
AICEI PROCEEDINGS

EU Energy Policy after the Ratification of the Lisbon Treaty

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Abstract

This paper explores climate and energy policy issues in light of the Lisbon Treaty. The key for European integration has always been energy (coal and steel), and nowadays the European Union needs a competitive strategy and a coherent energy policy. This paper considers the progress achieved in the Lisbon Treaty, as well as the driving forces and global challenges for creating a common approach in the energy field. The Lisbon Treaty, including new EU competencies on energy policy, adds a new dynamic as it establishes for the first time an energy chapter and streamlines decision-making. Additionally, special attention is given to the Lisbon Treaty as a legal basis for energy-related documents (the 3rd liberalization package, the European Economic Recovery Plan, the EU climate and energy package) and to the question of the EU's energy security. This paper also analyses the EU-Russia energy dialogue and the opportunities for further cooperation in the framework of the new Partnership and Cooperation Agreement. It also considers the influence of the Lisbon Treaty on Russian energy policy.

Keywords: *Lisbon Treaty, Russian energy policy, European Economic Recovery Plan, Lisbon Treaty, Europe.*

Introduction

The European Union has entered a new and crucial stage in energy policy. After the adoption of legally binding targets to address climate change, energy security and competitiveness, 27 Member States are now turning their attention to the implementation of these targets. However, with an unfinished internal market for gas and electricity and with Member States continuing to focus on bilateral energy relationships with supplier countries, the EU is still at the very beginning of a common EU energy policy. However, it is probably the Treaty of Lisbon that is set to unite the key forces driving the Union towards a common energy policy.

The Treaty of Lisbon changes the current treaties on several important points in the energy sphere. In the context of the establishment and functioning of the internal market, and with regard for the need to preserve and improve the environment, EU policy on energy shall aim, in a spirit of solidarity between Member States, to:

- a. ensure the functioning of the energy market;
- b. ensure the security of energy supply in the Union;
- c. promote energy efficiency and energy saving and the development of new and renewable forms of energy; and
- d. promote the interconnection of energy networks (Consolidated Version of The Treaty on the Functioning of the European Union (2008), Article 194, 88).

Firstly, the Treaty of Lisbon specifies and reinforces the competences of the Union to ensure the functioning of the energy market, the security of energy supply in the Union, the promotion of energy efficiency and energy saving and the development of new and renewable forms of energy. This is an extremely important element for EU security and competitiveness. Until now, attempts at the development of a common European energy policy were based on the clause of flexibility envisaged in Article 308 of the Treaty establishing the European Community. According to the Treaty of Lisbon (2007), energy and environment are shared competences between the Union and Member States. The creation of a “true” legal basis in the sphere of energy policy is one of the strong points of the Treaty of Lisbon.

Secondly, the Treaty of Lisbon introduces the principle of “solidarity between Member States” that must shape EU policy in the energy sphere in comparison with the Constitution (Consolidated Version of The Treaty on the Functioning of the European Union (2008), Article 194, 88). An “energy” chapter expressly envisages a common responsibility for the security of energy supply and the promotion of interconnections, as well as a common reaction to energy crises. Member States acting unilaterally cannot resolve global challenges. This is particularly true of climate protection, which is best seen as a global public good, the provision of which poses classic collective action difficulties. The “solidarity” principle signals the emergence of a more dynamic and integrated pan-European approach to managing Europe's oil

and gas energy markets and a collective EU voice negotiating a single energy supply.

Thirdly, according to the Treaty of Lisbon (2007) the High Representative of the Union for Foreign Affairs and Security Policy will play a double role. This will allow to the Union not only a foreign policy but also, importantly, a new coherence between internal and external policies. The first step towards such a goal for the High Representative would be to unite all the divergent approaches to Russia in the EU. Generally, the strategic interests of most EU countries vis-à-vis Russia are actually similar—the difference is in their tactics.

