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# Kilning the EU

A Study on Energy and Integration in the EU

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# Abstract

This study examines EU integration with a focus on the security of energy supply. It postulates that since the Union's inception, the security of energy supply has played a prime role. The study examines the foundation of the Union, showing that the first two communities were ECSC and Euratom—both heavily concerned with energy, then it explores the first oil crisis, the following transatlantic conflicts over energy between 1978-1982, the current dependence of the Union on imported energy supplies, and what actions the EU is taking towards a sustainable future. It also explores how this focus has created political “heat” with its closest ally, the US. It postulates that this political heating up and kilning phase, aids the formation of a common external position. The study concludes with an explanation of how energy concerns will play a role in the future of the European integration process and the transatlantic relationship.

*Key words:* security, energy supply, integration, European Union EU, neo-functionalism, geo-politics, transatlantic relations, kiln effect.

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# 1 Introduction

"Its aim is to initiate a debate on the security of energy supply, an issue that is still very much alive." -Green Paper 2000.

This study is provoked primarily by the growing concern over energy and the role that it has played and will play in EU integration. Thus, it attempts to explain the role that energy concerns have played in the over all integration process. It has become clear that there is a growing interrelationship between internal energy markets, energy security of supply, foreign relations, and the environment.<sup>1</sup> The 7<sup>th</sup> framework on research, the Intelligent Energy Program, the goals of the relaunched Lisbon Strategy as they pertain to a "knowledge based society", growing market instability and price fluctuations, the approach of the peak production of oil, the wars in Iraq and current conflict with Iran, the E.on Endesa merger, the SUEZ vs. ENEL crisis, the Russian cut-off of gas to Ukraine and the consequential loss of gas to European customers, and the loss of oil from the North Sea, among others all point to very actual European-wide concerns over the security of energy supply in the EU. It is true that energy concerns have been growing, particularly in the last five years. It is also true that these concerns have the power to unite and also to hinder integration. Although modern societies should be able to enjoy these fossil fuel resources over the next couple of decades, they are indeed running out and the political concern over them is growing. Angela Merkel was quoted in an interview with *Der Spiegel*, "It has become clear to us [...] how what is really an economic issue, namely the purchase and delivery of gas, is deeply political"<sup>2</sup> A sustainable energy system governed by a coherent EU-wide energy policy is no longer just an issue for environmental activists; it is a serious geopolitical security concern for the EU and for the future of European integration. Furthermore, it has ramifications of the future transatlantic relationship and future international order. The EU must act accordingly and responsibly to develop a common policy.

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<sup>1</sup> CIEP 2004, p.24

<sup>2</sup> Merkel in *Der Spiegel* 2006 Quoted at: Euroactive Shell 2025 scenarios highlight vulnerability of the globalised world.

## 1.1 Motivation and Importance of the Study

The study assumes that integration and the formation of the EU has been out of necessity in a changing world that favors larger actors, economies of scale and multilateralism—a system in which the EU has a comparative advantage.<sup>3</sup> Thus, in order for European states to provide peace, security, economic influence in a changing world, they have incrementally integrated.<sup>4</sup> Evidence of this process and its regulation, similar to what neo-functionalists call spill-over, occurs in many areas, e.g. agriculture, citizen rights, or the common market.<sup>5</sup> However, the point of departure for this thesis is that a primary factor in the deepening of integration and the best way to observe this process in the EU is through energy concerns.

The main puzzle and motivation of the thesis is to expose the role that energy has played in EU integration and the lack of importance that energy concerns have received in the study of the EU integration process. Energy concerns are at the center of the Twenty-five and indeed all industrial societies. It is no understatement to say that every modern society is largely dependent upon the availability of an affordable energy supply and that this supply is running short. In spite of this fact, many scholars of the EU have understated, overlooked, or even ignored the drive that energy concerns have given the integration process. Energy concerns have undeniably provided the need for the development of EU-wide cooperation since the Union's very foundation and—even more so as I intend to show below—continue today. The concern over the security of supply certainly has provided multiple situations wherein one can illustrate a significant deepening of integration and a formation of the geopolitical landscape.

Adding to the importance of the subject, the tenets of neo-functionalism<sup>6</sup> state that market integration spills over into political integration as one finds with the deregulation and liberalization of energy market's since the 1990's.<sup>7</sup> However, it is important to note that it was not any sort of market that was chosen to be the base point of the collective European project. The first community was the ECSC

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<sup>3</sup> Moravcsik, using a Liberal-intergovernmental approach, argues that it is not simply neo-functionalist spill-over that developed the Union but the patterns of commercial advantage, the relative bargaining power of important governments, and the incentives to enhance the credibility of interstate commitments, which is largely in line with the thesis of this paper and can be found in Nelsen 2003, p.241-253. Additionally, I argue that the underlying and changing factor of this analysis is the importance of energy concerns which has allowed such an international system to develop.

<sup>4</sup> This is the European Method, which is largely based on the functionalist school and supported by Mittrany (Nelsen and Stubb 2003, p.99-120) Schuman (Nelsen and Stubb 2003, p.13), Monnet (Nelsen and Stubb 2003, pp. 19-27) and later Haas. For a further discussion of integration theory see: Richardson 2004, p.28-38;

<sup>5</sup> Haas and Lindberg in Nelsen and Stubb 2003, pp.145-150 and 151-162; Rosamond 2000, pp.50-73

<sup>6</sup> Haas and Lindberg in Nelsen and Stubb 2003, pp.145-150 and 151-162; Philippe C. Schmitter in Weiner and Diez 2005 pp.46-74;

<sup>7</sup> This process can be perceived as a Liberal Intergovernmental approach as Schimmelfennig argues, in line with Moravcsik in Wiener and Diez 2005 pp.83-84

and among the second established communities was Euratom, another obvious energy concern. Thus, this study will focus on the primary concern driving EU integration, namely energy.

## 1.2 Main Research Questions

The main question of this thesis is: “What role have energy concerns played in EU integration? The thesis also attempts to answer these two secondary questions:

- 1) “How can one observe and conceptualize energy concerns in EU integration?”
- 2) “What can be predicted using energy as a focal point of EU integration?”

## 1.3 Theoretical Additions

The first main addition of this study to EU integrative theory is a simple two phase conceptual tool. The first phase is characterized by the modeling through necessity; if an issue is deemed important enough, the Union embraces it and molds the issue into its contrivance. The second phase is what I have called a “kilning effect”, wherein exogenous actors and events solidify the collective position of the EU. This study focuses largely on the hardening of the collective position often in opposition to that of the US. Thus, in a way this study moves beyond neo-functionalism. The best angle to examine this process is through the EU’s continual focus on the security of energy supply as energy concerns have been the primary factor in the deepening of integration and provided an impetus for both the modeling and kilning phase of the EU’s external identity.

This study does not have a heavy theoretical base, but is interspersed with theoretical ideas, although not always explicitly, and is better aimed at providing an additional aspect to neo-liberal, neo-functional, and neo-realist theory.<sup>8</sup> Theoretically, it aims, as a security imperative, to shed light, through an energy scope, on the future strategy of European integration through overcoming dependence on energy and avoiding a global order that favors *Realpolitik* and a politically Darwinist competition over dwindling resources.

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<sup>8</sup> For an argument of the tenets of each of these theories, See respectively: Stubbs and Underhill 2006, pp. 3-23 and pp. 77-87; Wiener and Diez 2005; Rosamond 2000; Mowle 2004; Koehane and Nye 1989



## 1.4 Delimitations

This study relies on what we do know and can observe from a distanced and outside perspective. Although energy may or may not be the sole driving force of EU integration, it is, regardless, a powerful issue that has been used as a tool for integration since the Union's inception. The use of energy concerns as a legitimate, European wide concern, can be shown by the choice of Monnet and the Schuman plan to chose coal and shortly after atomic energy as corner stones of the community's development, the willingness of the EU to defy the US position during the years 1973 – 1982, the current discussion over the development of an energy policy, the establishment of an energy research framework, the existence of the Directorate-General of Energy and Transportation, and a multitude of publications concerning energy supply in the EU. These factors strongly point to the central, although often understated, role of energy and the further deepening of integration over this common interest.

This study realizes that sustainable energy is also important and the number one priority of the environment—indeed energy is the primary source of pollution in our modern world. It also recognizes that environmental concerns, unlike in the US, are a high priority for the EU. This proves beneficial as a point of departure for an argument of the comparative advantages that the EU has in motivating a transformation of its energy system, however, environmental concerns, as such, are largely ignored in my analysis.

Although a detailed market analysis could prove to be useful in better understanding policy tools available and in predicting the future of the energy market and market integration, this focus is outside the current scope. The study rather focuses on the political aspects and/or foreign policy in-so-far as they can be removed from micro-economic market factors that concern energy.

The issues of Iraq in 1991 and 2003 and Iran's present situation, although extremely relevant, have been largely left out of the analysis. These two political issues are much too large to properly analyze within the constraints of the thesis and the facts about exactly what has happened and is happening are not by any stretch of the imagination clear. It is for these reasons that they will be largely excluded.

The study uses the modeling and killing model as an analytical tool and as a base for comparison. It is not a fully developed model or theory, but rather a conceptual tool. It is a metaphor that in future studies should most definitely be further developed.

The thesis skips over the period 1982-2002. This was an important time for EU integration, and indeed the EU went through great transformations. However, this study has selected cases that most clearly exemplify the role of energy in integration. The aforementioned period is very dense. It is true that the energy supply and market were largely stabilized, however major world events, such as the end of the Cold War and creating a globalized world market, were deemed to obscure the role of energy in EU integration. In other words studying this time period would be far too distracting and page consuming for the value obtained from such an analysis, thus this period has been largely excluded.

Finally, although this study emphasizes collective action, it is true that the EU has not always acted as a union on energy matters. For example, during the first energy crisis in 1973 the Netherlands took a different stance on the Middle-East and was thus subject to an embargo, during the first energy talks France dissented from the common position, during the Iraq war in 2003 the Union was severely torn, but one can easily find that the members of the EC/EU are carrying on a dialogue and thus passively using it to deepen integration.<sup>9</sup>

## 1.5 Methods, Design, and Literature

Overall this thesis can be seen as one large case study. The study is designed to be descriptive and explanatory—descriptive in the sense that it describes the integration process through an energy lens and explanatory in that it uses energy to explain historical accounts. It is a cross-section of EU integration which uses energy concerns as a divide. The thesis attempts to show that one factor acts as an impetus towards integration and has an explanatory quality pertaining to the transatlantic relationship. Finally, the study has a complex structure—dividing the single case, energy supply, into several analytical parts thus making it also a comparative case study.

