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**How will the Deep and Comprehensive Free Trade
Agreement influence European energy security?**

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Acknowledgements

This paper represents the final stage of the bachelor education in European Studies. Particularly, this research has been written in a belief that the results might contribute to the literature of the European energy security and to the ambitious DCFTA of Ukraine.

Above all, this document has been created in response to past gas disputes, which reshaped the external relations of the EU, Ukraine and Russia. The idea was however spawned by the events of 2006, 2009 and 2014 when Russia cut off gas supplies to Ukraine. In this case, the dispute created dismay in Slovakia as well, which happens to be my mother country. I vividly remember these events despite the fact, that the turmoil began more than 10 years ago. In this regard, I have decided to conduct a research to examine current or expected consequences of the DCFTA on Ukrainian soil, to examine the likelihood of similar gas disruption scenario to occur in Europe in the near future again.

Additionally, this research took a protracted route to be completed, due to personal complications. However, countless hours spent researching literature and its subsequent analysis, made this paper extremely valued in my regard and hopefully for those who have helped and supported me throughout the whole process towards the conclusion.

Accordingly, my personal interests towards the Eastern Europe, and its relations encouraged me, to examine the relations between the EU, Ukraine and Russia, and their energy relations regarding to the energy security. This correlation is interlinked, and Ukraine is confined in the middle between the two powerful blocs, the EU and Russia. Ukraine's approaches towards the EU is not fully recognized by Russian counterparts. Therefore, the DCFTA has the potential to create more tension between Ukraine and Russia, and might reawaken another gas dispute. Hence, this document is for those readers, whose interest appertains to the European energy security and Ukrainian accession towards the EU. The results show that the DCFTA itself, does not represent a critical concern for the European energy security. However, a dependency on Russian gas remains in imbalance.

As a result, by dedicating my time to this research, I am positive that I have gained a rich insight and diverse knowledge regarding the European energy security, and gas relations among these three powers. All time spent on this piece was exhaustive, but instructive and motivational.

Ultimately, I thank all those who assisted and encouraged me to continue working on my thesis during turbulent times in my life. Most importantly, acknowledgement goes to Ms. Düsterhöft, for her ever prompt and helpful advice and encouragement, which has helped me to complete this research in a satisfactory manner.

Executive Summary

This research explores whether the Deep and Comprehensive Free Trade Agreement (DCFTA) between Ukraine and the European Union (EU) has the capability to influence European energy security. This ambitious agreement has resulted in certain reservations from the Russian state (Von der Burchard, 2015). As with the experience of previous gas crises that resulted in Ukraine being cut off from Russian gas supplies in 2006, 2009 and 2014, using similar geo-political vengeance might act as a tool for Russia in response to the signing of the DCFTA. Kremlin has been extremely proactive in invoking a series of retributive trade measures against Ukraine, from the moment when the ratification of the DCFTA with the EU was forthcoming in 2013 (Cenusa, Emerson, Kovziridse & Movchan, 2014).

The aim of this research is to analyze whether the DCFTA has the power to affect European energy security, and how this agreement has impacted the relations between the actors involved. Furthermore, this research examines an eventual relationship between the DCFTA and the Nord Stream Two project, which has been endorsed as a new alternative pipeline to support European energy security. Is implementing the Nord Stream Two project by Russia a factual tool to retaliate against the DCFTA Agreement being signed? (De Maio, 2016).

The purpose of this report is to document research conducted at The Hague University of Applied Sciences on the topic of European energy security and the effect of the DCFTA between Ukraine and the European Union being signed and entered into force in January 1st 2016. The core question of this research is: *“How will the Deep and Comprehensive Free Trade Agreement influence European energy security?”* In order to answer this question, the qualitative research method, in the form of four in-depth interviews, has been chosen. Pursuant to the results of the interviews, reasonable conclusions are made with ensuing recommendations based on the interviewees' arguments. This led to the conclusion, which has shown that the DCFTA does not have a significant impact on European energy security. Also, the Nord Stream Two project has had no direct influence on the DCFTA being signed and brought into effect. What the Nord Stream Two pipeline does achieve, is to subdue European gas supply alternatives and creates stronger energy dependency on Russian gas supplies (European Commission, 2013). Additionally, this document suggests examining the cross connection and its influence on the European energy security, after Ukraine has become a member of European Energy Community.

List of Abbreviations

AA	Association Agreement
CMEA	Council of Mutual Economic Assistance
DCFTA	Deep and Comprehensive Free Trade Agreement
EaP	The Eastern Partnership
EC	European Commission
ECSC	European Coal and Steel Community
ECU	Eurasian Customs Union
EES	European Energy Security
EESC	European Economic and Social Committee
EU	European Union
EP	European Parliament
Euratom	European Atomic Energy Community
IEA	International Energy Agency
LNG	Liquefied Natural Gas
NS1	Nord Stream One
NS2	Nord Stream Two
PCA	Partnership and Cooperation Agreement
SQ	Sub-question
TFEU	Treaty on the Functioning of the EU

“There is no government with friends, only governments with interests”

(Interviewee A, personal interview, August 21, 2016).

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1 Introduction

The general idea of this research paper is to determine the outcomes and consequences of the Deep and Comprehensive Free Trade Agreement (DCFTA) between the European Union (EU) and Ukraine and its influence on European energy security. The importance of this research is significant due to the concerns surrounding European energy security. As from several observations, there have been some reservations from a Russian side against the DCFTA, which might bring up uncertainty and vagueness in relations between these nations. The agreement is a new document, with a little experience since its commencement. Therefore, the significance of conducting this research is foremost, due to the unpredictable consequences that the DCFTA might result into, considering previous contentious events between Ukraine and Russia. The aim of this research is to investigate if the DCFTA possesses a potential of influencing European energy security in the near future, affecting millions of European citizens who depend on the Ukrainian gas transit pipelines. This presumption is based on the previous gas crises which occurred in 2006, 2009, and 2014 and brought uncertainty, unveiled vulnerability, and revealed high dependence on a third party country with a strong influence on the energy market in Europe. Worthy of mention, is a fact that by 2013, gas demand in Europe had not recovered to its pre-crisis levels (Honoré, 2014). Therefore, this research is designed to examine what does the DCFTA represent for the European energy security, based on the former gas crisis experiences.

This research paper will proceed with collecting all the necessary facts and figures about the newly signed agreement, since its inception, through its development and towards the present condition. Moreover, this research will observe the overwhelming events, which came into the proceedings of the agreement, its hindrances and impediments, based on the real situations of previous experiences. The main research question, as follows, is decomposed into several sub-questions, auxiliary to terminate the research:

How will the Deep and Comprehensive Free Trade Agreement (DCFTA) between the European Union and Ukraine influence European Energy Security?

The purpose of the research question is to determine, if the agreement could pose a risk to the energy relations between Ukraine, the EU and third parties and jeopardize the European energy security. In addition, this research will examine possibilities of any future gas related disputes

within the EU. Lastly, the examination of these issues, will lead towards a conclusion on alternative measures to be taken. Also, this paper will look at the recommendations to refer to a further study, that this paper has come across during its investigation.

1.1 Sub-questions

From a total of eleven sub-questions, the first one is answered below in this *Introduction* chapter. Thereafter, a subsequent five, are illustrated in the *Literature Review* section and the last four sub-questions are discussed in the *Discussion* chapter with the last eleventh sub-question answered in the *Conclusion*. The reason why these questions are divided into several chapters, is based on the relevance of each. Following are all 11 of sub-questions in a systematic order:

1. What is the Deep and Comprehensive Free Trade Agreement?
2. How did Deep and Comprehensive Free Trade Agreement develop throughout its inception and what was the objective of this agreement?
3. What is European energy security and what is its strategy?
4. How is the strategy of the European energy security developed?
5. What is the importance of European energy security with regards to the gas trade?
6. What is European Neighborhood Policy (ENP) and why is its key element in European Energy Security?
7. What are the effects of the Deep and Comprehensive Free Trade Agreement on European Energy Security in terms of a gas dispute?
8. What effects will the Deep and Comprehensive Free Trade Agreement have on the gas trade relations between Ukraine and Russia?
9. What is the influence of Deep and Comprehensive Free Trade Agreement on the relations between the EU and Ukraine, and the EU and Russia in terms of the gas trade?
10. What measures can be taken to ensure European energy security during a gas dispute?
11. What regulations could be amended by the EU in the DCFTA in order to keep Ukraine-Russian relations stable?

