

# Energy Cooperation in the Baltic Sea Region

*Caught between  
'Modernism' and  
'Post-modernism'?*

Jeroen Bult

Russia has returned to the international stage, probably for good. Under the Putin Presidency (1999-2008) the country regained its self-confidence, the lucrative gas and oil bonanza being the foundation for this revival of national pride. Although the Global Credit Crunch has surely harmed the Russian economy, most experts seem to agree that the demand for its natural resources will remain high in the years and decades to come. The Russian leadership is aware of that; therefore, it has not hesitated to employ Russia's energy power as an instrument of classic, 19<sup>th</sup> century-style power politics – especially against rebellious neighbouring ex-soviet republics, which Russia still perceives as its “eternal spheres of influence.” At the same time, Russia has intensified energy and business ties with Western European countries, such as Germany, Italy, and the Netherlands. Some observers have described this as a cynical, calculating policy of ‘Divide et Impera’.

As a consequence, those former soviet ‘satellites’ that, for various reasons (colliding visions on history, minority, border and trade issues, further NATO enlargement, etc.<sup>1</sup>), have had tense relations with Russia since the end of the Cold War after the break-up of the Red Empire, – Estonia, Latvia, Lithuania, and Poland – are seeking a re-affirmation of their energy security within the European and transatlantic frameworks. First of all, they want to reduce their dependence on Russian gas (“What happened to Ukraine in 2006 and 2009 could happen to us as well”), gas that is used chiefly for generating electricity. Second, they want to thwart the aforementioned growing Russian influence within the ranks of the European Union (and NATO). Third, they have been caught by fears of Russia's post-imperialist foreign and defence policy as such since the outbreak of the Russian-Georgian war in August 2008. The Polish government and Estonian President Toomas Hendrik Ilves even suggested to give NATO a bigger role in the field of energy security.<sup>2</sup> Sweden, Finland, Denmark (and Norway) are distrustful of Russia's growing assertiveness as well, even though they are normally taking a more cautious, diplomatic stand. Their major concern is that Russia gains a foothold in Estonia, Latvia, and Lithuania, thus expanding its influence in the Baltic Sea region as a whole.<sup>3</sup>

## European Help

Did the Northern EU member states wisely join forces in order to counterbalance the perceived Russian threat, and is a vigorous com-

mon energy policy flourishing? Or, are energy politics in the Baltic Sea region still a matter of national priorities and ditto interests?

Overlooking recent developments one gets the impression that the first scenario has prevailed. On 17 June this year, Sweden, Finland, Poland, Estonia, Latvia, and Lithuania, together with Germany, and in accordance with European Commission rules, officially launched the so-called ‘Baltic

Energy Market Interconnection Plan’ (hereafter: BEMIP). The plan, which elaborates on the Second Strategic Energy Review of the Commission (November 2008), mainly aims at connecting Estonia, Latvia, and Lithuania to the EU energy networks.<sup>4</sup> Its purpose is two-fold: the energy markets of the three countries should integrate and, subsequently, this integrated ‘Baltic’ market should amalgamate with the (liberalised) Nordic energy market. Materialising the first phase depends on meeting certain conditions, such as removing the various cross-border restrictions and the accomplishment of the ‘un-

*‘Pupils’ of the post-modernist European Commission have more in common with modernist Russia*



bundling', i.e. the separation of the activities of Transmissions System Operators. BEMIP also includes the construction of gas storage and LNG facilities. The project will receive funding from the European Energy Programme for Recovery (EEPR), covering several key energy infrastructure projects (in May, the European Parliament officially endorsed a proposal, worth nearly 3.98 billion euro, to upgrade the energy connections within the EU, to start up environmental-friendly projects, among others). It will most probably also be referred to in the EU's Strategy for the Baltic Sea Region, which should be accomplished under the auspices of the current Swedish EU Presidency.<sup>5</sup>