The first part (section 2) explains a conceptual tool to better simplify the nature of integration as it pertains to energy concerns and gives a theoretical background to allow the reader to better view the process. It aims to answer the questions: “What role have energy concerns played in EU integration? And also, “How can one observe and conceptualize energy concerns in EU integration?”

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<sup>9</sup> According to Thomas Risse this dialogue is enough to constitute a public sphere, which is a very deep level of integration among actors. For more about this theory see *An Emerging European Public Sphere? Theoretical Clarifications and Empirical Indicators* [http://web.fu-berlin.de/atasp/texte/030322\\_europe\\_public.pdf](http://web.fu-berlin.de/atasp/texte/030322_europe_public.pdf)

The second part (sections 3 and 4) lays down a foundation for the Union and the argument that the founders of the EC chose the security of energy supply as a base point of further unity. The second part examines the first oil crisis using it to explain how energy serves as a catalyst to solidify the EU's position, in spite of high levels of transatlantic disagreement. It seeks to answer the primary question, "What role have energy concerns played in EU integration?"

The third part (section 5) examines five major events in the time period 1979-1982 that involved transatlantic relations. The study uses these illustrations—the 1979 Iran revolution, the 1979 Soviet invasion of Afghanistan, the 1981 imposition of marshal law in Poland, the 1982 Jamal Siberian pipeline project, to show the importance of energy in explaining a deepening of integration. Iran and the Siberian pipeline project are used to exemplify collective action and a kilning effect. The analysis of this section places energy concerns as an impetus and then explains the lack of this impetus and the observable results in Poland and Afghanistan. Finally it examines the exceptional case of the Argentinean invasion of the Falkland Islands—a case that didn't involve energy concerns or a transatlantic conflict, but resulted in a common EC external stance. This section again aims to answer the primary question, "What role have energy concerns played in EU integration?"

The fourth part (section 6) signifies a shift in time and in analysis. It examines the growing contemporary concern with energy—the continuing instability in the Middle East, the Russian-Ukrainian gas cut-off of January 2006, and two illustrations of internal market problems: Suez/Enel and E.on/Endesa. This part then concludes with an analysis of the Clingendael International Energy Program (CIEP) report on the future of the security of energy supply for the EU in order to provide an actual synopsis of two developing scenarios and their effects on the EU. This section again answers the primary question: What role have energy concerns played in EU integration? And more appropriately it answers: "What role are energy concerns playing in EU integration?"

The fifth part (section 7) focuses primarily on the EU's current concern and response to energy concerns. This involves an examination of the most important programs—the Green Paper on Energy 2006, the Intelligent Energy Programme, and the 6th and 7th Framework for energy research. This section explains what role energy concerns have played in EU integration, as well as, how one can observe and conceptualize current energy concerns in the EU integration process.

The study concludes with (section 8) showing the importance of energy concerns in the deepening of past integration, its ability to cause a transatlantic rift, how this issue will continue to provide an impetus for integration through modeling and kilning phases, maintains that the EU adopts a sustainable system, and will make suggestions for the EU and for future study. This section aims to answer all three of the research questions: What role have energy concerns played in EU integration?; How can we observe and conceptualize energy concerns in EU

integration?; and primarily, What can be predicted using energy as a focal point of EU integration?

The study relies on both primary and secondary sources. The primary sources are generally statistical information and publications of the EU Commission. The secondary sources include academic literature, journal articles, online news sources, text books, and Keesing's Contemporary Archives.

## 2 Modeling & Kilning

In order to better understand the deepening of the EU integration process, I have developed a conceptual tool, which now requires an explanation. This model does not claim to be an entire theory of integration but is simply applied to the issue in order to provide a better understanding. This conceptual tool uses an analogy of creating ceramics to illustrate the process of integration. Thus, it divides the formation of the EU as an entity into two separate phases: modeling and kilning.

The first phase is modeling. This phase includes steps that are made internally and that can constitute a deepening of integration, is admittedly quite vague and relegated to the internal development of the EU. It describes all steps in the formation of the EU position. Like a lump of clay the integrating body can be formed to meet the design of the sculptor, who is often the elites or technocrats of the EU.<sup>10</sup> However, in order for this to occur the creator(s) must first have the clay (i.e. an impetus based on a common issue, need, and/or problem that is perceived to best be solved collectively) and an item to be produced (e.g. a sought solution, an institution, a common goal or policy). Modeling involves a multitude of steps including summits, Green Papers, legislation, forming institutions, creation of new offices and positions, and the signing of treaties, just to name a few.

The second phase is the solidification of the policy or of “Europeaness”. This phase coincides with what Maria Strömvik calls “lock in”.<sup>11</sup> By, definition, this is the ultimate deepening of integration when the Union acts as a whole. I have named this phase the kilning phase. After positions are modeled around an important issue they, like ceramic objects, still need to be “fired” to solidify. In the case of the EU this fire is largely stoked by a “little old-fashioned power struggle”<sup>12</sup>, which provides the necessary heat for the hardening of the position and thus describing the deepening of integration. Similar to the way in which a kiln hardens the previously modeled clay, so an important issue and politically heated difference of opinion provide an impetus for the hardening of the issue produced in the modeling phase. This definition of the killing phase places the

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<sup>10</sup> How the clay is shaped is often the focus of many other theoretical traditions. For example neo-functionalism states that it is economic spill-over that shapes the clay, policy-network theory states that networks within the EU are the primary actors in shaping the EU clay, institutional theory states that institutions shape the clay etc... For such arguments see: Phillip C. Schmitter, John Peterson and Mark A. Pollack in Wiener and Diez 2005, Chpt. 3 pp.45-75; Chpt. 6 pp.117-136; Chpt. 7 pp.137-155.

<sup>11</sup> Strömvik 2005

<sup>12</sup> Strömvik 2005, p.184

“heating up” role on external actors. Although this phase does not deny that a kilning effect could take place among the member states, it is not the focus of nor explored in this thesis.

The Modeling-Kilning conceptual tool postulates that in order for the deepening to occur an important and common issue must be at the center of both phases—in the modeling phase as driving force and in the latter phase as an issue to heat up the situation, i.e. through a difference in political opinion in international politics,<sup>13</sup> thus, providing a kilning effect. “Heating up” or “political heat” is a metaphor for the diplomatic stages of international disagreements that even up until embargoes and sanctions.<sup>14</sup> An issue that has constantly provided the Union with this impetus is concern over the supply of energy. Using this conceptual tool to observe energy centered integration, one is able to better understand the integration process as a whole.

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<sup>13</sup> To complete, but not further complicate, the model the international political scene, is the conceptual structure or for the purposes of this analogy the oven or kiln.

<sup>14</sup> Future development of this conceptual tool may further define the stages of kilning or develop a scale to quantify the amount of heat that an issue requires for a kilning phase to take place.

# 3 Foundations

Energy has played an important role in the founding of the Union. This is highlighted by the fact that energy was an issue that was of common and vital importance, and thus, has the ability to allow the modeling phase of integration to take place.

Prior to the industrial revolution the gaining of territory was synonymous with wealth.<sup>15</sup> The transition resulting from the industrial revolution can be seen in WWI and WWII. Before 1945 control over resources were of great concern and often lead to war on the European continent. This disruptive process seems to come to a stand still after 1945, providing the world with a great mystery over the lasting peace in Europe—a mystery to which this thesis speaks.

## 3.1 European Coal and Steel Community

Insightfully, the European Union was not founded on a purely political basis, as the previous League of Nations or United Nations was, nor was it founded on the formation of a European military—an attempt that failed in 1956.<sup>16</sup> In fact, the EU was founded incrementally with the regulation of the basics of industrial production and the formation of communities that used economic ties to bind. David Mitrany's functional theory<sup>17</sup>, Jean Monnet's method, and the Schuman plan all attest to this *modus operandi*. Still, it is important to note for the thesis of this paper that it was not just any community that was formed. It was not the agricultural, transport, banking, or shipping sectors, to name a few, that formed the foundation of the EU. It was, rather, a deliberate choice of the founders to select coal and steel. The most common explanation of this is that coal and steel are needed for war. Coal, however, can be identified as the most essential commodity not just for war but also for peace (especially when considering the nature of production during this time). Monnet writes often on the importance of coal for industry in his memoirs.<sup>18</sup>

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<sup>15</sup> Gilpin 1981, p.24

<sup>16</sup> Sonia Mazey in Richardson 2004, p.28

<sup>17</sup> Mitrany in Nelsen and Stubb pp. 99-120

<sup>18</sup> Monnet 1988, pp. 112, 116, 176, 284, 288.

He writes, for print in *Fortune* magazine about the central importance of coal and steel in the formation of a lasting peace in Europe; a writing that later was realized as the ECSC:

*«J'imaginai l'ancien Reich amputé d'une partie de son potentiel industriel dans un système où les ressources de charbon et d'acier de la Ruhr seraient placées sous une autorité européenne et gérées au bénéfice des nations participantes, y comprise une Allemagne démilitarisée. Mais, ajoutais-je, cela implique que l'Europe soit unifiée, et pas seulement dans la coopération, mais par transfert de souveraineté consenti par les nations européennes à une sorte d'Union centrale, une Union qui ait le pouvoir d'abaisser les barrières douanières, de créer un grand marché européen, et d'empêcher la reconstitution des nationalismes...Là s'arrêtait ma certitude. Le reste n'était que questions: comment et quand prendre l'initiative ?»<sup>19</sup>*

One can conclude that the establishment of the ECSC, the first European community, was both aimed at the avoidance of hostility between Germany and France as well as regulating the industry that would provide the bulk of energy and material required for the rebuilding of a devastated post-war Europe. At this time it was still coal that industry relied most heavily upon as a source of energy. In his memoirs Monnet refers to the post-war lack of resources and omits the word “coal” in favor of the word “energy” again exemplifying the central importance of coal as an energy source at the time.<sup>20</sup> However, Monnet was not the only one who showed interest in coal as the fuel for rebuilding industry. Hinting at the power of industry for peaceful purposes the Schuman declaration states, “The setting up of this powerful productive unit, open to all countries willing to take part and bound ultimately to provide all member countries with the basic elements of industrial production on the same terms, will lay a foundation for their economic unification.”<sup>21</sup> So we find at the beginning, a Union largely based on the regulation of the energy resources for industry.