1.2 Structure

The research question is expounded into several sub-questions in order to systematically and gradually come to a reasoned result of this study. The objectives of the sub-questions discuss the development of the DCFTA, its context with European energy security and ENP. However, this research led to other closely related subject matters emerging from the interviews with one of the interviewees. Thus, the Nord Stream Two pipeline project will be further examined in this paper, as it has a substantial impact on the European energy security. This input learnt from the primary research, was indicated as having a significant importance regarding to the European energy security.

This research begins with a short preface serving as an *Introduction*, where the main key terms are being introduced and the principal points are accounted. Moreover, this chapter presents research question and its sub-questions which are briefly acquainted. Subsequently, *Methodology* chapter explains the procedure of conducting this research, where the secondary and primary means are clarified. In the following *Literature Review* chapter, a comprehensive background is being elaborated. Herein, all the necessary events are given more room for a detailed interpretation. All the used literature in this chapter, is mainly collected from the academic sources and websites of the main institutes of the EU. Thereafter, an interpretation of interviews is presented in a *Results* chapter, where the findings are straightforwardly scripted and also can be found in the *Appendices* at the end of this document. The remainder of the sub-questions are noted in the following *Discussion* chapter, whereto additional information is elaborated on, based on the findings from the prior chapter. Here, a denouement of all the collected data is being discussed, with additional direction towards the Nord Stream Two (NS2) project. Lastly, a *Conclusion* chapter reveals a resolution of this research paper. This study has accomplished a well-grounded outcome with an advised further recommendation to be conducted in a distinct research project.

Likewise, this research is of critical significance, considering the high importance of European energy security, which has gone through several disorders with acute consequences affecting millions of European citizens. Similar research to this subject has not been conducted yet, and these measures needs to be considered and recorded. European energy security has been exceptionally shaken mainly from the eastern energy market players and the DCFTA might be observed as a tool to manipulate the participants in favor of a dominant key player, in this case Russia and its authorities (European Commission, 2016).

1.3 Labeling

Regarding the subject matter of this dissertation, the focus is put on three actors, the EU, Ukraine and Russia, with different and possibly contrasting points of view, regarding international relations and their application to the DCFTA. Therefore, this research labels three main actors of this research as the EU, Ukraine and Russia. When referring to the 'EU', the target is the main institutions of European Union and its representatives in cast. In instances when pointing at a term 'Ukraine', 'Ukrainian' or 'Kiev', the targeted actors are the Ukrainian political authorities, in charge of functioning of the political domain in Ukraine. Lastly, in cases when using a term 'Russia', 'Russian', 'Putin' and 'Moscow' the denotation refers to the Russian authorities in the Russian political domain. By using the term 'Gazprom', this applies to the Russian concept as well.

1.4 Introduction to the controversy of the DCFTA

The following chapter will answer the first of the 11 sub-questions. The sub-question explains the term of DCFTA, and provides a comprehensive clarification of the agreement and its subsequent occurrences, which happened during the agreement's formation. The sub-question is as follows:

1. What is the Deep and Comprehensive Free Trade Agreement (DCFTA)?

The DCFTA is one of the EU's most ambitious bilateral agreements so far (European Commission, 2013). Moreover, this agreement is the most complex the EU has ever offered to a third country (European Commission, 2016). It is a part of the Association Agreement (AA) between the EU and the Republic of Ukraine, the most important chapter of which, in this research paper, being Chapter 11 on Trade-related energy. This agreement is the first Free Trade Agreement document including specific provisions regarding trade related energy issues. Taking into account that Ukraine is already a member of the Energy Community Treaty, which includes an obligation to execute the most substantial EU energy *acquis* on electricity and gas, the chapter in this Agreement also includes provisions for dispute settlement procedure (European Commission, 2013).

Since January 1st, 2016, DCFTA has become the new legal basis and framework for EU-Ukraine relations. This new deal promises to bring more opportunities, for sustainable economic development and profitability, to all regions of Ukraine, and likewise for its neighbours (Delegation of the European Union and Ukraine, 2016). The AA in terms of its scope and thematic coverage, is the most significant international legal document in Ukrainian history. Additionally, it is also the

biggest international agreement with a third country ever contracted by the European Union (Cabinet of Ministers of Ukraine, 2015).

However, considering all the preceding gas disputes in 2006, 2009 and 2014, European citizens remain susceptible to a new gas crisis (Ashton, 2015). The events from ten years ago illustrated the level of European vulnerability, resulting in EU leaders increasing efforts towards energy security. Nonetheless, more than ten years after the first and second gas crisis, the European approach to the security of gas supply has remained unchanged, bringing uncertainties for the future of European energy security (Tagliapietra, 2016).

One of the initial major gas disputes occurred in January 1st 2006, when Russian gas giant, Gazprom, cut gas supplies to Ukraine, because of a failure to reach agreement. The demands of Russia stipulated an increase in price from \$50 to \$230 per 1,000 cubic metres. However, Ukraine refused to agree to pay such a large increase and wanted any changes phased in. Ukraine and some Western commentators claimed, that Russia raised the prices to punish Ukraine's withdrawal from Moscow's sphere of control, while at the same time strengthening ties with the EU and NATO. Russia contradicted this argument, claiming it simply wanted a realistic market price for their gas (BBC News. 2006). The dispute was settled under a deal resulting in Ukraine buying gas from a Swiss-registered company, half-owned by Russian Gazprom, called Rosukrenergo (BBC News. 2006). Ukrainian Prime Minister Arseny Yatseniuk said "But it is not about gas. It is a general Russian plan to destroy Ukraine. It is yet another step against the Ukrainian state and against Ukrainian independence" (EurActiv with Reuters, 2014, para. 15). In other words, Russia is averse to the possibility of Ukraine forming closer ties to the EU.

Three years later, another gas conflict hit Ukraine and other countries of European Union with more serious impact than the one from 2006, when within four days, the crisis was over and flows were returning to normal. On January 4th 2009, Russian Gazprom claimed that Ukraine "stole" 50 million cubic metres (Pirani, Stern & Yafimova, 2009, p. 19). Ukrainian Naftogaz declassified the actual daily volumes showing a disparity of only technical gas used by the network over the certain period. Technical gas also known as a fuel gas, is the fraction of transported gas required to run the compressor stations. A few days later on January 7th, a more serious phase of the dispute began when Russian gas was discontinued completely to the countries in south-east Europe for 13 days, Russia and Ukraine blamed each other for causing the problem. After efforts to reach an agreement, initiated by European Union, a last minute issue arose when Prime Minister Timoshenko, as the final party to sign the settlement, "appended a handwritten note to the effect

that her signature was subject to a 'declaration', which effectively restated the Ukrainian commercial position blaming the Russian side for the entire episode" (Pirani, Stern & Yafimava, 2009, p. 23). Eventually on January 19th 2009, new contracts covering supply and transit were negotiated and signed, gas flows to Europe were restarted and three days later they were returning to normal levels (Pirani, Stern & Yafimava, 2009).

Lastly, one of the most recent gas crisis from 2014, caused the unpredictability which resulted from the Russia-Ukraine crisis, encouraged the Commission to draft a European energy security strategy (EESS). The Commission passed stress test with an aim to set emergency plans in order to establish backup mechanisms. As a result, the European Union is better prepared for any potential gas crisis, than in the previous events from 2006 and 2009 (Gas in Focus, 2013).

