



## CHAPTER 1

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# Introduction: The EU and the Changing (Geo)Politics of Energy in Europe

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EU energy policy seeks to achieve three main goals: to secure its energy supplies, make the energy system more sustainable and promote EU economic competitiveness through an energy policy that will not impact negatively on the EU's ability to compete with other global centres of economic power (Commission of the European Communities, 2006; European, 1995; European Commission, 2000, 2006, 2014a, 2014b, 2014c; European Commission Directorate-General for Energy, 2010). Combining all three goals has proven difficult, and the EU has had to adapt to changing geopolitical, market and environmental conditions by modifying its approaches (Bressand, 2012, 2013; Goldthau & Witte, 2010; Grätz, 2012; Jong, Linde, & Smeenk, 2010; Micco, 2014). The EU faces huge challenges with respect to security of supply: it must import more than

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50 per cent of its energy; since 2013, all EU member states have become dependent on energy imports. Here is essential to be able to deal effectively with different types of external energy suppliers—Norway (a member of the European Economic Area (EEA)), Russia (an external imperial power deeply involved in the EU gas and oil market) and states that sell fossil fuels at the borders of the EU (Algeria, Libya, LNG suppliers).

In this volume, we ask:

- How the EU can project its power—regulatory or market—beyond and within its borders?
- How do external suppliers and member states respond to these EU attempts?

We focus on two key external actors, Norway and Russia, viewed in the broader context of the EU's external energy relations as well as on several member states representative of the whole EU—one European great economic and political power, Germany; one mid-size EU power with a specific approach to energy policy, Poland; and three small EU members facing specific energy-related challenges.

Norway's strategies vis-à-vis the EU and its successes and failures in energy policy are particularly pertinent to the current challenges facing European integration, for three reasons.

- First, Norway is the EU's most important partner in the regional energy relationship between the EU and Russia.
- Second, analysis of Norway's relationship with the EU can bring out important dynamics of relevance to the EU's relations with other non-member states, including Russia and other external suppliers of energy to the Union.
- Finally, the broader dynamics in the EU–Norway relationship can offer lessons that have become increasingly salient with the UK poised to leave the EU, not least because the UK will have to establish a regime for managing its energy relations with the EU.

In addition, all external suppliers of fossil energy will have to cope with the challenge of decarbonization, which is the long-term goal of the EU. Some of them, like Norway, are well positioned to transit smoothly to a new, greener energy reality; others, Russia among them, may suffer heavy losses with the decarbonization of the European energy

market. How these external actors respond to the challenges and seek to influence the EU's energy choices is therefore of high interest in this broader context.

The EU's capacity to project power beyond its borders depends also on the internal cohesion of the EU and on its ability to influence the energy policies of member states. Member states may have energy preferences not necessarily compatible with those of the EU and may build bilateral energy relations directly with some external suppliers of energy in ways not always in line with EU priorities. The national energy policies of member states and their strategies for adapting to EU energy goals deserve closer academic scrutiny, as they may provide important clues to the EU's chances of constructing a common energy policy that can combine the wider EU goals with national priorities.

This volume originates in the research project 'Europe in Transition – Small States in an Age of Global Shifts' (EUNOR), funded by the Research Council of Norway and conducted between 2014 and 2017. As the EU has become important policy agenda setter and economic actor (Hirschman, 1970; Sandholtz, 2004; Sweet & Sandholtz, 1997), the EUNOR project examined how states balance between autonomy and integration in their dealings with the EU. The empirical focus was on Norway as an example of a small state, and on legal, economic, security and energy relations between Norway and the EU, examining how Norway has coped with the autonomy–integration tension in its relations with the EU in these four crucial areas (Egeberg & Trondal, 1999; Eriksen, 2015).

With the relationship between the EU and the outside world growing more complicated, the questions that the project originally set out to address have become increasingly significant. The crisis in Ukraine appears to have caused substantial damage to EU–Russia relations, thereby impacting on EU security as well as energy policy. Hopes that Russia could transform itself into a liberal democracy have failed to materialize, and the future of Russia–EU relations does not look bright. The decision of British voters to leave the EU, taken on 23 June 2016, has triggered a dynamic that may in the longer term lead to the demise of the European integration project itself.

Further, the still-ongoing migration crisis poses practical as well as political problems. The EU and its member states need to find ways of dealing with the massive influx of forced and economic migrants. Moreover, the

crisis has led to growing tensions within the EU, fuelling xenophobic, populist and anti-establishment sentiment in Europe.

And finally, the election of Donald Trump as the 45th president of the USA has added a new challenge to the EU external relations: how to deal with an American president whose actions may undermine the axiological foundations of the transatlantic partnership?

