

THE EUROPEAN ECONOMIC DIPLOMACY IN THE FACE OF THE ENERGY CRISIS

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Abstract

The current energy crisis, unprecedented since that of oil in 1973, tests the European economic diplomacy in the face of the new external and intra-community challenges. While the external disturbances of the energy flows put pressure on catalysing a more unitary voice, on the inside, more solidarity is being sought out. The European External Action Service and the national diplomacies, supported by the internal actions of the European institutions, try to reduce the negative effects of the recent disturbances on the energy market. The European energy security therefore becomes a major priority and the diplomacy makes a common front in the face of a danger currently known as "the energy weapon." Where do the boundaries of the European diplomacy lie when it comes to this weapon?

Keywords: *energy crisis, European economic diplomacy, diplomatic communication.*

The diplomatic communication deficit from the contemporary world manifests itself prominently in international relations in the energy sphere, or in what the European Commission calls "energy diplomacy." The recent geopolitical developments on the East of the old continent, with a direct impact on energy supply, led to anxiety within the European space. This is not only the effect of Russia's invasion in Ukraine, but also of the developments from recent decades, when Europe disconnected its source of prosperity, i.e. the Russian gas, from its source of security, i.e. the US protection. In particular, the largest European economy, Germany, benefited from cheap Russian gas, a country that for a long time was embarrassed to spend 2% on defense.

Following World War II, faced with the energy crisis, the European economic diplomacy catalysed the first centre of the European Union, ECSC, in which coal represented the key. Today, 70 years later, the energy crisis puts the unity of

the 27 member states to the test, leading to unprecedented common measures. The intra and extra-community economic diplomacy is looking for solutions that could match this exceptional situation.

1. This article focuses on four main points, related to the European economic diplomacy faced with the current energy crisis:
2. The current context and its historical premises;
3. The intra and extra-community energy diplomacy;
4. The diversification of hydrocarbon supply sources;
5. The perspectives and the new dimensions of the European energy diplomacy.

1. THE CURRENT CONTEXT AND ITS HISTORICAL PREMISES

February 24, 2022, represented the ignition moment of a new paradigm in the European energy diplomacy. Something that seemed clear, the supply of Russian gas to the European Union, suddenly became an uncertainty. Previous similar tensions had been overcome through diplomacy and commercial negotiations. The agreements go both ways: Russia supplied gas, Europe supplied money. Moreover, the petrol and coal supply from Russia had created a serious dependency for some of the member states.

Now, the context has changed. The European Union accelerates its adaptation towards a plus in unity, cohesion, celerity and sense of responsibility. The events forced the states to quickly harmonize their positions on the energy dimension, offering prompt solutions and reactions. The action unity within the internal EU

policies also worked, according to Titulescu's statement: *"Give me a good internal policy, so that I can create a good external policy."* The decrease in consumption and the increase in gas stocks even led to some sacrifices. At the same time, the internal and external economic diplomacy worked without any interruption, despite some communication deficiencies. In the geopolitical context, the need for autonomy from the Russian fossil fuels required some domestic measures.

The situation of each country, political, energetic, social or of any other nature, differentiated the attitude of the states in relationship to the dysfunctionalities of energy supply. The debate *"more Europe versus less Europe reappeared."* Proposals for joint purchases of gas and joint credits for the creation of reserves have been advanced. From proposals to facts, however, it is a long way. Among the more active states of the Union when it comes to accelerating energy integration are those in Central and Eastern Europe, more affected by the consecutive gas crises of 2006, 2009 and the conflict in Crimea in 2014. As a reaction, Lithuania achieved full gas independence from Russia.

The European diplomacy is confronted with unprecedented situations. The flagrant violations of the contractual commitments call negotiators and politicians to appropriate decisions. The diplomatic negotiations break out of the patterns and, just like in a chess game against the chronometer, impose decisions in record time, in order not to allow the partner the next move. Cheap schemes, such as the invocation of technical and financial deficiencies, added to the unusual contractual clauses imposed by suppliers from monopoly positions.

