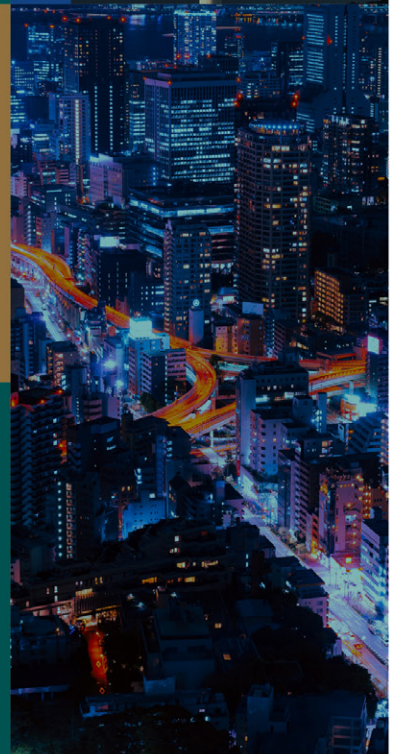
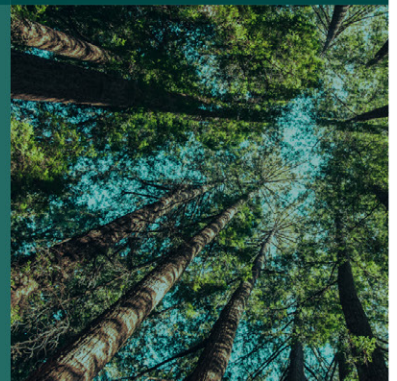


# Europe's Fatal Mistake?

## The European Union Energy Policy since 1990

Renato G. Flôres Jr.

ENERGY/  
SUSTAINABILITY



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# Europe's Fatal Mistake?

## The European Union Energy Policy since 1990

**Renato G. Flôres Jr.\***

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## Abstract

The contradictory behaviour of the European Union, simultaneously increasing its dependency on Russian energy supplies while leading a foreign security policy deaf if not hostile to Russian strategic concerns, is discussed. It is argued that, besides the European energy policy, the role of NATO and, in an inseparable way, that of the US, as well as the ambitious evolution of the European integration project, must be considered. At the heart of the contradictory policies lies the unresolved relationship with Russia, since the German reunification. The present net result seems to be a return -in terms of security design- to a post-WWII situation, together with less funds for a smart, alternative-power EU project. Despite doubts on how deep is the popular support to nowadays official behaviour and decisions, overall prospects for the EU are gloomy.

**Keywords:** energy policy, European Union (EU), EU enlargement, NATO, policy conundrum, SACEUR, Russia, United States (US).

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# 1 Introduction

**T**his paper elaborates on the idea that, since the demise of the Soviet Union, the European Union (EU) has been pursuing a schizophrenic energy policy, which in one hand deepens its dependence on Russian oil and gas, while simultaneously keeping a thorny relationship with Russia, reproducing perceptions and patterns akin to the Cold War.

This attitude, greatly if not completely opposite to what would have been expected toward a key energy partner, deserves due consideration. We outline a possible reasoning for this, an ensuing proposed explanation and pose two broad questions for the future.

EU policies show plenty of contradictions, signalling, in a broader perspective, that the project has not achieved to combine its geopolitical ambitions with the concrete needs of an integrated space yet. Moreover, its manifold members have different perceptions on many key issues, adding to a lack of focus and effectiveness in several of the Union's decisions.

Dealing with a problem with multiple connections and interactions obliges one to focus on a manageable development line. Geopolitical considerations –crucial for understanding the conundrum at stake- and proper account of all sides and alternative views are mandatory, had unfortunately to be kept to a minimum, given not only space but also objective constraints.

Section 2 is a short summary of the energy situation and its relationship with Russia. Sections 3 and 4 describe possible explanatory elements while Section 5 tries to wrap up both. Section 6 concludes with questions demanding further enquiry.



## Origins

Reasons for the odd situation –as occurs in similar cases- can be multiple. The first is the dismal reality of the continent as regards energy sources, something more acute in central and Eastern European nations, particularly Germany. Indeed, at the start of 2022, EU countries imported more than 96 per cent of their oil and oil derived products, and more than 87 and 44 per cent, respectively, of their gas and carbon needs.

While France has pursued a successful move towards atomic energy, Germany and other neighbouring countries, like Belgium and Austria, continued to rely on carbon, notably the most obnoxious one, lignite, for a considerable share of their needs. At the aftermath of the serious nuclear accidents in Japan, the Germans, under heavy pressure of their Green Party (*Die Grünen*), banished the use of nuclear energy<sup>1</sup>, starting a not very clear *Energiewende* initiative, which, broadly, led to modest improvements in the diversification of sources.

