

Romania's National Energy Security Strategy in the Europa 2020 Strategy

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Abstract

In the context of the energetic commodities price and offer fall after the 2007-2008 crisis and the very few providers of such products for the European Union, there has taken place a massive change in the European leaders' view over our energy independence and self saving possibilities. Therefore, the theories of the world system have become hybrid in what European developed countries like to call the 2020 renewable energy strategy or the strategy of getting as many partners as possible in order to both diversify the number of out-side country partners and improve the energetic European infrastructure system of the old continent. Theoreticians, specialists and European leaders came out with the premises to stop the fall under the hand of the rising east facing over the last five years numerous internal and external geopolitical events. The hypothesis are multiple, the interests are "European", the help in this energy commodities war comes from our American and Arabian partners and the future still hangs in the hands of the European "lack of leadership" leaders in was is to become or not the European Federation.

Key Words: *energy security, dependency, European Union, Romania, strategy.*

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I. Energy security - a component of economic security

At the beginning of the XXIst century we witness the accentuation of energy dependence of world economies. The world economy is still dependent on oil, the central resource of energy and geopolitics dominate the battle for resources in the XXIst century. The problem of resources has many sides; their scarcity plays an important role in the initiation and escalation of conflict, polarization and/or catalyzing the forces (Tomescu, 2012:73). In this context, energy security is an important part of economic security and thus of national, regional and global security. In the contemporary energy security involves an intelligent policy that has a predominant diplomatic policy in order to achieve treaties, agreements or regional alliances to ensure the energy needs of the states and the use of military force to obtain protect and trade these resources.

The state of energy security requires overcoming some vulnerabilities, counteracting risks, dangers and threats to meet individual needs, welfare and security interests of the citizens that cannot be satisfied without economic security and thus energy security (Băhnăreanu, 2010:5). Energy was one of the main elements that formed and continues to support the European project, that bond that goes beyond national borders, the European market for joining fragile energy exchanges, the binder at regional, national and global but also one of most imminent risks that may affect both the economic and social security of ordinary people and national and European largest company. As energy consumer, the European Union is dependent on a few countries that succeed to meet its high demand, such as Russia, Algeria and Norway etc.

Energy security is a multidimensional and strong concept that evolved throughout history from the point of view of the

subject - the concept originally was attached to oil and gradually extended to natural gas and electricity, as well as to the area of significance, the physical supply chain related to all phases of energy (Tomescu, 2012:74). To better understand the current situation of our country it is necessary to present the situation of the European Union in Fig.1, as major energy consumer because it has a vulnerable position and its reflected on Romania too.

Thus, after the last economic crisis, the European Union has proposed to develop an energy strategy that takes in account reducing dependence on energy resources from the Russian Federation, and from a limited number of manufacturers, reviewing energy agreements in the benefit of all EU states and not just of those more developed, thus diversifying the energy mix, the renewable energies throughout the Union, and finding new suppliers to come up with new offers to lower the daily bill of over 1 billion that the Union pays for imported energy.

Figure S 5. Energy import dependency, all products

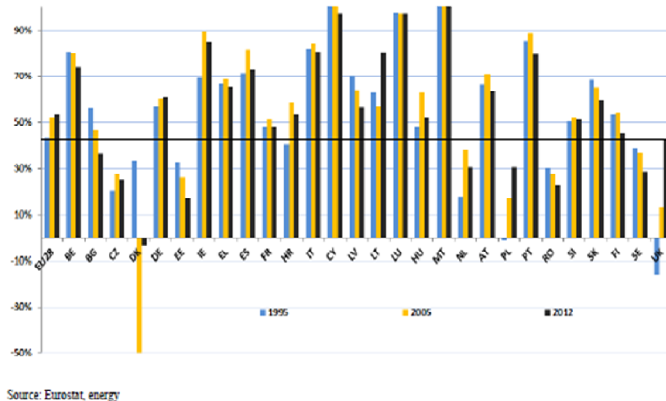


Fig.1 Energy import dependency, all products (Eurostat, 2013)

As we can see in the Fig.1 EU's internal energy production fell by almost a fifth between 1995 and 2012. Currently, more than 50% of the EU's energy needs are covered by external suppliers. In particular, EU imports: 90% of the crude oil; 66% of the natural gas; 42% of the coal and other solid fuels; 40% of the uranium and other nuclear fuels. Over time we can say that on one hand, the European energy policy has been continuously adapted to the new geopolitical, geo-economics and geostrategic purposes affordable to the energy supply, promoting energy efficiency and environmental protection. On the other hand, Member States interests in the energy and delay implementation of strategies and action plans to ensure European energy undermines the need for sustainable, competitive and secure energy (Băhnăreanu, 2010:5-6).