As a result, gas crises between Ukraine and Russia, proved that Ukraine should be more cautious of its vulnerability, and be prepared to any scenario similar from the past events if they emerge again. The EU was notified about the Russian opposition to the creation of DCFTA, and was urged to rapidly alleviate concerns coming from Russia, with regards to the implementation of the DCFTA with Ukraine (Jozwiak, 2015). It is a fact that, Europe receives more than 80 percent of Russian gas supplies through Ukraine, which represents about a quarter of European natural gas imports coming from Russia. This energy dependence particularly affects some of the new EU member states, who are completely depending on Russian supply (Chov, 2009).

2 Methodology

Following chapter refers to the process of conducting this research from collecting the secondary data with the information acquired from the primary research. Thereafter, research methods are comprehensively explained, providing an insight of the approach, on how this research paper was brought into being. Therefore, this chapter starts with the conceptual framework, to provide a clear explanation of the purpose of this research. Subsequently, the specific research methods selected are outlined as follow, describing the procedure of acquiring of the data. Later on, the secondary data is briefly explained below, yet extensively illustrated in the p following chapter of *Literature Review*, in order to provide a theoretical background of this document. In addition, primary research section is clearly clarified in the following section in this *Methodology* chapter, which is the only source of data collected within the primary research. Lastly, ethics and limitations are illustrated, which concludes this chapter, and transits to the next chapter of *Literature Review*.

2.1 Conceptual Framework

Conceptual framework is a key part of a research, having key factors, concepts and variables and its presumed relationship among them, to be examined (Maxwell, 2013). Therefore, the aim of this research is to study the impact of the DCFTA on the European energy security, and the energy security of Ukraine, both being influenced by Russian authorities. The entire energy relationship among these actors is well explained in the *Literature Review*, secondary research section. The agreement caused uncertainties among the European and Ukrainian scholars, as it is clearly stated in the article shared on the Centre for International Initiatives saying “The effects of DCFTA are riddled with uncertainty, with some predicting a fundamental redesigning of the politico-economic map of Eastern Europe” (Şek, 2012, p. 24). Therefore, the aim of this research is to examine, if the concerns regarding to the effects of the DCFTA are alarming and well-grounded.

2.2 Research Methods

Throughout this research, two types of research methods were used. These methods were afterwards analyzed and compared to come to a rational conclusion. Reviewing other research is one of the research steps in this paperwork (Garner, n.d.). The initial focus was therefore put on a comprehensive understanding of the literature found in the academic paperwork, or articles shared online. The information found was used in this study, which thereafter was employed to create questions for the planned interviews. A great deal of findings about the topic that other

researchers have written was found, which revealed where the gaps in the research literature are. In this sense, the material about the DCFTA in connection with European energy security was lacking to support this research. For this reason, four semi-structured interviews were conducted to fill these gaps in the missing literature.

Moreover, this research refers to the event of a gas crisis from 2006, 2009 and 2014. All three events were affecting European energy security, and these discrepancies were caused between the EU, Ukraine and Russia. These three examples are used as case studies to point at, in comparison with the DCFTA and its potential gas crisis formation. This descriptive technique has helped this research to build its research methodology (Garner, n.d.; USC Libraries, n.d.).

Furthermore, this research has a set research question rather than creating a hypothesis instead. The original version of the hypothesis is as follows:

If the DCFTA continues in force and close trade relations are maintained between Ukraine and the EU, then

- **the likelihood of gas crisis in Europe is increased.**
- **it will weaken the gas trade relations between Ukraine and Russia**

This version of hypothesis was approved when the thesis proposal was initially accepted. However, after a number of meetings scheduled with Ms. Düsterhöft, the use of the hypothesis was discarded, on the advice of the supervisor, based on the nature of the research involved. This advice was taken into account, and work proceeded without reflecting on hypothesis, but rather on the main research question. Creating a research question is generally used for *exploratory* research. This method is used when researchers have less past knowledge to focus on in creating conjectures about the potential relationships between variables (Trader, 2013). The research question arose out of a perceived knowledge deficit within a subject area, in regards to the DCFTA and European energy security. As explanatory research seeks to illustrate why and how there is a correlation between two or more features of a situation or an occurrence, this research will proceed with the same pattern, to acquire the necessary findings (Research Methodology, n.d.).

2.3 Inductive research

According to the David R. Thomas from University of Auckland, on *A General Inductive Approach for Analyzing Qualitative Evaluation Data*, “Inductive approach is a systematic procedure for analyzing qualitative data in which the analysis is likely to be guided by specific evaluation objectives” (Thomas, 2016. p.238). These evaluation objectives are results put into the interview questions, in order to proceed to the conclusion. The whole *Literature Review* section (see the following chapter), is realized throughout multiple readings of raw data, which is one the inductive component. All the results from the literature arise directly from the analysis of the raw data, but also from the observations from the former events of the energy security, in regards to the former experiences from 2006, 2009 and 2014. Therefore, the initial commencement with gathering raw data from the literature found on the internet and several academic sources, is a result of applying an inductive approach to this research paper. Subsequently the generation of new theory emerged as a result of this approach.

2.4 Policy Analysis

This research conducts policy analysis as it is a rational and systematic approach in a public sector. Its purpose is to assist policymakers in deciding to choose “a course of action from among complex alternatives under uncertain conditions” (Walker, 2000, p.12). This research is not meant to replace or override the discernment of the policy makers, rather the aim is to present an improved basis for the exercise of the discernment by assisting to illustrate the problem. Furthermore, this study presents recommendations, in regards to the prior events to the present DCFTA stance (Walker, 2000). The policy analysis in this research starts off with an identification of the problem and then subsequently identifies the objectives of the research. Furthermore, it comes up with an alternative policy to be evaluated and monitored for the further research. As the Warren E. Walker in a *Journal of Multi-criteria decision analysis* mentions, “The most convincing analysis is one that a nontechnical can think through” (Walker, 2000, p.16).

2.5 Secondary research

Furthermore, in order to collect desirable results in this research paper, a qualitative approach has been undertaken. This approach aims to broaden understandings, looks at “real-life” context and researches a new area where questions are not understood or properly recognized (Hancock, Ockleford, & Windridge, 2009). Secondary research and analyzing of existing data, encompass

obtaining datasets from researches, that have already been accomplished and are conducted to be used to answer new questions that emerge. Its main advantage is that “it eliminates the time and expense of gathering data and relies on high-quality, reliable data collected by experts” (Sautter, 2014, p. 24).

All the secondary data can be found in the following chapter of *Literature Review*. This detailed exposition describes the most important events of the formation of the DCFTA and its influence on the European energy security. Moreover, the secondary data illustrates a slight rerouting in regards to the sub-questions in this paperwork. This modification was initiated by one of the initial interviewees as of from Interviewee A, who implied to examine the NS2 pipeline project, as one of the political means used by Russians, to hinder Ukrainians interests and European energy security.

2.6 Primary Research

2.6.1 Interviews

On the whole, according to the authors of *A Gentle Guide to Research Methods*, “it’s usually primary research that answers the important questions, the ones that other people also want answered” (Rugg & Petre, 2007, p.32). According to them, the breakthroughs usually come after applying this method of primary research, which highlights the reason of why it is so highly valued in academia. (Rugg & Petre, 2007, p.32). In regards to primary research, four semi-structured interviews have been conducted to collect the most important data to infer the research question. Moreover, choosing to conduct interviews rather than creating questionnaires, surveys and focus groups, is considered as the most appropriate procedure concerning the fact, that the personal conversation with the participants will allow the interviewee to express his or her concerns clearly with valued details. Some of the interview questions could be perceived as arguable and allowing the interviewee to speak freely was the foremost interest in this research. Having the opportunity to talk to the participant directly, with a chance to add any additional questions if necessary, is believed to be the most reasonable approach within the primary research.

