

A Credible European Security Plan¹

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INTRODUCTION

1. The European Commission was instructed by the Council of Ministers in March 2014 to draw up an energy security plan in time for the next Council of Ministers meeting in June 2014.
2. This instruction followed on from the various reactions of member states to the Russian annexation of Ukraine and the first British “non-paper” tabled at the Council meeting, which called for a 25-year plan to wean Europe off reliance on Russian gas. Since then, eastern Ukraine has been destabilized and Gazprom has repeatedly threatened to cut off gas supplies to Ukraine, as it did in 2006 and 2009.
3. This paper sets out five key inter-related components for a credible European energy security plan, on the *assumption* that the EU actively wants to take a stronger stance in relation to Russia and Gazprom. These are:

Improving the EU’s bargaining power in buying Russian gas

Diversifying away from Russian gas

Diversifying away from gas

Building resilience

Emergency planning

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IMPROVING THE EU'S BARGAINING POWER

4. Working out how to improve the EU's bargaining power needs to start with a realistic assessment of where Russia and Gazprom are coming from—their objectives and strategy.
5. The Putin strategy is very clear and transparent. The key political objective is the reassertion of Russia's claims to be a "great power"—and in the process to redraw the boundaries both of Russia itself and its wider sphere of influence. In the case of Ukraine, in addition to annexing Crimea, Putin's aim has been to create a compliant and dependent state, and to prevent it joining the EU or NATO. Energy is a means, not an end, in this strategy.
6. The strategy has had a number of logical steps. These included: dealing with the oligarchs; reasserting the monopoly of Gazprom and staffing it with Putin's close supporters; eliminating Yukos and transferring its assets to Rosneft, and in the process breaking up BP-TNK. From a Russian national interest perspective, gaining a complete monopoly of the gas pipelines and building a national oil champion makes a lot of sense. In the case of Gazprom it created a monopoly and the ability to exploit that market power as a means to the wider ends.
7. Gazprom's position is only as secure as that monopoly, and that meant increasing the "bear hug" on Europe's gas supply market. It required a series of steps, many of them achieved. These included: building a direct link to Germany (the Nord Stream pipeline); killing off the Nabucco pipeline proposal, making sure Caspian gas flows through Russia to Europe; developing the South Stream as the second Ukraine bypass, in the process building a stronger relationship with Bulgaria; and ensuring deep European corporate interests in the Russian economy and Putin's regime. Russia has succeeded on almost all counts.
8. The isolation of Ukraine, the bypassing of Poland and the Baltic states with the Nord Stream pipeline, and the ability to price discriminate, makes Gazprom a formidable tool in Putin's strategy to rewrite the geopolitical rules post the collapse of the Soviet Union.
9. Gazprom contributes to the Russian government's funding, which is heavily dependent on oil and gas (over 50%) and on exports (over 70%). Russia is—and has been for most of the twentieth century—a petrostate, and it suffers the same sort of corruption and rent-seeking oligarchic context as many who also share the resource curse.
10. The game has been played out against the background of rising oil and gas prices. Putin has been lucky. Revenues have kept going up, having started from a very low base in the aftermath of Russian bankruptcy in 1998.