It is obvious that the diplomatic communication also recorded some deficiencies, escalating tensions towards other risky steps, imposed by the troubled circumstances. The economic diplomacy has to make a major effort in order to find solutions to something that is almost unsolvable. It is known that from the two basic components of diplomacy, defense and economic, during the time of peace, the second one remains primordial. During a time of war, however, even in proximity, exceptional situations appear, when the economic diplomacy is subsumed to national security. In moments like this, the economic

diplomacy has to become somewhat simpler in order to avoid procrastination.

I shall present a moment of the European energy diplomacy from 2007. I said back then that naming the mayor of Hague as the coordinator of the Nabucco project was not the inspired solution chosen by the EU. We do not doubt his competence, but we emphasize his impossibility of dedicating himself to the project, if he kept his position as mayor. I was promptly apostrophized, proving not so much that I was wrong, but that there were people opposed to the project. Although it had as its object the diversification of sources, by bringing gas from Azerbaijan, the project entered into competition with South Stream intended to bring gas from Russia, on the same southern corridor.

In 1604, Sir Henry Wattson defined diplomacy as *"the patriotic art of lying for your own country."* Nowadays, this definition applies, especially when it comes to what we call energetic diplomacy. The truths of yesterday can become the lies of today. The diplomatic dialogue is recalibrated through the view of the national interest.

As a fossil fuel of energy, coal represented a building block of the present-day European Union. The European Coal and Steel Community (ECSC) started from the premise of harmonizing interests from the immediate post-war period. Back then, fossil fuels represented the key to economic development. What does coal represent today for the energy diplomacy?

The gas currently counts. Right from the outbreak of the 2009 energy crisis between Russia and Ukraine, the European Union adopted a series of legislative norms aimed at consolidating the gas supply security. The 2010 legislative package improved the Union's ability to cope with disruptions in the supply of imported energy. Despite all this, the vulnerability remained high, and this fact was proven after February 2022.

2. THE INTRA AND EXTRA-COMMUNITY ENERGY DIPLOMACY

If on the external dimension, economic diplomacy supports the interests of the EU in relation to third countries, inside the Union diplomacy is carried out between the member

states, with specific manifestations in the face of external disturbances.

The diplomatic missions of the EU and of the member states support viewpoints which, in normal conditions, would be difficult to harmonize. Rejecting, on grounds of economic sanctions, of some foreign offers, quite appealing and profitable, does not necessarily mean the hiding of reality, although it goes against purely economic calculations.

Some time ago, the head of the European diplomacy spoke, at the annual reunion of the EU ambassadors about *"the new boundaries of diplomacy."* It is true that these boundaries appear more nowadays, both towards the exterior, and among member states.

Starting from 2014, preoccupied by supply safety, the European Commission studied the vulnerabilities in the face of a potential stop in gas supply. This applied in the context of the sanctions applied to Russia due to its annexation of Crimea. The study called *"The Energetic Security Strategy,"* extended over the entire Energy Community (38 states), simulating two scenarios: the first one – in the case of the cessation of Russian gas supplies, and the second one – in the case of the disruption of transit through Ukraine. For Romania, one of the significant conclusions of the study was that Central and Eastern Europe would be more affected.

The European energy solidarity implies, for us, a possible future export to support other countries, and on the other hand covering the necessary with imported liquefied gas, which is more expensive. Azeri gas is also considered as an alternative to Russian gas.

Starting from 2014, when the study was developed, the need to increase energy efficiency and decrease consumption was emphasized, and as another form of diversification of sources - increasing own energy production, which, in the case of Romania, mainly concerns gas from the Black Sea.

The reaction of the Union to the disturbances on the global energy market appeared quickly, supporting the foreign energy diplomacy through coherent internal actions. In May 2022, the EU established a plan to reduce EU's dependency of Russian fossil fuels, starting from the need to eliminate this dependency. A survey

shows that 85% of European citizens agreed with diminishing this dependency for Russian petrol and gas, as soon as possible. The European executive recognized Russia's use of fossil fuels as an "economic weapon," which European taxpayers financed with almost 100 billion euros a year. In addition, the need to manage the climate crisis also required the reduction of fossil fuel consumption.