The creation of a single energy market does not contest the freedom of Member States to negotiate bilateral agreements with third countries; but their external effects on other Member States will be assessed and taken into consideration by the European Council and the European Commission, which will try to assure the “neutralization” of external negative effects. According to Article 192:

“The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, the Economic and Social Committee and the Committee of the Regions, may make the ordinary legislative procedure applicable to the matters referred to in the first subparagraph: (c) measures significantly affecting a Member State’s choice between different energy sources and the general structure of its energy supply.” (Consolidated Version of The Treaty on the Functioning of the European Union (2008), Article 192, 87).

Fourthly, the Treaty of Lisbon states that one of the Union’s objectives is to work for the sustainable development of Europe based, in particular, on a high level of protection and improvement of the quality of the environment. Although the idea of sustainable development was included in existing treaties, the Treaty of Lisbon reinforces and better defines this objective. Sustainable development is also affirmed as one of the fundamental objectives of the Union in its relations with the wider world (Consolidated Version of The Treaty on the Functioning of the European Union, 2008).

The environment is one of the spheres of competence shared between the Union and the Member States. When the Union intervenes in this area it must contribute to the pursuit of clear objectives: preserving, protecting and improving the quality of the environment; protecting human health; promoting prudent and rational utilization of natural resources; promoting measures at

international level to deal with regional or worldwide environmental problems (Consolidated Version of The Treaty on the Functioning of the European Union (2008)). According to the Treaty of Lisbon, combating climate change at the international level becomes a specific objective of EU environmental policy. The Treaty of Lisbon adds the support of international action for combating climate change to the list of objectives defining environmental policy at EU level (Treaty of Lisbon: Questions and Answers, n.d.).

Fifthly, the Treaty of Lisbon makes the European Parliament a stronger lawmaker by bringing over 40 new fields within the “co-decision” procedure under which Parliament has equal rights with the Council. These areas include energy security as well as agriculture, immigration, justice and home affairs and other spheres. Thus the enhancement of representative democracy is one of the central elements of the democratization of the European Union in the Treaty of Lisbon. According to Article 194, a Member State can “determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply, without prejudice to Article 192(2)(c)” (Consolidated Version of The Treaty on the Functioning of the European Union (2008), Article 194, 87). However, Article 192 envisages that “the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall decide what action is to be taken by the Union in order to achieve the objectives” (Consolidated Version of The Treaty on the Functioning of the European Union (2008), Article 192, 87). “By way of derogation from the decision-making procedure, the Council acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament shall adopt: (c) measures significantly affecting a Member State’s choice between different energy sources and the general structure of its energy supply” (Consolidated Version of The Treaty on the Functioning of the European Union (2008), Article 192, 87). Article 122 of the Lisbon Treaty notably gives to the Council the competence, upon a proposal from the Commission, to decide “in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy” (Consolidated Version of The Treaty on the Functioning of the European Union (2008), Article 122, 52).

Sixthly, a new horizontal social clause in the Treaty of Lisbon also requires the Union, when it defines and implements its policies, to take

account of employment, social protection and the fight against social exclusion. The key role of economic services such as public transport, telecommunications, postal services, gas and electricity supply, is recognized. The Treaty of Lisbon does not give the European Union any fundamentally new competences in the social field, but it consolidates existing ones. The economic crisis, however, might provide the right impulse to trigger further development of Europe's social dimension. The market and the social dimension of an integrated European economy can be mutually strengthened. It is also necessary to note that the Treaty of Lisbon does not envisage major changes concerning the civil nuclear technology governed by Euratom. But what is more important is that the Treaty of Lisbon creates the legal bases for key forces driving the Union towards a common energy policy. Thus:

1. The third liberalization package: increases competition, regulatory capacity, and interconnectors.
2. The European Economic Recovery Plan: indicates Member States' readiness to accept EU action (on infrastructure).
3. The EU energy/climate package: minimizes national discretion on fuel mix— reinforced by the market.