In this context, Romania's energy security as a member of the European Union depends on agreements and partnerships that the union sets worldwide, plus the position of our country bordering the Black Sea, namely the Black Sea resources of hydrocarbon resources in its depths and the energy routes between East and West. In this situation, the best solution for our country is to capitalize its position on one hand, as member of the European Union, and on the other hand, it must consider the energy potential, develop new energy partnerships and invest in national energy infrastructure.

Our country hadn't had a real energy strategy until 2005, with all of its pioneering on mining in the nineteenth century, processing and use of oil resources discovered, but the situation changed with the entry into the European Union. Since 2007, our country has a national energy strategy that thus remain consistent with EU legislation and policy, also to pre-encounter Kremlin use of energy tongs to monopolize European energy market and therefore this industry, although Romania is just a small importer

of Russian gas compared to other Member States of the European Union.

In terms of energy resources owned, demand, supply and the entire energy chain, the last global financial crisis and the ensuing economic recession affected most European Union states, default and our country, both by the fact that demand for oil fell, bankrupting some businesses such as the many industry and operating activities decreased due to reduced orders and consumption, Europeans had to economize energy use or find alternatives to it. On the other hand, it has reduced CO₂ emissions because EU started a campaign to promote the use of alternatives to oil resources that can be found in limited quantities and uniformly distributed across the expanse of the Earth (Tomescu, 2012:75). The energy mix used after 2008 represents a significant share of natural gas and various forms of renewable energy and nuclear energy etc.

Worldwide EU's main partners were also affected; the United States were exceeded in their energy demand for the first time by China. Just as Russia and Venezuela were affected by lower demand for the products, they have been subjected to countless other pressures on the economic situation in these countries. International energy markets, the price of petroleum products and fossil fuels fell and oil stocks rose. Thus, in July 2008, the price of a barrel of oil reached the record level of over \$137 versus \$10 just 10 years ago. The effects of the financial crisis intensified further this volatility, oil prices dropping in half a year to over \$100 (Băhmăreanu, 2010:15). Note that these sharp increases and decreases occur in the international events, be they economic crisis, political, terrorist attacks etc.

As it regards the energy dependence of our country in 2008, Eurostat report (Eurostat,2014:10) on EU energy dependency place our country among the few states with energy dependence

of less than 30% of total national consumption per year, respectively the imports percentage was of 29.1, along other countries as Britain, Poland and the Czech Republic. The average energy dependence of the Union this year was 53.8%, although a large share of the Western countries depend on external energy resources in excess of 50%. Romania has a wide range of energy sources but reduced quantity of fossil primary energy resources and minerals: oil, natural gas, coal and uranium, as well as a potentially important renewable resource capitalized (SNER, 2011:10).

II. Strategies and energy interests in Romania

II.1 Overview of the energy sector in Romania

In the long history of the energy industry in Romania were found that in addition to the unique results which it recorded in the second half of the eighteenth-century, 1857, the oil production was recorded for the first time at the refinery "Light" from Rafo, Pitesti. But the evolution of this industry continues to have spectacular results only until XX mid-century. Thus, in 1935, Romania reached the fourth position in the ranking of world producers with an oil production of 8.4 mln. tons. The 14.7 mln. tons of oil extracted in 1976 and 39.37 bln. m³ of gas extracted in 1986 tops the hydrocarbon production of domestic industry. In the '80s, the planned economy of Romania had a strong energy sector, purpose-built to serve the socialist industry. Thus, at the end of 1989, 2,102 enterprises were operating in our country, of which 1,541 in industry and 561 in the cooperative state (Băhmăreanu, 2010:48).