Since the early seventies, under Chancellor Willy Brandt's famous *Ostpolitik*, the abundant, relatively cheap Russian gas started to figure in the German energy matrix. This trend continued along the eighties, and during the Gerhard Schröder years (1997-1998, President of the *Bundesrat*; 1998-2005 Chancellor, two mandates) exchanges increased; Russian gas and oil<sup>2</sup> were seen, understandably, as a most convenient and –under certain aspects- wise solution.

This movement has been followed by other member countries, including those of the 2004-enlarged Union: a little before 2016, Russia supplied 27 per cent of global EU needs in gas and 32 per cent of those in oil.

The obviously important surge in demand is likely one of the reasons why the Russian state reinforced its control over the energy sector, notably over public companies Gazprom, Rosneft and Transneft, together with the debatable bankruptcy of the private supplier Youkos.

Given the logistic dependence on the Ukrainian corridor, to bring Siberian gas to central and Western Europe, together with the prominent role of the German buyer, an alternative submarine pipeline in the Baltic Sea, linking Vyborg, in Russia, to the small town of Lubmin, in the German coast, was made operational in 2010: Nord Stream. With

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1. Ironically, nuclear energy generated in the country –what amounted to (sequentially) close down all nuclear generators in Germany- but not that imported, notably from France (sometimes from an across the border French nuclear reactor ...).

2. The country holds maybe up to 10 per cent of world oil reserves and about 25 per cent of those of natural gas (non-conventional hydrocarbons excluded).

a carrying capacity of 55 billion cubic meters of gas per year, Nord Stream became the source of 1/3 of Russian (gas) exports to the EU.

The ever-increasing demand and the successful operation of the submarine pipeline led to the consolidation of a German-Russian venture for managing the complex structure, under the direction of former Chancellor Schröder, and the planning and building of a Nord Stream 2, running in the Baltic parallel to Nord Stream 1, linking now Ust-Luga to (again) Lubmin.

At the same time, Gazprom started to devise the Turkish Stream pipeline, at the bottom of the Black Sea. With a carrying capacity of 63 billion cubic meters per year; together with the Nord Stream complex, it would allow to abandon –or leave in a rather subsidiary position- the Ukrainian corridor.

This close dependence and related consequences were not exactly unilateral. Around 2020, 57 per cent of Russian oil exports and 86 per cent of gas ones went to the EU, generating precious foreign reserves for the country and creating a two-way bond.

The picture just outlined should suggest that relations between seller and buyer were the best possible, the deep ties linking them unfolding into a series of constructive endeavours in other areas, under a mainly smooth diplomatic relationship.

Surprisingly –or not, for some- this was not the case. To understand why, new actors and developments must enter the debate.

# The contrary forces

## First, there is NATO.

NATO can be the subject of several narratives, all not in the same direction, whose debate is not the purpose of this paper. Though stated in the articles of its founding document that it is a defensive alliance, it became progressively hard to swallow this official rhetoric, at least since the fall of the Soviet Union.

Glossing over contentious points, like the Serbia-Kosovo conflict –including the UN unauthorised March-June 1999 bombing of Belgrade and the related use of depleted uranium ammunition- together with several activities, aggressive, outside the European realm, it is minimally reasonable to question at least two controversial issues.

The first is the continuation and reinforcement of the Alliance after the end of the opposing force against which its –defensive- existence was grounded. The second is the disputed logic of its fast and significant ever-growing expansion after the reunification of the two Germanys, despite commitments by the West, unfortunately disregarded, that this would not take place<sup>3</sup>.

During this period, NATO-Russian relations have suffered ups and downs, mostly downs as the Alliance never trusted completely the other partner and a sequence of incidents and decisions progressively jeopardised the dialogue. The expression ‘Cold Peace’ is a good summary of the superficial, and ever-worsening, relations that took place.

It is worth reminding that though the Organisation has a Secretary General -a civilian with no military command role and (up to now) a European-, actual rule on its forces, including the direction of its military operations, is exerted by the Supreme Allied Commander in Europe (SACEUR), a position always occupied by a superior US military officer, named by the US President and confirmed by the US Senate<sup>4</sup>.