The BEMIP initiative corresponds with the Energy Security and Solidarity Action Plan that the European Commission officially presented on 13 November 2008 (among others, it recommends a reduction of the EU's dependence on Russian gas and oil). Yet, BEMIP mainly focuses on the construction of a 'Baltic Ring' of electricity grids and on the extension and improvement of the grids between the individual EU member states that already exist. Examples of the first category are the planned grids between Poland and Lithuania (LitPol, the official agreement signed in February 2008), and between Sweden and Lithuania, which is to be extended to Latvia and Estonia (NORDBALT, previously known as SwedLit, the final agreement signed in July 2009). Examples of the second category are the planned extensions of the grids between Sweden and Poland (SwePol I, operative since June 2000), between Sweden and Finland (Fenno-Skan I,

operative since November 1989), and between Finland and Estonia (EstLink I, operative as of January 2007). All cable projects should be managed or are being managed by the national electricity companies.

### Practical Complications

Yet the practical implementation of the planned (and EU-sponsored) energy projects in the Baltic Sea region has been a laborious – if not to say: frustrating – affair. Especially the cooperation between Estonia, Latvia, Lithuania, and Poland is most problematic. It is hard to offer a plausible overall explanation for the complications that have come up, but it seems that historically and economically inspired distrust *vis-à-vis* neighbouring countries is playing a pivotal role.

Poland and Lithuania agreed on the building of an electricity grid – that is sometimes referred to as the 'energy bridge' ('elektros tiltas' in Lithuanian) – in September 2006, when President Kaczyński of Poland and his Lithuanian counterpart Adamkus signed a joint declaration in Warsaw. The ceremony took place exactly six months after the signing of a communiqué on the construction of a common 'Baltic' nuclear power plant in the Lithuanian town of Visaginas by the prime ministers of Lithuania, Latvia, and Estonia. The energy companies of the three republics were encouraged to invest in the project.<sup>6</sup> Soon after the meeting, it turned out that Lithuania wanted to involve Poland as well – much to the annoyance of Estonia and Latvia, who

had not been informed in advance. Therefore, the Polish-Lithuanian 'bridge' agreement could be interpreted as an exchange: Lithuania promised Poland a future share of 1,000-1,200 megawatt (the plant should generate 3,400 megawatt in total), while Poland would link up Lithuania to the electricity grid of continental Europe, thus ending the status of "energy island," as the European Commission once characterised the Baltic states. An official agreement was signed by the CEOs of national energy companies Polskie Sieci Elektroenergetyczne Operator SA and AB Lietuvos Energija in February 2008, which stipulates that a joint venture dealing with the technical aspects of the 'bridge' will be set up, possible routes for the connection will be studied, and assessments of the possible environmental impact will be conducted.

Little progress has been booked so far. Both Poland and Estonia have frequently complained that the decision-making process in Lithuania with regard to the construction of the nuclear power plant is too slow (which has mainly got to do with most complicated internal legal problems): "We are absolutely dissatisfied with the very slow pace of the preparations regarding the plan to build a new nuclear power station at Ignalina in Lithuania," Estonian Prime Minister Ansip said during a joint press conference with Polish colleague Tusk in April.<sup>7</sup> As a consequence of this discontent, Poland is hardly willing to take a more (pro-)active stand in realising the Polish-Lithuanian grid.

*Implementation of energy projects around the Baltic has been a frustrating affair*

Apart from that, it seems that under the Tusk Government Poland has gradually shifted its priorities. Poland's relationship with Germany is less tense than it used to be under the previous nationalist, reactionary-conservative Kaczyński government. Berlin and Warsaw are now contemplating the idea of closer cooperation in the field of energy.<sup>8</sup> The result is that Lithuania – i.e. 'the Baltic connection' – is currently given less priority by Warsaw. Back in October 2008, Prime Minister Tusk and Minister of Economic Affairs Pawlak announced that Poland also intends to build more nuclear power plants itself. This implies that Lithuania is no longer *the* partner in nuclear energy, but *a* partner.