## 3.2 Euratom

Five years later, 1957, the treaty establishing the European Atomic Energy Community (Euratom) was signed in Rome. This was the second treaty signed and the second community formed whose basis was energy supply. The objectives

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<sup>19</sup> Monnet 1976, p. 264

<sup>20</sup> Monnet 1988, p. 331

<sup>21</sup> Schuman [http://europa.eu.int/abc/symbols/9-may/decl\\_en.htm](http://europa.eu.int/abc/symbols/9-may/decl_en.htm)



listed on the EU SCADPlus web site are: To combat the general shortage of "conventional" energy in the 1950s, the six founding States (Belgium, France, Germany, Italy, Luxembourg and the Netherlands) looked to nuclear energy as a means of achieving energy independence. Since the costs of investing in nuclear energy could not be met by individual States, the founding States joined together to form Euratom. The general objective of the Treaty is to contribute to the formation and development of Europe's nuclear industries, so that all the Member States can benefit from the development of atomic energy, and to ensure security of supply.<sup>22</sup> Already in the 1950's, one finds that energy concerns formed an impetus for the modeling of further integration of the then six members. The security of supply is a driving factor for the development of this kind of energy, attesting to the common need of an energy poor European continent.

### 3.3 Why Energy Concerns?

The foundation of the EU was an incremental harmonization of the economy which then resulted in a spill-over into political regulation of the new community.<sup>23</sup> However, what is left out of this picture is that two of the three founding communities were primarily energy concerns. It should be fairly self-evident that the founders of the EC/EU had recognized the importance of consolidating energy concerns as a powerful enough center around which to model the Union.

So the question is begged, "Why was energy chosen as the beginning step in European integration?" The prominent economist E.F. Schumacher writes, "There is no substitute for energy. The whole edifice of modern society is built upon it...It is not 'just another commodity' but the precondition of all commodities, a basic factor equal with air, water, and earth."<sup>24</sup> It should come as no surprise that energy provides the impetus for both the modeling and kilning phase in European integration. Furthermore, energy is a common concern for all Member States as it is at the center of industrial life. It is a coveted resource that fits into the framework of the EU and has many benefits to cooperation.<sup>25</sup>

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<sup>22</sup> EURATOM [http://europa.eu.int/scadplus/treaties/euratom\\_en.htm](http://europa.eu.int/scadplus/treaties/euratom_en.htm)

<sup>23</sup> Mittrany (Nelsen and Stubb 2003, p.99-120) Schuman (Nelsen and Stubb 2003, p.13), Monnet (Nelsen and Stubb 2003, pp. 19-27). For a further discussion of integration theory see: Richardson 2004, p.28-38;

<sup>24</sup> Schumacher quoted in Yergin, Daniel 1991, p559.

<sup>25</sup> Again see Moravcsik's argument in *A Choice for Europe* where energy seems to fit into the criteria of commercial advantage, the relative bargaining power of important governments, and the incentives to enhance the credibility of interstate commitments which can also be found in Nelsen and Stubb 2003, p.241-253.

Despite its importance, it seems that most people care only that they can drive to a well lit office, cook, watch television in a warm place, and take a hot shower. The Directorate-General for Energy and Transport writes on the home page, “We take energy for granted. Fuel shortages and power cuts are rare, but timely, reminders that we rely on energy for transport, for heating our homes in winter, cooling them in summer and running our factories, farms and offices. But many energy resources are finite. In addition, energy use is often a source of pollution. Sustainable development means using less fossil fuel more intelligently.”<sup>26</sup> Energy is a unique commodity that is commonly and vitally important, basic, and largely indistinct outside of its purpose.<sup>27</sup> Europe is a highly dependent, energy resource poor<sup>28</sup> area and all members of the EU share a large degree of concern over the energy supply and a common vulnerability to its security. It is for these reasons that energy has played such an important role in the EU integration process. In his “Year of Europe” speech US Secretary of State Henry Kissinger says, “The US can survive alone with great difficulty and Europe cannot survive in isolation at all.”<sup>29</sup> This statement has not changed and signs of the last couple of decades and growing concern over the security of the European energy supply have shown that it will be necessary for the EU to once again deepen integration to overcome dependency and a pending energy crisis.

Now it is necessary to move on in the history of the EC/EU. One finds that with most of Europe’s immediate post-war energy problems solved, there is a coinciding phase of relatively slow development of integration until the next event, this time a kilning event that, some argue, for the first time allowed the EC to solidify their position, even with three new members. This event was the 1973 oil crisis.

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<sup>26</sup> DGTREN Home Page [http://europa.eu.int/pol/ener/index\\_en.htm](http://europa.eu.int/pol/ener/index_en.htm)

<sup>27</sup> Energy supplies, as such, are relatively neutral. They are not connected to nationalism or pride—i.e. people do not prefer German wood or coal to French nor do they care whether the petrol in their car is of British, Norwegian, or Saudi origin, but rather to function...providing energy. It may, however, change.

<sup>28</sup> The EU is energy resource poor, not because the resources do not exist, but because indigenous resources are underdeveloped, as in the case of wind and solar power or hydrogen, or cannot compete in the market, such as the coal industry.

<sup>29</sup> Keesings Contemporary Archives 1974, p. 26293

## 4 First Kiln Effect: The Oil Crisis 1973

Modeling took place, since 1953, and came to its apex in 1970 with the establishment of the European Political Cooperation (EPC) and in 1973 when Denmark, the United Kingdom, and Ireland joined the EC, which was the first major widening event since the beginning of the European integration process. Still, towards the end of 1973 one finds an equally important event that may even trump this widening. The 1973 oil crisis caused enough political heat for the first kiln effect to occur among the nine members of the EC.

### 4.1 The Crisis

The Yom-Kippur, Ramadan, or October War of 1973 occurred and “Precipitated the [energy] crisis. The war involved the Arabs using their control over oil supplies as a weapon to force other states, including the Nine...to bring pressure to bear on Israel.”<sup>30</sup> This event was given priority by the Nine because of the importance of energy supplies that came from the region and the fact that a Middle Eastern problem, due to its proximity with Europe, posed an immediate concern for the Nine. At the time Europe imported 85% of its oil from the Middle East, so the remarkable efficacy of the ‘oil weapon’ was not surprising.<sup>31</sup> The supply of oil is of such importance to Europe that it is no wonder that it provided the necessary political heat for the Nine to harden their position and side with the Arab producers.

### 4.2 Kilning and other Implications for Integration

Throughout the development of the EU this issue continues to be a golden opportunity to observe the deepening of EU integration. Joseph Weiler observed in 1988 that, “In many ways [the Middle East] offers the best possible prism through which to evaluate the ability of Europe to realize the objectives of a common external posture.”<sup>32</sup> There is no doubt that the impetus for this concern was the vast oil reserves found in the region and the EC’s dependency on them.

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<sup>30</sup> Swann 1996, p.281 cited in Alderstein 1999, p. 4

<sup>31</sup> Sachar 1996, p. 791 cited in Alderstein 1999, p. 4

<sup>32</sup> Weiler in Greilsammer and Weiler 1989, p. 254 cited in Alderstein 1999, p.1

From the oil crisis one observes that the Nine first formed a common position and worked together...even despite the pro-Israeli position of the Netherlands and the subsequent embargo of their oil imports. This was a monumental step in the deepening of integration and the formation of an ever closer Union. The result of this event and the ensuing differences between the Nine and the US position on Middle Eastern oil supplies lead to the Euro-Arab Dialogues, which were the first real instance wherein the Nine worked as a political body to discuss diplomacy with another political block of states and required the Nine to act together and form a common position with which they could explain their goals and negotiation with the third party actors<sup>33</sup>; a more or less coherent voice at the International Energy Summits<sup>34</sup>; the Declaration of European Identity that would “Enable them to achieve a better definition of their relations with other countries and of their responsibilities and the place they occupy in world affairs.”<sup>35</sup>; and Middle East declarations which were considered to be the “first major common political European move” declared by French newspapers, despite the brevity of the EPC’s existence.<sup>36</sup>; a Community energy policy out of the Copenhagen Summit; the establishment of a Community energy committee; the beginning of the Commission keeping statistics on energy consumption and a multitude of other collective actions. This event is the very first sign of kilning wherein the position of the EC was solidified, hardened, and delivered. The position resulted in closer diplomatic ties with Arab producer states largely in opposition to the political aims of the US. Indeed the oil crisis most definitely caused a kilning effect on the external position of the Nine and made it apparent that they must integrate to be competitive and make their voice heard on the international scene.

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<sup>33</sup> See: Jawad, Haifaa A., *Euro-Arab Relations: A Study in Collective Diplomacy*.

<sup>34</sup> Although the French were not completely in line with the position of the rest of the Union, it was motivated out of anti-American sentiment more than it was deliberately defying the consensus of the Community—a position that actually may have molded and hardened the overall position of the EC in opposition to the US line of policy towards the Middle East and thus energy supplies within.

<sup>35</sup> The Declaration on European Identity (1973) Available at: <http://www.ena.lu/mce.cfm>

<sup>36</sup> Sus 1974, p.76 in Strömvik 2005, p.153

# 5 Heating Up 1978-1979

Despite the betterment of transatlantic relations during the Ford and beginning of the Carter administration, there are several events, following the first oil crisis of 1973, in which we find that the EC defies the US position. I have taken four of these instances which were selected by Maria Strömviik in her study *To Act as a Union*. She concludes that all of these events can be explained by a balance of US influence argument.<sup>37</sup> I intend through this section to show that outside of any the balance-of-influence view, these instances all have one further common denominator. Specifically, the strength and degree of cooperation of the Nine and opposition to US policy all rely on the EC's concern over energy resources, and therefore its ability to drive European integration from the modeling into the kilning phase.

During the period 1978-1982 a disagreement with the US position was not enough to precipitate a true kilning effect of the EC. As I will show immediately following, issues lacking the necessary political "heat" for a kilning effect of the EC were issues that were not directly related to energy concerns. This section then ascertains that energy concerns are the primary issue that the EC was willing to continue to strongly defy the US position, thus demonstrating a kilning phase and the consequential deepening of European integration. Leading up to the Iranian crisis the Commission in 1977 warned, "The relative easing of tension on the energy market in 1977 must not be allowed to mask the basic problem of the medium- and long-term security of supply."<sup>38</sup> The EC did not even make it into the medium- or long-term as energy concerns were about to rise once again.

## 5.1 April 1979 The Iranian oil crisis.

### 5.1.1 What Happened?

In 1979 the Shah of Iran, Mohammad Reza Pahlavi, was disposed and Ayatollah Khomeini gained control which resulted in a temporary loss and eventual reduction of oil on the world market. Hereafter, came a second oil crisis

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<sup>37</sup> Strömviik 2005, p.144

<sup>38</sup> Quoted in Keesing's Contemporary Archives 1979, p. 29519

and a rekindling of concerns over the security of supply for the now 10 members of the EC. Furthermore, 56 Americans were taken hostage at the Embassy in Teheran creating even more political heat to an already problematic situation. The US immediately took action and applied sanctions on Iran and pressured its allies to do the same.