Established in Mons, Belgium, the SACEUR is also the commander of all US forces in Europe. Though in terms of precedence it answers to the Chair of the NATO Military Committee, its multiple functions and considerable effective power make him the key

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3. Apart from Secretary James Baker famous statement to President M. Gorbachev, in February 1990, that “there would be no extension of NATO’s jurisdiction for forces of NATO one inch to the east”, when discussing German re-unification (<http://nsarchive.gwu.edu/document/16116-document-05-memorandum-conversation-between>) many other inconvenient examples exist. President Bush’s somewhat surprising proposal in the 2008 NATO Summit in Bucharest, to accept Georgia and Ukraine as prospective members rang a red alert in the Russian side. These and other moves have led voices, even in the US, like Henry Kissinger and John Mearsheimer, to call for moderation as regards the expansion of the Organisation. Among many other proposals, see Asmus et al. (1993) and the reaction by Pushkov (1994).

4. The first SACEUR was General (and after US President) Dwight D. Eisenhower, and the position has since been occupied by high-rank, rather distinguished US military men.



figure in any concrete operation. Its existence stands as evidence of the ultimate US stronghold over NATO.

Voices in the EU have always been divided about many of the above issues, and the unavoidable feeling that the Organisation –for the better or the worse- is the armed hand of the US in Europe, despite wearing the velvet glove manufactured by its well-crafted architecture and rhetoric, cannot be overcome.

During the 2014-2019 mandate of former EU Vice-President Federica Mogherini, her EU Global Strategy initiative might be interpreted as a serene though active attempt to enable the EU to regain control of its security and defence policies, keeping as much as possible –given the diplomatic and reality constraints- a harmonious relation with the so-called defensive alliance. The project of a European army never received so much attention, only to flounder as soon as her mandate ended.

Behind the NATO façade, a key player in this argument is the US. The hegemon, following its natural behaviour, has channelled –since the beginning of the Organisation- NATO’s behaviour according to its own interests.

The US also represents the powerful interests of its weapons industry. With the likes of Raytheon, General Dynamics, Lockheed Martin and Northrop Grunman, it is the top weapons’ producer and exporter in the world.

Moreover, since the shale gas explosion, it also became a major energy exporter. Together with Saudi Arabia and Russia, it nowadays makes for the Big Three, which displaced OPEP’s central position in the world oil market. As any aggressive exporter, it wants to grab market shares from its two key competitors.

The central point of this paper is the amazingly dissonant behaviour of the EU, and specially Germany that, simultaneously with the same partner, Russia, while energy ties were strengthened, in the NATO-security realm played the game of poking ever closer the very partner’s eye.

For about three decades, the EU had the opportunity to steer a more autonomous path, without breaking with the hegemon –something besides inconceivable, nearly impossible to some. The Russian-EU mutual dependence on the energy trade could serve both as one of the incentives and one of the pillars for such policy.

## **This opportunity was lost.**

The worsening of the security relations, where NATO-US proceeds and, correspondently, the poor and staggering EU-Russia dialogue played a major role, eventually led to the present situation of an inadmissible war and the dismantling of the energy links, including infrastructure-sabotage acts, as the blowing up of the Nord Stream pipelines.

Two less mentioned examples illustrate the consequences of this irrational and blindly *naïf* behaviour.

From February 23 to December 30, 2022, the share prices of the four aforementioned companies rose by figures of 9, 15, 23 and 41 percent (in the same order above)<sup>5</sup>. The US weapons industry has been faring quite well with the conflict in course.

At the same time, the top seven gas providers to the EU, during the second quarter of 2022 were (in decreasing order of supply shares, in per cent):

<b>Norway</b>	<b>23,4</b>
<b>Russia</b>	<b>22,9</b>
<b>The US</b>	<b>17,4</b>
<b>The UK</b>	<b>14,8</b>
<b>Algeria</b>	<b>6,1</b>
<b>Qatar</b>	<b>4,3</b>
<b>Azerbaijan</b>	<b>4,1</b>

Of these, many –like Algeria and Qatar- suffer short- to mid-term restrictions to increase their exports to the EU. The US looks to become the absolute winner out of the declining imports from Russia, despite being the furthest away supplier. Its share has continued to increase, though its (competitive) shale gas price plus transportation costs make for higher final delivery prices than the former Russian ones<sup>6</sup>.

5. According to Google Finance.

6. The gas travels in liquefied state (LNG), which implies a costly logistics.

## 4 The EU peculiar dynamics

**W**as the EU conscious that the divergent energy and defence paths it had been treading would inevitably lead to something of the sort they nowadays endure? The answer deserves a broader consideration, highlighting other contradictory aspects of the European project.

Acid critics like to remind two issues related to its early years, usually skipped by the traditional narrative.