Lithuanian President Grybauskaitė has alluded to the possibility of closer energy cooperation with neighbouring Belarus and the Russian Kaliningrad exclave. Shortly after taking office in May 2008, Prime Minister Putin announced that Russia is planning to construct around 25 new nuclear power plants in the years to come. One plant,

the Baltyskaya NPP, consisting of two reactors, will be built in the town of Neman, in the Kaliningrad exclave, not far from the border with Lithuania. The total number of megawatts this plant will yield amounts to 2,300, far too much for just the exclave itself.<sup>9</sup> A Lithuanian newspaper wrote that even Russia has plans to start negotiations with Sweden and Poland on the construction of an electricity cable in the Baltic Sea to be connected to the future nuclear power plant in Kaliningrad.<sup>10</sup>

Politicians, high-ranked officials, and academics in Estonia have been contemplating the idea of the construction of an Estonian nuclear power plant, while Poland is pondering on a more intensive form of energy cooperation with Ukraine.<sup>11</sup> This broadening orientation of Poland seems to correlate with the country's self-image of regional power. In Lithuania, the idea that Poland is deliberately playing the 'grid card' and is using the much-needed electricity connection for 'blackmailing' purposes has fed the old historical suspicions towards neighbouring 'Lenkija'.

Problems have also manifested themselves during the working out of the NORDBALT grid. Both Lithuania and Latvia insisted on serving as the 'end point' of the cable, and tried to point out that their networks are better equipped to function as a regional distributor. Sweden had to make serious mediating efforts to avert an embarrassing deadlock. A breakthrough was accomplished in late April, when the prime ministers of Estonia (that kept a rather low profile during the Lithuanian-Latvian dispute), Latvia, and Lithuania agreed that the undersea power cable would be built between Sweden and Lithuania. The Lithuanian, Latvian, and Swedish energy companies would purchase an equal number of shares in the project, while the Latvian grid would be modernised. On 10 July the heads of Lietuvos Energija, Latvenergo, and Svenska Kraftnät signed a memorandum of understanding. Five days later the three governments submitted a tender to the European Commission, requesting 175 million euro to finance the project.

### Modernism and Post-modernism

The Lithuanian-Latvian 'cable war' has ended (although some financial details still need to be fleshed out), but a striking similarity with the LitPol debate can be discerned. Irrational arguments and other slumbering sentiments that are deeply anchored in history threatened to halt the project. Obviously, Lithuania sees itself as the leader of the 'Baltic Three', having a natural right to claim the connecting point of the cable from Sweden. This is all the more striking, since from a purely technical point of view it is completely irrelevant whether the cable will end in Lithuania or in Latvia – as the then Swedish ambassador to Vilnius also pointed out – and both countries hold the view that the region's dependence on Russian energy should be diminished.<sup>12</sup> Estonia was hardly willing to play a mediating role during this conflict, for it already has its 'own' EstLink I cable from Finland (an EstLink II cable has been planned for 2013). Furthermore, Estonia

does not want to get involved in disputes between Latvia, Lithuania, Poland (and Belarus) since this would affect the self-image of being a 'Põhjamaa' ('Nordic country') that it dearly cherishes.

20 years after the collapse of communism the process of nation-building is still continuing in Estonia, Latvia, Lithuania, and Poland. The national paradigm that is inherent to this very process and that serves as a compass for foreign policy sometimes collides with the post-modernist orientations of Sweden, Finland, and the Western EU member states. Estonia, Latvia, Lithuania, and Poland are caught between two extremes: on the one hand, they are absolutely aware of the fact that Russia's whims are making closer cooperation necessary, yet on the other, they do not want to give up too much of their regained national sovereignty, since this would be at right angles to the process of (post-soviet) nation-building. Rebellious and frowning upon each other seems to be an integral part of that self-complacent process.

The launching of BEMIP and EEPR clearly illustrates that Brussels is indeed aware of the necessity to take the initiative. It is willing to exert pressure on the junior EU members in order to force them to subordinate their mutual disagreements for the sake of the common, regional, and European good. One could even argue that the European Commission and the Nordic countries have profiled themselves as post-modernist 'headmasters', who want to educate the modernist 'pupils'. It is most ironic that regarding foreign political mentality those 'pupils' – Estonia, Latvia, Lithuania, and Poland – still have more in common with the ultimate symbol of modernist political thinking: Russia. At the same time, that very Russia will do everything it can to forestall the formation of an energy 'front' in the Baltic Sea region. Therefore, it remains to be seen whether a Common Baltic Energy Market will become reality in the years to come.