One of the work packages of the EUNOR project focused on Norway's energy relations with the EU. Although a small state in demographic and geographic terms, Norway is a medium-sized—even great—power in terms of energy, supplying one-third of the gas and more than 10 per cent of the oil imported by the EU, making it the second-largest external supplier of energy to the EU market (Godzimirski, 2014b).

The special energy relationship between Norway and the EU has therefore been central in a project aimed at mapping various aspects of relations between Norway and the EU (Archer, 2005). In fact, Norway's energy relationship with the EU is more balanced than the case is in many other areas (Austvik & Claes, 2011; Ministry of Foreign Affairs Norway, 2012). For infrastructural, market and geographical reasons, Norway depends on access to the EU energy market—and that gives the EU a certain leverage in its relations with Norway. On the other hand, Norway is viewed as a highly reliable and almost indispensable energy supplier—which in turn provides it with a certain structural energy power (to learn more about structural power see Strange, 1988) to promote its own interests in relations with the EU (DIFI Norway, 2016). That being said, the energy game played in Europe involves more actors than only Norway and the EU itself (Godzimirski, 2014a). The study of the nature of Norway's energy relations with the EU calls for a comparative approach, with examination of the EU's other energy relations as well.

In this study of energy relationships between the EU and other actors with stakes in EU energy policy, the case of Norway provides a background against which to paint a more complete picture of EU energy relations with three groups of energy actors: key external energy suppliers who are not EU members; EU member states that must pursue their national energy policies in line with EU regulations; and Norway, which is not formally an EU member but generally follows the rules set by the EU due to its participation in the European Economic Area (EEA) (Godzimirski, 2014a).

## EU RULES AND STATE ADAPTATIONS

International economic and political integration makes the nation state subject to various types of regulation, legal and normative. Questions otherwise dealt with by national policies become subject to legal and normative considerations, as they must be handled in accordance with the rules set by supranational frameworks (Arnesen, 1995, p. 659). Trade liberalization and political integration reduce the freedom of each individual nation to choose policies independently of other states. The functioning of the international and European system, in terms of decision-making as well as markets, becomes increasingly important in the formulation of national policies. National independence to formulate policies based on domestic preferences alone must be balanced and often changed to reap the benefits of conducting trade in larger markets—not least, to achieve higher economic standards of living.

The response of states to this loss of independent policy-making can be passive or defensive, aggressive and exploitative—or constructive and cooperative. States may decide to opt for greater integration or higher levels of autonomy in response to these developments. Large states can often be more aggressive and exploitative than small states because of asymmetric relations. For the small country, such an asymmetric interdependence may turn into something close to one-sided dependence. Small states have economies that depend on fewer export products than do large states, and they often have no significant share in international or EU markets. Small states are dependent states and require functional international institutions and law—which are normally shaped by large states (Panke, 2010, 2012; Toje, 2011). Small states are generally defensive in policy-making, with a narrower range of interests than larger states (Fox, 1959, p. 3). Large countries like Germany and France, for example, obviously have more influence over EU policy than do small member states and find it easier to work at shaping the rules of the game to their own benefit. When common institutions are established, they constrain and shape national room for political manoeuvre.

How to understand these processes? *Neo-functionalists* and *constructivists* argue that the merging of identities and preferences will gradually lead to increasingly greater political similarities across countries and the transfer of power to common institutions to make it work so as to benefit all.

By contrast, *intergovernmentalists* and *institutionalists* explain policy differences by the fact that many nation states and domestic institutions resist and undermine the gradual transfer of power out of their domains. Neo-functionalists and constructivists point to the potential for further integration: neo-functionalists through functional and political spillovers, constructivists through changes in identities and preferences that result from cooperation over time. Institutionalists and intergovernmentalists are more sceptical to spillovers and socialization alike: they consider institutional and policy integration unlikely to change in the foreseeable future (Moravcsik, 2001, p. 163) and hold that policy will continue to be defined by interstate processes. They see the bargaining and consensus-building techniques of international organizations as refinements of intergovernmental diplomacy that enable important domestic political autonomy to be retained rather than as involving the ultimate transfer of power to a supranational entity.

The compatibility between EU and domestic policy is increasing with structural convergence between institutions and policy (Cowles, Caporaso, & Risse-Kappen, 2001) but also through dynamic processes of adaptation. Europeanization has in this context been defined as ‘a set of processes through which the EU political, social and economic dynamics become part of the logic of domestic discourse, identities, political structures and public policies’ (Ladrech, 2001, p. 3). Similarly, globalization has been defined as ‘the norms, institutions, and laws that support global capital accumulation along neo-liberal principles’ (Laxer, 1995). These processes can lead to ‘re-evaluation of interests, re-formulation of conflicting issues and adoption of new perspectives or knowledge’ (Claes, 2002, p. 300). Europeanization and globalization exert influence on legal matters, institutions and norms and ideology as well.