The first is the key role played by US business in the road to the Treaty of Rome. A vocal representative was the automotive industry leader and General Motors' long time key figure Alfred P. Sloan, who openly pledged a rules- and standards-unified European continent to boost US sales in the revived Marshall Plan area.

The second relates to the first President of the European Economic Commission (EEC), for ten whole years (1958-1967), Walter Hallstein. A former *Oberleutnant* at the *Wehrmacht* and a US prisoner of war (sent for re-education to the US) from June 1944 to mid-1945, Hallstein was a staunch anti-communist; his choice ensured the US about the lines the EEC would take during those iconic Cold War years.

Both examples underline the presence of the US as a major influence in the making of the Union, since its very beginning.

In 1992, with the broadly successful implementation of the Delors Initiative for consolidating and definitely establishing an active and concrete common market, and the signing of the Maastricht Treaty, the Union seemed to finally tread a more autonomous path. It presented itself as an alternative power that would act through negotiation, diplomacy and the weight of its culture and examples, homed in a space of peace and individual freedom.

Nevertheless, the 1989-1991 events, with the Fall of the Berlin Wall, the German Unification and the collapse of the Soviet Union, made the US ally more active. Less than fifteen years after these disruptive facts, the EU—urged, if not greatly pressed by the US—absorbed the key members of the former Iron Curtain, receiving ten new countries in 2004, in an enlargement process that still poses harmonisation and governance problems. Problems, it must be reminded, going on while NATO continues to enlarge.

Effective implementation of sector specific common markets gained priority after 1992. The Energy Common Market faced many difficulties and local oppositions, since

the first liberation directives adopted in 1996 (electricity) and 1998 (gas). Criticism on them were varied, including the lack of attention to developing internal sources and alternatives, Costa e Silva (2016).

It is maybe not wrong to say that, only with the 2019 Fourth Energy Package, consisting of one directive and three regulations, it received a more formal definition and corresponding rules, together with an emphasis on sustainability and renewable energy sources. It is ironic that two of these regulations (2019/941 and 2019/943) deal with four sets of measures related to crisis management and the assessment of risks related to electricity supply. Notwithstanding, the not very brilliant way the EU started to cope with its energy problems, since February 2022, does not signal that these two key issues had been dealt effectively<sup>7</sup>.

The whole conception is not free from flaws, the first being an idealistic view of the role of renewables, be it in replacing fossil fuels or in representing sustainable solutions to the energy issue. As the US energy expert Daniel Yergin reminds, Yergin (2020), hydrocarbons are still responsible for 82 per cent of world energy and it is perhaps unrealistic to think that a 90 trillion US\$ world market can be changed in two and a half decades. Moreover, renewables replace fossil fuels demand by mining demands in large and varied scales –something equally environmentally debatable-, besides creating other export dependencies. Nowadays, 80 per cent of lithium batteries and 70 per cent of solar panels come from China. Other sources, like the wind option, are very profitable business ventures with uncertain efficiency.

A second point is that by imposing a unified minimum price for each specific kind of energy, it creates losers among efficient producers of that same kind. This has led to protests by the Iberian members, and problems to France, where cheap electricity is provided by the nuclear option.

The above illustrates the near romantic, over-optimistic and sometimes unachievable goals of the EU approach to the energy question, overlooking both endogenous and Mediterranean alternatives. No doubt, out of this situation, continued resort to the nearby, energy-abundant partner increased.

Despite the reality shock produced by President Donald Trump, who denounced the clear free riding on NATO, in terms of security, nothing much changed. Actually, the narrative on harmony, diplomacy and culture could only be sustained and funded as long as the US-NATO entity cared for military expenses and operations: a key message that remained unheard. The Biden administration, if not denying Mr. Trump's pledge, took a softer instance on this, as US control of NATO is clearly in the hegemon's interest. Everything came back to "normality".

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7. It is also curious that, suddenly, all the blame seems to be on Russia. The European Parliament's seven pages document, with date 09/2022, Fact Sheets on the European Union – 2023 ([www.europarl.europa.eu/factsheets/eu](http://www.europarl.europa.eu/factsheets/eu)) mentions 18 times the words Russia or Russian, and the troubles it has been causing in the energy supply, but slightly mentions, in its last page, the successive sanctions packages on this very supply.

