

**Sprūds, Andris – Rostoks, Toms (eds.): Energy:
Pulling the Baltic Sea Region Together or Apart?,
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The book *Energy: Pulling the Baltic Sea Region Together or Apart?* edited by Andris Spruds and Toms Rostoks was published by the Latvian Institute of International Relations in cooperation with energy experts from nine other institutions in the Baltic Sea region. The goal of the book is to evaluate whether the “newly emerged energy factor is generating increasing tension between countries in the region, or whether, on the contrary, it contributes to further integration” (p. 8). This book review will first summarize the content and structure of the book and then will evaluate its strengths and weaknesses.

The structure of the book reflects its intended purpose. The first chapter examines the European Union (EU) and its energy strategy. The EU is one of the strongest factors within the Baltic Sea region which strengthens cooperation among countries as its aims are to promote energy solidarity, market integration and liberalization. After the chapter on the EU, each successive chapter in the book is devoted to a specific country in the Baltic Sea region. The chapters two through four deal with the Scandinavian countries, respectively Finland, Sweden and Norway. The book then examines the two strongest players in the Baltic Sea region, Germany and Russia. The last section includes chapters on each of the countries that were formerly a part of the Eastern Block: Poland, Lithuania, Latvia and Estonia. The two concluding chapters evaluate the issues which either support or hinder further cooperation and integration in the Baltic Sea region, and compare the national energy strategies of the countries in the region. The book concludes with an assessment of the opportunities and challenges to regional cooperation.

The authors of the chapters were supplied with four major guidelines which should structure their analyses. Each chapter should include a summary of the basic energy statistics of

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each country such as energy consumption, energy mix and other issues that are vital to understanding why the government has adopted specific energy policies. The second section of the chapter explains the national energy strategies of the country and the issues which influence its formation. The third section is devoted to the main actors and interest groups involved in the energy sector. The last section looks at regional cooperation among states in the Baltic Sea region. All authors adhered to these guidelines which provide the reader with a well-structured account of the issues surrounding the formation of energy policy and subsequent attempts at cooperation and integration in the Baltic Sea region.

The main strength of the book lies in its structure which explains to the reader the energy specifics of each country and allows for a broad comparison of issues and conflicts in the Baltic Sea region. As every chapter begins with a basic energy overview, the reader is provided with valuable insight into the different domestic energy resources of each country and how this impacts their energy policy. Many authors aim to describe what is specific for their given country and how it influences energy policy.

Nina Tynkkynen, the author of the chapter on Finland, describes the two peculiarities of the Finnish energy sector. The first is that Finland is only one of three IEA countries to include peat in their energy mix. The second is the high use of combined heat and power production which generates around 35 % of electricity, one of the highest shares in the world. Finland does not have any domestic sources of fossil fuels which account for one third of its energy mix. This makes it dependent on imports, namely from Russia. Alternatively, its neighbor Sweden has tried to limit its use of fossil fuels, an aversion created by the oil crisis of the '70s. Since then, all governments have attempted to curb the use of fossil fuels through persuasive tax policies and the result has been that oil is almost exclusively used in the transport sector while the gas sector has expanded slowly. Contrary to Finland who is building a fifth nuclear reactor, in a 1980 referendum, Sweden decided that in the future it would decommission its nuclear power plants. This decision has forced Sweden to increase its energy imports as no other domestic source of energy is as economically or environmentally feasible. Robert L. Larsson describes the conflict in the energy policy of Sweden as decommissioning nuclear power plants will force an increase in the import of gas and electricity specifically from its main supplier Russia. Jakub M. Godzimirski focuses on the Norwegian petroleum sector and power generation as Norway possesses vast domestic sources of fossil fuels and hydropower. The petroleum sector is the main force in the Norwegian economy and accounts for 24 % of its GDP, 31 % of its revenues and 48 % of

exports. Power generation is also unique as hydro almost exclusively produces all of Norway's electricity.

The energy mix and consumption of Germany is outlined by Jens Hobohm. Domestic sources of energy include lignite, hard coal and natural gas all of which are declining in use, resulting in a need to import energy, especially fossil fuels. This section on Germany stands out as the author combines two methods of measurement to illustrate the vulnerability of supply. This is the only quantitative analysis included in the publication. The first is the Herfindahl-Index which measures the size of the market share of countries that supply Germany with gas, oil and coal. The second evaluation applied by the author to assess the reliability of suppliers is the OECD's "Country Risk Classification". Hobohm concludes that coal is the safest energy carrier and overall, Germany's energy supply can be described as reasonably secure as low-risk suppliers such as the Netherlands and Norway make up a fairly significant share of imports.