Therefore, semi-structure or in-depth interviews were designed, for each interviewee separately, based on his experiences. This type of interview is believed to be the most suitable to use, when there is a smaller chance to interview someone again (Cohen & Crabtree, 2006). Nevertheless, all the participants have limited time due to their personal responsibilities, and to schedule an interview with them was rather difficult. However, semi-structured interview provides “reliable

and comparable qualitative data” with an advantage to ask open-ended questions, giving an interviewee an opportunity to pick other relevant topics that may not be included into the beforehand prepared interview questions (Cohen & Crabtree, 2006, para. 3). Nevertheless, this type of interview provides an opportunity to “identify new ways of seeing and understanding the topic at hand” (Cohen & Crabtree, 2006, para.5). The discussion will allow these participants to bring new points and add different insights to the issue.

Moreover, this approach was used to answer the majority of sub-questions of this research document. Additionally, this technique is explicitly effective when further explanation is necessary, in order to fully understand the answers (Ty, 2013). These types of interviews enable the interviewer to be prepared, and appear qualified during the interview (Cohen & Crabtree, 2006). Such semi-structured interviews “are one of the main methods of data collection used in qualitative research” (Ritchie & Lewis, 2003, p.139). Each of the addressed interviewees was asked personally tailored questions according to his or her expertise.

Nevertheless, a qualitative research is an ideal approach to analyze data without “destroying complexity and context (Atieno, 2009). However, implications came into being when one of the interviewees, who possesses rich experiences relevant to the issue of this research, refused to speak on behalf of the company for which he/she works. In fact, the interviewee disallowed implying to spoke on behalf of the company and provided an interview based on his/her personal experiences from working at the company. On the other hand, this impediment did not directly influence the results of the research. However, since the research topic is a sensitive matter, interviewee’s condition was acknowledged in regards to their protection to prevent them from any risks that might cause harm, such as loss of employment, distress or damage to financial standing (Atieno, 2009). The labeling of the interviewee is explained later in this chapter under *Interviewees* sub-heading.

These intrusive semi-structured interviews were enriched by four interviewees, who are specialized in fields of energy politics, international relations and energy security. All these four participants were carefully chosen and approached to, based on their professional experiences and skills that they obtained throughout their professional activity. Regarding the interviewees, a special care was given to prior research based on each interviewee’s expertise in order to create tailored questions for each participant. Moreover, interviewees were given time to raise new points for an additional discussion. The aim to conduct semi-structured interviews was to acquire perception through the

perspectives of the expert participants, and therefore the focus was put on what each interviewee said, rather than the exactness of the recordings. For this reason, the interview transcriptions were written in denaturalized transcription, which does not focus on involuntary vocalization, but applied attention to the “meaning and perceptions created and shared during a conversation” (Oliver, Serovich, & Mason, 2005, para. 17)

Furthermore, all four interviews were conducted via Skype call, or via a phone call, which was recorded on an electronic device. All the recordings have been saved on the external drive, archived for a period of 8 months. Furthermore, the interviewees were informed beforehand about their rights as participants of this research. All four interviewees received a *Letter a Consent*, which contain their rights as an interviewee of this research. This document can be found in the *Appendices*, found at the end of this document. Furthermore, all four participants were primarily contacted via their personal e-mails and also via one of the interviewee’s personal social media account (N. Kapitonenko), for a reason that an e-mail could not be found.

2.6.2 Interviewees

2.6.2.1 Interviewee A

Regarding to the first interview, it was not in power of this research to introduce a name and a name of the occupation of the interviewee, because of the sensitivity of the research topic. Interviewee agreed to participate in the research by participating in an interview, under the condition of anonymity. Therefore, the name will not be revealed, and this paper will refer to the interviewee as ‘Interviewee A’. Interviewee A, works for a large Russian gas company, the name of which will not be mentioned at the request of the Interviewee A. The interviewee has rich experiences from working within other gas companies, and therefore the interviewee’s contribution is deemed to be valuable. As Interviewee A decided not to reveal his identity, he also refused to sign the Letter of Consent, which covers his rights as an interviewee. This however, does not mean for the research any obstructions, as the interviewee gave a verbal consent to publish his comments. Therefore, this research has acknowledged his decision and refers to his arguments as in Interviewee A.

2.6.2.2 *Nickolai Kapitonenko*

Subsequently, second interview was compiled with PhD. Nickolai Kapitonenko, or as other sources refer to him as Mykola Kaptitonenko, is an Associate Professor at the Institute of International Relations of Kyiv National Taras Shevchenko University. Moreover, he is also a Director to the Centre of International Studies, an NGO, which specializes at regional security studies and Ukrainian foreign policy. Mr. Kapitonenko has teaching experiences at the Diplomatic Academy of the Ministry of Foreign Affairs of Ukraine. His principal research focus concerns conflict studies and Ukrainian foreign policy, as well as writing textbook on international conflict studies, a monograph on power factor in international politics, and more than 60 articles on different foreign policy and security issues, as the first Ukrainian analytical journal on International Relations, Politics and Economics, *Ukraine Analytica*, presents on Mr. Kaptitoenko biography (UA: *Ukraine Analytica*, 2016). Mr. Kapitonenko was addressed based on his article called *Ukrainian Energy Security: Between Mortgage and Profit*, which was published on *The German Marshall Fund* of the United States (Kapitonenko, 2012). This article talks about the major energy challenges and energy security, which this research is using in the *Literature Review* chapter. For this reason, Mr. Kapitonenko was contacted to clarify a few points from his article, which of a transcript of this interview can be found in the *Appendices* of this document. Throughout the absorbing interview, Mr. Kapitonenko referred to Mr. Alexander Duleba, mentioning him as a valuable person to contact regarding to this research. Moreover, Mr. Kapitoneko also suggested an article called *Unclear and present danger: Russia's geoeconomics and the Nord Stream II pipeline* written by Mr. Antto Vihma and Mikael Wigell (Vihma & Wigell, 2016), whose article refers to the NS2 pipeline, the one formerly mentioned during an interview with Interviewee A. For this reason, Mr. Antto Vihma was contacted, and he agreed to schedule the forth and the last interview of this research paper.

2.6.2.3 *Alexander Duleba*

As of the third interview with Doc. PhDr. Alexander Duleba, he is a Director and principal investigator of Eastern Europe program and he devotes his professional career to a research on foreign policy of Slovak Republic, domestic and foreign policy of the former countries of USSR, mainly of Russia, Ukraine, The European Neighbourhood Policy, and the energy politics of Slovak Republic, Visegrad Group and the European Union (Slovak Foreign Policy Association, 2016). Mr. Duleba provided a detailed interview with specific information from the USSR's history and development of the EU's energy policy.

2.6.2.4 Antto Vihma

Lastly, the fourth interview with PhD. Antto Vihma, was conducted based on his article mentioned above, from November 2016, where he elaborated on the effects of the NS2 project. Mr. Vihma works as a Senior Research Fellow in the Global Security Research programme at the Finnish Institute of International Affairs in Helsinki, Finland. He specializes on the issues of “legitimacy and effectiveness of international agreements, the politics of international law, mutual negotiations, geostrategy, and energy issues in external relations” (University of Eastern Finland, 2016). He is an author of a number of policy briefs on energy issues and a manuscript on geoeconomics as a foreign policy paradigm. His article in a collaboration with Mikael Wigell, called *Unclear and present danger: Russia’s geoeconomics and the Nord Stream II pipeline*, published on a *Journal of Global Affairs*, which was an initial supporting document speaking about NS2 pipeline, cited in this research (Vihma & Wigell, 2016). For this reason, his agreement to assist as an interviewee in this research, has brought a relevant material into this paperwork. Even though, as Mr. Vihma mentioned during the interview that he does not consider himself as an expert regarding to the DCFTA, his expertise in above mentioned fields is pertinent and his insight on this matter is considered enriching this paper.