What follows the 1989 revolution is a transition process in which Romanian authorities began the process of aligning to the free market economies of Western states, including in the energy sector. This process of transition in the energy industry involved

several steps, such as a reform of the entire national economic system, and in particular the energy sector which meant on the one hand, counting the number of refinements, factories, and industrial companies ineffective and shut it down. And on the other hand, those industrial sites, factories etc which have accounted for the decennial energy industry were privatized in order to encourage foreign investment, the development of a free and open energy Romanian market with the help of foreign capital to increase competition, improve services offered and energy sector development.

But all these steps taken by the Romanian state decreased activity not only in the national energy sector, but even more have decreased the value of the national energy resources on foreign markets, increased domestic consumer prices, led to increase of foreign capital that owns these resources and their management. However, it was noted that although the first years after the revolution of 1989 not only meant economic crisis, population disenchanted trying hard to reform a system which was applied to the entire society, a phenomenon of migration with a high share at the demographic level, but also attempts to obtain the acceptance of the western states in the European Union through a series of substantial reforms in the system occurring between 1997 and 2005-2006.

The energy market largely opened, so there has been a penetration of great capital and foreign investors, especially Western in the Romanian energy system: Petrom was taken by OMV Austria; Distrigaz Sud by Gas du France; Distrigaz Nord and Electrica Moldova by E.ON from Germany; Electrica Banat, Electrica Dobrogea and Electrica Muntenia Sud by Enel from Italy; Electrica Oltenia by Czech CEZ; KazMunaiGas took Rompetrol Group. And our country's refining capacity was

privatized after 1990, so far that the Romanian state has no refining capacity in majority.

In our country the energy security is a part of economic security alongside food security, banking and financial security, transport security etc. as interrelated areas which relate to optimal functioning of the whole society, and any threat or malfunction of one of these areas is a problem for the entire economy. Uncertainty and risks of all kinds that occur in the transfer of resources from the source to the consumer are complex and numerous ways, such specialists talk about energy risks, political risks, economic risks and physical risks.

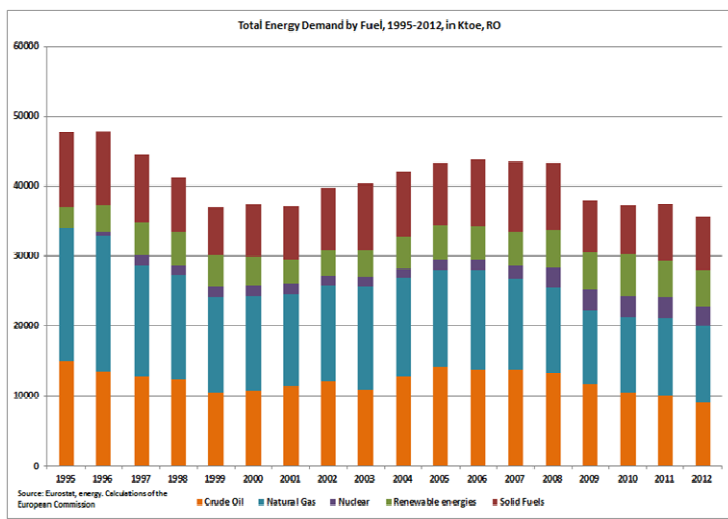


Fig.2 Energy Consumption by type of fuel between 1995-2012 in Romania (Eurostat,2012)

As we can see in Fig.2, the type of fuel in the energy mix is different every year and that is important that inside Europe, to

have a more unified energy market, with greater inter-connection, paying particular attention to the most isolated countries and crisis mechanisms to deal with temporary disruption of supply (ESES, 2009:16).

At the beginning of XXIst century, energy security is endangered by six major threats: 1) the finite nature of oil and natural gas resources; 2) global climate changes; 3) disruption of supply flows; 4) the high cost of energy for developing countries; 5) use energy revenues to support undemocratic regimes; 6) use energy as a tool of pressure (Băhmăreanu, 2010:13). Geographical regions where there are energy resources in our country, as Subcarpatii Getici, Romanian Plain, Transylvania Plateau, the Black Sea continental platform represents several decennial support poles of the industry at a disadvantage in this regard depicting the lack of studies the other reserves to be found both in our country and in the Black Sea, other than those already being exploited.

