Abstract:
In the last twenty years the European energy security debate has been overwhelmingly focused on the energy security of the Central and Eastern European (CEE) states and on their relationship with Russia. The key issue has been Russia’s attempt to maintain its influence and control through its energy dependencies. The article argues that the problems encountered by the CEE states have been resolved to a large extent due to the actions taken by the European Commission (EC). The EC has played a vital role in providing a collective voice for CEE and in supporting their regional energy integration in order to reduce their vulnerability to external pressures from Russia. The article goes on to argue that while the issue of CEE energy dilemmas has been addressed this does not, however, mean that the European energy predicament regarding Russia has been fully resolved. The article contends that the European-Russian energy relationship is also conditioned by larger geopolitical concerns regarding the US-Russian relationship, NATO, as well as by Cold War legacies which have come to the surface in a cyclical manner. The Trump administration’s sharp criticism of new energy infrastructure projects constructed from Europe to Russia underscores this point. The article asserts that European energy security will remain problematic in the absence of a more general political settlement between Russia and the West.

The Twenty Years’ Crisis of European Energy Security: Central and Eastern Europe and the US

Introduction
In the last couple of decades the European energy security debate has been overwhelmingly focused on the energy security of the Central and Eastern European (CEE) countries and on their relationship with Russia (Baev 2007; Baran 2007; Lough 2011). In particular, the European dependence on the import of Russian gas has raised the most acute concerns of potential insecurity and vulnerability. This sense of a Russian energy security threat has been present foremost among the countries of CEE where it has been a source of regional anxiety ever since the end of the Cold War and the disintegration of the Soviet Union. As former Soviet satellite states or as formerly constituent territorial units of the Soviet Union, the ambition of most of these countries to integrate with Western Europe has left them potentially vulnerable in regards to their energy links with Russia (Balmaceda 2013; Lucas 2014). These energy connections
remain the most significant ongoing post-Soviet economic and political dependency and thus a fertile potential avenue for Russian influence and intervention (Conley et al. 2016). There have also been multiple occasions where Russia has deliberately used its energy power as a means of exerting coercive economic, diplomatic and political pressure on the CEE countries (Smith Stegen 2011). The most significant case in point includes the Russian suspension of gas supplies to the Ukraine transit pipeline in 2006 and 2009. On both occasions, gas supplies were temporarily halted or reduced to other countries in the CEE, heightening regional energy security concerns (Stern 2006; Stern et al. 2009; Stevens 2009). With the accession of CEE countries into the European Union (EU), the European Commission (EC) has increasingly taken on the role of supporting CEE by helping to reduce their energy vulnerabilities. By the mid-2010s, due to the efforts undertaken by the EC, the problem of the CEE energy security began to be successfully resolved (Dąborowski 2014). The action demonstrated the extent to which the technocratic tool kit assembled by the EC can be used to deal with Russia (Goldthau and Sitter 2014). The way in which the EC led the charge has been also seen as a triumph of the liberal approach championed by the EU in the energy arena. Contemporaneously to those developments, a consortium of European energy companies signed the contracts for the Nord Stream 2 pipeline project with the aim of greatly increasing the supply of gas from Russia coming directly to Germany through a sub-sea pipeline in the Baltic sea (Goldthau 2016). The project was heavily criticised by the CEE transit states even though it does not present any existential threat to the new EU member states. In short, the long crisis of the European energy security, triggered by the end of the Cold War, seemed to be coming to an end.

The approach developed by the Europeans to address the issue of energy supplies and Russia was substantially shaken up by the US towards the end of the 2010s. The administration of US President Donald Trump directly questioned the construction of new energy infrastructure from Europe to Russia and quickly doubled down on its rhetoric by linking the issue of energy security and energy supplies to NATO membership and to the controversial issue of burden-sharing (Lough 2018). Trump’s criticism of the project followed in the footsteps of the previous administration led by Barack Obama regarding the new energy infrastructure, although Obama’s administration was initially less vocal than Trump’s. In a visit to Europe in July 2018, Trump claimed that ‘Germany is a captive of Russia’ and that ‘Germany is totally controlled by Russia because they’ll be getting 60% to 70% of their energy supplies
from Russia, and a new pipeline; and I think it’s a very bad thing for NATO’ (MacAskill 2018). Germany has been at the receiving end of Trump’s attacks, however, other European countries have not been exempt from his administration’s criticism either. The direct criticism of Germany echoed a similar conflict between the US and Europeans about the gas pipelines which were developed with the Soviet Union. In 2018, as in the early 1980s, the US anxiety was that the construction of German-Russian gas linkages weakened the sanctions regime against Moscow and undermined the policy of containment. More insidiously, both historical junctures expose an underlying US suspicion of Germany’s reliability as a NATO ally. After the 2018 NATO summit Trump tweeted: ‘What good is Nato if Germany is paying Russia billions of dollars for gas and energy?’ and then he went to say ‘The US is paying for Europe’s protection, then loses billions on Trade. Must pay 2% of GDP IMMEDIATELY, not by 2025’ (Sevastopulo et al. 2018).