11. The success of Putin's strategy should not disguise the inherent weaknesses. Three are particularly important in considering Russia's bargaining power. First, in relying so heavily on oil and gas, Russia is very exposed to a fall in oil and gas prices. Putin's luck on this front may be running out. The decade of rising prices carries the seeds of its own destruction. High prices beget new production and technical progress. The US shale gas revolution is just one manifestation. A series of coincidental circumstances have made commodity prices peak. China's great economic miracle, Japan's nuclear disaster and its sudden need for gas, and the Arab Spring have all contributed to high prices. Yet most of these factors may be going into reverse: China is slowing; Japan may restart many of its nuclear power stations; and the thaw in US-Iranian relations may be the prelude to an increase of oil supply from both Iran and then Iraq (over which it has great influence).
12. A second clear weakness is the fact that, whatever the diversification options to China and elsewhere, for several more years at least, Gazprom needs European markets. Notwithstanding the hype around the Russia-China gas contract, exports to China will take time to develop, require large capital investments, and will come from new gas fields in Siberia. They are not a substitute for gas fields supplying Europe's markets. Russia's home market and those of its satellites all have cheap—subsidised—gas. Cheap gas means little profit. Europe is the gem in Gazprom's accounts and will remain so for some considerable time to come.
13. Europe has been tempering its demand for Russian gas since long before the latest flare up in Ukraine. Europe has been moving from gas to coal, backed up by cheap coal from the US and a low carbon price. In addition, the scale of the recession has reduced total energy demand. With many new coal power stations coming on stream, the dash-for-coal will continue to be at the cost of gas demand for some years to come. Gas power stations are lying idle in a number of major European countries.
14. Finally, and very gradually, alternative, competitive sources of gas are coming onto the scene. Europe is surrounded by gas reserves—to the north, to the south, the east and from LNG. All of these reserves are *before* the potential for shale gas fracking in Europe is considered. There is little doubt that Europe has very large shale deposits—especially in Germany, France and the UK, as well as in Poland, Ukraine and in south eastern Europe. Gazprom's problem is that the recent threats to interrupt supplies through the Ukraine will bolster the case for developing these alternative supplies, even at a price premium.
15. The balance of market power between Gazprom and Europe is therefore not one way. Gazprom has an effective monopoly over Russian supplies, but it needs its European customers and their demand for gas. Its actions as a price discriminating monopolist are therefore constrained by the reality that it could kill off the golden

goose. So far it has played its cards well, perhaps eventually too well for its own interests.

16. It is often claimed that Gazprom is a reliable supplier by pointing to the continuity of supplies to Europe during even the most difficult moments of the Cold War. This however is disingenuous. Mostly it was about oil, not gas, and interrupting oil supplies would have had little effect: there were many other sources of supply, and therefore the costs for interruption would have fallen overwhelmingly on Russia. Gas gives Russia much more leverage. Until 1990 it was a premium fuel in Europe, to be reserved for the petrochemical industry and not to be burned in power stations. Now it is altogether different. This claim from history is therefore largely spurious.
17. Faced with Gazprom and Putin's positions, what should the EU do? In the short to medium term, Europe will go on buying Russian gas. Gazprom needs Europe as much as Europe needs Gazprom, and the ability of Gazprom to engage in price discrimination is dependant on its ability to divide and rule—to treat each national market separately.
18. There are several strategies that Europe could pursue to improve its bargaining position. These include:
 - Applying European competition law rigorously;**
 - Licensing gas imports from Russia and attaching common conditions to these licenses;**
 - Some form of central buyer model.**
19. **Competition policy.** Gazprom's pricing behaviour in the EU would probably not be tolerated by the Commission's competition authorities if it were an ordinary European company. European law prohibits price discrimination and the abuse of dominance. Contract restrictions on resale are also typically inconsistent with competition law.
20. In the Gazprom case, there is some evidence that price discrimination is endemic—indeed linked to the degree of competition from alternative energy sources. Far from a common sale price, each country appears to get a different rate, independent of costs of supply. Prices appear to be changed independently of costs.
21. The abuse of dominance comes in many shapes and sizes. Market power facilitates the price discrimination, the imposition of contract terms, including oil price linkage, and resale restrictions. Much of the detail of contracts is secret, but there is *prima facie* evidence of conduct that suggests a number of levers are pulled to exploit this

power. The recent contractual and other problems that have led to Slovakia limiting its reverse flow potential to Ukraine are one possible example.