Intracommunity, diplomacy assumes major investments in bidirectional interconnection projects, in strategic gas warehouses and in building regasification terminals. Of course, replacing gas with renewable energy means joint investments through skilful diplomacy between member states.

The excessive dependence on a single source of gas proved harmful, not only due to the risk of interruptions, but also from the perspective of the monopoly position of the foreign partner that imposes disadvantageous conditions, such as the ban on re-export, the change of the payment currency, or the "take-or-pay" clause, the latter defining the situation in which the beneficiary is obliged to pay even if he does not receive the gas, under the pressure of the abuse of a dominant position on the market.

Intra-European diplomacy comes to avoid the splitting of the EU into two camps that of states with diversified sources and that of states dependent on the Russian gas. Such diplomacy extends beyond the European Union, throughout the Energy Community. In addition, it intervenes not only in the selection of partners, but also in the regulatory process and in the applicable tax rules.

Unfortunately, the greatest economy of the Union is also the largest importer of Russian gas. Germany, which has bet hugely on cheap gas from the two Nord Stream pipelines, currently has no alternatives because it has not built the LNG terminals. Such a reality complicates intra-European diplomacy, which has to harmonize different national interests.

The southern gas corridor, with Central Asia as its supplier, is one of the concrete methods of guaranteeing energy security, stipulated in the Strategy of the Energy Union (2016). On the other hand, in the Northern region, the construction of liquefied gas terminals is expected, with European investments.

Specifically, on the northern flank, Lithuania proved that it can completely give up the Russian gas, although at first it was completely dependent. The solution is represented by the liquefied gas, mainly from Norway. How did it manage? Through skilful intra-community, but also external energy diplomacy, convincing, on the one hand, the European Commission to participate in the construction of the Klaipeda port and the interconnectors with the neighbouring states, and on the other hand, agreeing with Norway some beneficial conditions to both parties.

A distinct dimension of European energy diplomacy is manifested at the level of international bodies, promoting transparency, to strengthen the security of supply. In multiple international forums, including the G7 and G20, the European Union promotes its interests through common diplomacy. The topics of interest are diverse, including energy infrastructure cyber security and new technologies. Here it is good to bear in mind that the headquarters of the European Cybersecurity Competence Centre (ECCC) is located in Romania. The pan-European character of the Energy Community imposes strategic objectives on the European diplomatic agenda.

The diversification of sources therefore means a significant component in foreign diplomacy, involving the united voice of the European Union, from the position not only of energy importer, but also of energy technology and service exporter.

3. THE DIVERSIFICATION OF HYDROCARBON SUPPLY SOURCES

The lack of a single supplier alternative becomes even more dangerous when hydrocarbons come in pipelines. In 2008, following the Ukrainian crisis, Russian gas and oil began to flow intermittently to Europe. It proved then, more than ever, that the diversification of supply sources represents a necessity. The idea itself was not new, it had just been neglected. Recent political developments have precipitated concerns in this direction, essential for the proper functioning of the European economy, also revealing some of the limits of diplomacy.

The Nabucco pipeline, one of the key projects in the race for alternative resources, provided for the delivery of gas from Azerbaijan or from other sources besides Russia. It could, even consider Iranian gas, after the eventual normalization of relations. Unfortunately, the project was abandoned, partly in favour of Blue Stream, a pipeline that crosses the Black Sea between Russia and Turkey, pumping gas to Italy. However, the main objective, the diversification of supply sources, was not achieved.

Another ambitious abandoned project was AGRI (Azerbaijan - Georgia - Romania Interconnector). The source of the gas would have been Azerbaijan and possibly Turkmenistan, if the Caspian Sea was crossed. The subject resumed a few days ago, through Romania's agreement in principle with Azerbaijan, with a liquefaction port in Georgia.