### 5.1.2 EC Response

The ten members of the EC acted quickly and in unison. Douglas Hurd noted, “The Ten were among the first to make their views plain. They did this in a series of interviews where all of the Heads of Mission of Community countries met senior Iranian Ministers and officials with the Presidency acting as the principle spokesman for the Ten.”<sup>39</sup> This is the first major issue on which the EC took a common stance and one that was not in exact agreement with the position of the United States. The EC members eventually imposed sanctions but only after the US threatened to use military force in Iran and the amount of strain between the US and the EC was becoming great.<sup>40</sup> In response the December 10<sup>th</sup> 1980 meeting of the Council of (Energy) Ministers gave this statement, “The ministers noted with concern the turbulent development of the world market in 1979 and a continuing uncertainty about oil supplies which pose a severe threat to the health of the world economy.”<sup>41</sup> The United States increased pressure on its Western Allies, in particular the nine members of the EC, to take measures against Iran.<sup>42</sup> However, the Foreign Ministers of the Nine, in an informal meeting in Lisbon, declined to impose sanctions against Iran.<sup>43</sup> Despite the final compromise of the Nine to impose sanctions to appease some of the wishes of the US, it “fell far short of President Carter’s hopes.”<sup>44</sup> Indeed, the Nine’s interest and position in the situation differed from the US and provided an impetus for killing which I ascertain did occur in this situation.

### 5.1.3 How Did Concerns over Energy Weigh?

At this time the EC had a serious dependency on Iranian oil. Iran was one of the EC’s largest oil suppliers. At the beginning of the revolution in Iran it exported 5.4 million barrels of oil a day or 17% of the OPEC countries total production.<sup>45</sup> Of this the EC imported 1,550,000 barrels of oil per day from Iran,

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<sup>39</sup> Hurd 1981, p.385 cited in Strömvik 2005, p.154

<sup>40</sup> Nuttall 1992, pp-168ff; Calvocoressi 1991, pp. 356f in Strömvik 2005, p.156

<sup>41</sup> Keesing’s Contemporary Archives 1980, p. 30131

<sup>42</sup> Keesing’s contemporary Archives 1980, p. 30530

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> Spero and Hart 2003, p. 310

totally 16.3 per cent of the Community's entire imports of crude oil.<sup>46</sup> Therefore, one may conclude that the EC had a grave interest in securing its supply of oil in the region and cannot ignore the importance that it played on the coherent reaction of the EC.

## 5.2 December 1979 Afghanistan

### 5.2.1 What Happened?

Weeks after the Shah left Iran, the Soviets invaded Afghanistan. The United States was appalled at the aggressive use of force. This was a major issue as the Soviets had now intervened in a country that was outside their sphere of influence. The US immediately called for sanctions against the USSR and encouraged their allies to follow suit.

### 5.2.2 EC Response

The response, although collective, was quite weak. The EC "...did not exactly share Washington's reading of the situation and were somewhat surprised at the harsh American reaction."<sup>47</sup> This time, however, "the European response was less dramatic."<sup>48</sup> The EC did initiate negotiations on the issue of Afghanistan and on July 13<sup>th</sup> the Foreign Ministers adopted a declaration reaffirming the view that a constructive attempt to solve this international conflict could be found.<sup>49</sup> One does not find here a strong or even prolonged response from the EC. The actions taken can be aptly described as diplomatic rhetoric and with very little critique or action against the Soviet Union, despite US political pressure.

### 5.2.3 How Did Concerns over Energy Weigh?

Energy concerns were not directly related to Afghanistan, at the time, the resources in Afghanistan were described as "scattered and little developed".<sup>50</sup> Natural gas was a resource, but one that was entirely consumed by the Soviet

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<sup>46</sup> Keesing's contemporary Archives 1980, p. 30530

<sup>47</sup> Calleo 1987, pp. 68f.; cf. Hulett 1982, p.228 in Strömvik 2005, p.156

<sup>48</sup> Strömvik 2005, p.156

<sup>49</sup> Keesing's Contemporary Archives 1981, p.31142

<sup>50</sup> Paxton 1980, p.67

Union.<sup>51</sup> However, a possible explanation might be that the EC was importing natural gas from the Soviet Union and cooperating on a new Siberian pipeline project and definitely did not want to risk its disruption through an open disagreement with the Soviet Union. Thus, energy concerns were removed by one degree and the response was what one could expect—somewhat coherent, somewhat concerned but not strong.

## 5.3 December 1981 Marshal Law in Poland

### 5.3.1 What Happened?

A reaction to the Solidarity movement resulted in the December 13<sup>th</sup> 1981 declaration of Martial Law in Poland and resulted in an intense debate among non-communist countries.<sup>52</sup> The US immediately applied sanctions that were aimed at reducing the resources available for military spending.<sup>53</sup> The US also pushed for and imposed further sanctions against both Poland and the Soviet Union, who were seen as strongly supporting the declaration.

### 5.3.2 EC Response

After a meeting on December 15<sup>th</sup> the Foreign Ministers of the EC expressed their “profound sympathy for the Polish people...” but in accordance to the Helsinki Final Act would refrain from any interference with the internal affairs of Poland.<sup>54</sup> The members of the EC did not immediately give in to American pressures, “The US sanctions were regarded with considerable caution in West European countries whose economic dealings with the Soviet Union and other Eastern European countries were far more extensive than those of the United States.”<sup>55</sup> However, one will not find a strong unity of EC members apart from not agreeing to American actions against Poland or the USSR. Strömvik notes, “The collective measures taken by the EC states were limited to certain quota reductions on imports from the Soviet Union.”<sup>56</sup> When the EC finally decided on sanctions against the Soviet Union they were quite weak and undoubtedly a disappointment to the US. In fact, the EC finally reached agreement in mid-

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<sup>51</sup> Ibid.

<sup>52</sup> Keesing’s Contemporary Archives 1982, p. 31453

<sup>53</sup> Strömvik 2005, p.157

<sup>54</sup> Keesing’s Contemporary Archives 1982, p. 31454

<sup>55</sup> Keesing’s Contemporary Archives 1982, p. 31453

<sup>56</sup> Strömvik 2005, p.157



March, after some months of disagreement, on the imposition of restrictions on its imports from the Soviet Union which had been reduced to Luxury goods and were expected to have only symbolic importance.<sup>57</sup> The *Neue Züricher Zeitung* reported on March 11<sup>th</sup> that of the 100 original items to be placed under an import embargo only half remained and this half could be routed through Greece to European markets as Greece had refused to support the position.<sup>58</sup> The Danish government finally applied some restrictions to Soviet products that resulted in less than 1% of Denmark's annual trade with the Soviet Union.<sup>59</sup> The EC did eventually give some concessions to the US. There were major disagreements among the members and the position taken against Poland and the USSR was extremely weak. The voice of the EC in this case was not a strong one, for or against any party, and seems to be based on individual Member State actions than on a collective position.

### 5.3.3 How Did Concerns over Energy Weigh?

Once again as in Afghanistan, the issue was with the USSR, which was supplying natural gas to the EC. Poland, although it exported coal, was not serving the EC as a significant energy supplier and the political situation did not seem to have had any repercussions on EC energy imports as 57.4% of Poland's exports were to other communist countries.<sup>60</sup> Thus one may conclude that energy concerns were not a major issue directly related to this conflict—offering a possible explanation to the weak response of the EC and the lack of a true killing effect.

## 5.4 1982 The Siberian Pipeline Project

### 5.4.1 What Happened?

The Siberian pipeline was being constructed to supply primarily the Western European states with Siberian natural gas. This project was largely financed by EC members and relied heavily on Western technology.<sup>61</sup> The project, the Jamal pipeline, was a source of major political transatlantic stress. It was intended for

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<sup>57</sup> Keesing's Contemporary Archives 1982, p.31453

<sup>58</sup> Keesing's Contemporary Archives 1982, p.31463

<sup>59</sup> *Ibid.*

<sup>60</sup> Paxton 1980 p.1001 *The Statesman's Year Book 1980* MacMillan Press Ltd. London

<sup>61</sup> Strömvik 2005, p.158

completion in 1984 and was to run some 5,000 kilometers from the Jamal peninsula to the Soviet pipeline system that supplied the EC with a large portion of its natural gas.<sup>62</sup> This project was put under distress by the US who viewed it as an “undesirable level of European reliance on Soviet energy resources.”<sup>63</sup> The US demanded that the EC stop the project and rely rather on US energy imports.

#### 5.4.2 EC Response

The EC “all declared their opposition to a suspension of the project”.<sup>64</sup> While the US ordered imposition of an export ban (on General Electric and its European subsidiaries) of gas turbine compressors built by Western European companies and then sold to the Soviet Union for the construction of the pipeline, the members of the EC did not support this.<sup>65</sup> According to Strömvik, by 1982, in reaction to the West German financing of over \$500 million in credit to the Soviet Union, the US increased its embargo to include component manufacturers that were subsidiaries of or licensees of American firms. However, the foreign ministers of the EC reacted in unison and disputed the decision. They also encouraged their firms to disobey what they perceived to be dubious extraterritorial legislation.<sup>66</sup> One observes here that EC indeed took a very hardened and collective position despite immense political “heat” from the US.

#### 5.4.3 How Did Concerns over Energy Weigh?

The Siberian natural gas pipeline was a point of great transatlantic strife. This time it seems obvious that no intentions were hidden. The EC needed natural gas and was more than ready to defy their closest ally’s wishes<sup>67</sup> to impose sanctions on the Soviet Union or cease the development of the pipeline. This incident strongly and openly emphasizes that the EC was willing to integrate and act collectively on an issue that primarily stressed the security of energy supply and is a prime example of a kilning effect.

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<sup>62</sup> Keesing’s Contemporary Archives 1982, p. 31458

<sup>63</sup> Ibid.

<sup>64</sup> Keesing’s Contemporary Archives 1982, p.31453

<sup>65</sup> Kahler 1983, p. 293; Calvocoressi 1991, pp. 50f. in Strömvik 2005, p.158

<sup>66</sup> Strömvik 2005, p.159

<sup>67</sup> The EC maintained its position even in spite of the Regan administration declaration that the defiance of the US wishes signified “a profound change of direction” and was the beginning of a “strategy of economic warfare”. Keesing’s Contemporary Archives 1982, p.31453

## 5.5 1982 Invasion of the Falkland Islands

### 5.5.1 What Happened?

On April 2, 1982 Argentina invaded the British territory of the Falkland Islands that lie off the coast of Argentina. Although they lie in the Americas, which starting with the Monroe Doctrine has often claimed jurisdiction, the US took no sides and had no interest in the British retaliation. Within hours of the invasion the US state department issued an announcement deploring the use of force and Mr. Dean Fischer, the State Department spokesman “made available our good offices in an effort to resolve the dispute”<sup>68</sup> The British retaliated and took back the islands.