The Third Liberalization Package

Over the last three years, the main elements of the internal market have been developed and now the EU is coming to the external dimension where the Treaty of Lisbon has to play an important role, particularly with the High Representative for External Relations. The more integrated the market in the EU, the more the EU acts in a unified way with third countries. On 19 September 2007, the European Commission published its propositions for "the third package" on the liberalization of the EU energy market. The package includes six documents aiming to realize the key purposes of the European Energy Policy: the creation of a competitive market, the reduction of negative impacts on the environment and the reinforcement of EU energy security.

These main tasks depicted in the Treaty of Lisbon and presented in the Green Paper (Green Paper: A European Strategy for Sustainable, Competitive and Secure Energy, 2006), comprise the conceptual basis for all

the actions of the European Commission. The third package seeks to make six essential changes in the management of the EU's energy sector:

- to separate production and supply from transmission networks
- to facilitate cross-border trade in energy
- to develop more effective national regulators
- to promote cross-border collaboration and investment
- to achieve greater market transparency in network operation and supply
- to achieve increased solidarity among the EU countries (Third legislative package, 19 September, 2007).

These propositions contain the intention finally to eliminate "vertical integration", in other words to separate (unbundling) producing capacities (extracting, in the case of natural gas, and generating in the case of electricity) from transport networks, gas pipelines or high-voltage transmission lines. Today the majority of transport assets are concentrated in the hands of large gas and electric companies, which interferes with the emergence into the market of new players and creates obstacles for consumers in choosing supplies. According to the European Commission, the present structure of property in transport assets does not promote "correct" investments in the development of network assets (Liberalization of the EU gas sector, 2008).

A lack of coherence in the powers and remits of national energy regulators was identified as one of the biggest hurdles in creating a functioning EU energy market. The third liberalization package (19 September, 2007) aims to resolve this by:

- Harmonizing and strengthening the powers and duties of national regulators so that they are able to issue binding decisions on companies and impose penalties on those that fail to comply;
- Ensuring that all national regulators are truly independent of industry interests and government intervention, meaning that they will have authority over their own budgets and that strict rules apply to management appointments; and
- Mandating all national regulators with a binding requirement to co-operate with each other.

Cooperation between national transmission system operators (TSOs) for gas and electricity, which currently only takes place on a voluntary basis, will be formalized through the establishment of a European Network for

Transmission System Operators. The purpose of the network is to harmonize standards for pipeline and grid access and to coordinate and ensure proper network planning and investments in order to prevent blackouts.

A new European agency will also be created to oversee and improve cross-border regulatory cooperation in gas and electricity transmission between Member States. The agency would not have any direct regulatory authority at national or European level, but it would have the power to intervene in the event that national regulators fail to cooperate effectively (Liberalizing the EU energy sector, 2010). Thus, the completion of internal energy market will result in:

- a convergence of energy markets
- a strengthening of the EU's regulatory capacity
- a broadening of regulatory considerations.

However, the reform provisions of the third energy liberalization package, apart from stimulating competition in the energy sphere, will also lead to the formation of a unified European regulation energy system. So there is a gradual changing of the institutional structures of regulation. As a result, energy policy which is currently among the shared competences of the European Union and Member States according to the Treaty of Lisbon (2008) will become more and more the sphere of the responsibility of the European Commission. On the one hand, it will gradually influence indirectly those aspects of activity which today are exclusively in the charge of Member States—as, for example, the choice of external suppliers or energy mix structures. On the other hand, it will result in a common European energy policy.

Here there arises a question, however. With market liberalization and globalization, the role of governments has changed; Are governments thus responsible for securing energy supply at affordable prices or should they establish a framework to minimize risks?

The European Economic Recovery Plan and Energy Security

A well-functioning internal energy market with good infrastructures allowing for a diversity of energy mix and supplies is the best guarantee of energy security. This would be a proper response to energy crises, but it is

also important to create a proper infrastructure. The creation of a so-called “energy circle” could essentially enhance European energy security. At present, the promotion of energy networks is one of the priorities according to the Treaty of Lisbon (Consolidated Version of The Treaty on the Functioning of the European Union, 2008)

In terms of gas, there are no interconnections between Spain and France. The Baltic States constitute an island as they are not interconnected to the other EU countries, while Bulgaria and Romania have transit pipelines but cannot use them for their own consumption. There are also no interconnections between the Adriatic Sea and the Baltic Sea. The power system interconnection going from Trieste to Poland or Lithuania will be an essential backbone for Eastern Europe. The creation of the North Sea offshore grid could provide an opportunity to develop offshore wind energy in the whole area.