This article argues that the EC, aided by Western European states and in very close co-operation with CEE countries, managed to create a situation in which Russia poses a considerably reduced regional energy security threat (Austvik 2016). The actions of the US administration have, however, demonstrated that a newfound equilibrium in the European-Russian relationship is not durable and can be challenged by the US on which Europeans depend for their security. The US demonstrated the limits of the technocratic solution developed by the EC and stressed the extent to which larger geopolitical and commercial concerns, as well as the legacies of the Cold War, will continuously play a part in shaping energy relationships with Russia. At the heart of this tension is a transatlantic and to some extent intra-European difference over whether energy linkages to Russia should be treated as strategic and political or as commercial and economic (Buck 2018). As in the 1980s, this contributes to wider transatlantic discord over the balance of containment and engagement with Russia and the nature of the security burden sharing between the US and its European allies. In other words, the US action showed that permanent solutions to questions of European energy security will be only found once the bigger issue of the political relationship with Russia is also tackled.

The first part of this article looks at how the problem of the CEE energy dilemmas has been addressed. The section will discuss why the CEE energy security became such a major issue and will also scrutinise a number of actions that were taken by the EC. At the same time, this section does not suggest that the way in which the EC
managed to address the problems of CEE energy security was always intentional. In some instances, the EC benefited from unintended consequences of the actions that it took in the past regarding European energy policy. Furthermore, the first part of the article also demonstrates that the danger that Russia posed for the CEE energy security has been to some extent overstated. This point was underscored by nuanced studies of the CEE countries’ individual energy relationships with Russia and goes some way towards explaining why the EC approach has been largely successful (Ostrowski and Butler 2018).

The second part of the article focuses on the role of the US in the European-Russian energy relationship. The section demonstrates that the US interests in the European-Russian energy relationship are heavily conditioned by the current geopolitical dynamics between the US and Russia. For instance, Barack Obama’s administration, which sought to ‘reset’ the relationship with Russia, initially took a less critical approach to the Nord Stream 1 and later to the Nord Stream 2 pipeline projects. Yet, his administration’s attitude towards new pipelines changed substantially after the Crimea crisis (2014-2015) and the Russian intervention in Syria in 2015. The Trump administration further amplified those concerns. In order to demonstrate that there is a certain degree of continuity in the US approach to the European-Russian energy relationship, the section also discusses the tensions that arose between the Soviet Union, the US and Western Europeans over the construction of pipelines in the early 1980s - at the very height of the Cold War. The purpose of the discussion will not be to claim that today’s situation is alike or that the two should be directly compared and contrasted, but rather that the 1980’s crisis provides a useful backdrop for understanding the current dynamics. Most importantly, the US intervention in the European-Russian energy relationship demonstrates that a solution to this issue cannot be solely economic and technocratic as EC and key Western European states have assumed.

Finally, the discussion of the energy relationship between Europe and Russia involves the analysis of a vast system that includes private and state owned energy companies, sub-contracting companies, lobby groups, supranational and national institutions and a number of states with very different energy needs as well as political and economic drivers. Inevitably, the relatively limited inquiry into the energy relationship presented in this article will not be able to do justice to all the positions, interests and perspectives and therefore requires a certain degree of generalization, which the author acknowledges.
Central and Eastern Europe’s Energy Dilemmas: Pre- and Post EU Accession

The CEE energy security dilemma developed as a consequence of the end of the Cold War. The CEE region moved from being under direct or indirect Soviet control to a situation in which not only former satellite states became independent but also a number of Soviet European republics, including the Baltic states, Belarus, Ukraine and Moldova (Balmaceda 2017; Collins 2017). During the Soviet period, the CEE region was part of an integrated energy infrastructure which followed socialist rather than market principles. After the end of the Cold War, most of the CEE states became firmly committed to integration with the Western European states and to the reduction of ties with Russia. The post-Cold War era was not just marked by a major geopolitical shift with significant political fragmentation but also by profound economic dislocations (Myant and Drahokoupil 2011; Lane 2013). Energy links, particularly gas connections, became one of the most disputed and contested of the Soviet legacies. Three main periods can be identified in the evolution of this CEE-Russian energy relationship.

