday afternoon. Most of what we discussed was on the party line and has been mentioned earlier. However, one thing that struck me was the small size of their operation. Their offices were tucked in a small, undistinguished office park near Zug's train station. Inside, offices were simple and still showed the signs of disorganization that comes with a new business venture. Nord Stream had only 80 employees, and a spokeswoman there told me that many of those would be cut once construction of the pipeline began. It struck me as funny that I traveled all this way to sit in a suburban office park. It was a reminder that great power can sometimes be hidden in modest packages.

Returning to Berlin, and a Short Time in Bonn

I returned to Berlin to conduct a few more interviews and tie up loose ends. After three days there, I took a train to Bonn. There, I had the privilege of spending an evening and a day with a former West German diplomat who was in East Berlin when the wall fell. Our conversations were not for attribution, so I cannot be specific in much of what he said. I was surprised, however, that a diplomat who had experienced life in Soviet East Germany was willing to accept Russia in its current state. The former diplomat, a good friend of the United States, echoed the view in Berlin that Washington overstates the threat that the new Russia presents. This diplomat said the United States had badly misplayed its hand in world affairs with its democratization agenda, an agenda that would continue to bring bad consequences into the next administration. This was disappointing, the diplomat said, considering the high esteem in which Germans held Americans after the Cold War. Those days, the diplomat said, are gone – no new U.S. presidential administration will change that.

The diplomat, on a walk through the old federal section of Bonn, told me about the Hanseatic League, which existed from the 13th to 17th centuries. The league was comprised of trading guilds, which held a monopoly over all commerce in the Baltic and North Sea regions and into Russia. The league stretched from northern Germany into Russia and brought prosperity to all the cities along its trade routes. The diplomat compared the Hanseatic League to what was happening between Germany and Russia today. Both sides again understand that more money can be made as partners than as enemies. A new league is forming and will thrive, no matter the opinion of the United States. A modern-day Hanseatic League is growing strong.

As often happens in Europe, history is repeating itself.