Tatiana Romanov begins the chapter on Russia by stating that due to its size, ample energy resources and global, not regional, objectives Russia is a special case in the Baltic Sea region. The section on the basic energy overview examines the exploration, development, national consumption and export of Russia's energy resources. The author describes three fundamental factors that underline the energy policy of Russia. The first is that Russia is a major energy consumer, not only a leading producer, a factor which is sometimes overlooked. Secondly, the Russian government seeks to maximize profit from energy sales through a number of measures such as ensuring that the extraction of easy deposits is controlled by Russian state companies, investing in the upstream market, guaranteeing the stability of demand and shifting from the export of raw materials to energy-processed products. The third factor in Russian energy policy is its use of energy resources to increase its political strength internationally.

One would suppose that the Baltic States would have in common a strikingly similar energy policy due to their size, proximity and shared history. However, as illustrated by the three different authors, the only factor that the countries have in common is that their energy infrastructure is more integrated with Russia than the EU. All three countries have vastly different energy mixes and this is reflected in the priorities of their energy policies. Tomas Janeliunas, author of the chapter on Lithuania, describes the two cornerstones to the Lithuanian energy sector. The first is the Ignalina Nuclear Power Plant which contributed to 36 % of energy in Lithuania. The closure of this power source will increase the price of electricity and demand for natural gas which is imported from Russia, negatively effecting energy security. The second cornerstone is the Mazeikiu nafta oil refinery which is the largest contributor to government

revenue. Any disruption of its operation directly affects the Lithuanian economy. As domestic sources of energy are minimal, the national energy strategy consists of three goals; to integrate into the EU energy market and systems, diversify energy sources by increasing the share of nuclear and renewables and improve energy efficiency. The energy mix of Latvia consists primarily of oil, gas and wood. The peculiarity of the Latvian energy mix is the large share of renewables, one of the highest in the EU, which accounts for 35 % of its energy balance. However, Latvia is also 100% dependent on Russian gas supplies and the author estimates that 70–80 % of oil supplies originate in Russia. This results in Latvia being one of the least self-sufficient members of the EU and its energy dependency is above the EU average. Andris Spruds describes one advantage within the domestic energy sector of Latvia which will shape its energy policy. Latvia has the potential to create vast underground gas storage facilities which if expanded would be the largest in Europe. The chapter on Estonia by Andres Mae takes a comprehensive look at its energy mix, energy intensity, efficiency, electrical energy, heat, natural gas, liquid fuels, solid fuels and energy dependence. The Estonian energy sector is based on domestically produced oil shale, wood and peat which will secure a supply of energy for the next few decades. However, oil shale energy production is a large source of carbon dioxide emissions and Estonia will eventually have to curb its use in order to comply with EU norms. Since Estonia is able to produce a majority of its energy needs, it has a lower energy dependency within the EU. Therefore, the energy policy of Estonia focuses on securing continuous supplies of energy, increasing efficiency and providing reasonably priced energy.

Another advantage of the publication is that these dynamics apparent in each country's energy sector provide the background for a comparison of the main issues that would contribute to either further integration or create friction among the countries. Therefore, almost all chapters include the country's specific approach to an issue which contributes to considerable tension in the region: Russia.

Although efforts by the European Union have been made to unify an approach towards Russia, energy relations remain a bilateral issue between Russia and member states. These approaches towards the energy giant and its presence in their energy sector vary greatly although certain similarities also become apparent. The first is the conflict for some countries such as Sweden, Germany and Norway between being a lucrative partner for Russia and adhering to their foreign policy priorities. Larsson compares the Swedish approach and increasing energy dependency on Russia, as a similar issue which Germany has to deal with, pointing to the lack of criticism under the Chancellor Schroder towards human rights abuses and lack of democratic

transparency in Russia. “Any government that decides to increase its dependence on Russia must therefore also weigh the pros and cons of balancing pragmatism against normative principles.” (p. 58) As their energy dependency increases, both Germany and Sweden must choose either prioritizing among their neighbors and EU energy solidarity, or risking the relationship with their main energy supplier, Russia. Jakub M. Godzimirski describes the tension in Norway’s relationship with Russia. Russia is viewed as a demanding neighbor but beneficial partner and the controversy has surrounded whether Statoil should cooperate with Gazprom in the development of the Shtockman field. The author paraphrases Amy Myers Jaffe that “the main question was whether Norwegian society really wished to profit from StatoilHydro earnings made through deal-making with regimes whose policies are inconsistent or conflict with Norway’s other foreign policy priorities” (p. 88).

