

# **BULGARIA'S CONTRIBUTION TO THE ENERGY POLICY FOR EUROPE**

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## **Methodology**

The Integrated sustainable EU policy on climate and energy is an appropriate balance between economic, political and ecological considerations. The National energy strategy and energy policy of Bulgaria take lead from the same integrated approach, interpreting into practice the EU strategic interests in South East Europe and the Black Sea-Caspian Sea region.

## **The Political and Economic Context of Europe's Growing Dependence on Natural Gas from Russian and Non-Russian Sources**

- **Sustainable and Integrated EU Climate and Energy Policy:** relationships to the Lisbon Agenda on Growth and Jobs, energy, transport and environment policies, as well as CFSP and EU's External Relations;
- **the Energy Policy for Europe (EPE)** will pursue the following three objectives:
  - increasing security of supply;
  - ensuring the competitiveness of European economies and the availability of affordable energy;
  - promoting environmental sustainability and combating climate change

## The Primacy of Security of Supply

- The attainment of the binding targets (3x20 in EE, RES, CO2) in the integrated Climate and Energy Policy is **unthinkable without additional massive supply of natural gas from external sources, exceeding 150 bcm after 2020;**
- **BUT** - the Second Strategic Energy Review downgrades the importance of natural gas in the overall EU energy mix and its critical role in meeting the climate package goals, signals a departure from the 2004 Directive on construction of strategic gas storage facilities in MS, and encourages higher reliance on oil deliveries for the EU Energy Security and hedging against supply shocks.
- -Estimate of ICIS Heren for 80 bcm additional gas for EU by 2020;
- Further development of EPE rests on two pillars: the elaboration of a consistent and effective external energy policy of the EU and the implementation of the Strategic Energy Technology Plan (**the strategic importance of the latter; a driver for growth and overcoming the global crisis; Trans-Atlantic cooperation is vital – BG involvement?**)
- The absence of a formal external energy policy is substituted with Member States' contributions to NESCO, ENP, Black Sea Synergy, EU Strategy for Central Asia, EU-Russia Strategic Dialogue, EU-Africa-Middle East Energy Co-operation, the Transatlantic Energy and Climate Partnership, and dialogue with China, India, Brazil;
- The Lisbon Treaty will, once it enters into force, specify for the first time the legal ground for joint external action by EU Member States on energy security;
- The emergence of a common EU energy policy is marked by conceptual differences, competition, and lack of strategic unity;

## A key role of Bulgaria in Europe's gas supply

- Generates stability with the advantages of an EU and NATO Member State; has an encouraging business climate and enjoys macro-economic stability, including sound finances.
- Strategic location on the Western shore of the Black Sea;
- Bulgaria will be geographically the first EU country to receive the *Nabucco* gas pipeline and the *South Stream* Gas System. Potentially, Bulgaria (together with Romania) is the most appropriate European destination for a future Trans-Caspian, Trans-Black Sea gas corridor. BG would like to negotiate an LNG terminal with Greece to be located on the Aegean shore ;
- Depending on the feasibility and timing of these projects Bulgaria will construct new infrastructures, including strategic gas storage facilities and pumping stations, which will make the country a transit, distribution and logistics centre for managing between 10 and 12 % of the total EU consumption of gas around 2025; because of its location and through an array of interconnectors it will aim for the role of a “round-about” for gas to Europe, rather than a “hub”;
- Energy co-ordination and co-operation with Greece, Turkey and Romania is essential to the strategic goals of both EU and NATO.