In the past another disadvantage was represented by the national infrastructure of extraction, production and transport to consumer that even after 2007 is in a continuous process of upgrading facing multiple obstacles that endanger the national energy industry productivity, raising problems in terms of environment, pollution and agreements signed and completed restructuring.

As we can see in Fig.3, Romania has a significant domestic production, therefore, Russia`s imports constitutes almost 10% of our country total demand. Maximizing imports from Hungary could cover the missing volumes, but in reality, Hungary also depends also in the Russian gas, it is therefore questionable whether this is a realistic option or not.

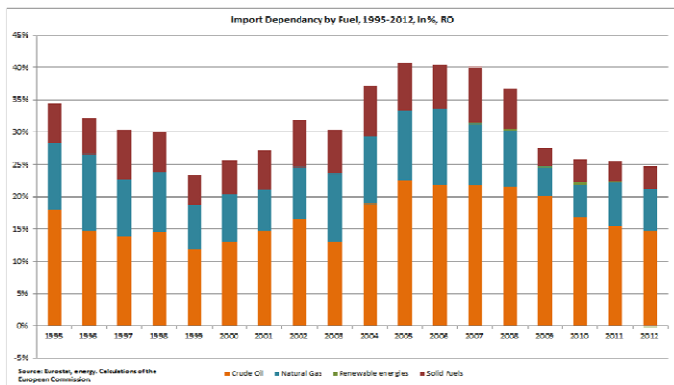


Fig.3 Imports dependency, Romania 1995-2012, (Eurostat,2012)

More important, in Romania there are deposits of oil, natural gas, coal, uranium, but mining is currently limited and, according to some studies conducted by the Romanian government those resources have a maximum life expectancy of 30-50 years. Amid protect national resources and lower consumption of low energy resources as a result of the economic crisis of 2007-2008 and the recession, Romania has become increasingly dependent on imports of oil and gas from the Russian Federation.

II.2 Energy potential in the Black Sea Region

All actors in the Black Sea region are connected in one way or another by the energy circuits between East and West. They are both large producers such as Russia or primary intermediaries and consumers of energy resources. The Black Sea region is a major hub of supply routes for Europe with hydrocarbons from Russia, the Caspian and other producing countries in the East.

Otherwise, energy policies and strategies of the actors in this area focus on the realization of these opportunities and maximize the benefits which derive from it. In this region there are

hydrocarbon resources, namely oil and gas, and representing the shortest route between the resources that they hold and transport on this route both states in the Middle East and the Caspian. The potential of this area is overshadowed by unresolved conflicts in the region, environmental issues, poor control neighbouring border states, illegal migration and organized crime.

As for the states that have interests in this region specialists classifies them into several categories: 1) countries that do not depend on external energy resources, meaning that multiple energy resources, the only state that fall into this first category is Russian Federation; 2) states that partly dependent on external energy resources, such as Romania, Ukraine and Turkey dependent on foreign imports to different degrees; 3) states that depend almost exclusively on exports of energy resources, such as Bulgaria and Georgia. Currently, the energy mix of the modern economy relies increasingly on oil and gas, even showing some analyzes that gas will soon replace oil in consumer preferences.

The consequence of this phenomenon is the emergence of a transnational system of resources, with many ramifications. The Black Sea region has become an area of strategic importance for the economy of the region is marked by "war energy routes" between Russia and the West. A number of pipelines are already in operation in the Black Sea area, such as the Druzhba pipeline, Caspian pipeline CPC (Caspian Pipeline Consortium); Blue Stream pipeline; BTC pipeline; Baku-Supsa oil pipeline; BTE pipeline (Băhmareanu, 2010:38-39).