While politics shape markets, markets also shape politics. In some cases, international markets are more important in determining the national political room for manoeuvre than are supranational regulations. The more a country is exposed to international economic challenges, the more likely is its policy to converge with other countries with the same international exposure, due to market integration and competition; and domestic change can be achieved only through international cooperation. International competition and supranational harmonization of laws and regulations push governments to solve common problems through common institutions and solutions—as with the construction of the EU internal energy market (Drezner, 2001, p. 60; Goldthau & Sitter, 2014; Padgett, 1992).

In a global context, the EU Single Market (SM) is the most advanced area for international economic integration, with policies intervening deep into domestic policies. The basic idea derives from international trade and microeconomic theory and neoclassical ‘contestable market’ principles. It assumes full factor mobility (capital and labour) within and across nations, combined with the exploitation of economies of scale (and scope), making firms bigger in absolute terms. Large firms often encounter competition at the European and global levels but may become dominant at the national level. Ideally, the SM is intended to operate as one perfectly competitive market with the same rules and regulations across the entire Community. SM policy is to be based on competition law and regulation, and (only) correct market distortions (e.g. caused by externalities or monopoly power), resulting in consistency between company desires to maximize profits and the EU desire to maximize European welfare—as in a perfectly competitive national market (Austvik, 2015; Train, 1991). As the EU is also a customs union, there is no traditional trade policy (tariffs, quotas) between participating nations. To prevent hidden and indirect trade barriers, comprehensive harmonization at the EU level of domestic policies affecting competition must be part of the policy package, if it is to function.

However, as national situations and interests are not fully shared within and between countries, a *de facto* common or fully harmonized policy is not in the interest of all. The EU common market aims at maximizing the benefits for the entire integration area, not for the benefit of each nation state, industrial sector, region and institution. Diverging income distributional and historical situations, levels of economic development, endowment with resources and institutional and cultural path dependencies and identities all indicate that the best overall societal outcome might differ from the one considered most efficient in economics (Austvik, 2015, pp. 117–121). Lefebvre and Vietorisz note that the economically efficient pursuit of one particular goal may conflict with the realization of another equally or more important social interest: economic efficiency for its own sake cannot be a policy goal (Lefebvre & Vietorisz, 2007). This applies also to EU energy policy, where concerns for sustainability and security of supply need to be balanced against the question of economic competitiveness (Bressand, 2012; Folkerts-Landau, 2013). National interests concerning degrees of autonomy and sovereignty, conflicting interests between and within countries, and inertia in markets and politics serve to slow down integration and policy convergence processes aimed at making economic,

political, social and cultural institutions and policies more similar, but not equal, over time (Bennett, 1991). They also influence the room for manoeuvre available to each country that strives to adapt to changing rules and market conditions, and here the transfer of policy-relevant knowledge through negotiations, interpretations and adaptations is important (Dolowitz & Marsh, 2000, p. 15).

The scale and scope of changes and challenges in policy goals and practices tend to increase with the number of countries and sectors involved (Holzinger & Knill, 2005, p. 778), and EU energy policy coordination is no exception. In complex matters—and energy policy is indeed complex—with considerable differences among member states, policy for integration areas may readily become more concerned about form and process than hard realities. However, if pushed too hard, the integration process may come to a halt or experience long-term setbacks—and countries will find ways of circumventing undesired change. Reactions against overly rapid market integration (with resultant unemployment and low wages in the losing sectors) are part of the reason for Brexit and anti-elite sentiments in other European countries. We can also note that the EU push for a more climate-friendly energy mix has resulted in resistance from Poland—a country whose energy policy is dealt with in Chap. 8 of this volume and that is well endowed with local coal resources.

In such situations, if rules and regulations stay the same, member states may seek to change the real content of the common policy through delays, innovative interpretation and implementation, and/or take compensatory domestic steps or put forward new requirements. Large countries have a greater say in international affairs and organizations than do small states—as shown in Chap. 7 of this volume, on German energy policy in the EU context. However, also small states may achieve their objectives, because they often benefit from a ‘complex interdependence’, where societies are connected in multiple ways and the issue hierarchy is absent or weak (Keohane & Nye, 1977, pp. 24–29). Peter Katzenstein (1985) argues that small countries—despite having less influence on the rules of the game—may adjust more readily to changes because it is easier for them to reach consensus-oriented decisions in corporate domestic structures.