The 1990s constituted the first period, a time of considerable political and economic disruption, an often chaotic shift from socialist autarchy to a capitalist system. It was also the time when the formally integrated Soviet energy system fragmented into a complex and often warring mix of state-owned and private companies with multiple and often shady intermediaries (Lane 1999). During this period, Russia certainly did seek to use the Soviet-inherited energy dependencies as levers of influence on the political and economic developments in the newly independent CEE states (Mišík and Prachárová 2016). However, these interventions were rarely successful, they did not tend to escalate to a higher political level and they were driven by economic rather than political considerations for most of the time (Balmaceda 1998). - During this period, the EC was not significantly involved in these Russian-CEE conflicts because a) the CEE states were not part of the EU and b) the Western Europeans still had a cautiously optimistic view of Russia’s energy reforms. Energy prices were also low during the 1990s and thus did not generate significant political anxieties (McGowan 2011). That said, it is important to note that Russia started charging close to world prices for its gas in the early 1990s which had a detrimental economic effect on some post-Soviet states (Balmaceda 1998).
The second period was marked by Vladimir Putin’s ascent to power in the 2000s. His presidency coincided with a sharp increase in the price of oil which rose from under $10 per barrel in 1999 to a peak of $147 per barrel in 2008 (Heinrich 2008). Putin’s political agenda focused on reversing the fragmentation and dislocations of the 1990s and on re-asserting the power and control of the Russian state, both internally and in its external relations (Balzer 2005; Gustafson 2012). This had a significant impact on Russia’s energy profile as Putin re-nationalised a number of energy companies (the most prominent of which was Yukos in 2004) and generally asserted the role of energy in Russia as a strategic state-controlled asset (Bradshaw 2009; Domjan and Stone 2010). Russian policy also became increasingly anti-Western in its orientation and was marked by a significantly more interventionist policy towards its immediate neighbours. The Russian military intervention into Georgia in 2008 was a major turning point in this respect (Pallin and Westerlund 2009). In terms of Russian-CEE energy relations this assertiveness was evident in the two Russian-Ukraine gas crises in 2006 and 2009 which involved the suspension of gas supplies with significant regional impacts (Kovacevic 2009). With the entry of eleven CEE countries into the EU in 2004 and in 2007, the EC assumed greater responsibility for supporting the CEE states and it sought to alleviate their sense of energy insecurity triggered by a resurgent Russia (Maltby 2015).

The third period began in the aftermaths of the global economic recession in 2008. To the Russians, this crisis demonstrated the structural weakness at the heart of Western capitalism and validated the Russian style state-capitalist system (Bremmer 2009). This most current period has been marked by geopolitical tensions between the West and Russia which have since intensified and which have culminated in sanctions being imposed on Russia in response to its annexation of Crimea and its support for rebel factions in eastern Ukraine in 2014 (Mead 2014; Natorski and Pomorska 2017). With further evidence of Russian adventurism through its military intervention into Syria (Dannreuther 2018a), fears in the CEE of potential Russian aggression became more marked, with a corresponding resolve to strengthen the NATO defence alliance (Kroenig 2015). However, what is striking in this period is that there is no clear corresponding increase in CEE anxieties over energy security and the perceived threat of Russia using energy as a geopolitical weapon. This is, for example, most clearly evident in the 2014 crisis over Crimea and Eastern Ukraine which was a far more significant conflict from a geopolitical perspective than the energy crises of 2006 and
2009 but which did not generate any major concerns in the energy arena (Goldthau and Boersma 2014; Van de Graaf and Colgan 2017).

There is, therefore, a certain paradox in the way in which the Russia-CEE energy relationship appears to have become less confrontational while the more general economic and political conflicts with Russia have significantly intensified. One important reason for this is the role that the EC has played in supporting the CEE countries in diversifying and lessening their dependency on Russia as the sole gas supplier. This is most strikingly symbolised by the remarkable shift in Ukraine which halted all gas imports from Russia after the 2014 Crimean annexation, and which secured all its supplies from the West through establishing reverse deliveries from EU member states in 2015. After years of failed energy sector reforms, Ukraine has also quickly adjusted to the EU gas model and transposed most of the EU Third Energy Package (Wolczuk 2016). The role of the EC in directly supporting and aiding diversification of gas supplies is evident not just in Ukraine but also across the rest of the region. In 2015, Poland completed a flagship LNG terminal project and introduced reverse flows on its main transit pipelines (Strzelecki 2015). The Czech Republic and Hungary have done the same with the Brotherhood pipeline, and Hungary has built inter-connectors with its neighbours, Croatia, Romania and Slovakia (Richter and Holz 2015). In 2014, Lithuania launched its LNG terminal and plans to build inter-connectors with Poland (Seputyte 2014). The EC has played a major supporting role in these achievements, providing project finance for many of these inter-connectors, facilitating regional and bilateral gas cooperation, and generally strengthening the negotiating strength of individual CEE states vis-à-vis Russia (Buchan 2011; Goldthau 2013).