### 5.5.2 EC Response

The Council of Foreign Ministers jointly condemned the invasion and called for the immediate removal of Argentinean troops.<sup>69</sup> Falkland Islands had neither a dividing effect among the members of the EC nor between the US and the EC. In fact Strömviik writes that, “It is noteworthy that the Falkland Islands crisis, which is so far the only military invasion that an EU member has been subject to since the inception of the EPC, was one of the few international events that did not cause any serious disagreements between the US and the EC members.”<sup>70</sup>

### 5.5.3 How did Energy Concerns Weigh?

From the perspective of this study I would say that it is noteworthy that the Falkland Islands also had nothing to do with oil or energy resources for either party involved nor are they strategically placed for the transport of energy supply. These islands and their defense were completely energy astrategic.

## 5.6 Concluding Analysis: Kilning?

In examining the events chosen in Strömviik’s work during the time period

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<sup>68</sup> Keesing’s Contemporary Archives 1982, p.31529

<sup>69</sup> Ibid.

<sup>70</sup> Strömviik 2005, p. 161

1978-1982 it seems to become increasingly clear that on issues that involve energy supply to EC members, the members are a) more willing and able to form a common position b) more willing and able to strongly defy the US position despite their alliance. Furthermore, on issues that had little relevance to energy supply but did have relevance to the balance-of-influence argument, e.g. Afghanistan and Poland, members of the EC tended to show signs of disunity and weakness. In the cases of Poland and Afghanistan the response of the EC then can be seen as a rational balance of power alignment between the US and the USSR. Mitterrand commented on this position that while a balance of power between the USA and the Soviet Union was necessary for peace in Europe, “it [was] dangerous that the two powers...should co-exist on the basis of a division of Europe which [would] soon date back 40 years.”<sup>71</sup> Both the willingness of the EC to defy the US position and the ability of the EC members to act as a union speak to the deepening of European integration. Strömvik also notes that during this time period one finds that, for the first time in the history of the EPC there is a considerable rise in the number of statements issued in general.<sup>72</sup> Based on these observations and a further analysis of Strömvik’s work, I would suggest that it may be concluded that the key determining factor in the collective actions of the EC during this time period is the security of energy supply which had provided the necessary heat for the solidification of an external position—a kilning effect.

### 5.6.1 Significance of Transatlantic Relations

Furthermore, as my conceptual tool states, the clay (the issue or policy), kiln (international political situation/circumstance), and heat (political disagreement) are needed for a common external position to be formed and the deepening of integration through the kilning phase to occur. One seems to find a correlation between energy concerns and the unifying of policy. The US proved to be essential in providing the kiln and the necessary heat to solidify the EC position. The Falkland Islands, which seem, at first, to be an exception as one finds a collective response of the EC but no transatlantic disagreement is important to this analysis and still provides valuable information. The chosen explanation of the Falkland Islands is that the kiln itself was not provided by the US, as there was no conflict between the US and the EU. Thus it is difficult to determine if a kilning effect actually took place along these lines. However, from this case one finds two important observations. First, other actors in the international system can provide the necessary kiln and political heat to solidify an EC response. Second, it further supports the importance of energy concerns in *transatlantic* conflict, which in this case, may be responsible for the lack of such a conflict.

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<sup>71</sup> Keesing’s Contemporary Archives 1982, p.31457

<sup>72</sup> Strömvik 2005, p.160

# 6 Energy Today as an Impetus

There are many current events that have come to the forefront in recent years. Throughout the 1980's and early 1990's energy concerns seemed to be worked themselves out for a while. President Ronald Regan told Americans that it was "morning in America" and in a highly symbolic act took the solar panels off of the White House.<sup>73</sup> Consumption of energy resources, however, continued to grow and recently many events have triggered a new concern over the security of energy supply.

An examination of the current events illustrates the continued, and indeed growing, importance of energy concerns and their ability to drive the deepening of EU integration. It intends to show that the EU is in the latter steps of a modeling phase and may be on the verge of yet another kilning phase.

## 6.1 Dependency of the Union

When determining if energy is an important factor to model the integration process around and provide the necessary intensity of political "heat" to enter into a kilning phase, it is important to understand exactly to what extent the members of the EU are dependent upon imported energy. The Union, although far less in comparison to the United States, consumes a great deal of energy. In 2000, despite the EU's larger population of 102 million more than the US, the Fifteen consumed 63.3 quadrillion British Thermal Units, which was 35.5 quadrillion less than the US. This consumption still accounted for 16% of the total world energy making it the first largest importer and second largest consumer.<sup>74</sup> Of the energy the EU consumes, 50% is imported and, according to the Commission's predictions, the rise in consumption will put the figure at around 70% by 2030 and virtually 100% dependent on imported oil.<sup>75</sup> Denmark is the only net exporter of energy within the Union. (See Fig.1)

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<sup>73</sup> Heinberg 2003, p. 75

<sup>74</sup> Rifkin 2004, p. 77

<sup>75</sup> Palacio 2002, p.8



our energy consumption levels are rising and, more worryingly, we are importing an increasing percentage of the energy we use. The aim of the Green Paper was to initiate a debate on possible solutions to this problem, both in terms of supply and demand. The notion of ‘managing demand’ was brought to the fore for the first time; previously, energy policy had tended to focus on supply. And yet, it is in fact easier to change the former rather than the latter.”<sup>77</sup> Clearly the EU has identified the security of energy supply as a problem. This problem is a political one and can only be solved through political means.

## 6.2 Growing Concerns

Concerns over energy are nothing new. American Secretary of Energy Bill Richardson writes, “Oil has literally made foreign and security policy for decades. Just since the turn of this century, it has provoked the division of the Middle East after World War I; aroused Germany and Japan to extend their tentacles beyond their borders; the Arab Oil Embargo; Iran versus Iraq; the Gulf War. This is all clear.”<sup>78</sup> Furthermore, the events in the post-9/11/2001 period have increased the uncertainties about the geopolitical and economic situation in the world. Philip Watts, Royal Dutch/Shell’s chairman recently stated, “We must be prepared for growing geopolitical turbulence and economic volatility.”<sup>79</sup> Against the background of increasing imports of oil and gas in the major consumer countries and the inevitable politicization of energy relations that accompanies this structural dependence, oil and gas have become both drivers of geopolitical developments, as well as a prey thereto.<sup>80</sup> Experts predict that peak oil supply will come in the year 2007.<sup>81</sup>

### 6.2.1 Unstable Middle East

The Middle East has never been a particularly stable region. At least, since biblical times it has been riddled with problems; problems that the pressures of oil money have done nothing to alleviate. The creation of an Israeli state in 1948 certainly did not help tensions either. In the end Middle East is a very tricky geopolitical region, one with which the EU has constantly tried to befriend despite the wishes of the US. Furthermore, one must also take into account that the

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<sup>77</sup> Palacio 2002, p.1

<sup>78</sup> Bill Richardson cited in Los Alamos Energy Security: Spring 2005, p.3

<sup>79</sup> Hoyos 2003, p. 9

<sup>80</sup> CIEP 2004, p. 41

<sup>81</sup> A debate about exactly when and how this prediction is made is not within the scope of this thesis but can be found in Heinberg 2003, pp. 81-123; Campbell, 1997; Deffeyes 2001; Hubbert 1969; Smil 2005. The important aspect is that peak production and its ills are approaching quickly.

Middle East is actually not so far from the borders of the EU and that Middle Eastern concerns are largely European concerns. In addition to its proximity to the Middle East, the EU is largely dependent on Middle Eastern oil supplies. Former Swedish Prime Minister Carl Bildt emphasized the new energy insecurity. Joking that God must have been in a bad mood when He allocated energy sources, Bildt highlighted the danger of most of the current energy reserves being in geopolitically sensitive regions such as the Middle East.<sup>82</sup> For political reasons the EU has invested largely in a Euro-Arab relationship as a diplomatic way of securing energy supplies. The reasons behind the emphasis on the Middle East can be shown by its recent reactions to the area. Since 1973, the EU has been obsessed with Israeli-Arab relationship.<sup>83</sup> Middle Eastern concerns are growing and will continue to grow with the importance of the role of oil which will continue to be an important geopolitical issue in the 21<sup>st</sup> century.<sup>84</sup>

Especially since 9/11/2001, and the skewed events that have followed, one can observe a shift in the Middle Eastern policy of the US, which is possibly causing a transatlantic rift.<sup>85</sup> Since the US invaded Iraq for a second time in 2003 transatlantic relations have been extremely strained. Patrick Clawson writes, "Although by mid-year [2003] the tensions among the Western allies about the Middle East had abated, nevertheless profound differences remain about priorities and strategies. Intriguingly, transatlantic cooperation about Middle East policy has often proved easier to achieve when the two sides concentrate on the immediate tactical steps to be taken next, and more difficult to reach when the discussion turns to what overall approach to adopt and what general goals to aim for. This contrast-tactical agreement, strategic difference-applies to the main issues about the Middle East...with a sub-theme on whether the international community should more forcefully intervene if the process becomes bogged down, Iraq's reconstruction, Iran's nuclear programme, and reform in the Arab World."<sup>86</sup> The Arab world and the large amount of proven oil reserves in the region provide a very unstable geopolitical situation. The EU has often sided with the Arabs in the region, but this has often come at a high political expense. A peaceful Middle East is beneficial to all parties involved, especially the EU as it relies on diplomacy and economic ties in the global economic order and to secure its energy supply and cannot rely on military force like the US increasingly does.<sup>87</sup>

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<sup>82</sup> *Shell 2025 Scenarios Highlight the Vulnerability of a Globalised World*

<sup>83</sup> Rhein in Blackwill and Sürmer (eds) (1997), p.44 Cited in Alderstein 1999, p.1

<sup>84</sup> Spero and Hart 2003, pp.330-331

<sup>85</sup> See CIEP 2004, p. 23; Lindstrom 2003

<sup>86</sup> Clawson in Lindstrom 2003, p.129

<sup>87</sup> Michael Smith and Bruce E. Moon in Stubbs and Underhill 2006, Chpt. 27 pp.387-397 and Chpt. 31 pp. 431-442



## 6.2.2 Russia-Ukraine Gas Crisis

The recent cut off of natural gas from the Russian Monopoly GAZPROM to the Ukraine and consequently from European customers has spiked concern again over the fragile state of energy supply in the EU. Natural gas from Russia of which the EU-15 imported 41% of its gas in 1999<sup>88</sup>, is not just an issue of supply or economics, it is a highly political issue. In light of the crisis it was so bluntly stated by Vladimir Zharikhin, deputy director of the state-funded Institute of Commonwealth of Independent States Studies in Moscow, "We [Russia] have vast resources and they give us political influence..."<sup>89</sup> The 2004 Clingendael International Energy Program (CIEP) report on energy supply security and geopolitics identifies Russia as significant issue concerning the supply of natural gas: "The vulnerability of the EU to a disruption of gas supplies is growing, partly because of the increased gas imports in general and partly because of the high dependence on a single source, Russia..."<sup>90</sup> Angela Merkel noted, "Es sind heikle Fragen, die der Gasstreit neu aufgeworfen hat. Die wachsende Abhängigkeit Deutschlands von russischem Erdgas demonstriert beispielhaft die Misere der deutschen Energiepolitik."<sup>91</sup>