That would indicate that a small country might be more dynamic than a large one when it comes to decision-making. This ability of small states to adapt is well documented in the case of Lithuania, which had to reorient itself after the closure of the Ignalina Nuclear Power Plant (INPP) and managed to make itself less dependent on Russian gas by building an LNG

terminal. On the other hand, small countries may also face coordination problems, as shown in Chap. 9 of this volume, on the energy policies of the Baltic countries. As Diana Panke (Panke, 2010, 2012) notes, in international organizations small states can punch above their weight if they are selective in negotiations and concentrate their capacities on the main issues rather than attempting to revise the established order (Vital, 1967, p. 134). Norway's adaptation to EU rules through the EEA—discussed in detail in Chap. 6—is a clear example of a country that is relatively small (albeit endowed with certain important resources) but has consistently managed to punch above its 'standard' weight.

When situations or interests differ, the processes of policy harmonization may trigger diverging adaptation responses aimed at creating different actual policy content. EU rules and regulations have a direct de facto harmonizing impact on the formal political practices of all member states, but same formal rules need not be translated into the same de facto policies with full political convergence across countries. If an EU policy is weakly formulated (e.g. in a directive), member states have greater opportunities to be innovative in interpreting and adapting to its formalities than when the formulation process is stronger (as in a direct regulation or law). If rules and regulations are relatively weak or opaque, domestic policy can more easily be revised to bring it in line with the formalities while simultaneously enabling the pursuit of important national (and not EU) goals. An optimal strategy for an individual country could be as follows: first, enter into economic integration with relevant partners to reap the benefits of free trade, while, second, optimize, formulate and promote national sectoral policies whenever relevant and possible to avoid the perceived disadvantages.

What defines a state's ability to deal with the EU, however, is not only physical size or importance for the EU in some fields but also its capabilities and powers, in absolute or relative terms. Depending on how it defines the importance of its relationship with the EU and how capable it is of shaping this relationship in accordance with national interests, a state may opt for greater autonomy or deeper integration. This autonomy-versus-integration dynamics is a characteristic feature of the situation developing in and around the EU. 'Autonomy' is here understood as the right to greater self-government; by contrast, 'integration' entails a higher degree of interconnectedness, contact density, shared rules, institutions and resources, as well as the extent of trust and shared values. When deciding between autonomy and integration, states must consider their capacity to

stand alone and their capabilities. Those that have chosen to become full-fledged EU members may seem to have opted for greater integration. However, also within the EU, there are various possibilities for retaining some autonomy—for instance, by not joining the Euro zone or by seeking exemption, as in the cases of Denmark and the UK. And—as the recent Brexit experience has clearly shown—this process of integration, harmonization and convergence can also be reversed, and states may decide to leave the EU in their pursuit of greater autonomy.

States with a broader set of capabilities may consider a broader set of options on this autonomy-versus-integration scale, because better capabilities increase the number of policy options available within and outside of the EU. Such capabilities may involve the control of strategic territories and resources, economic resources and financial assets, political resources such as status and reputation, as well as administrative resources, knowledge and expertise. Having greater organizational capabilities—understood here as the ability to sequence and combine different forms of policies in order to achieve specific policy goals—increases the scope of strategic choices to be made by states in choosing between greater autonomy and deeper integration/adaptation to the rules set by supranational bodies.

#### WHAT MAKES ENERGY INTERESTING IN THIS CONTEXT?

Energy policy is a relevant topic here, for several reasons. Firstly, the international political economy of energy has undergone dramatic changes in recent years. Geopolitics appears to play a greater role in regional and global oil and gas trade than only a decade ago. This change began with Russia's increasing assertiveness as the oil price rose above the 100-dollar mark in 2008, combined with the rise of shale oil and gas that made the USA all but self-sufficient in fossil fuels. The collapse of the oil price in 2014/2015, Saudi Arabia's new strategy of defending its market share and increasingly tense and controversy-ridden relations between the West and Russia—all have further strengthened the geopolitical dimension of energy in Europe. How can the EU and its 28 member states deal with this new challenge?