22. Given this apparent conduct and the apparent inconsistency with EU competition principles, it is surprising that Gazprom has been allowed to acquire interests and stakes in pipelines and downstream assets and to engage in direct supply activities inside the EU. With market power upstream, and possible evidence of its abuse, the acquisition of downstream assets may exacerbate the situation, and in the process provide valuable market information.
23. The first step in improving Europe's bargaining power should be the rigorous enforcement of competition law. If seriously pursued, Gazprom would not be able to price discriminate, resale would not be restricted, and hence there would only be cost reflective price differences, based on transmission and distribution costs.
24. **Border licensing.** The effect of creating a common import price could also be achieved with some form of European border licensing. The EU could consider imposing a requirement for an import licence for gas, and these licences could contain common clauses and conditions that would have to be met. At one level, this might be simply that all conditions and terms must fully comply with European competition law. At another, these could contain conditions that explicitly prohibited differential and discriminatory terms. The Commission could publish guidelines and principles that would form the basis of granting an import licence.
25. The licence approach is one that is particularly familiar for the US—both for imports and exports—and, provided the conditions were pro-competitive, the objections may be limited.
26. **Central buyer.** A more drastic solution would be to confront the monopoly of supply with a monopoly of demand. It has, for example, been proposed by the Polish government in its non-paper.
27. A central buyer could purchase all gas on behalf of European companies. This could work in several possible ways. The European companies could ask the central buyer to purchase specific amounts of gas on their behalf. Alternatively the central buyer could buy gas and then sell on in a centralised auction.
28. Some form of agency would be required. This could be the Commission, a new official body or it could be a jointly-owned agency of the companies.
29. The British government in its second non-paper states that its objections to this proposal are on competition grounds, though there is little doubt that further powers for the Commission are also a British concern.

30. It is argued that a central buyer is inconsistent with the Internal Energy Market and with the development of European gas markets. This objection might have more force if the British were not introducing a central buyer for electricity in Britain, such that almost all new investment is based upon government backed contracts (FiTs and capacity contracts).
31. The central buyer is not necessarily inconsistent with the Internal Energy Market, if the purchased gas is auctioned. At present Gazprom is a monopoly supplier for Russian gas. A European central buyer does not change this circumstance. It would automatically impose a common price and therefore eliminate the anti-competitive price discrimination and abuse of market power. This gas would then be sold in an auction on a common basis across Europe. The result would be a deep, liquid and transparent market. In the case of licences and the central buyer, there are competition issues within the EU and in terms of trade.
32. These three options—competition policy, licences and central buyer—are in practice rather similar. One is bottom-up (competition policy), one is top-down (the central buyer) and the third is intermediary. Whilst the EU is considering which to pursue, there is an immediate step to take—to set out a clear and common set of contractual principles for all gas contracts.
33. All of these measures are set within the framework of the Internal Energy Market directives. These are designed very much with competition in mind, and the clear separating out of the segments of the industry. Whilst it is Russia's business how to organise its energy systems inside Russia (at least whilst it has not ratified the Transit Protocol of the Energy Charter), both the spirit and the letter of the directives should be applied to Gazprom's interests in pipelines and supplies inside the EU.

DIVERSIFYING GAS SUPPLIES

34. As noted above, potential gas supplies surround Europe. In addition to increasing its bargaining power with Gazprom, there are options, at least in the medium term, to reduce its purchases from Gazprom. In the context of the 25-year plan mentioned in the first British non-paper, there are lots of non-Russian options. Few of these carry with them the risk of price discrimination and the sorts of interruptions in supply witnessed in 2006 and 2009 and now threatened again.
35. There are four options:

Pipeline gas, through existing infrastructure

Pipeline gas, which needs new infrastructure

LNG

European fracked gas

36. **Pipeline gas through existing infrastructure.** Pipeline gas should in theory be cheaper than LNG but there are few opportunities to make significant inroads into Gazprom's supplies using existing pipelines. Norway provides a main alternative European source. The new southern corridor pipeline will add capacity from the southeast, though this will not now flow up to Austria, as Nabucco would have done. Other pipeline sources are limited to North Africa.
37. **Pipeline gas needing new infrastructure.** Reaching additional supplies by pipeline focuses on two main areas—the Caspian and the northern Middle East, and North Africa. The failure of Nabucco reflects a number of distinct issues. It was argued: that there would not be enough gas; that the Turkmenistan supplies across the Caspian were not only uncertain but inhibited by the legal disputes over whether the Caspian is a lake or a sea; that Russia would pressurise Azerbaijan to send its gas north; that it would be too expensive; and that there was little chance of additional supplies from northern Iraq and eventually northern Iran.
38. These objections displayed an alarming lack of strategic vision. There is a chicken-and-egg problem here: unless Europe commits to the pipeline, it is very unlikely that the Caspian states will promise gas supplies, given the ominous “bear hug” from Russia. There is no point in thinking about northern Iraqi or Iranian gas in the absence of a pipeline. The alternative approach is strategic: commit first, and then negotiate, recognizing the immense potential of Turkey to be the viaduct for much of Europe's energy needs (including oil). Finally on cost, the surprising thing is how cheap pipelines are. On some estimates, Nabucco would have cost the equivalent of a couple of nuclear power stations.
39. Such a strategic move would have been challenging for Europe. It would have had to act in a united way, if the commitment was to be meaningful. Germany would have had to resist the pressure from Russia. Turkey would have had to be taken seriously. Engagement with northern Iraq would have been needed, requiring Europe to develop a coherent approach to post-war Iraq. Failure on all these counts goes some way to explaining why Europe lacks a credible energy security policy.
40. North Africa offers multiple pipeline opportunities. The distances are not great—and these opportunities are typically more straightforward than Gazprom's South Stream pipeline. The scale of the reserves is large, and North Africa has few other markets for its gas, unless it develops LNG.

41. **LNG.** LNG in theory could make a big difference, but there are two drawbacks. The first is that it is typically more expensive (or rather has higher costs) than pipeline gas. Gazprom could always beat LNG prices if it chose to do so. But the more Europe develops LNG, the more likely Gazprom is to be forced to make significant price cuts to maintain its market share. Indeed the recent weaknesses in European gas prices suggest that it is doing just that. The second drawback is that it requires LNG terminals, and these take time and considerable capital to build. Yet each time Russia threatens supplies the case strengthens. In the Baltic states, LNG prices look like being cheaper than the high prices Gazprom imposes, and all and any states currently threatened by Gazprom and Russia will be considering the options. The direct result of Gazprom's conduct is to be seen in the Baltic states and Poland already, and more will probably follow on in due course.
42. There is no shortage of LNG cargoes going forward, and the LNG market is increasingly interconnected. The availability of supplies to Europe depends upon what happens in the Far East and elsewhere. Qatar is one major source, but by 2020 Australian LNG exports might exceed those of Qatar. By then there may also be significant US exports, to add to a host of sources around the world. For Europe, the question is how to ensure sufficient LNG terminals are built and to support the costs in the face of pipeline competition. There needs to be a credible policy in the event that Gazprom tries to undermine the economics of LNG.
43. **Fracking.** Europe does not lack for indigenous gas supplies. In addition to the North Sea and the Mediterranean, there are substantial shale gas reserves, as noted above. The geology of Europe has so far yielded abundant coal, and the shale rock formations in Britain, in the Paris basin, in Germany and across to Poland are of considerable scale. Then there are the Romanian, Ukrainian and other southeastern European reserves.
44. Across much of Europe fracking is effectively prohibited on environmental grounds. Yet at the same time as banning fracking, several EU countries are promoting coal, notably Germany with its lignite. The inconsistency is obvious: coal is worse on almost every environmental ground than gas, fracked or otherwise.
45. The objections to fracking are focused on methane leakages, water table pollution, the use of water supplies, earthquakes and the fact that it is a fossil fuel source. In comparison coal mines leak large amounts of methane, they are typically located in the water table and cause not only methane to enter the aquifers, but also heavy metals. Coal-fired power stations use very large amounts of water for cooling, coal mining creates far larger problems in respect of earth movements, and it is twice as damaging as gas in terms of carbon emissions. But it is worse. Coal mining is very energy intensive. It damages the health of everyone who goes underground. It is responsible for many fatalities, as recently witnessed in the Turkish disaster. It