## Bulgaria's role (2)

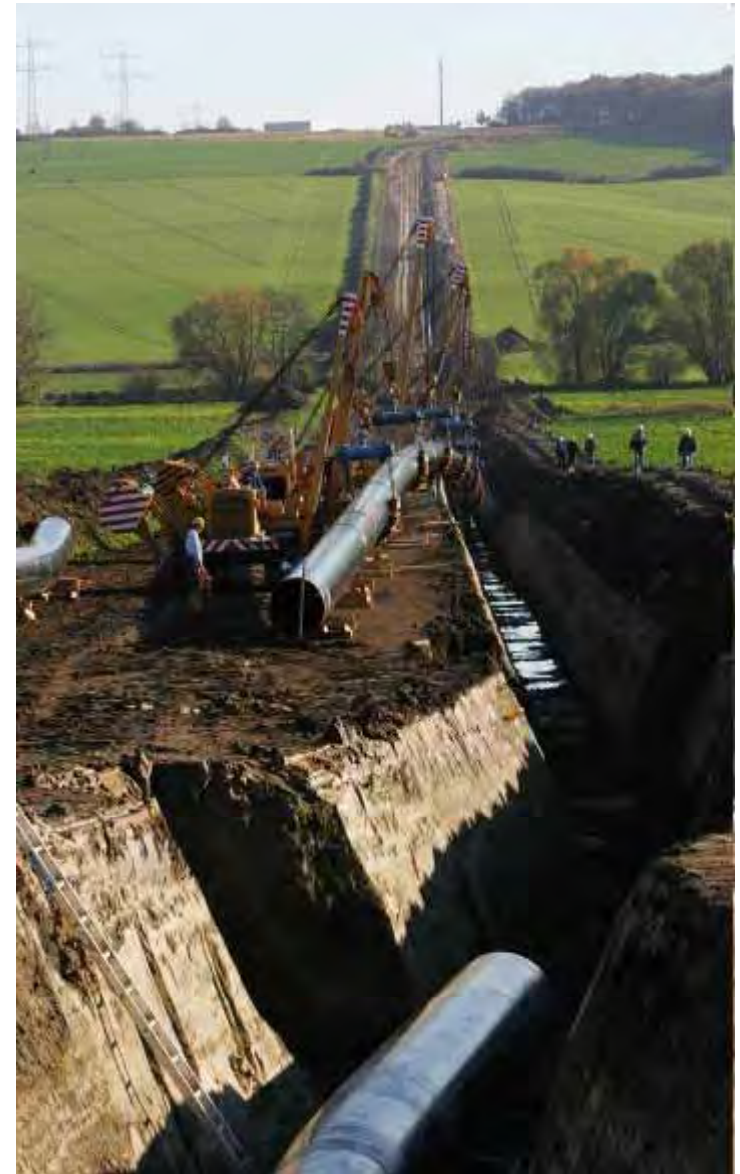
- Bulgaria continues with its leader's role in stabilizing the Western Balkans and moves to an identical role in the Black Sea area, which is key for new routes and sources of gas from Russia-Caspian-CA
- This extended regional role involves, of necessity, strategies and policies outside the energy and climate sector. Synergy of efforts of EU, NATO, USA is necessary to match existing regional schemes.



## New Developments in Demand, Supply and Geopolitics of Natural Gas

### *Changes in Russia:*

- Requirement of huge upstream investments;
- A gradual and noticeable increase of the value of Russia's internal gas market;
- Economic rehabilitation of Russia taking form of a strong centralized state which regards energy as a key element in its external relations;
- Gazprom adopts a new strategy: diversification, control of Caspian and Central Asian gas, production in foreign lands, acquisition of midstream and distribution networks in Europe.



## New Developments (2)

### *Changes in the EU:*

- Enlargement: a bigger role of European institutions in energy;
- Strengthening the regulatory and market rules in the gas and power sectors : complications and practical problems;
- Setting binding targets for EU MS in support of sustainability of the environment and sustainability of international development.

*Changes in the gas industry - from a predominantly regional industry it is becoming a trans-regional and global one under the influence of powerful economic, technological and market forces:*

- *The introduction of new information technology systems for trading and balancing the transmission network increases capacity and creates secondary markets – new hubs in Western Europe;*
- *Growing global LNG market;*
- *New pipeline models lead to numerous players in each segment*



## The need to redefine EU-Russia energy relations on a constructive basis and pursue all diversification options on strategic and market principles