So what happened? The basics of the crisis were that Russia decided, and in suspicion for politically aimed goals of "punishing" Ukraine for taking a more western stance, to end its subsidies of Ukrainian gas. A political battle ensued wherein the deadline for a deal between the two countries was January 1st 2006. If no deal was reached by this date Russia threatened to completely stop the flow of its gas through Ukrainian pipelines. The problem that arose was that those pipelines also supplied many Member States in the Union with gas...and it was a very cold winter. The Christian Science Monitor reported that Europe gets 80 percent of its Russian natural gas via Ukrainian pipelines. As a result of the crisis the following reports were made. Hungary said natural gas imports from Russia have fallen by more than 40 percent. Austria's oil and gas group OMV said Russian supplies had fallen by about 33 percent. Italy, which gets about 30 percent of its gas from Russia, says that less gas is arriving and that it had stocks to last 15 days. Poland reported a 14 percent reduction in gas supplies since Russia cut off gas to the Ukraine. Germany, which gets more than one-third of its gas from Russia, says it had stocks to last 75 days, but larger companies may suffer cutbacks if Russian gas would not have started flowing again soon.<sup>92</sup> Additionally, Italy said it was dipping into its gas reserves amid reports that

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<sup>88</sup> Palacio 2002, p.16

<sup>89</sup> Wier, Fred 2006, p.2 <http://www.csmonitor.com/2006/0103/p01s04a-woeu.htm>

<sup>90</sup> CIEP 2004, p.56

<sup>91</sup> Der Spiegel 2/2006 p.35 Translation by Author: "There are delicate questions that have been thrown out by the gas conflict. The growing dependency of Germany on Russian natural gas, for example, demonstrates the misery of German energy politics"

<sup>92</sup> <http://news.bbc.co.uk/1/hi/business/4634432.stm>

Russia was holding back gas for its domestic markets because of cold weather at home.<sup>93</sup> The cut-off was a very serious matter for reasons of survival, market disruption, and dependency. Although the actual cut-off lasted only from the 1-4<sup>th</sup> of January 2006 it certainly raised many questions and a public European uproar over the vulnerability of supply that rests largely on the whims of the Russian geopolitical situation. It immediately became a major political issue adding another coal to the fire of the security of energy supply and raising the temperature for an impending kilning phase. Impressively, even within this short time span that EU was able to react. The BBC reports that in response the EU governments held a meeting of their gas industry experts in Brussels on the 4<sup>th</sup> of January to coordinate their response.<sup>94</sup> Furthermore, in response to the crisis The EU's energy commissioner, Andris Piebalgs, said clearly that Europe needed a more cohesive policy on security of energy supply<sup>95</sup>; a goal that receives the first priority in his mission statement.<sup>96</sup>

### 6.3 Internal Market

Since the beginning of writing this thesis in the fall of 2005 several internal problems within the EU have surfaced. Europe is currently undergoing a massive upheaval in the energy sector - a complete reorganisation triggered by a round of mergers and acquisitions. This is all part of the ongoing worries about future energy security and policies, and it's quite enlightening.<sup>97</sup> In many ways the security of supply issue is only increasing. The Green Paper on Energy calls for a privatization and integration of the energy market. Its goal was that by 2005 European customers could choose whomever they wanted to supply their energy needs.<sup>98</sup> This harmonization has not come without problems. The liberalisation of the EU electricity and gas sector formally started with the market for industrial consumers opening up to competition on 1 July 2004. Since then, the Commission has voiced disappointment with the direction the liberalisation process has taken.<sup>99</sup>

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<sup>93</sup> Wier, Fred 2006, p.2 <http://www.csmonitor.com/2006/0103/p01s04a-woeu.htm>

<sup>94</sup> <http://news.bbc.co.uk/2/hi/business/4568288.stm>

<sup>95</sup> Ibid

<sup>96</sup> Energy Commissioner Andris Piebalgs Home Page.

<sup>97</sup> Quote from Jerome Paris March 1<sup>st</sup> 2006 <http://www.eurotrib.com/story/2006/3/1/31322/69533>

<sup>98</sup> Palacio 2002, p.26

<sup>99</sup> Quoted from: <http://www.euractiv.com/en/energy/merger-plans-deal-blow-eu-energy-liberalisation-policy/article-153035>

### 6.3.1 Gaz de France-Suez vs. Enel

The basics of the Suez/Enel crisis are simple. The former state owned Italian energy company, and former national monopoly, Enel wanted to buy out Suez a large Franco-Belgian energy company. The French authorities then pushed for a merger between the recently privatized but state-backed Gaz de France (GdF) and Suez, thus blocking the Italian bid. The Italians perceived this as national protectionism. Indeed it was a blow for a common European energy project. In an interview with *Corriere Della Serra*, the French Commissioner in charge of transport, Jacques Barrot, said it is unlikely the GdF-Suez merger will be blocked by Brussels. However, he admitted that the merger goes against EU efforts to open up energy markets. "In the energy sector, we all say that we need more European integration and then the French government puts the emphasis on the logic of national champions".<sup>100</sup> This merger consolidated two major energy suppliers in Europe and proved to be a point of tension of member states that should be operating now in a harmonized internal market.

### 6.3.2 E.on & Endesa

The E.on Endesa merger has raised questions about competition and energy in the EU. While a goal of the commission is to create a common internal market for energy and sees this goal as a main part in regulating a common energy market, it also is concerned in regulating competition.<sup>101</sup> When the merger occurs, E.on and Endesa will have a combined market share of €67.2 billion making it the largest energy conglomerate in the world with China's State grid coming in second at only €57.3.<sup>102</sup> After examining the operation, the Commission concluded that the proposed transaction would not significantly impede effective competition in European energy markets and has "therefore approved the concentration," the EU executive said in a statement on Tuesday (the 25<sup>th</sup> of April). It said the decision was taken upon confirmation that the two companies had only "limited overlapping activities" on electricity markets in France, Italy, Germany and Poland and no overlapping at all in their respective national markets for natural gas.<sup>103</sup> Thus, the merger received the approval of the Commission. However, it raised serious tensions between Spain and Germany and in Europe over-all as this giant was allowed to form and may hinder the kind of internal market that the EU desires to create.

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<sup>100</sup> *ibid*

<sup>101</sup> Green Paper 2000, p.12

<sup>102</sup> *Der Spiegel* Nr.9 2006, p. 105

<sup>103</sup> Quoted from: <http://www.euractiv.com/en/energy/commission-clears-eon-endesa-merger/article-154692>

## 6.4 Sub-concluding Remarks

Even in the last year, energy concerns have increased in importance and in frequency. One cannot be certain and should be quite careful in making predictions for the future; however, it seems to be clear that the future of politics in the coming decades will be largely based on the supply of oil and other energy resources. This issue is important both for the internal market and for the EU's external relations. The price of energy is rising<sup>104</sup> and this will produce new situations to which the EU needs to react with a unified voice.<sup>105</sup>

## 6.5 CIEP Report<sup>106</sup>

The Clingendael International Energy Program (CIEP) study on the energy security supply and geopolitics was prepared for the Directorate General of Energy and Transportation. The study was motivated to assess the geopolitical situation of energy. It concluded that indeed their energy concerns will grow in importance over the coming decades. The main result of this study on *EU Energy Supply Security and Geopolitics* is that energy must become an integral part of EU external trade and foreign and security policy-making. EU foreign and security policy and external trade policy are crucial energy policy tools to achieve future security of supply.

What is most notable about this study in comparison with previous studies on oil and energy supplies<sup>107</sup> is that it takes into account the changes resulting from 9/11 and the development of the international system. Most importantly the report lays out two possible scenarios that relations over the remaining supply of fossil fuels will follow.

### 6.5.1 Markets and Institutions

Under the *Markets and Institutions* storyline it is assumed that there is a continuation and intensification of the current internationalisation of markets (globalisation), and enduring co-operation in the international political and economic institutions, leading to the continued evolution of the multilateral

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<sup>104</sup> MSN NBC Online, Supply concerns drive oil back above \$73 May 12<sup>th</sup> 2006

<sup>105</sup> Harvey, Fiona, Financial Times, *EU 'needs unified energy policy' to beat climate change*. Nov. 29, 2005, p.2; Missé, Andreu, El País, *Europa reabre el debate de la energía nuclear*, Jan, 29 2006, p.64.

<sup>106</sup> All ideas in this section come directly from the CIEP report.

<sup>107</sup> United Nations, *Global Environmental Outlook 3, Past, present and future*, 2002. IPCC, *Emissions Scenarios*, 2000.

system that governs international relations. This is a continuation and betterment of the status quo. It places Europe in an advantageous position as it is structured to best perform in a multilateral world wherein it can utilize its soft power advantage.<sup>108</sup>

## 6.5.2 Regions and Empires

In the *Regions and Empires* storyline, the world is broken up into more or less integrated political and economic blocks with satellite regions that compete for markets and resources with other blocks. In this storyline the Trans-Atlantic relationship was assumed to have weakened substantially. In this story line *Realpolitik* surfaces. States work unilaterally to maximize their own security of supply and engage in zero-sum behavior. A threat of a bidding war for the remaining supplies is ever-present. In this scenario the EU may find it hard to compete and at a definite disadvantage to the larger states, namely the US, China, and Russia.

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<sup>108</sup>Michael Smith in Stubbs and Underhill 2006, Chpt. 27 pp.387-397

# 7 Signs of Modeling & Kilning

The EU has ever-rising concerns with its energy supply, both externally and internally and has had energy serving as an impetus throughout its integration process. One may observe that the EU is in an advanced stage of modeling. The recent actions of the EU should shed light on the fact that the EU is, in many ways, preparing itself for a coming energy crisis. The following are initiatives that best illustrate the energy-driven goals of the EU. Although the 2003 Iraq crisis came at an unfortunate time in the process, it has served as an eye opener and reemphasized the need for the EU to adopt a common energy policy to address security concerns, which once again may form in opposition to US energy concerns.