Another way in which the EC has weakened Russia’s energy-related bargaining power is through its longer-term project to develop an internal energy market which was first launched in 1988 (McGowan 1989). This project aimed to transform the traditionally highly state-interventionist gas market model with its blueprint of energy companies acting as vertically integrated ‘natural monopolies’ to a much more competitive liquid spot market, with short-term transactions supplanting the tradition of long-term contracts (Padgett 1992). The pre-condition for this was that competing traders would be given access to the essential facilities of transport, distribution and storage, and that these essential facilities would be ‘un-bundled’ from the production and trading activities so that ‘un-discriminatory access’ would be ensured for all competing traders to these facilities (Torriti 2010). Although these moves towards
deregulation and liberalisation were not deliberately directed against Russia, the actual effect has been to reduce the power of Russian energy companies, most importantly Gazprom, to impose their preferences on CEE states and also, more critically, to reduce their capacity to gain control of downstream assets so as to ensure control from production to distribution (Eikeland 2011; Locatelli 2014). In practice, Russia’s energy investments in the CEE, which was initially seen as a major potential market after the disintegration of the Soviet Union, have been limited and disappointing (Victor and Victor 2004).

A third factor that has strengthened the relative power of the EC against Russia in the energy sector has been the EU’s energetic use of its regulatory powers to constrain Russian ambitions (Lavenex 2004). Although the EU has been keen to maintain its normative role as a law-governed supranational liberal actor, there has certainly been an element of ‘realism’ in how it has promoted a project such as the Nabucco pipeline while actively undermining Russia’s alternative South Stream pipeline (Baev and Øverland 2010). The EC’s intense regulatory focus on Gazprom has been another element of this ‘realist’ approach with the EU competition authorities initiating an investigation into Gazprom’s supply and pricing of gas in CEE in 2011 (Boussena and Locatelli 2017). This investigation examined whether Gazprom hindered the free flow of gas, prevented diversification of supply, and imposed unfair prices by linking the price of gas to oil prices (Goldthau and Sitter 2014). When an agreement was finally reached in May 2018, Gazprom essentially submitted to the EU’s key demands by agreeing to cease to apply clauses restricting resale or territorial restrictions. It also offered existing buyers the right to request change of delivery points for gas and consented to give customers a contractual right to request changes in gas prices when these diverged from competitive price benchmarks (Reed and Schreuer 2018). With its overriding objective to maintain market share in Europe, Gazprom has essentially agreed to play by the EC’s ‘rules of the game’ in European gas markets (Øverland 2017).

The EC has, therefore, played a major role in strengthening the bargaining power of the CEE states and in taking various actions that have weakened Russia’s power and capability to utilise its energy exports as a geopolitical tool (Goldthau and Sitter 2015). However, this picture of an activist EC gaining a decisive victory against a hostile Russia needs some important qualifications. The first is that the perception of Russian meddling, corruption and malign influence in CEE has its main sources in the
1990s rather than later (Chernykh 2008; Česnakas 2018). In practice, it was the role of shadowy intermediaries during this first post-Soviet decade, which were essentially set up by mutually complicit energy elites in both Russia and the host states to capture energy rent which left a strongly negative legacy of perceived Russian neo-imperialist meddling. However, these intermediaries were a symptom of the weakness of the Russian state and the chaotic economic conditions during the first decade after the collapse of the Soviet Union (Bechev 2018). During Putin’s presidency, which was marked by a drive to centralise control, these intermediaries gradually lost their power and energy relations between Russia and CEE became significantly more transparent and involved more traditional bilateral negotiations (Ostrowski 2018a).

This does not mean that Russia has shifted to acting altruistically or being less driven by gaining economic and political advantage in CEE. Russia continues to act as a realist and geopolitical actor and will gain strategic advantage where it can. However, where such an advantage has been gained in the CEE, it is crucially dependent on a conducive environment in which Russian influence and economic and political penetration can take hold (Jirušek et al. 2017). For example, Russia has gained a strong position in the Bulgarian energy sector, but it has done so because this has suited Bulgarian elites who have utilised the Russian connections to stall reforms of the energy sector and to perpetuate their capture of energy rents (Jirušek and Kuchyňková 2018). Where, however, there is no such favourable environment, Russia’s power and capacity to influence economic and political behaviour in CEE is significantly reduced. This reflects the fact that Russia only has a limited interest in using energy as a political weapon since it is ultimately counter-productive and leads the affected countries to diversify their energy supplies away from Russia (Goldthau 2008; Henderson 2016).

In addition, as the Russian interventions into Georgia and Ukraine demonstrate, if Russia wants to use a geopolitical weapon it is more than willing to use traditional military means (Karagiannis 2014; Gros 2015). The tendency of Russia to limit its use of energy as a geopolitical weapon does not imply that Russia is a benign actor; it merely speaks to the fact that its self-interest supports such an approach.