requires considerable transportation as a bulky fuel. Emissions include SOX and NOX, and it leaves significant ash waste. For the Europeans to encourage coal and ban fracking displays its lack of not only a serious energy security policy, but also highlights how little credibility European climate policy has. Both coal and gas should be regulated on environmental grounds, but to encourage the substitution of coal for gas is nonsense.

DIVERSIFYING AWAY FROM GAS

46. The third policy option—after increasing bargaining power and diversifying the sources of gas—is to move the energy mix away from gas. Here the conflict between the security and the climate change objectives is most stark. Contrary to the repeated assertions by European politicians that the trilemma of policy objectives—security, decarbonisation, and competitiveness and affordability—are consistent, this is not so.
47. The obvious way to reduce dependence on Russian gas in general is to burn more coal. Coal is relatively cheap, abundant in supply from multiple sources, and coal fired power stations are competitive to build and many can have life extensions which make them very long-lived assets. Coal can be stored too. Indeed so diverse are the potential sources that this is the one area where utilising supplies from Russia carries almost zero security risks.
48. For countries on the front line with Russia, coal is a particularly attractive option. Poland is overwhelmingly coal dependent for its electricity generation, and the German decision to agree to Putin's request that the Nord Stream pipeline should go around the outside of Poland further reinforces its obvious commitment to coal. The European attempts to persuade Poland to adopt ambitious targets for both renewables and carbon emissions reductions fails to appreciate the full force of its security concerns and the lack of solidarity shown by Germany. For Poland there is a stark trade-off between climate and security objectives, and a concerted solidarity from the EU is needed if the painful transition out of coal is to be effected. This would begin with Germany's support to Poland in respect of Russian gas supplies, insisting on common price and security terms.
49. There is little doubt that in the absence of significant new solidarity measures, coal will maintain its grip on Europe's energy mix, and the prospects for Europe's climate policies will be bleak. The March summit failed to agree new climate and for 2030 renewables targets, and in the absence of further support, it is hard to see how they can be credibly carried forward later this year.

50. The German position in this respect is extraordinary, in view of its repeated claims to be taking a climate change lead and to be “green”. Germany has switched from nuclear to coal, and from gas to coal, so that coal now compromises 45% of Germany’s electricity generation. Worse, Germany has been expanding its lignite production—the dirtiest of all coals—and new coal power stations are coming onto its system. “Green” Germany has been dashing for coal, making it very “brown”. Unsurprisingly its carbon emissions even on a production basis are now rising.
51. After coal in the short to medium term, the next large scale option for diversifying from gas is nuclear. Britain is advancing its nuclear programme, and there are a number of former Soviet countries doing likewise. But the contribution of nuclear is likely to go down before it can rise again, if ever. German has fast-tracked closure of some of its nuclear plant, and the rest is to close within the next decade. Most of Britain’s existing nuclear plant is on a path to retirement too, reflecting Britain’s early start in the nuclear industry.
52. European politicians—and many lobbyists—are keen to claim that renewables are the route to security of supply, and that the Ukrainian events are further evidence for the case for the 2020 renewables target and for a further renewables target for 2030. Much of this argument is at best dubious.
53. Whatever the merits of current renewables, security of supply is not one of them. Wind and current solar are expensive (and sometime very expensive) intermittent low-density forms of generation. They render electricity systems extremely volatile at times, and have dramatic effects on the economics of everything else in electricity systems. In particular, renewables require that electricity systems carry considerably more capacity—enough to cope with low wind and low solar times—and make the demand for gas intermittent and hence requiring interruptible contracts. Wind and current solar cannot protect Europe against Gazprom and Russia. The contribution they might make is indirect: by making European electricity much more expensive, they help the deindustrialisation process and hence reduce the demand for electricity and therefore all fuel inputs including gas. This is hardly a desirable state of affairs.
54. The final form of diversification away from gas is to reduce the demand for energy. In addition to the consequences of driving up the price of electricity through renewables, it is argued that energy efficiency measures are the most powerful policy tools to meet security objectives.
55. Energy efficiency is definitively a “good thing”—provided it is genuinely efficient in the cost-benefit sense. Energy efficiency does not, however, reduce the demand for energy—contrary to the many claims that it does. Energy *conservation* might do this, but energy efficiency reduces the cost of providing the services energy provides. A