## 7.1 Green Paper “Energy” March 2006

In a direct response to the growing world-wide energy concerns<sup>109</sup>, especially the Russian gas crisis, the DGTREN released another Green Paper, following up on the 2000 Green Paper “Energy”, on the goals of the Union concerning energy. The ultimate goal is to further integrate to form a common position and to provide security. The Green Paper 2006 reflects the growing energy concerns and respects them as an impetus for the deepening of integration. The strategy is as follows:

*This Green Paper puts forward suggestions and options that could form the basis for a new comprehensive European energy policy. The Spring European Council and the European Parliament are invited to react to this Paper, which should also spark a wide-ranging public debate. This Green Paper identifies six key areas where action is necessary to address the challenges we face...*

1. *Competitiveness and the internal energy market.*
2. *Diversification of the energy mix.*
3. *Solidarity.*
4. *Sustainable development.*
5. *Innovation and technology*
6. *External policy.*<sup>110</sup>

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<sup>109</sup> Energy concerns do not just find themselves at the top of the EU agenda; one will also find Energy supply at the top of the G8 agenda, as well as corporations such as Shell and BP.

<sup>110</sup> Green Paper on Energy Supply 2006, p.5

The Green Paper goes on to state that at the political level, a common European external energy policy will permit a better integration of energy objectives into broader relations with third countries and the policies which support them. This means increasing the focus in relations with global partners facing similar energy and environmental challenges – such as the US, Canada, China, Japan and India...if these countries reduce the use of fossil fuels, it will also be beneficial for Europe's energy security.<sup>111</sup> This strategy illustrates the Union's desire to continue in a multilateral world and further develop a "Markets and Institutions" scenario for the future of supply. In order to model the integration an energy policy should have three main objectives as stated by the Green Paper: sustainability, competitiveness, and security of supply. To achieve these objectives, it is important to put them in an overall framework, in the first Strategic EU Energy Review.<sup>112</sup> The strategy of the EU is to develop sustainable and domestic energy resources for the long-term meanwhile boosting competitiveness and maintaining good diplomatic and economic ties with producer countries to fulfill short-term and medium-term needs. Thus the strategy is to make a slow and incremental transition over into a sustainable post-fossil fuel era. In order to fulfill this strategy the Green Paper puts forward a number of concrete proposals to meet these three objectives under six categories.

1. The EU needs to complete the internal gas and electricity markets.
2. The EU needs to ensure that its internal energy market guarantees security of supply and solidarity between Member States.
3. The Community needs a real Community-wide debate on the different energy sources
4. Europe needs to deal with the challenges of climate change in a manner compatible with its Lisbon objectives.
5. A strategic energy technology plan, making best use of Europe's resources, building on European technology platforms and with the option of joint technology initiatives or joint undertakings to develop leading markets for energy innovation.
6. A common external energy policy.

Indeed, the Commission is concerned with creating a common stance on energy. The completion of these goals would be an unprecedented step in the deepening of integration. The creation of a EU-wide plan, a sure sign of modeling, perhaps also serves as a warning sign of a coming kilning phase.

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<sup>111</sup> Green Paper on Energy 2006, p.17

<sup>112</sup> Green Paper on Energy 2006, p.18

## 7.2 Intelligent Energy for Europe

Intelligent Energy for Europe is a framework to set up a successful future in the energy market. Its purpose is as follows: “The Intelligent Energy - Europe (IEE) Programme 1 is intended to support the European Union’s policies in the field of energy as laid down in the Green Paper on the Security of Energy Supply, the White Paper on Transport and related Community legislation. Its aim is to support sustainable development in the energy field, making a balanced contribution to achieving the general objectives of security of energy supply, competitiveness, and environmental protection (Article 1 of Decision 1230/2003/EC). Under this Decision, the programme is structured into four specific fields:

(a) “SAVE”, which concerns the improvement of energy efficiency and the rational use of energy, in particular in the building and industry sectors (with the exception of actions under STEER), including the preparation of legislative measures and their application;

(b) “ALTENER”, which concerns the promotion of new and renewable energy sources for the centralised and decentralised production of electricity and heat and their integration into the local environment and energy systems (with the exception of actions under STEER), including the preparation of legislative measures and their application;

(c) “STEER”, which concerns support for initiatives relating to all energy aspects of transport, the diversification of fuels, such as through new developing and renewable energy sources, and the promotion of renewable fuels and energy efficiency in transport, including the preparation of legislative measures and their application;

(d) “COOPENER”, which concerns support for initiatives relating to the promotion of renewable energy sources and energy efficiency in the developing countries, in particular as part of Community cooperation with developing countries in Africa, Asia, Latin America and the Pacific.<sup>113</sup>

The goal of the Intelligent Energy Programme is to provide support for research that helps deliver technology to the market. Thus it is a bridge between technology research and its application. The strategy is to slowly apply new sources of energy as a transition into a new energy era, the policy tool for this provided by the EU Commission is this program. Currently, energy prices are kept low enough to allow the sustaining of a fossil fuel based economy, but this is

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<sup>113</sup> Intelligent Energy for Europe Working Program



slowly changing<sup>114</sup> and this program serves a vital purpose. This program is a suggestion for a framework, which is another sure sign of modeling and a deepening of EU integration, again in preparation for a possible kilning phase.

### 7.3 6<sup>th</sup> and 7<sup>th</sup> Framework for Research

The 6<sup>th</sup> framework will end on December 31<sup>st</sup>, 2006. The Commission finished negotiating the terms of the 7<sup>th</sup> framework in April of 2006. Much has changed since the last framework and many revisions must be made for Europe to be successful in the coming years. The kind of research that is needed to develop the technology to become less dependent cannot be left to the market to decide. As with Euratom, which is part of the framework, cooperation on such large projects yield far better results. The goals of the 6<sup>th</sup> and coming 7<sup>th</sup> framework focus largely on energy research—it has allotted some 14.5 million € of a total 72.7 million € towards energy-related research.

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<sup>114</sup> For example, The International Herald Tribune announced already on April 17<sup>th</sup> 2006 that prices for crude were on the rise and hit \$70 a barrel. <http://www.iht.com/articles/2006/04/17/business/OILWRAP.php>

# 8 Conclusions and Future Suggestions

What can one glean from the conclusions of this study? First, awareness and the advancement of a dialogue on the future of the Union as it pertains to energy. Energy, in the belief of this author, is becoming once again the impetus for the deepening of integration, as energy still is a common concern for the EU. Although energy policy is still largely in the hands of the member states there are many calls for a combined position. As tensions and competition grow, especially in light of a Regions and Empires scenario, the Union will act, as it has done before, together to increase their success. This solidarity may require a killing phase, which in light of the post 9/11/2001 international political climate should not be too unimaginable.

## 8.1 Disadvantageous Position as an Advantage

It may at first seem like the EU is in a quite disadvantageous position. After all, it is a very resource poor continent<sup>115</sup> and thus has an ever-growing dependency on energy supplies that originate outside its borders. The Green Paper on EU energy dependency states, “The European Union as a whole does not have the resources needed to cover its domestic demand for energy. We are therefore obliged to import fossil energies from elsewhere. Overwhelmingly, the gas we import comes from Russia and the oil we use originates in the Middle East. This has significant repercussions in terms of the security of our energy supply. And, as the transport sector booms, petroleum remains our preferred energy source. Gas is also gaining ground for the production of electricity and heat, in particular in the wake of increasingly strict environmental constraints. In short, the alarm bells are ringing: our energy consumption levels are rising and, more worryingly, we are importing an increasing percentage of the energy we use.”<sup>116</sup> As the EU runs out of its own energy resources and the level of petroleum on the world market is reduced the future could look quite grim for the EU which can only rely and benefit from a “Markets and Institutions” scenario. The situation looks as such to

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<sup>115</sup> Green Paper Energy 2000 p.19 “Despite the considerable progress made in tapping conventional energy reserves in Europe, their level remain low and they are expensive to extract. In the future, domestic fossil fuel resources are likely to decline quite sharply.” Furthermore there is a growing public support for renewable resources. See: Eurobarometer Energy.

<sup>116</sup> Palacio 2000, p. 1

the Commission who published, "...Geopolitical considerations are gaining ascendancy over economic considerations. In the present situation, we are less and less able to overcome our vulnerability. In other words, we suffer from a singular lack of means for negotiation and pressure. Our margin for manoeuvre is limited, whether the crisis be acute or long-term."<sup>117</sup> Indeed the EU is not only sensitive to the security of energy it is also quite vulnerable.<sup>118</sup>

There are not, however, only disadvantages to such a position. The EU can and is making a serious effort to find alternative ways to overcome its dependency. Currently, "The EU seems to rely on its economic diplomacy only, using the promise of security of demand as a carrot for producing countries. The asymmetry of the available policy tools of the US, EU and China limit the possibilities to make this approach effective. The US and China will not allow the EU to benefit from their costly geopolitical foreign and security policies if the EU does not contribute or is able to retaliate. In that sense competition among consumer countries also extends to effective foreign and security policies to secure supplies. The rift in the transatlantic relations is serious with regard to the security of energy supply."<sup>119</sup> Thus, its so called "lack of ability to manoeuvre" dictates an imperative to work toward a common strategy to model a sustainable option for energy. Unlike the US, Russia, or China, the EU has limited fossil fuel resources in general and a very limited oil supply of its own, and cannot approach securing supply with hard power. Thus, the advantage is that developing sustainable energy for Europe is not just a good idea or good for the environment anymore, it is an imperative that is providing the necessary heat for the further deepening of integration, which will again rely on a counter position to the US and on energy as an impetus. One can observe this modeling phase taking place in the number of publications and information being made available as well as a political heating up over this issue hinting at a coming kilning phase, which may be beneficial to integration but may come with other detrimental results.<sup>120</sup>

## 8.2 Growing Importance, Options, and Results

At least since the industrial revolution, the key factor in our society has the availability, utility, and management of fossil fuels to take over the burden of human labor. Our societies and the politics that govern them are largely defined by the availability of these abundant resources which underpin all activities. Jean Monnet, "Today in our industrial countries of the Western world and elsewhere, we are acquiring an unprecedented mastery over nature. Natural resources are no

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<sup>117</sup> Palacio 2002, p. 16

<sup>118</sup> For a discussion of sensitivity versus vulnerability: Keohane and Nye 1989, pp.12-16, 51, 58, 222, 238

<sup>119</sup> CIEP 2004, p.74

<sup>120</sup> Heinberg 2003, p. 96; CIEP 2004, p.139

longer a limitation now that we control more and more forms of energy...and now, on the very eve of creating unprecedented conditions of abundance, we are suddenly faced with the consequences of our extraordinary mastery over the physical forces of nature.”<sup>121</sup> Monnet chose to advocate coal and later atomic energy to form the base of cooperation instead of common defense, agriculture, or otherwise, make an irrefutable point that energy concerns were of the utmost importance for the founding of the EU. Monnet’s perspectives, however not explicitly stated in any of his works, of the central importance of energy resources, are quite optimistic. Industrial societies, especially in North America and Europe, have obtained a mastery over nature that has advanced civilization and aided in the very evolution of the human consciousness. Still, it must not be forgotten that this abundance of wealth is completely dependent on cheap and available sources of energy. A change in this key factor, which I aim to have shown is occurring, has both the power to bind and the power to destroy the state of civilization that we have come to cherish. Once again Monnet gives us visionary and almost prophetic advice, “The issue today is no longer peace or war, but the triumph or destruction of civilized life.” Employing a realist analysis based on power, largely determined through influence over resources, the role of energy and sustainable energy is most likely the key concern in determining the fate of our modern world and international politics.<sup>122</sup>