The picture of the EU as a ‘liberal’ actor opposing a ‘geopolitical’ Russia in CEE energy relations also need to be qualified through the perspective of the CEE countries themselves (Binhack and Tichý 2012). For these CEE countries, there is actually a much more complex set of considerations in their interactions with both Russia and the EU (Mišík 2016). Certainly, there is a strong, on-going anxiety that
dependence on Russian gas and other energy supplies is a source of vulnerability and a potential avenue for malign Russian influence and meddling (Lukyanov 2008; Charokopos and Dagoumas 2018). However, this is counter-balanced by more pragmatic commercial considerations which include a recognition that Russia is generally a reliable and relatively cheap source of energy. It is one of the reasons why the CEE have not diversified away from Russia as much as their rhetoric would suggest: such a move would be costly and come with potentially significantly economic consequences (Judge et al. 2016). This is evident, for example, with nuclear projects in CEE where Russia is generally seen to be reliable and significantly cheaper than alternative providers, such as France (Butler 2018). At the same time, this point does not apply to all the countries. Poland has made a significant push for a full diversification away from Russia with the start of the construction of the Baltic Pipe gas pipeline, which is paid in parts by the EC and which will transport natural gas from the North Sea to Poland via Denmark (Bielecki 2019).

The CEE countries also have similarly more complex and more ambiguous perceptions of the EU’s role as an energy actor. There is certainly strong support for the ways in which the EC has provided CEE with stronger collective bargaining powers vis-à-vis Russia. There is also a positive recognition of the role of the EU in supporting regional diversification and of the EU’s financial support for developing cross-regional energy connections (Dannreuther 2018b). However, the CEE countries are distinctly less comfortable when the EC seeks to influence their domestic energy mix, such as seeking to reduce the use of coal or nuclear energy. The CEE countries, like other EU states, jealously assert their sovereign rights over this area and resist EU encroachments. In Poland, for example, the EU’s climate change policies, which include an ambition for decarbonisation, are seen as a significant threat to Poland’s energy security and its domestic coal industry (Ostrowski 2018b). The EU’s ambition for sustainability is also viewed in CEE to be insensitive to the problems of energy poverty, which much more severely affect CEE rather than Western Europe citizens (Bouzarovski et al. 2016). From this perspective, Russia as a provider of relatively cheap and reliable fuels can look as a comparatively benign external actor.

For a comprehensive understanding of the Russia-CEE energy relationship we also need to incorporate the view from Russia. From its standpoint, the economic value of the CEE market for energy is marginal. Only 14 percent of EU consumption of Russian gas is in the EU-11 CEE states; the rest is in the traditional West European gas
consumers, most notably in Germany, France and Italy. In this context, the CEE as an energy region is peripheral to Russian economic interests. These interests remain firmly anchored in Western Europe (Chyong and Tcherneva 2015; Henderson and Sharples 2018). This obvious yet often-overlooked point further explains why the EC has been successful at helping to address energy dilemmas of the CEE at speed and at a relatively low economic cost to itself.

To sum up, the EC has been playing an increasingly important role in the energy complexes of the CEE states. The EC involvement was instrumental in addressing successfully energy dilemmas of a number of CEE states and resolving issues that had their origins in the Cold War. At the same time, this is not to say that there is a perfect symbiosis between the EC, CEE and Western European states in the energy arena. Climate change and decarbonisation are set to become the most important issues but they are hardly the only bone of contention. The CEE countries, in particular Poland and the Baltic states, have been vocal about the new infrastructure projects that a consortium of Western energy companies has developed jointly with Russian companies. In 2006, Radosław Sikorski, then Poland’s Defence Minister, compared the Nord Stream 1 project to the Soviet-German Molotov-Ribbentrop Pact, highlighting the underlying fears of German-Russian collusion at the expense of the interests of CEE (Foy 2015). In certain ways the energy projects that the EC supported in the CEE states in the 2010’s were designed to placate the new EU member states and to directly counter Sikorski’s line of argument; these aims were largely achieved.

The issue of the controversial energy ventures returned in the CEE states after the announcement of the construction of the Nord Stream 2 project in 2014. While Poland in particular was vocal in its condemnation of the plan, it was rather clear that much of the hostile rhetoric was aimed at the domestic public and had more to do with internal politics rather than energy per se (Baczynska and de Carbonnel 2016). Despite this fact, the Nord Stream 2 controversy refused to go away and was substantially fuelled by US opposition to the project, which was much more substantial than the one voice against Nord Stream 1. The principal reason for this was that Russia’s relationship with the US had changed dramatically since the time of Obama’s push for a ‘reset’ in the US-Russian relationship (Deyermond 2013). Since then, the annexation of Crimea, Russian incursions into NATO-member Turkey’s airspace along the Syrian border, the removal of Russia from the G8 club have all fundamentally changed the geopolitical dynamics (Ditrych 2014). In May 2016 a senior US official remarked that ‘[t]he U.S.
is deeply concerned about a pipeline that would endanger the economic viability of Ukraine’ (Reuters 2016). This change also had a direct impact on the European-Russian energy relationship and became highly visible after the arrival of Trump’s administration (Lohmann and Westphal 2019).