The second important reason is the role played by the EU in setting regional and global energy agendas and the process of adaptation of the EU and its member states to shifting internal and external conditions. The EU's overall international profile and grand strategy have long been liberal. The EU has focused on building institutions for international

trade and on improving the workings of international markets, also regarding energy. Today, however, with other great powers taking a more geopolitical (or realist) approach to energy cooperation, the EU's liberal approach to energy policy has been placed under considerable strain (Goldthau & Sitter, 2015; Smith, 2011). The Energy Union proposal launched in 2015 was designed to deal with this by defining both internal and external EU energy priorities in this new more demanding international environment (Egenhofer, Genoese, & Dimitrova, 2014; European Commission, 2015; Szulecki, Fischer, Gullberg, & Sartor, 2016). In practice, however, the adoption of this formal framework for realization of EU's energy policy has created new framework conditions—both for member states that must deliver on the energy goals set by the EU and for external energy suppliers that must adapt to this new situation. For non-EU states, participation in a liberal trade-oriented European integration project can be a means of securing a stable and predictable regional regime for energy governance. It therefore came as no surprise that Norway and the UK joined Germany as the main defenders of a liberal approach to external EU energy policy in 2015 and 2016.

The third important reason for paying special attention to energy policy is the growing tension between the necessity of meeting energy needs and dealing with the challenges posed by climate change (Egenhofer, Marcu, Núñez-Ferrer, Genoese, & Elkerbout, 2015; Heubaum & Biermann, 2015; Sartor et al., 2014; Slominski, 2016). The EU has been a key promoter of moving the global energy system in a more environment-friendly direction as a means of mitigating the risks related to climate change—but even within the EU, there is no consensus on how to do this, as the EU and its member states must depend on the import of fossil energy from beyond EU borders to meet their energy needs. Moreover, most of these energy imports come from countries that do not necessarily share the EU's climate concerns. As main exporters of fossil fuels, they are more interested in promoting their own fossil-fuel-related interests than in supporting the development of a greener energy system that could undermine their market position and create massive problems for their own economic, political and social development. The EU is the main global importer of energy (World Trade Organization WTO, 2010), so how the EU deals with its import dependence on fossil fuels, like building a more sustainable energy system within the EU and by promoting the development of a greener energy system beyond its borders, will have direct impacts on the main exporters of fossil fuels supplying the EU market today.

Finally, the fourth reason why the EUNOR project has focused on energy policy has to do with the stipulated focus on issues relevant for Norway as a country with a special form of relationship with the EU. Norway has remained outside the EU, but its membership in the European Economic Area (EEA) makes it a special case: a small country that has decided to address the integration-versus-autonomy dilemma by building a special relationship with its most important trade and political partner: the EU. A key element on the Norwegian–EU interest map is very close energy cooperation between the two entities. To a large extent, it is the EEA framework that shapes Norwegian energy policy (see in Chap. 6 of this volume)—but the choices made by Norwegian policy-makers also impact on EU energy policy, as Norway is the second most important energy supplier to the EU.

In addition, Norway has several specific features that make it particularly interesting in terms of state capacity for acting in the international environment. On the one hand, Norway is a classical small state with limited potential and capabilities that influence its many policy choices. On the other hand, Norway has a set of special capabilities that enable it to punch above its weight in the international sphere. Due to various historical, political and social developments, Norway has achieved organizational capabilities greater than many other classical small states, in Europe and elsewhere. In addition, Norway enjoys relatively high international status through its leading international role as provider of foreign aid and its self-appointed role as international peacemaker. Finally, Norway's natural resource endowment—especially petroleum, hydropower and maritime resources—and its ability to manage these resources in a balanced manner have put Norway in another category than that of 'classical small state'. Its endowment with energy resources has provided many opportunities while also bringing many challenges. That Norway has control of these resources, how it exercises that control and its geographical proximity to the EU that thirsts for energy supplies to meet its own energy needs—all these factors have made Norway an important energy partner for the EU.

But, as mentioned, Norway is not the only non-EU member to build an energy relationship with the EU. We need to examine Norway's energy relations with the EU in a broader context. This book aims at addressing three crucial questions: (1) How the EU projects its regulatory power and ideas beyond its borders and how this may influence the energy policies of its main external suppliers? (2) How these external suppliers adapt to changing framework conditions for their energy cooperation with the EU?

(3) How the EU's ability to project its regulatory power and ideas informs the policy choices of external suppliers of energy as well as the choices made by its member states, which must find ways of adapting to changing framework conditions, as defined by the EU actions and also by changes on the global energy market?

Norway and other major exporters of energy are in a very special position regarding the issues emerging in their energy relations with the EU, because they are faced with not one but two paradigmatic shifts at the same time:

1. The paradigmatic and structural shift underway in the international system, with possible negative consequences for smaller states, making them more vulnerable in a situation when there are no clear rules of the game—or the rules of the game are put under pressure or are about to be changed. In an international system where power seems to matter more than norms and institutions, smaller states like Norway and many other energy exporters become increasingly vulnerable and may feel more insecure. More focus on power politics means less security for smaller and weaker actors, especially those possessing resources in demand by others.
2. The paradigmatic shift and transition in the energy sector where Norway and other external suppliers of energy have a special interest due to their role as key suppliers of energy to the EU, which has embarked on policies aimed at reducing and potentially eliminating the role of fossil fuels.

