

Germany and the Baltic Sea Region – challenges and opportunities for cooperation on energy security

By Markus Ederer

Regional cooperation in the Baltic Sea area is a success story. Following the fall of the Iron Curtain, the links that had historically been so strong around the Baltic Sea were imbued with new life. This was very much thanks to the Council of the Baltic Sea States. Germany has thus from the outset been a firm supporter of the reform and further development of this organization, a reform adopted by the CBSS this June at its Riga Summit. We want to strengthen the Council of the Baltic Sea States as a model of regional cooperation. It is a motor of our cooperation in the Baltic Sea Region – fuelled by an unparalleled wealth of contacts in the political, business, social and cultural fields. The Baltic Sea Region is a leader as regards competitiveness and innovation; our volume of trade is constantly growing. Another factor that will in future contribute to this success story is the initiative launched by European Parliament members from the Baltic Sea States and Sweden to enhance northern Europe's integration with the rest of the EU by means of cross-sectoral cooperation. Germany is thus very pleased that Sweden intends to make the EU Strategy for the Baltic Sea Region one of the priorities of its EU Presidency in the second half of 2009. We should not however forget to involve Russia as an important Baltic Sea State and CBSS member as well as Norway and Iceland as important regional stakeholders.

Our cooperation in the Baltic Sea Region has engendered considerable trust between us, it has brought us, the partner states, closer to each other. In our daily work together, many regional interests and projects crop up that we as Baltic Sea States share and could promote together. These include the development of trade and the maritime economy, infrastructure and transport, ecological sustainability and the improved use of the region's potential in the fields of education, research and technology, as well as the promotion of exchange between civil societies.

We need to significantly step up cooperation on energy policy. Energy security for the Baltic Sea Region is inseparably linked to European energy security. Even today, the EU is the largest internal market in the world with almost 500 million consumers. Even today the EU is the largest and most attractive gas market in the world. And it is widely expected to remain so until far into the future, since our demand for energy continues to rise. A study conducted by the German Institute of Energy Economics (EWI) and Prognos estimates that the EU will need an additional 150-200 billion m³ of gas in the period to 2020. We should therefore work together to guarantee energy security for the Baltic Sea Region and the European Union for many years to come. We thus need to jointly exploit new sources, fund new pipelines and infrastructure projects, further increase the energy efficiency of our economies and practise a level of energy solidarity with each other that is worthy of the name.

A sustainable architecture for pan-European energy security should be based on the following pillars:

Firstly, energy security is only possible if we work with one another and not against one another. For this reason we must forge a cooperative framework that balances the interests of consumers, transit states, producer countries and business. This must involve the European Union, but should also include our neighbours, whom we should bind more closely to us by extending the Energy Community and further strengthening the principles of the Energy Charter Treaty.

Secondly, Russia will remain Europe's main energy supplier for the foreseeable future. But it is not correct to say that the dependence between the EU and Russia is unidirectional. Some 80% of Russian energy exports go to

Europe. And energy exports account for approximately 60% of the Russian budget. Russia thus needs us as long-term, steady consumers, just as we need Russia as our supplier. In addition, the Russian economy is in urgent need of modernization, and it cannot make lasting progress on this front without European technology, without European know-how. It would thus be more accurate to talk of a bidirectional dependency. We should shape this mutual bond to ensure that it is to our mutual benefit.

Thirdly, diversification of supply routes and energy sources remains one of the main priorities. The Extraordinary European Council of 1 September 2008 invited the Council and Commission to examine initiatives to be taken to this end. The Nabucco pipeline remains a key project, participated in by RWE, one of Germany's largest energy companies. Therefore the European Union, the Member States and the Commission should underscore their interest in the realization of the Nabucco project even more clearly than they have done to date.

Fourthly, energy solidarity in Europe is the current watchword. We understand the Baltic States' desire to address their unidirectional dependence on Russia as their oil and gas supplier and to tackle their energy-policy isolation on the north-eastern fringes of the EU. We therefore welcome and support the proposed plan for a Baltic energy network and the greater integration of the region's countries into the EU grid. The question of gas storage is also moving up the agenda, especially in the context of the EU Commission's second strategic energy review, which is due to be presented in November. For 2009 we support the initiative of pooling EU funds for energy projects in the Baltic Sea Region in a new regional development fund for energy in the Baltic.

Fifthly, de facto solidarity on energy supply issues is not a one-way street. Energy solidarity should always operate in both directions. We therefore hope that German and European energy-policy interests will be given fair consideration by our neighbours. In this context, we must be able to rely on projects that were agreed in the framework of the Trans-European Networks as a contribution to EU-wide security of supply really being implemented.

These include, in Germany's view, the Baltic pipeline, which has drawn much criticism, above all from the countries of the Baltic Sea Region. It is important for us to repeat that the Baltic pipeline is, firstly, not a purely German project, and secondly, that it is not a "political" project, but rather is being implemented as a European energy economy project. The Baltic pipeline is part of the Trans-European Networks. It will increase European energy security, since it will cover part of the rising demand for gas in the EU. Natural gas from the Baltic pipeline will be delivered to Germany, but also to France, Great Britain and the Netherlands. At the same time, Germany has always made it clear that it takes seriously the concerns of all Baltic Sea states, be they political or ecological.

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