However, unfortunately the first interview with Interviewee A, went through disturbing technical problems, and as a consequence, the recordings does not have a clear sound and inarticulate. Though, the transcription is precise as much as possible and its cited parts are illustrated in *Results* chapter and reasoned in a *Discussion* chapter. Moreover, during the same interview, Interviewee A clearly asked about an opinion of the interviewer, regarding to the topic of this research. Having little experiences with conducting an interview on such high skilled level, interviewee’s subjective point of view was expressed. On the other hand, this thought does not affect Interviewee’s statements, and therefore this research’s outcome. Therefore, this interview is regarded as a *test interview*.

Additionally, an interview with Mr. Alexander Duleba was held in Slovak language, which is a native language of the interviewee and interviewer. This language advantage allowed the speaker to expressed his point of view clearer and more detailed. Notwithstanding, the interview is fully translated and transcribed, and can be found in the *Appendices* as well. However, Mr. Duleba’s passion regarding to the topic is evident from both of the transcripts, where the interruption of the interviewer by Mr. Duleba, caused the interviewer not being able to fully finish an *introduction* of the interview and its following interview questions. On the other hand, Mr. Duleba’s interjecting during the talk was caused to correct the interviewer, and emphasize the correctness of what he

believes. His input into this paper is considered as highly valuable, because of extraordinary explained and specific details from the history, and past experiences of the European energy security.

2.7 Ethics

Promoting the pursuit of knowledge and truth ethical considerations must be paid attention to, as this is a primary goal of this research. Furthermore, the importance of ethical considerations, adopted codes and policies that highlight ethical behavior such as honesty, objectivity, respect for intellectual property, social responsibility, confidentiality and non-discrimination are crucial elements that this research document will respect, in order to pursue an objective analysis (CIRT, n.d.). In order to avoid misleading results, ethically sound research is an essential concept of scientific inquiry (Kjellström, Ross, & Fridlund, 2010).

Additionally, this research is based on the principle of voluntary participation of people rather than coercion, when it comes to taking part in the research. From a legal point of view, it is necessary to agree on an informed consent of an interview before the information from the interview is used (University of Leicester, 2016). As a result, this is a voluntary participation, and it was derived through a formal consent, which means that each interviewee was fully informed about the procedures and conditions involved in this project, and gave his consent to participate. This formal agreement is settled in a *Letter of Consent* which can be found in the *Appendices* of this document. On the whole, three out of four interviewees signed the the Letters of Consent. However, on interviewee refused to sign it and asked to not to reveal his identity, throughout the whole research. Therefore, only three of the signed contracts can be found in the *Appendices*. Besides, all four Letters of consent were delivered via e-mail and again received signed with an accord from three interviewees. This research guarantees them, among others, confidentiality and assures them that the information they reveal will not be made available to anybody who is not directly involved in the study (Trochim, 2006).

Moreover, all interviews were audio recorded, and these audio recordings have been stored in an offline medium, with no personal information attached. These recordings will be saved for a period of 8 months from the date of submission of this research paper. These recordings will not be re-used subsequently after this period expires. Thereafter, all interviews were carefully transcribed, and are included in the Appendix. An interview with Mr. Alexander Duleba was executed in Slovak language, therefore the transcribe of the interview is written in both Slovak and English languages.

The rest of the interviews are transcribed in English, as all three recordings were in the same language.

Consequently, this research paper is believed to present well-balanced results, by merging and comparing secondary and primary research, which has resulted into a reasonable conclusion. Therefore, the results of the qualitative research tended to support the conclusion of this research. On the other hand, the questions that were tailored for each interviewee carefully, might be biased on account of the secondary data that this research is built on. This phenomenon is however inevitable, yet giving interviewees open questions and space to state their opinion, provide unbiased results for this research. On the other hand, statements of the interviewees are found to be a subjective for the sake of their experiences.

On the other hand, to avoid biased, unreliable and inaccurate conclusions, being objective is an ideal approach for science. In contrast, subjectivity is seen as a problem. According to the Q Methodological study of subjectivity and objectivity by Maria Karimova from Eastern Michigan University, "subjectivity needs to be included in science to make things more realistic." (Karimova, 2014, p. 6) In other words, subjectivity is introduced as "a pollutant to objective knowledge, [and] all knowledge is known by humans and therefore constrains subjectivity" (page 6). Ms. Karimova further explains that social groups focus too much on discussing subjective issues, such as feeling and opinions rather than on objective issues. Therefore, she claims that subjectivity should not be ignored from science, in particular in social science that research humans. Furthermore, in the same document, the author says that it is believed that "An 'objective' truth, just as an absolute truth, is an ideal that can never truly be achieved. Subjectivity is often received as a complication, meanwhile objectivity is a perfection which concludes that science is simply taken to be objective without doubt. Karimova states that everything is explained and understood in different ways by every individual, hence nobody's stance and point of view can be absolutely objective. This regard embeds subjectivity into all objectivity (Karimova, 2014).

2.8 Limitations

During the research, one limitation was encountered and regarded as inevitable. Despite the focal point of the inception of relatively new DCFTA, there has been only a quite short period of functioning of the agreement from the observation point. Therefore, taking into an account of a period of 12 months (from January, 2016) was rather challenging in terms of collecting the data released by any European institution or the Ukrainian and Russian press releases. In other words,

the information shared regarding to the European energy security in a connection with the DCFTA, was not as sufficient. However, by collecting information via primary research through conducting substantial interviews, concluding results were successfully finalized.

2.9 Conclusion

To summarize the above lead, in regards to the research question, the DCFTA and the European energy security functioning, will be subsequently answered by means of applying qualitative data to come to a successful finalization of this research project. Moreover, this paperwork applies a policy analysis method with an inductive approach. In total, this research has completed four diverse interviews, enhancing this document with valuable information, further illustrated in *Results* and *Discussion* chapter. In a subsequent ethics section one limitation was encountered, which finalizes this chapter and moves on to the next section of *Literature Review*. Thereafter, in the following chapter of *Literature Review*, a secondary data gathered from various academic sources and verified online publications, build a solid background of this research paper.

3 Literature Review

To assess the current state of the research topic, below are the findings from secondary sources, determining what is already known and where the gaps are in the literature that demand further research. On the basis of this chapter, this research has gained a solid foundation of knowledge regarding the DCFTA and European energy security. Furthermore, this chapter provides a review of the origins of the DCFTA, until the present day. Also, it explores why the agreement is so substantial regarding the relations between the EU and Ukraine, and it highlights the importance of the agreement and its impact on European energy security.

Subsequently, European energy security strategy is comprehensively explained, as this represents a vital bridge in understanding the importance of the agreement between the EU and Ukraine. Additionally, the ENP is interpreted in detail, as an important element of European energy security. Also, it is important to note that a crucial reason for the antagonism, was that Russia wants Ukraine to join the Russian-led Eurasian Customs Union (ECU), and not the European Union AA/DCFTA. Ukraine should not be blackmailed to decide which avenue they should choose (Bach, 2015). It is in Ukraine's foremost interest to ensure that a country has the right to decide which path they should take without negative domestic or international repercussions (Bach, 2015).

As it has been initially mentioned, the research question is based on the previous real and dramatic events between the EU, Ukraine and Russia, as the main actors in this discussion. Although, Russia, as a third actor, is not incorporated into the main research question and its sub-questions, it is substantial to include this player into the center of attention of this research. This is explained further in this chapter. Therefore, this section illustrates the connection of the DCFTA with the European energy security and Ukraine's inclination towards the West rather than to Russia, and the subsequent responses from its Russian counterpart. Also, this chapter brings up the concept of the Nord Stream Two (NS2) pipeline, which has become an important factor having an impact on European energy security. The attention to such a project is considered as a very important aspect in this regard, filling a gap in the existing literature in connection with the DCFTA.

3.1 Gradual development of the Deep and Comprehensive Free Trade Agreement and its objective

This section answers the first sub-question of this research. The answer will provide a detailed history of the agreement from its inception until the present day. The sub-question is as follows:

2. How did Deep and Comprehensive Free Trade Agreement (DCFTA) develop throughout its inception and what was the objective of this agreement?

