

Energy security and environment – energy challenges in the European Union

By Hanna Mäkinen

Energy issues are about to become one of the greatest challenges facing the European Union in the future, both from political, economic and environmental perspective. In a global scale highly topical energy issues include climate change, increasing energy consumption especially in developing countries of Asia and Africa, sufficiency of energy resources and energy supply, and increase in energy prices. For the EU the guaranteeing of the Union's energy security has become an essential, yet not easily achievable goal. The EU's increasing reliance on imported energy and the sufficiency and reliability of imported energy, mainly from Russia, are strongly affecting the energy security of the Union. Russia's restrictions on natural gas delivery and disputes with the transit countries, as well as the possible impacts of the political development of Russia on its energy deliveries have raised many concerns and discussion. Very important issues for the EU include also environmental issues, such as environmental effects of energy production and energy transports.

Internal and external policies of the EU will be strongly affected by energy issues, especially the need to guarantee the EU's energy security. Energy issues are in the focal point of EU-Russia relations as well. There is a strong tendency in the EU to develop a common energy strategy and a common energy policy, which would make the Union a stronger player in the negotiations with Russia. However, the differing opinions and interests of the EU-countries have hindered the efforts of the EU to speak with one voice in energy affairs.

Energy issues are highly topical, which guarantees that they will be widely discussed and debated both in a global and regional scale and throughout the EU as well. Therefore it's not surprising that the importance of energy-related issues has also been acknowledged among Finnish enterprises. According to a recent study by Peeter Vahtra and Valtteri Kaartemo (Pan-European Institute 2008) questions related to energy are high on priority for the 250 largest enterprises in Finland. The companies were asked to evaluate impacts of energy-related factors on their businesses. Almost 85 % of the respondents considered energy issues important and 40 % very important to their businesses.

The companies were first and foremost concerned about the increase in energy prices and guaranteeing stable energy delivery in the EU area. The increasing reliance of the EU on imported energy was regarded important to the companies' businesses. Especially the reliance of Finland on Russia as its main energy supplier was considered significant. The political development of Russia and its impacts on energy deliveries raised many concerns among the respondents. The development of common energy policy of the EU was also considered fairly significant, as well as increasing energy investments in the EU to meet the demand.

However, global energy challenges appeared to be considered more remote to the companies' businesses. Increasing demand for energy and competition for scarce energy resources in a global level were not considered as significant. Only global environmental effects of increasing energy consumption were considered fairly important among the respondents.

In general, environmental effects of energy trade were not as high in ranking in the companies' priorities as were the issues related to energy prices, stable delivery of energy and energy politics. Among the environmental issues included in the enquiry the development of sustainable and renewable energy sources was considered to have the greatest significance to their businesses. On the other hand, regional environmental issues related to energy were of a lower meaning. The companies found the environmental impacts of the North Stream pipe line to be quite insignificant on their businesses, as well as the oil transports in the Baltic Sea. This could be seen as quite surprising, considering the increasing risks of the energy transports in the Baltic Sea region.

According to the study, the Finnish companies are aware of the commercial meaning of energy issues, although not all issues were considered equally significant. Indeed Northern Europe has to face great energy challenges in the future. Due to its strategically important location as a transit area for Russian energy, Northern Europe plays an important role in the development of EU-Russia energy relations. On the other hand, the environmental risks of energy production and transports are severe for the ecologically very sensitive region. The rapidly increasing oil transports in the Baltic Sea produce the greatest environmental risk to the area. Currently probably the most discussed energy-related topic in the EU is also related to Northern Europe and the Baltic Sea – the North Stream natural gas pipe line which is supposed to be built in sea bottom. The debate has mainly been related to possible environmental impacts of the pipe line but the question has also been politicized in some EU-countries

The highly topical energy issues will also be discussed in the Pan-European Institute 20th anniversary conference "Energy Challenges in Northern Europe", which will be organized on 27–29 November 2008 in Turku, Finland. The conference will bring together leading professionals in the area of politics and economy to discuss the future energy challenges in Northern Europe. The aim of the conference is to bring new perspectives to the European Union's energy dialogue and to offer first-hand knowledge on the developments in the energy relationship between the EU and Russia. For further information on the conference, please visit www.tse.fi/pei.

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