- Experts are split on the rationale and the degree of co-operation with Russia in energy;
- The changes referred to above make the case for a new approach to the management of EU-Russia relations in the gas sector on the basis of a synthesis among the following three overlapping areas:
  - (i) commercial and regulatory rules and market liberalization; (ii) geopolitical issues [the relationship between the Georgia conflict and Nabucco is a telling example; temporary solutions to avoid blocking Nabucco]; (iii) supply-demand dynamic and climate change requirements;
- The aim of this exercise should be to restore confidence in energy relations, set a strategic framework of interdependence under clear rules, including a system of checks and balances, and open the way for the EU to pursue all diversification options. The EU should have a free hand to diversify supply, very much like Russia diversifies demand in non-European markets;
- While there can be no illusions about the philosophy and detrimental consequences of energy nationalism, addressing EU-Russia energy relations solely from a premise of hostility and prejudice would be strategically short-sighted;
- Bulgaria has some potential to contribute to a gradual opening of a new page in building strategic EU-Russia relations, particularly in energy and climate change.

## **EU market rules and Solidarity**

- While the new gas supply routes to the European markets seem to “favour” Bulgaria, we base our energy policy on two additional considerations: first, all new projects, including South Stream, should conform with EU market regulations; second, we support other EU-sponsored ideas, like for example, the plan to rehabilitate the gas transit pipelines in Ukraine. Similarly, we have, in the spirit of solidarity, understanding for oil transportation projects of interest to other EU Member States, i.e. Constantza-Trieste and Odessa-Brody.

## Continued:...

- For the same token, Bulgaria has friendly relations and enjoys confidence with potential oil and gas source countries in the Caspian region/Central Asia. For the purpose of diversification of energy routes and sources, Bulgaria sees Central Asia as a strategic partner. We should not however put these countries in a position where they will have to choose between Russia, China and the EU. Each one of them should be free to make its own energy delivery options. The strategic advantage of the EU is in its offer, coupled with unique capabilities, to help these friendly countries develop, with time, harmonious economic and social foundation of their societies, and so far as energy is concerned, we should help to turn them into independent players on the European and global energy markets.
- In terms of the pressing task to ensure enormous quantities of fresh gas supplies by 2020 – 2025 it might be necessary to address diversification in relative, rather than absolute, terms, as well as to devise a Master plan of European gas infrastructure, including a chain of LNG terminals on the Southern, Western and Northern peripheries of Europe.

## Integrated Security Concepts

- From Europe's "periphery" perspective, there is a need to integrate economic, political and technological concepts with security and military resources in order to stabilize the security environment (specific feature) and protect critical energy infrastructures;
- This complex approach should be applicable to a vast geopolitical space covering SEE, the Black Sea, The Caspian Sea/Central Asia, the Middle East, the (Eastern) Mediterranean;
- **Bulgaria has a special concern for energy supplies to SEE and for stability in the Black Sea region;**
- Certain Black Sea littoral states are presently reluctant or prejudiced to NATO international co-operation in CEIP. Yet, it is in this area that a common interest in energy transmission exists. Acceptance of international co-operation is a matter of time and diplomacy.

## Natural Gas for Europe Summit in Bulgaria, 24 – 25 April 2009

- As a follow up to the Zagreb Energy Meeting, and taking into account wider goals of BG Energy Strategy, Bulgaria will host a Summit on 24 and 25 April 2009 at the invitation of President Georgi Parvanov under the motto NATURAL GAS FOR EUROPE: SECURITY AND PARTNERSHIP.
- The Summit will be a major event, hosting Heads of State and Government of countries in South East Europe, Black Sea-Caspian Sea region, Central Asia, EU Member States, Russia and the USA.
- We would suggest that the agenda covers (i) the major issues of energy security, perhaps even climate change as well, in a pan-European perspective, (ii) concrete natural gas projects of interest to the EU, like Nabucco, South Stream, a Trans-Caspian, trans-Black Sea-EU gas corridor
- Should the main energy players respond positively, Bulgaria plans to prepare the Summit in a way that will make it not just a platform for political dialogue at a high-level but exploit its potential for reaching specific mutually acceptable arrangements. With this in mind, we envisage an in-depth preparation and consultations with a number of states and the European institutions which should provide practical ideas and solutions.

**Time for questions and discussion**

**Thank you for your attention!**

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