Before this section proceeds to discuss the concrete development of the DCFTA, it is essential to begin with its initial origins before the DCFTA come into being. Thus, to cover this sequence of development this section will commence with its predecessors, such as Partnership and Cooperation Agreement (PCA), Association Agreement (AA) and lastly the DCFTA.

According to a Factsheet published by The European Council and Council of the European Union, the development of the agreement is as follows. Set relations between the European Union and Ukraine were built on the PCA, which entered into force in 1998 (Council of the European Union, 2009). Following this accord, the former EU Commissioner Peter Mandelson, and Ukrainian President Viktor Yushchenko, started negotiations and settled the AA, ratified at the Paris Summit in 2008. The EU-Ukraine AA was the first case of Association Agreements with Eastern Partnership countries, whose negotiations on this “comprehensive, ambitious and innovative” agreement between these two authorities were introduced already in March 2007. (European Union External Action, 2014). Consequently, starting in February 2008, the EU and Ukraine commenced negotiations on the DCFTA, as a core component of the AA (European Union External Action, 2014).

Subsequently, in December 19th 2011, three years after the Paris Summit, at the 15th Ukraine-EU Summit the leaders of the European Union and Ukrainian President Victor Yanukovich, considered a common understanding on the text of the AA. Then, on March 30th 2012, the chief negotiators of the EU and Ukraine deliberated the text of the AA. This included provisions on the establishment of a DCFTA as an integral part of the agreement. The chief trade negotiators from the EU and Ukraine initiated the DCFTA part of the Agreement on July 19th 2012. Both of the parties demonstrated their common commitment to undertake further technical steps necessary to achieve completion of the AA (European Union External Action, 2012).

Controversy, in November 2013, then Ukrainian President Viktor Yanukovich, refused to sign the DCFTA, which caused a mass civil unrest that brought hundreds of thousands of Ukrainian citizens to the streets to protest against the President’s decision (Panahov, 2016). Yanukovich’s decision led to the so-called ‘Euromaidan’ demonstrations to demand the signature of the DCFTA and closer European integration. The decision of the Ukrainian government, started a groundbreaking chain of events which reshaped not only the political situation in Ukraine but also “the peace, stability

and security in Europe” (Van der Loo, 2015, p. 115). In November 30th 2013, violent repression of the protests increased and the resignation of President Yanukoych was called for. Remarkably, even though the oppression led to acute violations of human rights and fundamental freedoms and the use of grossly disproportionate force against the ‘Maidan protesters’ was witnessed, the EU repeated its commitment to sign the DCFTA, “as soon as Ukraine [was] ready” (Van der Loo, 2015, p. 116). Despite the reported contraventions being in striking contrast with the “shared values” laid in the agreement, it seems that the EU did not want to forfeit the agreement and therefore, it was willing to push it forward. After Yanukovich’s dismissal, an Interim-Government under the control of the pro-European A. Yatsenyuk, stated its ambition to sign the DCFTA “as soon as possible” (Van der Loo, 2015, p. 117). At length, this agreement was eventually signed on June 27th 2014, soon after the presidential elections on May 25th 2014 where the winner of the elections was pro-European businessman Petro Poroshenko. During the signing ceremony, Ukrainian new President Petro Poroshenko expressed that “it took Ukraine 7 long years to walk the terrible, thorny road towards the political association and economic integration with the EU” (Van der Loo, 2015, p. 120).

However, on April 6th 2016, the DCFTA of Ukraine and the EU, was overwhelmingly rejected by Dutch voters in a referendum. The agreement came into provisional effect in January and had already been signed by all other EU nations and Ukraine. Dutch Prime Minister Mark Rutte stated that he is politically stuck and he does not see a chance that the agreement will be ratified in the Dutch Senate and lower house of parliament (Gotev, 2016). The Dutch see this step as Ukraine seeking to create closer economic and social ties with the EU. Therefore, the DCFTA has been in a provisional effect for now waiting for the Netherlands’ decision on ratification. (Gotev, 2016).

In order to address the legal development of the DCFTA, this agreement is a part of the broader Association Agreement, which was provisionally applied in November 2014 (European Commission, 2016). Implementation of the AA was a challenge at first. According to the Policy Brief (2014) by European Policy Centre, Russia’s policy towards Ukraine increased the appeal tremendously for the Ukraine (Wolczuk, 2014). Russia has consistently depicted the AA in a negative light, claiming it is a “suicidal pact” for Ukraine and that Russia would work to avenge Ukraine’s European choice. Russia’s “punishment” for Ukraine’s westward orientation has been already distinct (Wolczuk, 2014, p.3). Through this strong position, Russia claimed “to utilize a full spectrum of punitive measure to exploit Ukraine’s dependency on the Russian market, aside from any other forms of direct intervention” as summarized by Wolczuk (Wolczuk, 2014, p.3).

To clarify the differences between the AA and DCFTA, it is essential to explain that the AA and the DCFTA “go qualitatively beyond” the preceding PCA (European Union External Action, 2015, para. 1). The AA aims at the development of EU-Ukraine contractual relations, focusing on political association and economic integration. In particular, this consensus focuses especially on core reforms, on economic recovery and growth, governance and sector co-operation in areas such as energy, transport, industrial and small and medium enterprise cooperation, social development and protection, equal rights, consumer protection and others (European Union External Action, 2014). In contrast, the DCFTA goes much further than the standard free trade area. It predicts the “binding provision on gradual approximation with EU norms and standards in trade and trade-related areas” from one of which is also “trade facilitation, public procurement, competition and strong binding provision on trade-related energy aspects, including on investment, transit and transport” (European Union External Action, 2015, para. 8). Moreover, the DCFTA agreement stipulates for “a shared commitment to a close and lasting relationship, based on common values, in particular full respect for democratic principles, rule of law, good governance, human rights and fundamental freedoms” (European Union External Action, 2014, para. 5). More importantly, the agreement also enhances cooperation in foreign, security and energy policies and highlights justice, freedom and security issues (Delegation of the European Union to Ukraine, 2016).

3.2 Counter-arguments

Additionally, the policy brief by Kataryna Wolczuk, states that the agreement is a “suicide” in political and geopolitical matters and in regards to DCFTA, Russia will not miss an opportunity to stress any failures and unruly consequences (Wolczuk, 2014, p.3). One of its consequences is the price that Moscow imposed for “moving away” from the Russian sphere of influence, which further increased the already high costs of closer economic unification with the EU for Ukraine (Wolczuk, 2014, p.4).

Furthermore, as claimed by The Moscow Times, Russia attempted to make new requests through the trilateral group of Russia, Ukraine and the EU, demanding they work on “amendments in the association agreement of Ukraine with the EU to introduce legally binding formulas to remove the concerns of the Russian side” (Speck, 2014, para. 20). Seeing the position from Kremlin’s perspective, subverting the agreement is a method of undermining Ukraine’s efforts to create closer ties to the EU. If the DCFTA agreement would not enter into force, Russia would gain a chance

to regain authority over Ukraine, which is its ultimate goal, as the Moscow Times concludes (Speck, 2014).

Moreover, Russia has been extremely proactive and vigorous in creating a number of punitive trade measures against Ukraine since the ratification of the DCFTA with the EU. These punishments are comprised of gas supplies being completely stopped in June 2014, number of issues regarding to the price and debt for past supplies and seizure of important Ukrainian gas fields in Crimea (Cenusa, Emerson, Kovziridse & Movchan, 2014). According to Olga Shumylo-Tapiola' Policy Outlook published on Carnegie Endowment for International Peace already in 2011 predicted that the tensions between Ukraine and Russia will continue. Disputes over gas caused by the setting of higher prices for Ukraine, or trade conflicts, caused by the completion of EU-Ukraine talks on the DCFTA, "are likely to follow" (Shumylo-Tapiola, 2011, p. 11). This research examines the potential consequences in the following chapters.