Black Sea Security Strategy is not only a cooperation program in the energy interests of the countries bordering achievements, but is a project that both the European Union, the Organization for Security and Co-operation in Europe and the Council of Europe promotes for cross-border crime reduction projects and trafficking in human beings, drugs and weapons, and

illegal migration and increased security at borders states. Is desired an extend cooperation projects in the field of environment, transport, marine policies, fisheries, trade, regional development etc. The Black Sea region is a production and transmission area of strategic importance for EU energy security. It has significant potential for energy supply diversification and is therefore an essential element of the EU's external strategy in the energy sector. Energy supply security diversification is in the interest of our partners in the region and the European Union (CCE, 2007:5).

III. Energy Strategy of Romania between EU interests and the interests of Eastern actors

After 2007, our country has adopted a legislation in line with the *acquis communautaire* in force towards adopting an Energy Security Strategy of Romania (2007-2020) which aims to develop programs and projects in the energy and related areas such as the environment, the to achieve the objectives proposed by Europe 2020. This strategy is in line with European documents, namely the Lisbon Strategy, the European Green Paper on energy sector reviewed annually on the priorities and policies of the Union and of our country in the field. According to the document, according to the European energy policy, Romania's priorities in the field are: 1) competitiveness; 2) diversification of energy supply sources; 3) environmental protection and 4) ensuring investments to increase production capacity and development (Băhmăreanu, 2010:5).

Romanian energy system vulnerabilities are found in all stages of resource extraction, storage, transport and distribution due to aging infrastructure, losses occurred in all these stages, but also due to increased costs. There is also a reduced efficiency throughout the chain of production, transport and distribution

until the final product reaches the consumer, plus an inability recognized in recent years that is determined by the fact that there are few studies conducted in the energy sector thorough which to be determined how to improve aging infrastructure, developing a coal sector infrastructure, the discovery of new deposits of energy and alignment with EU environmental standards. These vulnerabilities can add the lack of investment in the sector, lack of technologies for each energy sub-sector, the absence of fiscal instruments, and climate change etc.

Although there are many risks and vulnerabilities in this sector, Romania can meet its own demand from domestic sources over 60%, however national and European relations believes that dependence on imports of certain energy resources such as oil and gas will increase in the future. The situation of our country is actually one of the best of European Union states with a lower than average dependency across the Union, with reserves still untapped and export of primary or secondary energy resources to neighbouring countries, Moldova, Bulgaria or Serbia and also with a low dependency on the Russian Federation and its reserves.

The European Union promotes stable bilateral and multilateral relations with the purpose of diversifying routes and energy infrastructure. The Union has launched in recent years a new neighbourhood policy in the Caucasus, Black Sea synergy, a strategy for Central Asia, an Eastern Partnership with six former Soviet states, but also the Baku Initiative for the integration of energy markets. The EU also initiated a new dialogue and intensified energy cooperation with neighbouring countries of South Eastern partners in the Western Balkans, Central Asia and Middle East as well as China, Russia, Brazil, the US and the African Union (Băhmăreanu, 2010:46).

In accordance with EU policies, our country analyzed the causes, risks and vulnerabilities, opportunities and possible alternatives that it has in terms of improving the current situation, in decreasing the dependence on imports from neighbouring countries. Thus, besides the geographical location of our country in between the energy transit routes of pipelines coming from the Middle East or from the states of the Caspian region, which until now have been new territory of neighbouring states, can add energy market liberalization, European funds for scrolling technology investments missing in the energy sector industries, providing analyzes that new studies to be discovered oil, lignite and uranium etc.

In conclusion, what should be done in the future in Romania is to develop a national framework for eventual profitable foreign investors that can bring new funds and thus foreign capital to support the development of environmentally friendly energy system given the interests of the Union for Europe 2020 of renewable resources. The stated aim of the Energy Strategy is to ensure the so-called energy independence in the context of sustainable development of Romania and the European Union. As for the 2020 strategy aims at aligning our country at 20% reduction in emissions of greenhouse gases, increasing the share of renewable by 20%, increase energy efficiency by 20% (Prisecaru, 2013:3).

In the future, our country options to ensure energy security could be: cover the needs of own resources; direct agreements with Russia; indirect agreements with Russia through the EU; agreements with other resource-rich countries of the East. Those options are not mutually exclusive but rather complement and can offer positive results if they are combined because it could provide the much-needed energy security of Romania in the medium and long term (Băhmăreanu, 2010:56).

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