

## The Baltic Sea gas pipeline – power or partnership?

by Heidi Hautala

Energy is power. Russia assumes a new role in world politics and wants to secure its oil and gas transports through the Baltic Sea instead of certain countries which cause trouble to it.

So far, the project can also be seen as failure of all multi-lateral institutions in the Baltic Sea Region: CBSS, the Helsinki Commission for the protection of the marine environment - and of course the European Union.

After the EU enlargement it has been assumed that Baltic Sea cooperation would be raised to a new level now that, with the exception of the Russian Federation, all riparian states are now Members in the European Union. The achievements of the Northern Dimension of the EU were supposedly to be the very best in its environmental partnership.

The Baltic gas pipeline shows that when national interests are at stake, even the EU parties are following their own basic instincts. Germany's bilateral deal with Russia is of concern to its EU Baltic Sea partners. The Baltic Sea Region is again divided after 15 years, this time by the Baltic gas pipeline. The pipeline is inevitably a part of Russia's foreign policy and a part of its top sensitive logistical infrastructure.

The politics of the pipeline tells of the lack of confidence between Russia and a number of countries in the so-called post-Soviet space. One can ask why the EU could not do more to help to heal the phantom pain caused by the divorce of Russia and its former parts? Brussels has taken cool distance to the uncompleted border agreements of Estonia and Latvia with Russia, rather than facilitating them.

Even more difficult will it be to help the Ukraine to define its place between Russia and the EU, not to say anything about White Russia. This problem is now a direct cause of the need of Russia to find new channels for its gas and oil exports, notably the Baltic Sea routes. A rational approach to common challenges in the Region is not possible until the larger political picture will be clear.

To come to a conclusion on the European Energy Charter on the basis of mutual rights and obligations is a matter of high importance. Europe should have the courage to realise that Russia is at least as dependent on Europe as vice versa. A democratic Russia is what makes true partnership possible. The European Union must continue to discuss energy and values at the same tables, at the highest level.

### A test on common rules

Russia is going to double its oil exports from its harbours on the coast of the Gulf of Finland. The Baltic gas pipeline has reached the stage of the international environmental impact assessment. At a time when zero tolerance as for the pollution into the Baltic Sea is called for ever more often, we are entering into new risk levels.

Many of the environmental arguments against the pipeline have been put forward to amplify other, more directly political concerns. The environmental impact assessment may yet prove to be the only instrument to deal with these "larger" aspects of the pipeline. Few understand that the process requires looking into several alternatives to the plan. These include land-based alternative routes either via Latvia, Lithuania and Poland or via White Russia and Poland. Even so-called "zero" option must be analysed with the view to the final decision.

The Espoo Convention on environmental impact assessment of transboundary projects is facing its biggest test in our Region so far. The Russian Federation has not ratified the Convention, though it has announced that it will fulfil its requirements. This leaves the other parties to rely upon the good will and arbitrariness of a major party to the project. This may suit the notion of "sovereign democracy" but not that of reliable partnership.

It is not surprising that the EU Member states have not found unanimity for EIB loans to the project. The transparency of the project is suffering from claims that Nord Stream has already chosen the producer of the pipes, without a tender. Full disclosure of the financial flows and expected economic feasibility is also necessary to ensure is generated for the future financing of environmental costs.

As the main partner to the gas pipeline, Germany has a special responsibility to interpret the applicable law to Nord Stream and its major stakeholder Gazprom. Germany must emphasise that a global power must adapt to international law rather than trying to circumvent it.

The wake-up call to the risks of excessive dependency on Russian gas and oil has been sudden. There should be no illusions about becoming totally free of such dependency, as energy is a global commodity in a global business environment. The energy cooperation should be seen as an exercise to argue for common rules, based on common values. Chancellor Merkel's statement that the pipeline benefits the whole of the European Union deserves many critical questions.

### Towards energy efficiency

At the time of V.I. Lenin electrification was the synonym of socialism. The inheritance of this idea is that Russia is probably the least energy-efficient economy in the industrial world. Many see the low energy prices as the equivalent of the low bread prices of 1917. A social policy would be a good alternative to subsidised energy prices.

Russia will be able to save many megawatts ("negawatts"), as energy prices move towards market values. Market pricing is a real power switch to a sound energy economy, irregardless of the political system. Industrialisation and economic growth have gone hand in hand with increased consumption of energy. Decoupling the two is the most important path to environmental sustainability, with clear benefits for competitiveness and security of supply.

Lenin had unfortunately no monopoly to this fatal idea of connecting growth of the economy to the increase in energy consumption. The whole industrial world has suffered from it. Now efficiency is a key component of the new "post-industrial energy revolution" which the EU Commission's President Jose Manuel Barroso is calling for. Russia and the EU are both bound by the commitments of the Kyoto Protocol to reduce their climate-affecting emissions. This commitment is yet another reason to argue for a strengthened energy cooperation based on common values.

*Heidi Hautala*

*The chairperson of the Green parliamentary group in the Finnish Parliament and the founding member of the EU-Russia Centre*