In terms of electricity, the situation is exactly the same. There are the same shortcomings in Central Europe as a result of the enlargement of 2004. All the countries on the East side belonged to the Russian system, so the West side had more integrated interconnections. And now there are no connections between East and West trying to integrate renewable sources of energy (for instance, offshore wind, solar) (C. Cleutin, personal communication, April 26, 2008).

There is also a great variation in the level of import dependence among countries, as well as in the energy-producing countries on which they are dependent. The majority of new Member States which acceded to the EU in 2004 and 2007 are largely dependent on Russia, for historical and geographical reasons. Countries like Bulgaria, Finland, Latvia, Lithuania, Romania, and Slovakia receive all of their natural gas imports and the bulk of their oil imports from Russia. Other countries, like France and Italy, for example, have managed to achieve a sufficient level of diversification of suppliers.

Furthermore, there are significant differences in the energy mix of the Member States, which sets the pattern for their respective energy policies. For example, Germany imports oil and gas, uses domestic coal and has decided to decrease the share of its nuclear power; France produces the majority of its electricity from nuclear power; while Poland, like others of the new Member States, still uses coal predominantly. Another important issue is the degree to which different Member States are endowed with natural

resources. Some of the EU countries are producer countries, like the UK and the Netherlands, while the majority of the new Member States are energy-importing countries. All these reasons impede a common approach in energy policy.

To overcome these obstacles, the EU is trying to develop a regional approach. This consists in creating a common European approach through regional strategies and individual plans—for instance, the Baltic interconnection plan (linking all the countries surrounding the Baltic Sea). There is also a gas corridor linking the Caspian Sea gas reserves from Azerbaijan, Georgia, and Turkey to the EU (involving such projects as Nabucco, ITGI, and White Stream).

The Mediterranean Ring is an additional dimension but an external dimension because it is necessary to deal with the North-African countries which have a lot of renewable energy and Morocco is very interested in selling wind energy to the EU. There is political instability in some of these countries, but energy projects with these countries represent a huge interest; for example, the famous Desert Energy Project presented by the German government whereby solar energy is concentrated in the Sahara and can be brought to the EU.

In principle, energy interconnections are supported by self-financing as there is a tariff agreed by the regulators and consumers pay for the transfer cost. But sometimes there is a lack of incentive for those who have to invest and EU funding could be useful in this regard, especially when the benefits from the infrastructure could be disseminated to beneficiaries across the EU. A multi-countries approach can be used and the EU can help to foster these investments. Optimizing investments in the connection would unite the countries together and give them more flexibility (Vinois J.-A., 2010).

In order to enhance energy security it is necessary to work on crisis prevention and to be prepared for disruption. The internal gas market must work to serve the needs of all customers. This market can respond and each country has an emergency plan in case of disruption. There should be greater coherence and coordination between Member States because disruption may not affect only one Member State but may affect others, too. According to the draft regulation discussed in July 2009, it is necessary to undertake a risk assessment in all Member States individually and at the regional level in order to develop a joint emergency plan. This is quite

revolutionary. When we speak about solidarity in the Treaty of Lisbon, it is in this area that solidarity will be expressed.

When a country is conducting risk assessment, it checks all the interconnections it has. And Member States will act together in case of disruption. Directive 2004/67/EC on safeguarding the security of natural gas supply established the main security standards and precise actions in the EU Emergency Plan (Communication on the Directive 2004/67/EC, April 26, 2004). A risk-based approach would show that some Member States are well prepared for a crisis while others need to improve their situation. Their improvements, achieved if necessary through national action plans, will contribute to the levels of security of supply at the EU level, and at the same time will provide a better basis for any solidarity actions. Besides, the idea of solidarity and joint action plans has found support among the citizens of the EU, according to Eurobarometer polls. In response to the question "In case of disruption, should the affected country rely on the reserves of all the Member States?", 70 per cent answered "Yes" (Eurobarometer Survey, 2009).