With these factors—and others—in mind, the contributors to this volume examine how the relationship between autonomy and integration in the field of energy in the narrow Norwegian–EU and broader extra-EU and intra-EU contexts has evolved and is likely to evolve in the years to come. We investigate this relationship from two perspectives. The chapters in Part I gauge the possible impact of the EU's ability to project its regulations and ideas on its external suppliers of fossil energy—including Norway, which, as a non-EU member, is an 'external' supplier of energy but must also follow the rules set by the EU, due to its strong EU affiliation via the EEA. The chapters in Part II examine how external suppliers of energy and member states respond to EU rule-setting: in the case of external suppliers of energy, by seeking to influence the EU policy-making process (Chap. 5), and through various adaptation strategies implemented by member and quasi-member states (Chaps. 6, 7, 8 and 9).

The main exporters of fossil fuels to the EU, except for Russia, are all relatively small states, at least in economic terms. As many of them depend on access to the EU energy market for infrastructural, economic and political reasons, their situation is influenced by the EU's approaches towards energy and energy cooperation. To deal with their dependence on access to EU energy market, they may adopt various strategies—seeking closer integration by accepting EU-imposed rules and becoming rule-takers or seeking greater autonomy, by opposing EU regulations and looking for opportunities elsewhere. Or they may try to influence EU energy policy through various channels, in hopes of defending their narrower national and broader interests as exporters of fossil fuels.

The EU member states find themselves in an uncomfortable position in relating to EU energy regulations. They are at the same time rule-takers and rule-makers: rule-takers, because they are expected to follow EU regulations when designing and implementing their energy policies; rule-makers, because they participate in shaping EU energy policy through the process of experimentalist governance characteristic of the current stage of development of EU internal governance (Eberlein, 2010; Eberlein & Kerwer, 2004; Sabel & Zeitlin, 2010). As EU members, they are expected to seek integration rather than autonomy, but there are also examples of member states who do not play by EU rules (Marcinkiewicz & Tosun, 2015), seeking to loosen the EU grip or—as with the UK—to achieve greater autonomy by withdrawal from the EU.

And then there is the case of Norway, which finds itself in the somewhat awkward liminal position of belonging and not belonging to the EU at the same time. In theory it has structural energy power that makes it an important energy partner for the EU and could thus presumably seek greater autonomy and refuse to accept EU energy regulations. In practice, Norway appears to follow the path of greater integration by adopting EU regulations almost automatically.

How the EU can project its regulatory and market power beyond its borders is, however, also a function of how the member and quasi-member states, like Norway, act upon and react to internal and external energy-related challenges. As noted, all EU member states today depend on energy imports to meet their energy needs, so the external dimension of EU energy policy ranks high on national agendas. Member states choose various approaches and respond differently to 'the EU as a whole' priorities as well as to external energy challenges.

How the national policies of member and non-member states are influenced by the EU's shifting energy priorities and how these priorities are in turn reformulated and influenced by the interaction between the EU and member and non-member states are the issues in focus in Part II of this book. Here we explore how external actors can attempt to influence EU energy-policy choices and how several countries—Norway, a quasi-EU member and at the same time a key external energy supplier; Germany, the key European energy player and champion of energy transition; Poland, the key energy 'reactionary' power in the EU; and the three Baltic states which, until recently, formed an energy island within the EU—have been reacting to changing EU policy priorities and intra- and extra-EU energy influences. Although this may seem a relatively narrow geographical focus on developments in the northern part of the EU, we take up more general questions in connection with the creation of regional energy markets as a step towards establishing a well-functioning internal energy market in the EU. Many of the issues that must be dealt with at this specific regional level are of great importance for the realization of EU goals and the creation of regional energy markets more generally—so the analyses presented in this volume have relevance not only for a limited group of countries but more broadly as well.

#### STRUCTURE OF THE BOOK

The contributions to this book explore two key perspectives on the changing EU energy agenda and the EU's energy interactions. The first is an 'inside-out' perspective, which investigates how the EU acts vis-à-vis external actors (Chaps. 2 and 3) and how the EU's decarbonization agenda may influence the future of energy relations with current and future suppliers of fossil fuels (Chap. 4). The second perspective is the 'adaptation perspective', on how external actors can seek to influence EU energy policy without having direct access to EU policy-making forums (Chap. 5) and how member states adapt to external and internal (EU) policies and a changing energy world (Chaps. 6, 7, 8 and 9). Thus, this volume speaks to three different debates: on the EU's external power as energy agenda setter and regulator and its use of its regulatory and market power; on the role of several types of states, including small states with some structural energy power, like Norway, in the international political economy of energy in today's European context; and on the ongoing

debate about the impact of EU energy-policy choices on adaptation strategies of member states as well as on non-member states with high stakes in the EU energy market.