In December 2015, on account of the DCFTA, Ukrainian President Petro Poroshenko stated that the "DCFTA cannot be postponed" and even though in 2014 the launch of the agreement was delayed for a year, his position was firm and clear arguing that "the DCFTA will become operational starting from January 1 [2016]" (Consulate General of Ukraine in Chicago, 2015, para. 2). Poroshenko hoped, that this additional period would leave enough time for Russia, to find ways to accommodate their concerns regarding to the implementation of the DCFTA. However, no compromise solution was proposed by Russia, even after a whole year and as summarized by President Poroshenko, "[Russia's] goal is just to put veto on DCFTA, to halt the process of gradual economic integration of Ukraine in the EU" he argued (Consulate General of Ukraine in Chicago, 2015, para. 2).

According to European Commissioner for Trade, Cecilia Malmström "Our expectations are that Russia will refrain from putting more sanctions and from withdrawing their preferences that Ukraine has in the [Corporate Income Tax] CIT agreement with them", Malmstrom argues (Somer, 2015, para. 18). Furthermore, she adds up that Russia will have to allow and accept the DCFTA to enter into forces. Malmstrom continues: "We have said that, if Russia has particular concerns of a practical character when it comes to the implementation of the Agreement [...] we are willing to help Russia" (Somer, 2015, para. 18). Russia has obstinately opposed the EU-Ukraine free trade pact, declaring that it could lead to a flood of European imports across its own boundaries and affect the competitiveness of Russian exports to Ukraine. When in 2011, Putin decided to suspend

a free trade deal with Ukraine with an official order which cited “extraordinary circumstances affecting the interests and economic security” of Russia (Korsunskaya, Teterevleva, Solovyov, & Devitt, 2015, para 3).

Jean-Claude Juncker, the EU Commission President, declared that in cooperation with the Ukrainian authorities, his services were involved in the trilateral talks with Russia, referring to the concerns that emerged in the context of the implementation of the DCFTA. Mr. Juncker said that robust progression was made but not all differences have been solved yet. Representatives of Russia, Ukraine and the EU met more than 20 times, both at technical and political levels. According to Mr. Juncker, “The ministerial meeting scheduled to take place here in Brussels on the 21st December [2015] is the last chance, the last chance, to find a common understanding” (EurActiv.com with Reuters, 2015, para. 15).

3.3 Solving disputes with the DCFTA

Furthermore, a publication by Sieglinde Gstöhl on *The European Neighbourhood Policy in a Comparative Perspective*, writes that the agreement’s task is also to assist to solve a dispute settlement based on a specific legal mechanism created by the parties, found on the WTO Dispute Settlement Understanding, although with more rapid operation (Gstöhl, 2016, p. 136). Referring to the same publication by Ms. Gstöhl, the DCFTA is designed to prevent, or solve disputes if necessary. However, from a Russian perspective, orienting markets westward, away from Russia will bring about political and economical costs for Ukraine (Gstöhl, 2016, p. 136).

The AA has well-advanced legal mechanisms to tackle disputes that may emerge over the implementation of the agreement. According to the Ukraine and Europe short guide by Michael Emerson and Veronika Movchan, the chances of avoiding conflicts over the interpretation of specific provision of the DCFTA are inevitable (Emerson & Movchan, 2016). However, there are two basic dispute mechanism applicable to the DCFTA. The first one is a “general” one, which applies to all sections to the AA except the DCFTA and a second one apposite to the DCFTA itself (Emerson, Movchan, 2016, p.35). The general mechanism counts on two parties searching for a mutual agreement solution in the Association Council, in case which the worst affected party may take “appropriate measures” (Emerson & Movchan, 2016, p.35). In the case of the dispute settlement mechanism regarding the DCFTA, there is a more complex system that offers two alternative solutions, either binding arbitration, or a softer mediation for assented resolutions. On the other

hand, these practices are seldom used, as the EU usually endeavors to find a diplomatic resolution to pre-empt problems that may emerge (Emerson, Movchan, 2016).

3.4 European energy security and its strategy

This section discusses the European energy security development and its influence on the DCFTA. Accordingly, European energy security is integrated into the sub-questions of this research. The following three sub-questions will be answered in this part of the *Literature Review*, where the additional information is added in order to comprehend its significance. Those three questions are as follow:

- 3. What is the European energy security and what is its strategy?**
- 4. How has the strategy of the European energy security developed?**
- 5. What is the importance of European energy security with regards to the gas trade?**

Since the Lisbon Treaty came into force in 2009, a new legal basis to EU energy policy was created. However, before this Treaty came into effect, the founding Treaties of the EU were lacking in specific provision regarding the EU intervention in the field of energy. For this reason, the Treaty of Lisbon introduced a specific legal basis in the field of energy, where in the *Article 194 of the Treaty on the Functioning of the EU (TFEU)* covers Security of supply (*Article 122 TFEU*); Energy networks (*Articles 170-172 TFEU*); Internal energy market (*Article 114 TFEU*); and External energy policy (*Articles 216-218 TFEU*). (Mellar, 2016, p.1). The objectives of the EU's energy policy according to the Treaty of Lisbon is to ensure the functioning of the energy market, "to ensure security of energy supply in the Union, to promote energy saving and the development of new and renewable forms of energy; and to promote the interconnection of energy networks" (Mellar, 2016, p.1). However, it is up to each Member State to determine its energy resources and the security of its own supply (*Article 194(2)*). (Mellar, 2016, p.1)

The EU required modernization and reform in terms of energy security. Since 1990s, energy policy has evolved and initially deriving its authority from the treaties on the European Coal and Steel Community (ECSC), and on the European Atomic Energy Community (Euratom), which were replaced in December 2009, when the Treaty of Lisbon entered into force. This Treaty brought a

separate constitutional chapter on energy, and sets out four main aims of the EU's energy policy (European Council for an Energy Efficiency Economy. n.d.). In particular, *Art. 194(1) TFEU* sets out four main aims of the EU's energy policy. These aims are as follow:

- To ensure the functioning of the energy market;
- To ensure the security of supply in the Union;
- To promote energy efficiency and energy saving, and develop new and renewable forms of energy and
- To promote the interconnection of energy networks (European Council for an Energy Efficiency Economy. n.d.).

Based on these aims from the Lisbon Treaty, European energy security became a tougher challenge for a growing European Union experiencing an increasing support to work together towards to defend the interests of European citizens on a day-to-day basis for a stronger energy security (European Commission, 2015). The importance of European energy security is entailed in both cross-border solidarity and accountability for Member States to administer their energy systems effectively (Gaventa, 2014). These aims as the new *Art. 122(1) TFEU* specifies, are to be put in effect in a spirit of solidarity, whereby

[w]ithout prejudice to any other procedure provided for in the Treaties, the Council, on a proposal from the Commission, may decide, in a spirit of solidarity between the Member States, upon measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy (Braun, 2011, p.2).

This regulation ensures that it is in the competence of the Union to adopt precautionary actions to avoid security threats and may proceed to create a political backing basis in order to reach preventive measures in the future. Cohesion remains weak and as an example in this regard is the events of 2010 when *Regulation No. 944/2010/EU* on the security of gas supply was adopted in response of the events of the Ukraine-Russia dispute. Its aim was to improve the solidarity aspect and to create a more synchronized and uniform implementation of measures for the security of gas supply. However, little was achieved and the solidarity aspect was not improved as planned (Braun, 2011).

An important factor of European energy security can be depicted in a Figure 1 below. This shows that, Russian supply shock to a single gas import corridor is capable of causing surging effects in Europe. This figure portrays areas of the highest dependence on Russian gas import, which are marked in a black or dark gray color. The lighter color, have lower dependency.