The EU Climate and Energy Package

In March 2007, the EU's leaders endorsed an integrated approach to climate and energy policy that aims to combat climate change and increase the EU's energy security while strengthening its competitiveness. They committed Europe to transforming itself into a highly energy-efficient, low carbon economy. The realization of even a part of these targets will lead to a reduction in the import of energy resources from Russia. In order to anticipate this process, the EU Heads of State and Government set a series of demanding climate and energy targets to be met by 2020. Collectively these are known as the 20-20-20 targets. These targets are:

- a reduction in EU greenhouse gas emissions of at least 20% below 1990 levels;
- 20% of EU energy consumption to come from renewable resources;
- a 20% reduction in primary energy use compared with projected levels, to be achieved by improving energy efficiency (Roberts, J., 2010).

EU leaders also offered to increase the EU's reduction of emissions to 30%, on condition that other major emitting countries in the developed and

developing worlds commit to doing their fair share under a global climate agreement. United Nations negotiations on such an agreement are ongoing.

In January 2008, the European Commission proposed binding legislation to implement the 20-20-20 targets. This “climate and energy package” was agreed by the European Parliament and Council in December 2008 and became law in June 2009. The core of the package comprises four pieces of complementary legislation:

- A revision and strengthening of the Emissions Trading System (EU ETS), the EU’s key tool for cutting emissions cost-effectively.
- A single EU-wide cap on emission allowances will apply from 2013 and will be cut annually, reducing the number of allowances available to businesses to 21% below the 2005 level in 2020. The free allocation of allowances will be progressively replaced by auctioning, and the sectors and gases covered by the system will be somewhat expanded.
- An “Effort Sharing Decision” governing emissions from sectors not covered by the EU ETS, such as transport, housing, agriculture and waste.
- Under this Decision, each Member State has agreed to a binding national emissions limitation target for 2020, reflecting each member’s relative wealth. The targets range from an emissions reduction of 20% by the richest Member States to an increase in emissions of 20% by the poorest. These national targets will cut the EU’s overall emissions from the non-ETS sectors by 10% by 2020 compared with 2005 levels.
- Binding national targets for renewable energy which will collectively lift the average renewable share across the EU to 20% by 2020 (more than double the 2006 level of 9.2%).
- The national targets range from a renewable share of 10% in Malta to 49% in Sweden. These targets will contribute to decreasing the EU’s dependence on imported energy and to reducing greenhouse gas emissions.
- A legal framework to promote the development and safe use of carbon capture and storage (CCS). CCS is a promising family of technologies that capture the carbon dioxide emitted by industrial processes and store it in underground geological formations where it cannot contribute to global warming (The EU climate and Energy Package, 2009).

These targets are perceived skeptically by some European experts. According to research conducted by the Cambridge Energy Research Association in early 2009, the proclaimed targets can only be achieved by 10 per cent. However, even the partial realization of these measures will lead to sharp changes in gas demand. In case of the full realization of the declared targets, total gas consumption in the EU-27 may fall to the level of the 1990s, and demand for electricity (the basic sector of gas consumption) will stay at the current level.

EU-Russia Energy Dialogue

The EU-27 is dependent on Russia for 25% of its gas and 25% of its oil. Conversely, sales of raw materials to the EU provide most of Russia's foreign currency and contribute to over 40% of the Russian federal budget. Thus Russia is as dependent on the EU as the EU is on Russia. In October 2000, the EU and Russia agreed to start an Energy Dialogue dealing with issues such as security of supply, energy efficiency, infrastructure (for example, pipelines), investments and trade. The current structure of the Energy Dialogue aims to ensure the close involvement of the EU Member States, the European energy industry and the International Financial Institutions. Four thematic working groups are bringing together more than 100 European and Russian experts from the private sector and from the administrations to discuss investments, infrastructures, trade and energy efficiency issues and to prepare further proposals for the Energy Dialogue (A. Mernier, personal communication, April 25, 2008).