In examining EU energy policy and its impact on non-member and member states, the chapters focus on the overall energy picture but also pay attention to several issues that figure high on the agenda today: the construction and future of the single internal electricity and gas market, the future of the Energy Union as a tool in EU energy policy towards external suppliers as well as internally in the EU, the future of nuclear energy in Europe following Germany's decision to close down its nuclear facilities, the role of coal and renewable energy in EU and national energy mixes and the role of climate concerns in the process of shaping the energy policies of the EU and its member states.

In order to address all these important questions, we have divided the book into two parts and ten chapters. The first chapter—this Introduction—presents the rationale for the book and key concepts employed in our examination of the energy relationships between the EU and various groups of actors.

Part I, titled 'Inside Out: Projecting EU Rules and Ideas', examines how the EU is able to project its energy power beyond its borders and the possible impacts on the energy policies of external suppliers.

Chapter 2, by Andreas Goldthau and Nick Sitter, examines how the EU deals with the diversity of external actors that supply the EU with energy—ranging from Norway (a small open economy) to Russia (still feeling some lost-empire phantom pains)—by combining the development of a comprehensive rule-based regime for its regional and international trade in gas with reliance on regulation and market power, strategically applied. This chapter examines the range of policy tools that the EU has developed to deal with the various challenges it faces. The authors analyse four possible EU approaches to the governance of regional gas markets, arguing that the policy tools deployed in the last decade and the ongoing Energy Union debate amount to a form of 'external governance à la carte' in the energy sector. Although their main focus is on gas, they provide clues relevant also to other areas of EU energy cooperation with external actors.

Chapter 3, by Svein S. Andersen and Nick Sitter, scrutinizes the policy tools used by the EU in dealing with four major challenges it has faced in regional and international energy trade over the last two decades—how to integrate Norway into the Single European Market, how to cope with the dominant position of Russia in parts of the EU market, how to secure

a steady supply of Algerian gas and how to take advantage of the rising global trade in Liquefied Natural Gas (LNG). The authors focus on four approaches to the governance of regional gas markets that seem to pose the greatest challenges as far as security of supply is concerned, also in political terms. That the EU and some member states plan to respond by seeking even closer cooperation with Russia has become a central issue in the ongoing debate on the future of the EU's energy policy and its relations with its key external energy suppliers. How the EU tackles this issue may have crucial importance for internal and external EU energy policies for many years to come.

Chapter 4, by Indra Overland, deals with the crucial question of how the EU decarbonization agenda is to be translated into EU energy policy and how this process may influence the position of the EU's current fossil-fuel suppliers. Here the EU is seen as an energy agenda policy setter whose decisions on the development of a greener energy system will influence the energy policies of its member states and also those of external energy suppliers. Overland begins by examining the EU climate targets and their implications for the future energy mix and imports from beyond EU borders. Norway's options as the EU's second most important supplier of fossil fuels are then discussed and compared with the three other major suppliers: Algeria, Angola and Russia. Overland holds that Norway is better positioned than these other suppliers to handle the energy transition, not least because the EU sees natural gas from Norway as a politically safe source of energy that can help to facilitate the transition towards a greener energy system. Norway's hydropower resources and possibilities for functioning as a 'green battery', including pumped energy storage, are also options attractive to the EU. Further, Overland notes, the transition towards a greener energy system in Europe cannot be achieved over night, so Norway and other external suppliers will have time to adopt measures to strengthen their positions in the emerging new energy context. However, some suppliers of fossil energy will have to cope with far graver consequences, as they have fewer realistic options for dealing with the greening of the EU energy system.

Part II is titled 'Outside In: National Adaptations' and contains five chapters. Chapter 5, by Jakub M. Godzimirski, studies the responses and strategies of external suppliers seeking to influence EU energy policy-making processes to promote their own energy interests. Non-member states, including quasi-member Norway, must turn to various formal and informal channels to influence EU energy policy and promote their own

national energy interests within the EU. This chapter presents a more complete picture of the set of interactions that we believe contribute to shaping EU energy policy. Godzimirski examines the policy instruments and channels of influence available to external suppliers for promoting their energy interests in their most important energy customer: the EU.