fall in costs is equivalent to a fall in price, and a fall in price leads to an increase in demand. This is the well-known Jevons Paradox.

56. If politicians want to reduce the demand for energy, then the appropriate tool is to increase the price. Energy efficiency measures do the precise opposite.

RESILIENCE

57. The fourth set of energy security policy measures tackle internal resilience. There are three main mechanisms:

Strategic storage

Reverse flows

Network interconnection of gas and electricity

58. **Strategic storage.** Gas storage is an obvious tool to help tackle the threat of interruptions in supply. Strategic storage was substantially upgraded for oil after the OPEC oil shocks in the 1970s, and a number of countries—notably Ukraine and Germany—have built their own significant gas storage capacities. Others however have not, and each country's storage is for its own and not necessarily Europe's use. Much of this is for seasonal reasons and not for the sort of security threats that supply interruptions through Ukraine represent.

59. There is a case for setting up a Europe-wide strategic storage requirement, with the associated set of rules for the levels, conditions under which the reserves can be released, and a shared payment system. This was advanced in papers for the Hampton Court Summit in 2005.

60. The oil and gas companies raised a number of objections, in particular in relation to cost. Gas storage is more expensive than oil storage. However, the real objection by the industry is that gas storage would create an overhang and therefore exert some downward pressure on prices—just as it does in oil. Unsurprisingly, profit maximising companies are opposed. But this is not a reason to refrain from action. Rather it means that the costs have to be taken into account and the storage requirement properly paid for.

61. A strategic storage regime would require an agency to administer and provide the forum for decisions about release. The IEA plays a role in the case of oil, though it is governments who decide—as for example in the case of the US releases and Gulf Wars. The agency does not have to be a public one—or indeed the Commission—but there does need to be a clear distinction between public and private interests.

62. **Reverse flows.** The existing pipelines in Europe have mainly been developed with a view to gas flows in one direction. This is because of the geography of supplies, and it has suited Gazprom. One-way flows make resale of gas difficult. But from a security perspective and in order to have a well-functioning gas market, reverse flows allows the gas to flow in the direction of not only need but of price too. Reverse flows assist price arbitrage.
63. There is an urgent need to focus on specific reverse flows, notably to Ukraine. Reverse flows matter to all the front line countries.
64. **Network interconnections.** Europe's gas and electricity networks have developed in a piecemeal way, with each country looking to its own needs, and indeed in some cases even each local area within the countries. There has never been a Europe-wide perspective. To the extent that there are European cross-border connections, these have tended to be bi-lateral.
65. The advantages of pan-European gas and electricity grids are many—and go well beyond the security objective. Europe-wide gas and electricity systems bring major portfolio economic advantages and they are extremely important to compensate for the geographical dispersion of intermittent renewables.
66. From a security perspective, the reason Gazprom has been able to divide and rule is in considerable measure down to the exposure of countries to bilateral connections with Russia without alternative pipeline connections and therefore supplies. Connecting all EU members to the main arteries of Europe's gas networks is of prime importance. Interconnecting electricity systems is also beneficial for gas security (in addition to its other advantages) since it enables any country to switch its electricity generation away from gas at short notice.
67. These measures towards interconnection would have much greater impact if the European energy systems moved towards a Europe-wide transmission system operator (TSO) model. As regions interconnect, progress in this direction is being made, but it is inevitably slow and the full effects of the economic, carbon and security gains are correspondingly slow in coming too.