EU-Russia Energy Cooperation Includes:

Climate change policy. After the ratification of the Kyoto Protocol by the Russian State Duma, the European Commission has provided technical assistance through the TACIS program since January 2005. Joint pilot projects on energy efficiency have been launched in Russia (Arkhangelsk, Kaliningrad), joint investment projects in the use of energy from rivers for local power supply, the power use of biomass, as well as projects on the extraction and utilization of associated gas.

Interconnection of electricity networks between Russia and the EU. Discussions on the reform of electricity systems are being pushed by the

Commission and the Russian government, together with RAO-UES, Eurelectric and the Union for the Coordination of the Transmission of Electricity (UCTE). An agreement in principle between the CIS Electric Power Council and Eurelectric on the market and on environmental roadmaps was reached in Vienna on 14 June 2005. Recently, a comprehensive feasibility study has been launched on the interconnection of the transmission systems of the Union for the Coordination of the Transmission of Electricity (UCTE) and the Integrated Power System/United Power System (IPS/UPS).

Physical security:

- The transportation of oil: the safe and reliable transportation of crude oil and oil products, including transport by rail and sea, is an important sector of co-operation.
- Surveillance system: the use of satellite navigation in the energy sector includes exploration, construction, transport and site monitoring.
- Nuclear materials: nuclear safety and decommissioning (avoiding another Chernobyl).
- *Projects of common interest:* The Northern European Trans-Baltic natural gas pipeline; South Stream; the development of the Shtokhman natural gas field; the Yamal-Druzhba oil pipeline interconnection and the Burgas-Alexandroupolis oil pipeline project. Despite years of successful co-operation on the framework of the dialogue, a real breakthrough is still lacking: EU-Russia energy relations remain highly dependent on broader EU-Russia negotiations on the “four spaces”—economic, legal, security, research—on which progress is slow. Besides, there are cornerstone issues which are on the EU-Russia energy agenda:
 - the establishment of uniform “rules of the game”;
 - the increase of oil extraction, improvement in the quality of oil products produced in Russian oil refineries;
 - the further liberalization of the gas market;
 - the provision of transport system access rules;
 - the creation of a favorable investment climate and the interest of companies in their activities in the Russian market (EU-Russia Energy Dialogue, 2010).

Special attention is given to the liberalization of the EU energy market. The European Commission appears to have set Russia an ultimatum as part of its 19th September package of proposals to further liberalize the EU's energy market. A reciprocity clause—dubbed the “Gazprom clause” because

of its implications for the Russian energy giant—features as part of the proposals. If adopted by Member States, the clause would require companies from third countries and their governments to adhere to tough conditions before being permitted to invest in EU energy grids (Romanova T.A., 2008).

The legislation of the European Union is extra-territorial. This means that its legislation concerns the companies of all the countries of the world regardless of the location of their establishments. Under this clause, foreign companies would need to comply with the same unbundling requirements at home before making acquisitions in the EU. The conditions would be laid down in a bilateral agreement. In addition, according to the liberalization package any extracting or generating company created in a third state cannot control transport capacities in the territory of the European Union. Thus, for the Russian side it is not clear how the control will be defined. It may be a control package or a 10 per cent share allowing the company to influence the decision-making process. Although Member States are still free to choose suppliers, as this is a question of national competences, the manner of interacting with them will be limited by the rules.

In the long term there may arise a question of Gazprom's property rights over the main gas pipelines situated on the territory of the EU (for example, the Yamal-Europe gas pipeline, the gas-supplying systems in the Baltic countries, and the Nord Stream gas pipeline). This is why Gazprom's strategies (such as alliances in the downstream context, long-term contracts against short-term sales, etc.) constitute a form of reaction caused by the uncertainty of liberalization in the EU energy sector.