Finally, the Trans-Adriatic Pipeline (TAP) was built, along the route of the Southern Gas Corridor, from which the Greece-Bulgaria interconnector was recently completed. At the inauguration of the latter, the role of the energy crisis in uniting European efforts to cover energy needs was noted.

The supply of liquefied gas to Europe, for the benefit of suppliers is something that is being done now, hastily, at much higher costs. I had the opportunity to talk about such a perspective in Kyiv with the former American ambassador to Azerbaijan, Richard Morningstar, during an energy conference in 2008. He was of the opinion that sooner or later Europe will buy liquefied gas from over the ocean, after the necessary regasification terminals are built. He was clearly talking about Russia's use of gas as an "economic weapon." And, behold, today his assertion is confirmed. At that time in Kyiv, the Romanian ambassador, the current secretary of state, Traian Hristea, an excellent diplomat, understood very well the role of Ukraine in the gas transit equation towards Europe.

At the end of 2008, I also experienced the moment of disruptions in the delivery of Russian gas in the headquarters of the Ministry of Foreign Affairs, where I summoned the head of Russia's diplomatic mission to discussions. When I told him that by cutting off the gas, he is doing us a favour, forcing us to be more efficient and to

reduce waste, he tried a populist logic, asking me what the Romanian citizen will say when he will shiver from the cold in winter. He won't shiver – we've got it covered! He will understand that we have to manage without imports, to manage better what we have.

The diversification of sources also takes into account the specifics of relations with the supplying states. When it comes to the US, energy diplomacy takes into account the strategic nature of relations. However, the borders of diplomacy also exist here, if we listen to the allusions of President Emmanuel Macron, when he warned us not to exchange one addiction for another, by switching to liquefied gas. Personally, I think this analogy is quite forced, since we are talking about two fundamentally different political systems.

The extra-community dimension is not limited to the dialogue with the great powers. Interest in trans-Caspian natural gas, for example, has fuelled the Union's energy diplomacy with Turkmenistan.

The resources discovered in the eastern Mediterranean Sea suggest new suppliers for the European Union, such as Egypt or Israel

As the price gap between pipeline and liquefied gas narrows, the interest in diversifying transport routes decreases, simplifying the tasks of diplomacy. At the same time, expanding the pipelines on the southern corridor with alternative sources will reduce costs and risks.

However, despite the pressures of the energy crisis, the foreign policy of the member states on the energy dimension is still defined at the national level. Romania presents a distinct situation in the Energy Community, due to the structure of the energy system, the available resources and the geopolitical situation. This does not mean that, in the face of the energy crisis, more solidarity is not required, which for us means an additional effort.

Romania, as it might become self-sufficient, or a net exporter of gas, cannot be interested in massively investing in interconnection, a process supported especially by the beneficiaries. That is why European funds must be accessed especially by the states that use the gas, as Lithuania did with the liquefied gas terminal in Klaipėda.

Of course, in a populist manner, the fossil fuel divestment as a form of resource diversification

can also be approached undiplomatically, as protesters in London recently did by throwing tomato soup at Van Gogh's Sunflower painting.

4. THE PERSPECTIVES AND THE NEW DIMENSIONS OF THE EUROPEAN ENERGY DIPLOMACY

In addition to the diversification of sources, in the face of the crisis, short, medium and long-term European options have also materialized on other dimensions: storage, interconnection, increasing liquefied gas capacities and the use of renewable resources. The shock produced by the recent crisis proved that the Union can be more solidary and credible, despite the differences between the member states.

North America's unconventional hydrocarbons revolution has redefined the paradigm of global natural gas trade. Even though liquefied natural gas is still much more expensive than pipeline gas, the construction of terminals in Europe has already shaped a new gas market, with beneficial effects in the face of the current crisis. As the appetite for liquefied gas increases, there is a tendency for piped gas prices to align. At the same time, the damage to the Nord Stream 1 and 2 pipelines, as well as the Drujba pipeline, proves both the vulnerabilities of the infrastructure and the limits of energy diplomacy, referring to the "frontiers of diplomacy" mentioned by Josep Borrell.