Although Finland and the Baltic States share a complete dependency on Russian gas and oil, their approach towards Russia differs. Finland takes a pragmatic, economic approach towards Russia and aims to engage it in regional and EU level dialogue. It views the relationship between the EU and Russia as one of interdependence. Russia has been a reliable supplier of gas for Finland, a country which is isolated from European gas transmission networks. Energy relations between Finland and Russia focus on electricity which is imported from the Sosnovyj Bor nuclear power plant and this has raised environmental and safety concerns on the Finnish side. However, for the Baltic States, the relationship with Russia is highly politicized and this is reproduced in their energy relations. The view of Russia as a threat is reflected in their national energy strategies which aim to diversify energy sources. Lithuania does not consider Russia a reliable supplier of energy as since 1990 it has experienced several disruptions, the last one being the closure of the oil pipeline that supplied the oil refinery Mazeikiu nafta. Andris Spruds interestingly describes the evolution of the Latvian government’s approach towards Russia which from 2006 appeared to include a strong economic element in its domestic energy dialogue “a partial de-securitization of energy relationship had occurred in Latvia despite its generally securitized political interaction with Russia” (p. 233). However in 2008, after the Russian-Georgian conflict, the energy dialogue shifted from the one based on economic prospects to energy security and the issue centered once again on regionalization, Europeanization and diversification.

There are two limitations to the book. The first is that a chapter on Denmark is noticeably absent. Denmark is a crucial regional energy player in the Baltic Sea region and not because it is able to produce oil and gas in its North Sea fields. Its importance lies in the Nordic

electricity market which consists of Sweden, Finland, Norway and Denmark. Globally, it is one of the best examples of a competitive and transparent energy system. As such, it provides a prototype for energy cooperation and the establishment of a common, integrated, liberalized electricity market. Denmark also plays a role in the controversial Nord Stream pipeline, an issue in which all Baltic Sea countries have vested interests in. Danish state-owned DONG Energy will be supplied with gas through the Nord Stream pipeline. This will strengthen the role of Russian gas in the region as a whole and not just due to the increase of Russian gas supplied to Germany. Lastly, Denmark is a member of several regional organizations which promote cooperation among the Baltic Sea states such as the Nordic Council of Ministers, Council of Baltic Sea States (CBSS) and the Baltic Sea Region Energy Cooperation (BASREC). Therefore, without Denmark, one cannot support the idea that the book provides a thoroughly comprehensive picture of the energy issue in the Baltic Sea region.

In comparison to the other chapters, the weakest chapter in the book is the one devoted to Poland by Maciej Gieriej. It begins with an inadequate explanation of the basic energy consumption and energy mix in Poland. For example, while other chapters discuss the specifics of their domestic energy mixes, the chapter on Poland does not. Considering that Poland's large hard coal and lignite reserves put it in a unique position within the EU, allow Poland a low level of energy import dependency and produce almost all of the country's electricity, the lack of analysis on at least this energy carrier is neglectful. This section also lacks a similar assessment on other energies such as oil, gas and renewables. Poland imports the majority of its oil and gas from Russia and this has triggered concerns and public debate over the security of supply. It is one element which influences the formation of the country's energy policy. The energy mix, consumption patterns and the motivations behind why Poland has adopted specific energy strategies are omitted from this section, markedly affecting the effectiveness of the chapter.

The chapter on Poland also fails to analyze the two factors, Russia and Nord Stream, which cause a considerable amount of friction in the Baltic Sea region. Considering the acrimonious relationship between Russia and Poland, it is difficult to evaluate the energy dialogue in Poland without considering this aspect. This is reflected in the author's analysis of Nord Stream which overlooks the crux of the issue. Poland has been an adamant critic of the Nord Stream pipeline, preferring a land pipeline which would maintain its position as a transit country. The Polish Foreign Minister Radek Sikorski has even compared the pipeline agreement

between Germany and Russia to the Molotov-Ribbentrop Pact.² However, the author does not examine the impact this pipeline has on Polish energy security as Poland loses its ‘transit country’ status for Russian gas. One would assume that the Nord Stream pipeline is an issue which pulls the region apart and creates an obstacle for regional cooperation, at least from the point of view of Poland. Therefore, it warrants a deeper analysis of the issue by the author.

Lastly, albeit slight, another factor which affects the credibility of this chapter is the lack of proper English grammar. These problems include an improper form of quotation marks for English writing, a lack of proper article use and even the use of incorrect common terms such as “energetic security” instead of “energy security” or “energetic balance” replacing “energy balance” (p. 188). The lack of a proper English edit for this chapter influences its integrity, understanding and authority, thus rendering it largely unbeneficial to a researcher.

Even if the chapter on Poland is a disappointment, the publication fulfills its stated goal into exploring the energy issues which either promote or hinder regional cooperation in the Baltic Sea region. All chapters offer valuable insight into the motivations behind a country’s energy strategy and add to the development of the dialogue surrounding energy security. Its value for any reader is the multidimensional view it provides into energy in the Baltic Sea region as well as the issues which either promote or hinder regional cooperation. The book will be beneficial to any researcher who is looking to provide a solid foundation into understanding energy issues in this region.

² Kramer, A. E. (2009): Russia Gas Pipeline Heightens East Europe’s Fears, *The New York Times*, 12 October 2009, on-line text <http://www.nytimes.com/2009/10/13/world/europe/13pipes.html?_r=1&scp=1&sq=molotov-ribbentrop%20pipeline&st=cse>. [cit. 20. 01. 2011]