### 8.3 Call for a Coherent and Sustainable System

The EU must develop renewable and domestic sources of energy and, luckily, if it starts now it has the ability to do so. “Renewable energy sources, such as firewood and hydroelectricity, have a modest role in the European economies. They represent a more significant share in the applicant countries, and, in some isolated regions such as islands, are the only source of energy. Nevertheless, they have the potential to play a much larger role in both the economy and the energy balance. Renewable energy technology, especially at the cutting edge, is still in its infancy. However, public support for research has led to significant progress over the last few years. Wind energy is now widely recognised as a viable option. Photovoltaic energy, meanwhile, though promising, is still far from economically competitive.”<sup>123</sup>

Fortunately there are many available options facing the world. Regardless of the exact date that it will end, the “fossil fuel era” will be incredibly short.<sup>124</sup> If we are to proceed in the subsequent generation to continue the progress that we have

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<sup>121</sup> Nelsen and Stubb (2003) p.20

<sup>122</sup> CIEP 2004, 145

<sup>123</sup> Green Paper Energy 2000, p.22

<sup>124</sup> See: Richard Heinberg’s *The Party’s Over*. pp.3-4

seen in the last two centuries we must find alternative sources of energy. After all the base of our world order is a functional one. We use stored energy to enhance our societal abilities. It is often taken for granted the massive base that energy resources provide. Because of its significant role as a fuel for modern industrial economies and for military forces, petroleum has been the subject of domestic and international politics.<sup>125</sup> In fact without them nothing, as we know it, can exist. Vaclav Smil writes, “The most fundamental attribute of modern society is simply this: ours is a high-energy civilization based largely on combustion of fossil fuels.”<sup>126</sup>

## 8.4 A Lesson Learned in Time...

One should conclude from this study that the EU has, passively or actively, learned a vital lesson. Due to the unique properties of energy and its vital importance to industrial societies and the dependence of all Member States, the regulation of these resources can result in peaceful cooperation. Still, there is more to be learned. Martin Bartenstein, the Austrian Energy minister was quoted saying, “We have to think about energy supply security in general, gas supply security... and we have to learn the lessons.”<sup>127</sup> Nevertheless, as Europeans strive for a multilateral world or a “Markets and Institutions” future, their closest ally, the United States, continues to advance a unilateral position and maintain a largely uni-polar world, i.e. a “Regions and Empires” future scenario. The EU, despite its desires and abilities to operate in a Rosencranzian world<sup>128</sup> that shifts the importance of land and resources to innovation, trade, and technology, is still tied to resources which originate largely and increasingly outside of its borders. Thus, the EU cannot entirely escape a world order that can be best explained by fierce competition, anarchy, and thus realist concerns over resources.

In the middle of the 20<sup>th</sup> century there was a shift in the role that energy resources play. Concerns over the regulation of energy have provided an impetus for the Member States to deepen integration in a two step process that I have briefly described as modeling and kilning. The US has often provided the kiln and the political “heat” in the formation of a common EU position.<sup>129</sup> The kilning effect has most dramatically been exemplified over energy resources and a concern over the security of supply. However, as the world enters the end of the fossil fuel era, it is important that the EU avoids a rift with its closest ally.<sup>130</sup>

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<sup>125</sup> Spero and Hart 2003, p.299

<sup>126</sup> Smil 2003, p.1

<sup>127</sup> <http://news.bbc.co.uk/1/hi/world/europe/4582652.stm>

<sup>128</sup> Rosencrance states that the world is moving into the creation of a “Virtual State”

<sup>129</sup> An idea also expressed in different words by Mowle 2004, pp.156-158

<sup>130</sup> Mowle 2004, pp.1-17; Lindstrom 2003

Energy concerns, although good for the kilning of common EU policy and the deepening of integration, also has the potential to become too warm and shatter the goods that it attempts to produce. Or as the CIEP reports asserts, “The EU is a project that is fundamentally embedded in the multilateral post-1945 world system. Any weakening of multilateralism will strongly impact the environment in which EU enlargement and the deepening of integration can take place. In a less multilateral oriented world system, the EU can be expected to change from an economically driven project into a political-strategic driven project. This does not mean to say that a re-orientation of the EU to a political-strategic project is in conflict with a multilateral world order. However, when such a re-orientation must take place under the mounting external pressure of a less multilateral oriented geopolitical system rather than as a result of internal choices, the EU member states might find that the time frame to realise such a re-orientation does not fit the usually long process of consultations and could therefore create new complications and unpredictable contingencies.”<sup>131</sup>

The EU would be wise to use energy concerns again to deepen integration and a) adopt a common position on energy and its security b) be flexible with this policy c) develop technology that allows for the Union to free itself incrementally from energy resources that, at present are poorly distributed in geopolitically unstable regions. Thereby, the disadvantageous position of a resource poor Europe could be rendered advantageous for the future of the Union and indeed the world, as it has become common place for the EU to be an exporter of idea-rich resources such as know-how, values, norms, and technology. The EU, and indeed the world, would benefit from sustainable energy. “In all western Industrial countries a deeply moving reorientation has begun...what for a long time was only a dream of those concerned with ecologically bettering the world: the use of reduced consumption and the rise of environmentally sound renewable sources, under the pressure of rising crude oil prices, droning climate change and technological breakthroughs in solar and hydrogen usage, are becoming more attractive to the economy. Nations that move forward with the transition to a new energy system and position themselves correctly, will gain huge social, economic, and ecologic advantages, believes Flavin.”<sup>132</sup>

The strategy of the US and its development of a “Regions and Empires” scenario since 9/11/2001 signified a shift in US policy, which is largely dependent

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<sup>131</sup> CIEP 2004, p.139

<sup>132</sup> Der Spiegel Nr. 39 2000, p. 127 Quote from Christopher Flavin, Vice President of the Washington Worldwatch Institute. Translation by author: “In allen westlichen Industrieländern habe eine tief greifende Umorientierung begonnen...Unter dem Eindruck steigender Rohölpreise, drohender Klimagefahren und technologischer Durchbrüche bei Solar- und Wasserstoffnutzung wird wirtschaftlich attraktiv, was lange Zeit nur als Traum ökologischer Weltverbesserer galt: die Wende zu weniger Verbrauch und der Umstieg auf umweltgerechte schonende Quellen. "Nationen, die den Übergang zum neuen Energiesystem vorwegnehmen und sich jetzt richtig positionieren, werden eine Menge sozialer, wirtschaftlicher und ökologischer Vorteile erwerben”, glaubt Flavin

and centered on resources. “It is not, however, just the world’s basic energy supply of oil which the US is determined to command, but the whole world itself.”<sup>133</sup> This dependency is further evidenced by the Bush administrations projections and its unwillingness to enforce a serious auto efficiency program, its worsened relationship with Saudi Arabia who has control over the market and its willingness to secure oil in Iraq despite the fact that Iraq has an inferior market share of 10% of the world’s proven oil reserves.<sup>134</sup> This has caused a drift from the common strategy for transatlantic cooperation.<sup>135</sup>

If the EU wants to circumvent a competition over remaining supplies of energy resources, i.e. a “Regions and Empires” scenario, which is becoming a serious political reality, then its Member States have but one choice...to model a coherent and sustainable energy policy. The preparation for such a policy and the attitudes of the citizenry are developing.<sup>136</sup> Therefore, it is important that the EU prepares itself for another possible kilning phase and to maintain its multilateral position. The actions taken in the current modeling phase will largely determine the actions that the Union will take. It is the belief of this author that the way in which the Union handles the security of supply will largely determine not only the deepening of EU integration, but the success of the Union, which is currently liberal-oriented but resource-bound, and the success of a peaceful multilateral world system.<sup>137</sup>

Future studies should further explore the kilning effect as a theoretical model and apply it to the role of energy in the integration process and with regard to the transatlantic relationship. Most importantly the role of energy should no longer be understated in EU academic literature, as it most definitely has broader applications. As I have shown, energy concerns are largely the basis of industrial societies. Thus their importance can provide an impetus for both war and peace. This study has focused mostly on the peace that their regulation has brought the EU. However, as supplies dwindle and insecurities grow—a situation that is unavoidable—it will most likely be the EU that will be the political entity most able to lead the world into the post fossil fuel era. The US, like other hegemonic powers in history, may be too mired in the past, riddled with internal and structural problems, too apt in participating in the current system, too resource

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<sup>133</sup> Wilson, Derek J. 2005

<sup>134</sup> Johnson 2004, p.308

<sup>135</sup> Mowle 2004, pp.18-31; Lindstrom 2003

<sup>136</sup> Eurobarometer published a study in January of 2006 entitled “Attitudes towards Energy”, wherein one will find that 47% of people in the EU favor a EU-wide energy policy to only 37% who prefer to keep it national: Eurobarometer *Attitudes towards Energy* 2006, p.7

<sup>137</sup> This idea is in line with neo-liberal thought. Furthermore, although outside the scope of this argument, the conclusion of the study may have ramifications outside of the EU integration process. In other words, if the EU was able to form peaceful cooperation largely based on the regulation of energy supply then perhaps this is also an option for the international system as a whole. Although this study implies the use of the US as a kiln, the “other” to solidify its position perhaps energy is an important enough impetus to form an “other” in and of itself.

endowed, and too able to maintain the current uni-polar system to be relied upon for such a task.<sup>138</sup> Thus, it will be the EU that will need to step up and lead. In the Green Paper “Energy” written on March 8<sup>th</sup> 2006, the Commission seems quite hopeful in the role of Europe avoiding a disastrous future based on the depletion of energy supplies. “Acting together, it [the EU] has the weight to protect and assert its interests. The EU has not just the scale but also the policy range to tackle the new energy landscape. The EU leads the world in demand management, in promoting new and renewable forms of energy, and in the development of low carbon technologies. If the EU backs up a new common policy with a common voice on energy questions, Europe can lead the global search for energy solutions.”<sup>139</sup> The EU is, again, the most capable actor to do so, but it can only accomplish this task by modeling integrated policy after sustainability and multilateral diplomacy that secures and reduces its dependency on unsustainable and poorly distributed energy resources, thus preparing for it for another impending kilning phase and beyond.

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<sup>138</sup> An argument put forth by Gilpin, 1981

<sup>139</sup> Green Paper Energy 2006, p.4



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