Bridging the technological gap, exploitation and exploration of shale gas in Europe also became more necessary, softening the attitude of some opponents. The acceleration of the new technologies represents the transformation of the architecture of the entire European energy system, with new approaches in international relations. The renewable energy becomes more competitive, electrical energy storage capacities appear, the production of so-called household "prosumers" increases (producers and consumers at the same time), the number of electric cars increases, etc. However, the large differences between member states require skilful internal energy diplomacy, all the more so as new technologies attract state aid, distorting the market.

On October 4, 2022, under the Czech presidency, the EU Council agreed on a plan to

end dependence on fossil fuel imports from Russia. The strategic autonomy of the Union through the diversification of energy sources thus becomes a major objective. Specifically, member states can now invest, for this purpose, through the National Recovery and Resilience Plans, introduced to diminish the effects of the coronavirus pandemic.

On April 7, 2022, the Energy Platform of the European Union was established, with the aim of ensuring energy at affordable prices, in the context of eliminating dependence on Russian gas. The platform is a voluntary coordination mechanism in the purchase of natural gas. Last week's Union Summit moved in this direction.

Prior to the current crisis, the energy diplomacy advocated avoiding dependence on fossil fuels through various methods: orientation towards new technologies and renewable energies; hydrogen production and transport; electricity storage technologies; digitization of energy systems; cross-border interconnection and a new financial framework. They remain valid. Such priorities, however, competed with the priorities of the world's major economies, such as China and the US, eroding international energy governance mechanisms and favouring market fragmentation. Again, energy diplomacy turns into the firefighter on duty.

If during the COVID period, the Union stressed the Paris Agreement and the idea of combating climate change, now the priority becomes, at the border of diplomacy, the elimination of dependence on hydrocarbons. We are therefore talking about the "frontier of diplomacy," that is, the point from which negotiations no longer have an effect.

Until then, however, the Union is revising its list of essential partners. The creation of a new map of these partners changes the dynamics and the format of future European cooperation. The transformation of the European energy system requires new partnerships, an essential element in energy diplomacy.

Norway is growing in importance. In its failure to join the European Union in 1995, energy played a key role. Its gas and oil reserves made the difference in comparison to the other two countries with which it had negotiated the package, Sweden and Finland. Holding the 13th

place in the world in the production of crude oil and the 7th place in the production of gas, a country with only 5 million inhabitants allowed itself, after the successful conclusion of the negotiations, to refuse the accession. Energy diplomacy had its say.

As a global actor, the European Union interacts with close partners. The world's top three economies, the US, China and Japan, will anchor more solidly in the equation of European economic diplomacy, each with its own specificity. In formulating its own energy diplomacy, Europe will take the global positions of these three economies more into account, each of them representing Europe's competitors.

On the one hand, China is expansively investing in the critical infrastructure of other countries, especially the non-democratic ones, seeking to alter the current multilateral governance structure. On the other hand, strengthening the energy position of the USA in the world by increasing its own production, changes the architecture of the world market. Finally, Japan, the world's third largest economy, with which the European Union has a strategic partnership and which recently developed its "Strategy for the Development of the Liquefied Natural Gas Market," relies on multilateral energy governance. I could talk about Japan's energy for hours, at least if I were to repeat what I wrote in the 2016 book entitled "Japan after Fukushima." The 2011 moment of crisis was shocking for me. After the closure of 25% of Japan's production capacities electricity, respectively nuclear ones, the cities were lit as before. The resilience of the national energy system allowed the overnight replacement of nuclear energy with other sources. Importantly, these capabilities existed in reserve and were immediately put into operation.

Great Britain is much less dependent on Russian hydrocarbons than the average of the European Union, and therefore Brexit increased the degree of dependence across the Union's member states.