EMERGENCY PLANNING

68. The fifth element of a European security policy is emergency planning. The European Union is based upon the principle of solidarity, and there can be few greater calls on solidarity than a threat to the energy supplies of an individual country.

69. Perhaps because no threat has been expected, such emergency planning is notable by its absence. This was most apparent in the short term attempts to put measures in place during the 2006 and 2009 crises, and the scale of the exposure a number of southeastern EU members faced. It is indeed small wonder that Bulgaria is very keen to have the South Stream pipeline connection to Russia, given the lack of support it received in these earlier crises.
70. The scale of the challenge can be seen in the early attempt to start to assemble an emergency plan for Ukraine for the coming winter, should Gazprom cut it off as it threatens repeatedly to do, and thereby again interrupt supplies to Europe. In this context, it is interesting that it is the US as much as Europe that is taking the lead.
71. A credible emergency plan has a number of key features. Circumstances vary from country to country, but at the core is a commitment of principle. This is then backed up on a country-by-country basis by a plan of action. If the EU is to impose the requirement on each member state to have a national plan for renewables vetted by the Commission, then there can be little objection to the requirement for national security plans including the key European solidarity mechanisms.

A NEW EUROPEAN ENERGY UNION?

72. The Polish non-paper proposes a very ambitious European Energy Union, returning to some of the early initiatives on nuclear power and the iron and steel community. In the current context of widespread skepticism about the powers of Commission and considerable Euro-skepticism amongst Europe's electorates, this may be a step too far for Europe's political leaders. Yet at the core of this ambition is the germ of an idea that could be gradually and pragmatically constructed.
73. Quite a number of the measures that would make up such a union are already in place. Europe has Europe-wide carbon targets. Europe has the European Internal Energy Market. The missing bit is the European Security Framework. Indeed it is important to note that by having a separate Internal Energy Market and European carbon targets, the conflicts and trade offs have no obvious locus for resolution.
74. Bringing the Internal Energy Market and the climate framework together with the security requirements would be the kernel of a European Energy Union. It would comprise a set of principles, a set of objectives and a set of commitments to each member state by the others. It would provide the context for implementing the various measures listed above—for increasing Europe's bargaining power, for supporting new pipelines along the southern corridor and to North Africa, and for handling diversification strategies. It would drive the European TSOs and be the location of emergency measures.

75. Instead of all these initiatives being handled separately, a European Energy Union would bring them together. It would be a fitting response to Russia and Gazprom and would meet the objectives set out in the March 2014 Council of Ministers summit.
76. Ideally there would be a new energy treaty. That would provide the greatest credibility. However, given the lack of obvious political will, the second best approach is to start to bring together some of the components. At the easy level, the structure of the Commission should reflect this, bringing climate and energy together, and bringing the Competition Directorate's work on energy into closer coordination with the Energy Directorate. The next step is new directives on security, TSOs, emergency planning and strategic gas storage. In the process the Internal Energy Market directives might also be revised.
77. These measures could provide a positive and lasting legacy from Russia's annexation of Crimea, its destabilisation of eastern Ukraine and its threats to interrupt gas supplies yet again. What remains to be seen is whether the Europeans have the appetite and political will to deliver—or whether, as in 2006 and 2009, the rhetoric turns out to be little more than hot air, the Ukrainians are left to their fate, and Europe remains deeply dependent on Gazprom. So far the odds must be with Putin.