**European-Russian Energy Relations and the US**

The dominance of the CEE energy dilemmas in the European debates obstructed the important fact that the issue of the Russian-European energy relationship would not be completely resolved if a solution to the CEE energy problems were to be found. After all, Russian-European energy relations took shape during the Cold War and are still intertwined with European security and NATO membership issues. Most importantly, the US, unlike Western Europeans states, have refused to make a key distinction between economic and political spheres and have questioned the Western European economic rationale for deepening energy ties with Russia through the construction of new pipelines. The robust US response to the actions taken by European energy companies was due to an increased sense of hostility and suspicion in relationship to Russia that has reached new heights in the aftermath of the annexation of Crimea.

It must be stressed that the US approach to the Russian-European energy relationship was not out of the ordinary and that it points to a visible degree of continuity in the thinking of the US policy makers on this topic. In order to better understand the US behaviour, this section will analyse episodes from the early 1980s and late 2010s during which the US chose to heavily criticise and threaten European allies because of their energy policy choices. At the same time, it is important to stress that the purpose here is not to draw a straight line between the two periods but rather to use the crisis of the 1980s as illustrative of the US *modus operandi*. Finally, the section demonstrates that visible tensions between the US, Europeans and Russians can be traced back to the way in which the Cold War ended and that they remain at the very heart of the relationship between the broadly understood West and Russia.

The most important driver in Russia’s geo-economic relations with Europe are the gas markets of big European states such as Germany, Italy and France. These markets provide the greatest foreign revenues that are needed to support the national Russian budget (Sabitova and Shavaleyeva 2015). These economic realities are not new of course, for the critical importance of economic relations was also evident during the
Soviet period (Gustafson 2014). Then, Soviet gas exports to Western Europe provided the vital foreign currency revenues that sustained the Soviet economy and ensured that Moscow could still project itself as a superpower even as its domestic economy declined (Kotkin 2008). Politically, the satellite states of CEE were important for the Soviet Union and they enjoyed substantial energy subsidies as an incentive and price for their loyalty to Moscow (Brada 1988; Krasnov and Brada 1997). However, this energy dependency was economically draining and limited the amount of gas that could be transported to the West and sold at market prices. There were in fact quite a few times during the Soviet period when gas supplies to the CEE satellite states were reduced in order to ensure that Soviet commitments to gas supplies to Western European markets would be fulfilled (Högselius 2013).

The history of the development of the Soviet gas pipelines into Western Europe is one of the pursuits of mutual advantage despite considerable geopolitical tensions (Lippert 2010; Cantoni 2017). There was, at its core, a strong economic rationale for the development of these energy connections. For the Soviet Union, there was the economic urgency to develop the gas fields in Western Siberia and the recognition that it could not do this by relying on its domestic resources as it lacked the necessary technology, particularly in relation to the construction of large-diameter pipelines and inter-connectors (Perović and Krempin 2014). For European companies there was the ambition to sell their high-technology pipelines but also the prize of access to bountiful supplies of Russian gas at a period when there was concerted effort to diversify away from oil in the electricity sector following the 1973 crisis (Beltran and Williot 2017). This was a significant departure since up until the mid-1970s Western Europe had overwhelmingly depended on the Middle East for cheap energy supplies that had successfully fuelled the post-Second World War reconstruction. Developments such as the creation of OPEC, nationalisation of oil and the rise of National Oil Companies sent shock waves through Western capitals and were instrumental in the move towards alternative energy supplies from various geographical locations, including the Soviet Union.

Leading on, the Soviet-European gas connections were not just driven by economic considerations. There was also a political dimension, which was linked to the pursuit of détente during the 1970s, and the ambition to seek ways to reduce tensions between the East and West through economic cooperation (Krempin 2017). The development of Soviet gas pipelines to meet West European gas demand was a key
component of the distinctive German approach to détente which was called Ostpolitik (Bösch 2014). The decline of détente in the late 1970s, and the onset of the so-called ‘Second Cold War’ in the early 1980s, created significant transatlantic tensions over the Soviet gas pipeline project.

With the beginning of the Reagan presidency, the US administration became increasingly anxious that the European support for continuing economic relations with Moscow was undermining the sanctions that had been imposed on the Soviet Union in the aftermath of the invasion of Afghanistan in 1980 (Painter 2017). This US-European discord even reached a point where the US imposed a pipeline embargo on European states in 1982 and threatened sanctions against European companies that engaged with the Soviet Union over the gas pipeline project (Hewett 1982). During this time, debate in NATO circles over ‘burden-sharing’ grew, fuelled by the perception in the US that the European states were not paying sufficiently for their defence and were ‘free-riding’ on the US defence commitment to Europe (Layne 2000 and Ringsmose 2010). There was particular suspicion of Germany’s policy of Ostpolitik which was perceived as promoting economic collusion with the Soviet Union at the expense of transatlantic solidarity (Lazar and Mauch 2004).