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3. See: Robert L. Larsson, *Nord Stream, Sweden and Baltic Sea Security*, Defence Analysis (Stockholm: Totalförsvarets Forskningsinstitut, 2007), pp. 35-38; 'Scandinavia's Concern? "Russia, Russia, Russia"', in: *International Herald Tribune*, 2 October 2007; 'Kriget i Georgien skakar om gamla doktriner', in: *Svenska Dagbladet*, 16 August 2008; and 'Umdenken in Schweden und Norwegen', *Frankfurter Allgemeine Zeitung*, 21 August 2008.
  4. See also: 'The Baltic Sea Region States Reach Agreement on the Baltic Energy Market Interconnection Plan', European Commission, Press Release (IP/09/945), Brussels, 17 June 2009, [europa.eu/rapid/pressReleasesAction.do?reference=IP/09/945&type=HTML](http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/945&type=HTML).
  5. The European Council asked the European Commission to compile a strategy for the Baltic Sea region in December 2007. See: 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Concerning the European Union Strategy for the Baltic Sea Region', COM(2009) 248 final, European Commission, Brussels, 10 June 2009, [ec.europa.eu/regional\\_policy/cooperation/baltic/pdf/communication/com\\_baltic\\_en.pdf](http://ec.europa.eu/regional_policy/cooperation/baltic/pdf/communication/com_baltic_en.pdf).
  6. The plant should be constructed next to the existing nuclear power plant in Visaginas (Ignalinos Atominė Elektrinė) that was built in the soviet era. The European Commission has insisted on the closure of both reactors of the plant, Ignalina 1 and 2. No. 2 will be switched off on 31 December, and will then be de-commissioned.
  7. 'Eesti ja Poola loodavad Ignalina tuumaprojekti kiiremat edasiminekut', *Eesti Postimees* online, 16 April 2009, [www.postimees.ee](http://www.postimees.ee).
  8. This does not mean, however, that Prime Minister Tusk has given up Poland's opposition to the construction of the Russian-German-Dutch Nord Stream gas pipeline.
  9. "'Nuclear Renaissance': Will Kaliningrad and Belarus Have Nuclear Power Plants?", *Geopolitika*, 4 May 2009, [www.geopolitika.lt](http://www.geopolitika.lt); 'Grybauskaitė no longer Confirms Lithuania's N-Plant Plans', *Baltic News Service*, 30 July 2009, [www.bns.ee](http://www.bns.ee).
  10. 'Atominė karaliaučiuje virsta realybe', in: *Respublika*, 11 June 2008.
  11. 'Eestisse võib 15 aasta pärast tulla tuumajaam', in: *Äripäev*, 27 February 2008; 'Eestisse tuleb 2023. aastaks tuumajaam', in: *Äripäev*, 27 February-1 March 2009.
  12. 'Žodžiais sutinka, bet parašu nėra', in: *Verslo žinios*, 13 October 2008.
1. See: Jeroen Bult, 'Everyday Tensions Surrounded by Ghosts from the Past: Baltic-Russian Relations since 1991', in: Heli Tiirmaa-Klaar & Tiago Marques (eds.), *Global and Regional Security Challenges. A Baltic Outlook* (Tallinn: Tallinna Ülikool/Tallinn University, 2006), pp. 132 ff; and: Bult, 'Russische geopolitiek en Baltische boosheid: nieuwe wending in een eindeloze psychologische oorlog', in: *Internationale Spectator*, No. 5, May 2006 (Vol. 60), pp. 250-253.
  2. 'U.S. Lawmaker Urges Use of a NATO Clause', in: *International Herald Tribune*, 29 November 2006; 'Raunen über eine "Energie-Nato"', in: *Frankfurter Allgemeine Zeitung*, 11 April 2008.