Chapter 6, by Ole Gunnar Austvik, examines in detail Norway's strategies for adapting to shifting EU energy priorities and changes on the European and global energy markets. Drawing on theories of convergence, integration and international trade, and the small-state literature, Austvik drafts the scale and scope of a small state's room for political manoeuvre in an international economic integration area. His chapter explores how Norway shifted from conflict to innovative adaptation when challenged by EU law and regulations—eventually accepting formal changes in policy design and national law but without sacrificing too much real political content. National vision, the capacity to find ways of implementation, new policies to compensate for lost ones, as well as more state ownership—these have all been important as continuing national priorities. Austvik also discusses possible lessons to be drawn from Norway's EU energy experiences.

Chapter 7, by Kirsten Westphal, examines how Germany, the greatest consumer and importer of energy in Europe, has been adapting its energy policies to EU expectations by addressing the three key objectives—security of supply, sustainability and competitiveness. Westphal pays special attention to how Germany has sought to tackle several tensions characteristic of its approach. The *Energiewende* has not yet brought the expected results, and there are voices in Germany and elsewhere urging a more cautious approach to energy transition: the costs of *Energiewende* may prove prohibitively high in a short-term perspective and damaging to the country's ability to compete internationally. Further, Westphal discusses the impacts that Germany's decision to terminate the operations of its nuclear sector by 2022 may have on its future energy priorities and external energy relations and examines controversial issues such as the debate on Nord Stream 2 pipeline. Key questions addressed in this chapter are thus Germany's adaptation to policies proposed by the EU, the country's role as the most important strategic energy policy agenda setter in the EU context and the actual implementation of policy by national decision-makers.

Chapter 8, by Aleksandra Gawlikowska-Fyk, examines how Poland, the greatest consumer and importer of energy among the new EU members,

has adopted energy-related measures to adapt its energy policies to EU expectations by addressing the three key objectives—security of supply, sustainability and competitiveness. Gawlikowska-Fyk pays special attention to how Poland has coped with decarbonizing its economy and diversification of supplies, after joining the EU in 2004. Shifting Polish governments have pursued the country's energy interests in various way, but three issues have been recurrent themes in the energy debate: (1) the use of locally available energy resources, that is, Poland's highly polluting hard coal and lignite, (2) the question of diversification of supplies aimed at reducing energy dependence on Russia and (3) considerable scepticism towards the green European energy agenda. With the new government elected in 2015, the issues of energy security and diversification away from Russia again top the policy agenda, but there are also some new tones in the debate. This chapter takes up not only traditional questions pertaining to energy security but also how the negative environmental impacts of energy use at the local level may influence choices in energy policy and the question of reducing the role of imported oil in the country's transport sector—a key driving force behind the transition towards electromobility recently proposed by the Polish authorities.

Chapter 9, by Vija Pakalkaitė and Joshua Posaner, examines the strategies adopted by the three Baltic countries—Lithuania, Latvia and Estonia—for dealing with shared energy-related challenges. These include their energy insularity within the EU, heavy energy import dependency on Russia, lack of sources of sustainable energy and finally their need to adapt to the EU regulatory framework. Separately, the three are small energy consumers: only by working together can the Baltic countries create a more significant energy market that could ensure more energy security and benefits for end-consumers. In recent years, they have demonstrated an impressive ability to reduce their energy vulnerability under the harsh economic conditions caused by the economic crisis. They have embarked on energy projects that have put an effective end to their energy insularity by linking their electricity systems with those of neighbouring countries onshore and offshore and by building an LNG terminal to secure supplies from new sources, making them much less dependent on Russia. However, many of these projects are the result of single country-level efforts, not truly pan-Baltic cooperation. Pakalkaitė and Posaner examine how, faced with the wish to compete and the need to cooperate, the energy policies of the three Baltic countries have been driven by the adoption of the EU regulatory framework and their national responses to

energy security challenges. The authors also consider how the realization of national and EU policy goals in this exposed energy region has helped to strengthen energy cooperation at the regional level and how this may facilitate the creation of a more flexible internal EU energy market that can help all member states to cope with their energy-related challenges.

Chapter 10, by Jakub M. Godzimirski, presents the main policy-relevant conclusions from the book and sums up the EUNOR project findings. The project aimed at examining the relationship between the EU and three groups of energy actors: (1) key external energy suppliers that face a new energy reality emerging in Europe and must adapt to changing market and regulatory conditions as well as to the new EU energy and climate agenda, (2) EU member states that must internalize the ideas on the future of the European energy system promoted by the EU and learn how to manoeuvre in the changing regulatory and market environment and (3) Norway—a small European country but also an important European energy power that has built its relations with the EU by combining elements of membership with those characteristic of an external energy power and that has emphasized the importance of retaining some autonomy in shaping its own energy agenda.

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