While the similarities between the 1980s and late 2010s should not be overstated, the dynamics that were at play in the 1980s help us to make sense of the current developments and to understand the US position. In both periods the US government came to strongly criticise the Europeans for developing new energy projects with Russia (Nienaber 2019). As in the early 1980s there was also a renewed sense of hostility and suspicion towards Russia in the 2010s, fuelled by Russian aggression in Crimea and Eastern Ukraine and its military adventurism in Syria. In this context, the continuing European support for the new pipeline was seen as potentially undermining the regime of Western sanctions against Russia which were imposed after the annexation of Crimea in 2014. Furthermore, the US administration has forcefully resurrected the Cold War ‘burden-sharing’ debate and has resolutely expressed its strong conviction that the US is subsidizing European defence through NATO which it considers intolerable (O’Hanlon 2018). However, it is important to note that the NATO spending target of 2 percent of GDP did not exist in the 1980s per se and was only introduced in 2006.

Furthermore, as in the early 1980s, Germany is the main target of these attacks and this is driven by a sense that the German pursuit of commercial benefits, as most
blatantly symbolized by Nord Stream 2 pipeline project, comes at the expense of geopolitical solidarity. At same time, it is also important to stress that both periods are very different as a result of significant technological advances in the production of oil and gas. Due to the recent shale gas revolution, the US has strong economic interests in the reduction of the gas trade between Western and CEE Europe and Russia. Concretely, the US seeks to replace this trade with its own LNG gas imports (Dunn and McClelland 2013). This is also visible in the way in which in recent years Trump, armed with his ‘America First’ slogan, has became a highly vocal salesman promoting US gas exports in Europe (Reed 2018).

Nevertheless, the existing transatlantic tensions over Nord Stream 2 reflect the same continuing sources of intra-Alliance conflicts that were evident in the 1980s. For Germany, as well as other European countries supportive of Nord Stream 2 such as Italy and France, the decision to develop the new pipeline is viewed as primarily a commercial and economic one. European demand for gas imports will grow as indigenous gas production from the North Sea declines (Harsem and Claes 2013). The Nord Stream 2 pipeline has a spatial logic and rationale to it as it will offer the most direct route from the western Siberian and Yamal fields to the main European gas markets. Further, the gas to be delivered from the new pipeline is projected to be competitively priced. However, the fears that this will result in a bilateral Russian-German monopoly – regularly expressed among CEE countries – are effectively countered by the fact that the German gas market is fully liberalised and integrated (Lang and Westphal 2017). Importantly, it is also in the commercial interest of a number of European energy companies to see this project completed, not least those companies with a stake in the project – Uniper and Wintershall, Royal Dutch Shell, MOV and Engie (Offshore Energy Today 2017).

As in the 1980s, there exists a strong economic convergence between European and Russian energy companies which is reflected in their mutual economic interests. While it is clearly in Gazprom’s interest to ensure that Nord Stream 2 is completed, it is also benefits European energy companies whose sustainability comes from both the direct commercial benefits of the pipeline construction and from the indirect benefits of access to upstream Russian operations and assets (Loskot-Strachota 2016). It must be acknowledged that the German political and business establishment, much like other Western European countries, is far from being in complete agreement about how to deal with Russia as a political and economic actor (Gens 2019; Wood 2020; Siddi 2020).
There has been a great degree of political unease regarding the energy relationships in recent years that has, for now, been largely trumped by economic concerns in Western European countries. However, the CEE countries have adopted a very different view.

While the German government, along with a number of other Western European countries, highlights commercial and economic interests, the United States, along with Poland and Baltic states, focuses on the political and strategic implications of Nord Stream 2 (Foy 2015; Matthews 2018). Firstly, there is no doubt that the development of Nord Stream 2 supports Russian economic and political interests by ensuring direct access to its main European markets while reducing the risks of gas transit through Ukraine. At a geostrategic level, the Russian-German rapprochement raises fears of a Western abandonment of Ukraine, depriving the country of transit revenues and making it more vulnerable, along with other CEE countries, to Russian economic pressures and blackmail (Polak 2017). Secondly, from the CEE perspective Germany appears to be promoting its narrow economic interests at the expense of the political interests of its more vulnerable CEE neighbours. Thirdly, from the US perspective, the German strategic economic interest in Russian gas and its support of the Russian government contrasts with the continued unwillingness of the German government to meet the 2 percent GDP target for its defence expenditure as stipulated by NATO. Trump, even more than his predecessor Reagan, has been willing to assert this linkage between German-Russian gas cooperation and German defence weakness, thereby highlighting a fundamental transatlantic tension within the Atlantic Alliance (Glasser 2018; Nienaber 2019).