This brief overview illustrates the oscillating nature of the European project, which roughly reproduces the well-known debate in international relations between institutionalists and realists. Like the former, the EU –notably since 92- believed that with strong and efficient institutions, notably the Commission, the Council and the Parliament, it could overcome problems and build a path to a main role in the world scene. Like the latter, it knew that what matters in the international power game is might –in the case, its market size. To sustain it, it tramples common policies and abstract pursuits<sup>8</sup>. It has procured energy -for easy living, competitively producing, saving for innovation and, indirectly, helping to sustain the Euro- from the closest and cheapest source, even if it were at odds with the views of its first *and* last resort supporter (in their view): the world hegemon, the very agent that provided for its security needs.

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8. And, unfortunately, not even rational behaviour, bounded rationality would suffice.

## A possible answer

**D**espite the arguments in the two previous sections, the behaviour still looks irrational and testifies to one of the greatest confusions regarding a perhaps too ambitious project. It is hard to understand the deep reasons for this conundrum, which ended in disaster.

Instead of looking for further explanations, the answer lies perhaps in a simple fact. As a continuous work in process, the European project disregarded a main task it maybe thought could be handled by the NATO's shield: streamlining and clearly facing a constructive and engaging relationship with Russia.

Here lies the biggest flaw, the source of the problem.

Commenting on the EU Global Strategy (EUGS), seven years ago, Flôres (2016) said: *"... But the real litmus test is Russia. The EUGS must clearly define the EU's relations with Russia, square up the existing contentieux and lay out plans for setting up a constructive, forward-looking agenda. Without creating a blueprint for co-operation that builds upon the (perhaps limited) common ground of their respective geopolitical visions, the EU will stay in the shadow of the US and its security remain uncertain. Moreover, the Union will continue to have fuzzy limits, the stability of which will ever be deemed uncertain, adding extra internal conflicts, as members position themselves assertively and distinctly towards the 'Russian problem'".*

The above words could not have been truer. Nothing was done, the schizophrenic relationship was kept and never changed; consequences have been disastrous.

## 6 Conclusion

Leaving the present impasse and looking to the future, many unknowns lie ahead. One could perhaps try to develop scenarios on the likely interactions between energy and security issues in the European realm, not forgetting the sustainability constraint. Focus here is instead on two sets of questions in want.

Does the EU consider that the present situation, with a flurry of re-armament intentions and the scope and attitudes of an ever-present NATO, marks a huge setback in its project, moving it back to a post-WWII context when absolute dependence on the US was an unquestionable fact, and Europe itself a minor, discredited entity? Do only most of its present leaders, as the official narrative tries to assert, think the opposite, with at least near half of the population in member states disagreeing with them? Or has the layman been turned indifferent by years of free running on defence issues, and scared by the return of the binary “us and the inhuman adversary” mantra, echoed in the mainstream media?

What about the smart Europe construction, in which a third, peaceful but assertive power would play a major role in international affairs, backed by diplomacy and inclusive social, sustainable and technical solutions? What about the credibility of an environmental champion that rushes back to coal and securing fossil fuels when confronted with a *de facto* energy problem?

A full recovery of the European economies with cheap energy, sufficient to cover all their needs and support a smooth move back to renewable, or rather sustainable sources is hard to envisage. The costs and environmental damages of US shale gas –the emerging substitute for the Russian option- mean a real loss from the previous status. The return of subsidies to recalcitrant fossil fuel sectors, like transportation, and the revival of carbon itself are equally worrying.

The amount of planned funds announced to move to weapons and diversified military items, at the expense of investment in culture, education and several soft power endeavours that, despite many problems, have created an EU-peaceful imprint in the world, is disturbing. It will eventually destroy EU’s unique virtues and appeal, already seriously hurt. It will also erode European competitiveness.

Is this a crisis of leaders and leadership? Or of the whole implementation of a most ambitious project<sup>9</sup>?

9. Lamy (2023) expresses similar concerns.

Will the EU learn from its mistakes and hesitations and constructively use them to build an independent path in the world scene?

In today's volatile times, some mending of fences might still be possible. The saving and optimising measures in course may eventually have a positive impact, especially if adopted for good. The greater awareness that without caring for its own security – beyond the financial and environmental dimensions- the project's better values are at risk might grow and bring back not only thoughts but actions as well on a European solution to European defence problems, in tandem with its energy needs and chosen suppliers.

Notwithstanding, the overall picture remains gloomy; prospects are not exactly positive.

Are we in the face of Europe's fatal mistake?



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## About the Project

The Jean Monnet Atlantic Network 2.0 is a small network of six members that keep intense communication and joint activities on the Atlantic Basin. The Network also serves as a central arena for discussing globalisation and key major trends in the several Atlantic microcosms. By combining the national with the regional perspective, its research and debates take into account the different foreign interests and pressures, as well as a critical view on the possible roles and future of the European Union (EU) in the area.

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