At the G7 level, a global strategic vision of liquefied natural gas was proposed, with details on energy security, including the cyber dimension.

The global energy transition is causing geopolitical movements with an impact on

European diplomacy. One of the most dynamic areas, Latin America, is rapidly recovering ground in terms of renewable energies, with participation in international forums, especially the G20.

Where there is a European cooperation framework in the energy area, such as India, Algeria and Egypt, the existing dialogue formats will be rethought, while an appropriate framework will be created with other states such as Kazakhstan, Uzbekistan, Saudi Arabia or the United Arab Emirates.

The recent geopolitical movements have already led to resettlements of diplomacy with countries such as Ukraine, Moldova and Georgia, preparing the ground for new forms of energy cooperation, in the perspective of the expansion of the European Union. Ukraine needs a strong European support in the energy sector, which represents a new challenge in the context of Russia destroying its energy infrastructure. Prior to the war in Ukraine, the Union had proposed the co-optation of Russia in the objectives of the Paris Agreement on climate change, cooperation in the production of renewable energies and the establishment of international technical norms. Now the process stopped. The gradual abandonment of hydrocarbons in Russia will contribute to the decarbonisation of the European economy.

Turkey has instead become a solid partner through its geostrategic position between Europe and the Caucasus as a transit country and through its involvement in the energy market. A member of the European Customs Union, Turkey is a partner in energy efficiency, clean technologies and connections to the Middle East and the eastern Mediterranean.

Algeria, a key supplier of oil and gas, is a key partner, especially on the southern flank of the Union.

Saudi Arabia, in addition to its position as the world's largest crude oil exporter (but not producer), is increasing in importance through the expected measures meant to increase energy efficiency, opening new opportunities for European companies.

Kazakhstan and Uzbekistan also open up new opportunities for European energy diplomacy on the efficiency dimension, although China's

competition has become impressive in these markets.

The United Arab Emirates, which hosts the International Renewable Energy Agency (IRENA), has become a viable partner on the dimension of international flow regulation.

The external dimension of European economic diplomacy includes, in geographical proximity, the states of the Energy Community, established in 2005, including Moldova, Ukraine, Georgia, Armenia and the Western Balkans.

The dialogue with them is carried out from the position of partners, even if the energy required to produce a unit of GDP in these countries is 6 times higher than in the EU.

The priorities of the European energy diplomacy evolve not only as a geographical orientation, but also in relation to global challenges, constantly adapting to the fields of action, grouped into 5 categories: (1) the transfer of norms and regulations; (2) bilateral and international agreements; (3) regional electricity interconnection (China has become an outstanding competitor); (4) promoting the European Green Deal and the Paris Agreement; (5) strengthening multilateral and regional governance.

5. CONCLUSIONS

The transnational character of present-day challenges suggests that formal bilateral diplomacy, as defined in the 17th century, is no longer enough in a hyper-connected world.

At the beginning of this article I posed the question: what are the limits of diplomacy in the face of energy weapons? In the absence of a conclusive answer, if the United Nations also seems powerless in this world, then diplomacy risks to be compromised, at least the multilateral one. Within the EU, the limits of diplomacy lie where diverging national energy interests could endanger cohesion.

We must at least recognize the fact that diplomacy has its own borders, as stated by the High Representative for Foreign Affairs, Josep Borrell. Who sets the boundaries of that border? One thing is certain: a maximum diplomatic communication, up to those limits, will lead to concrete benefits.

If we are optimists, we can say that today's energy crisis has managed to fill European storages with gas to almost 100% capacity, which again is an unprecedented rate.

Ending this article, I would like to refer to "Apollonia," the name of a prestigious university in Iasi, Romania. Understanding that the name comes from Saint Apollonia of Alexandria, I

recall her act of martyrdom in the 3rd century. Faced with the negative, infernal energy of fire, she was asked to deny Christ. With boundless courage, she preferred to face the killing energy, putting her own positive energy of faith above it. With such an example of supreme temerity, I wish and hope for nothing but the best in the world.

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