This tension reflects longstanding US-European normative differences in their approach to heightened perceptions of Russian threats to European military and energy security. The United States, both in the ‘Second Cold War’ in the 1980s and in the 2010s post-Crimea conflict with Moscow, has promoted the policy of deterrence and containment of Russia as a strategic imperative and has included the imposition of economic sanctions. A number of other European NATO allies such as the United Kingdom and the CEE states generally support this deterrence policy towards Russia (Gould-Davies 2018). For Germany, France and Italy there is certainly a commitment to ensuring NATO’s capacity for deterrence of Russian aggression, but with the continuing tradition of Ostpolitik, the overarching strategic imperative seeks to ensure that Russia is not only contained, but also engaged. As befits the classic liberal tradition, economic exchange and trade is seen as a major potential avenue for building longer-
term convergence of interests between Russia and the West. Therefore, the creation of energy linkages, such as with Nord Stream 2, are viewed in major Western capitals as the means through which common bonds of interests can be developed between Russia and the West, in order to provide the foundations for the longer-term improvement of relations (Siddi 2016).

This normative divergence between the US and Western Europe reflects the longstanding Cold War ideological debate between containment and engagement. There are, of course, also more concrete interests under consideration. In the energy domain, there is very little cost to the US at stake and indeed much potential gain to be had if Russian energy exports to Europe are reduced. For European countries, the costs would be serious not only for the interests of European energy companies but also more generally for European energy supplies. For European energy security, liberalisation, diversification and integration of its energy markets are the real guarantor of security (Correlje and Van der Linde 2006). From this perspective, Nord Stream 2 can be considered to actually enhance CEE energy security by forcing Russian gas supplies to compete against themselves between the new supplies coming from Germany and the traditional supplies from the East. Nevertheless, there exists a strong and longstanding European line of thinking which has its origins in the 1980s and which advocates that Russia plays a vital role in supporting European energy security and which needs to be exempted from the broader political and military relationship. It is not accidental that those West European countries with the greatest dependence on Russian gas – Germany, Italy, Austria and France – tend to be the most supportive of a policy of engagement in order to mitigate the effects of containment (Schmidt-Felzmann 2014).

There is also a broader political and geostrategic backdrop to this issue which involves the ongoing failure to reach a durable settlement between Russia and the West. (Sergounin 1997). The underlying feature of NATO is the hegemonic power of the United States. The US, on its part has a longstanding resentment towards what it perceives as European ‘free-riding’ on the public good of security that it primarily provides. Trump has merely been more vocal and direct than his predecessors in his irritation and annoyance at this perceived failure of ‘burden-sharing’ and how European growing economic relations with Russia contrast with its failure to live up to its NATO defence commitments (Mandelbaum 2017). These transatlantic tensions between Europe and the US are inevitable after the failure to reach a comprehensive settlement of the East-West divide in Europe in the 1990s. Today, as in the Cold War period,
internal divisions among NATO allies condition the broader relationship with Russia. It is for this reason that the West European-Russian energy relationship, which also involves both the US and NATO, remains as critical but unresolved as in the Cold War era.

**Conclusion**
This article contended that in the last twenty years the issue of the CEE-Russian energy relationship has dominated debates concerning European energy policy. The key driver behind those discussions has been Russia’s ambition to manipulate its energy leverage over the CEE states and to exert control over these countries’ economies and politics despite their departure from the Russian sphere of influence. This article has argued that Russia, by and large, has failed to achieve its strategic objective. The autonomy and independence of the CEE states have been defended to a large degree due to the pro-active role of the EC in providing a collective voice for the CEE states in their negotiations with Russia and in supporting regional energy integration. This includes other EU energy markets, so as to reduce their vulnerability to external pressures from Russia. As a consequence, Russia now has generally been forced to respect the decision of the majority of the CEE states to be firmly tied to the West through their membership with the EU and to play according to the EU-defined ‘rules of the game’ for energy trade and cooperation. However, the fact that the issue of the CEE energy dilemmas has been largely resolved does not mean that the European-Russian energy relationship is likely to remain stable.

This is primarily due to the fact that European-Russian energy relationships are imbedded in a greater geopolitical competition between the US and Russia and are marked by a complicated history. The relationship goes back to the 1980s and the West European decision to cooperate with Russia to develop gas pipelines from Western Siberia to meet projected European gas demand. In the early 1980s, this decision caused a serious transatlantic dispute between the US and key European states, most notably Germany. During the 2010s, first Obama’s and later on Trump’s administrations echoed some of the concerns and rhetoric from the 1980s and challenged the European decision to build new energy infrastructure. They forcefully argued that this move potentially undermined the economic containment of Russia and led to a weakening of transatlantic solidarity. In doing so, they brought back the controversial issue of NATO ‘burden-sharing’ onto the political agenda. The fact that the US would get invested so
deeply in what is after all a regional issue of European-Russian energy trade demonstrates the extent to which the underlying conditions of the Cold War – the enmity between Russia and the West and the failure to institutionalise pan-European unity – remain in place. Furthermore, what the recent US intervention demonstrates is that the controversies concerning European-Russian energy relationship are not disappearing and will return in the years to come as the divisions between the West and Russia are set to continue.

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