Special attention in relations between Russia and the European Union is given to investment agreements on the reciprocity basis. In future, the reciprocity principle might play a role of compromise. Initially, the EU supports legal rapprochement with Moscow, which would provide the general conditions for cooperation of all economic players. However, Russia emphasizes the importance of an equivalent exchange of assets on the basis of concrete agreement. Besides, it notices that gas and electricity infrastructures function differently and are governed by different market mechanisms and investment decisions, including long-term contracts.

The EU perceives energy cooperation through the prism of security policy. The Russian position finds more and more economic content and is directed at profit maximization. In this case of different directions, a new principle of reciprocity may appear as a conceptual breakthrough. But there are various

difficulties because the principle of reciprocity is not defined economically, politically and legally. It requires a great deal of technical and legal work, in which the EU is more experienced than Russia.

Finally, all these questions have been left for discussion in the framework of EU-Russia negotiations about a new Partnership and Cooperation Agreement started in June 2009 in Khanty-Mansisk. It is supposed that the document will be universal and will include such issues as economic cooperation, political dialogue, the development of four common spaces, security and justice, etc. However, energy remains the main issue and simultaneously a problem for the development of the new Partnership and Cooperation Agreement. And for its conclusion it is necessary to overcome some serious obstacles based on different perceptions and visions. Russia considers the new document to be of a general character that would provide an opportunity for working out and signing agreements on various sectors of cooperation as well as allowing necessary flexibility in negotiations. The EU perceives the new agreement as a universal one in which the democratic standards of a law-based state will be fixed as well as guaranteeing the basic aspects of energy security. In particular, the EU would like to integrate the Energy Charter and the Transit Protocol into the new Partnership and Cooperation Agreement.

The EU continues to adhere to the principles of energy market liberalization, implying certain consequences for such companies as Gazprom, and insists on being provided with access to Russian energy resources in the same measure as Russian energy companies have access for running businesses in the EU. The EU thus specifies the benefits accruing from market freedoms in general. And Russia takes up the question of indemnification for the loss of its exclusive right to the management of its unique system of gas pipelines and deposits. Besides, Russia is very interested in western capital and the services of European experts for the development of new reservoirs of energy carriers and the modernization of oil and gas networks.

The EU approach is more mature and is based on European law, concrete legal norms and rules. It assumes the formation of a common legal regime and rather broad freedoms in commercial relations from which both parties will benefit. Meanwhile, Russia prefers to conclude transactions with certain companies and to develop bilateral cooperation with separate EU states. This

relates to a certain political principle. Thus, at least four key factors differentiate Russia from the EU in this regard (there may well be more):

- the extent of integration of the state and companies' attitudes to monopolies
- attitudes to prices, profits and investment transparency
- Despite all these problems and differences in perceptions, both the EU and Russia are subject to objective interdependence which will surely contribute to the development of the energy dialogue.

Conclusion

In conclusion, the following qualitative findings can be presented:

- The Treaty of Lisbon consolidates the driving forces of the European Union and leads towards the emergence of a common energy policy.
- An EU security of supply policy will gradually emerge (through organic, possibly regional, integration).
- The new energy policy will lead in the long run to a more diversified energy mix.
- In the short and medium term, fossil fuel imports are likely to remain high (EU production decreases faster than EU demand).
- A well-functioning internal energy market with good infrastructures allowing for diversity of energy mix and response to supply and demand is the best guarantee of energy security.

It is also possible to recommend the following improvements:

- to develop stronger external relations through a single EU message.
- to intensify dialogue with neighbors through the European Economic Area, the Energy Community, the European Neighbourhood Policy, Eastern Partnership.
- to develop Emergency Plans by Member States and a Community Action Plan. The development of more and better energy policy indicators by which to assess Member States' energy policies to ensure policy coherence at the level of the EU and Member States.
- to implement the 3rd energy package with clearer roles and incentives for

infrastructural investments.

- The European dimension is increasingly important: cross-border trade, long-distance transport of diverse sources (for example, offshore wind, solar, gas).
- Energy security priorities: the Baltic Interconnection Plan, the Southern gas corridor, Liquefied natural gas, the Mediterranean energy ring, North-South interconnections within Central and South-East Europe, the North Sea offshore grid.

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