Figure 1: Russian Supply Shock. Source: (Gaventa, 2014, p.6)

3.5 European Neighborhood Policy

In addition, European energy security has become a key element of the ENP and The Eastern Partnership (EaP), particularly after the Ukraine-Russia energy controversy (Van der Loo, 2015, p. 344). Therefore, this part of this chapter, is aimed to answer sixth sub-question of this research, in order to clarify the importance of the ENP in European energy security:

6. What is European Neighborhood Policy (ENP) and why its key element is European energy security?

The ENP was developed in 2004 to prevent further gulfs opening between the EU its neighbors. Its aim is to “strengthen the prosperity, stability and security of all”, which applies to 16 EU’s closest neighbors, Ukraine amongst them (Rey & Legrand, 2016, para. 1). Along with its other fundamental aims of the ENP, is to surround the EU with affable and untroubled countries, with whom it can peacefully cooperate. However, the idea of having harmonious relations among the countries, did not function with Russia, which is one of the most important of the EU’s neighbors. Russian representatives decided to stay out of the ENP, seeing the EU as a rival on the international stage rather than a cooperative partner (Inayah, & Forbrig, 2015).

Ukraine is a priority country within this policy and the Eastern Partnership with the European Union (European Neighbourhood Policy (ENP). n.d.). Moreover, European Commission (EC) (2015) on ENP and Enlargement Negotiations claimed that in the framework of the ENP, the EU collaborate with Ukraine with a goal to bring Ukraine closer to the EU (European Commission, 2015). The approach to energy of ENP is entirely based on energy security, and in particular about “traditional notions of physical supply security”, such as pipelines and infrastructure (Anderson, Bassi & Aufenager, 2005, p.19).

After a number of Ukraine-Russia energy disputes, energy security has become a principal element of the ENP and EaP (Van der Loo, 2016). In May 2014, in response to these gas disputes between Russia and Ukraine, the EC released its Energy Security Strategy (European Commission, n.d.). The reason behind their actions was that several Member States possess a strong dependency on one single supplier. This fact is probably the greatest challenge, when it comes to improving the EU’s security of supply (European Commission, 2015). Pursuant to EC, Commission Staff Working Document on the European Energy Security Strategy (2015), states that in the last few years, a great deal of progress has been achieved regarding Europe’s energy security. However, in spite of the achievements, Europe remains vulnerable to energy strikes (European Commission, 2015).

3.6 Imports and dependence

To understand the European energy dependence on the external gas supply actors, the following factors must be considered. According to the EC website, the EU imports 66% of its natural gas, from outside of the EU (European Commission, 2016). Russia is one of the EU’s largest suppliers of energy, accounted for 39% of its natural gas imports in 2013 (European Commission, n.d.). Additionally, Russia sees the EU as a rival rather than a partner. However, the EU’s energy security may be considered at risk, if a high amount of imports is concentrated among rather few suppliers, especially if those suppliers are less than friendly in their relations with the EU. Eurostat Statistics Explained website, points out that 69.1% (2014) of the EU’s imports of natural gas originates from Russia or Norway (Eurostat Statistics Explained, 2016). The EU’s energy import dependency grew from less than 40% of gross energy consumption in the 1980s to 53.5% by 2014. Moreover, 2014 was registered as the year with the highest energy dependency rates for natural gas with 67.4% (Eurostat Statistics Explained, 2016).

3.7 A struggle of Ukraine between the EU and Russia

Following the crisis between Ukraine and Russia, then-Prime Minister of Poland Donald Tusk, called for the creation of an EU-wide Energy Union to manage Europe's energy dependency on Russia. This action was established on April 21st 2014 (Rutten, 2016). Energy Union is based on three objectives of the EU's energy policy such as: security of supply, sustainability and competitiveness. To meet these objectives, the Energy Union focuses on energy security of the internal energy market (European Council for an Energy Efficiency Economy, n.d.). The Energy Union is a substantial element for the energy transition in Europe, used to overcome "the fragmented, short-termist and isolated approach" that is perilously emerging over Europe (Andoura & Vinois, 2015, p.6). Moreover, the Energy Union promotes solidarity when ensuring an energy supply for all at a universally inexpensive prices and requires a shared comprehension of national, European and international energy challenges (Andoura & Vinois, 2015).

A few years earlier Jacques Delors and Jerzy Buzek (Rutten, 2016) called for a European Energy Community as an international organization, whose members are the EU, represented by the EC and several other contracting parties¹, one of which being Ukraine (European Commission, n.d.). On September 24th 2010, Ukraine joined the European Energy Community (EEC), ensuring Ukraine having access to a pan-European energy market, based on the principles of solidarity and transparency (European Commission, 2010). However, Russia is actively opposed to EU-Ukrainian integration. This began with an announcement from President Putin ordering the suspension of Russia's free trade zone with Ukraine from January 1, 2016. This order was justified by Putin on the grounds of "extraordinary circumstances affecting the interests and economic security" of Russia (Soldatkin & Basczynska, 2015, para.6). Ukrainian President Petro Poroshenko reacted by saying "Ukraine is aware of these restrictions and the expected damage to the Ukrainian economy. But we are ready to pay this price for our freedom and for our European choice" (Ukraine Today, 2015, para. 3), indicating that Ukraine might confront further restrictions and confrontations from Russia, which may result in negative effects on the EU's and Ukrainian political and economic well being. Moreover, a deputy director of the Russian foundation for national energy security Alexei Grivach, stated that "Ukraine's increase in transit charges for Russian gas to Europe once again proves the unreliability of this country as a transit state, and has the potential of being the beginning of a new gas crisis and disruption of gas supplies to the EU" (Chornaya, 2016, para.14).

In addition, Russia was striving to build the Eurasian Economic Union by 2015 (Wolczuk, 2014). Although, initially Russia did not see DCFTA as a threat, the agreement eventually resulted in

substantial anxiety for Russia when the negotiations were coming towards an end. Threats from both president Medvedev and premier Putin (2010) were pointed at cessation of DCFTA discussions (Shumylo-Tapiola, 2012). Ukraine received an instant offer as an alternative to become a member of the Customs Union (now the Eurasian Economic Union) with benefits promised by Russian representatives. Moscow promised cheaper gas prices as a better deal to outweigh the EU offer. However, with the benefits came threats of small trade wars to convince and pull Ukraine away from the DCFTA offer (Shumylo-Tapiola, 2012 p. 17) Russia possess “an emotional fear of losing Ukraine, and it uses various ‘sticks and carrots’ to pressure Kyiv” (Shumylo-Tapiola, 2012, p. 21). Furthermore, the author says that Russia’s offer is found on promises, and that there is little proof of the pledges and guarantees in Moscow for Kyiv. Ms. Shumylo-Tapiola concludes that “Promises of cheaper gas are likely to remain on paper. [...] Ukraine’s economy may be better off without cheaper gas” (Shumylo-Tapiola, 2012, p.25). On the other hand, Russian threatening is factual and Ukraine business should be cautious about them (Shumylo-Tapiola, 2012). Moreover, according to Research Centre of the Slovak Foreign Policy Association (2012), energy sector has a capacity to become the first sector in Ukraine which can achieve a real unification with the EU, in spite of the current low level of adherence. It is the only sector of EU-Ukraine partnership yet, that is being controlled by obligatory contractual relations between the two parties, with the objective of supporting the harmonization of Ukraine’s national legislation with the EU energy acquis (Duleba, Benč & Bilšík, 2012. p 47).

As stated in a Policy Brief (2011) of The General Marshall Fund of the United States, Russia does not see the DCFTA as a good opportunity for Ukraine (Menon, 2011, p. 8). Instead of seeing the DCFTA negotiations as an opportunity, Russia has made it obvious to Ukraine that it does not support the agreement coming in to force, and that it wants Ukraine to become a member of the Customs Union¹ (ECU). This Union now consists of Russia, Belarus, and Kazakhstan. This step was foreseen starting ratcheting up the pressure as the DCFTA negotiations advanced. As written in the Policy Brief “Ukraine would be in the vulnerable position of having signed a major accord with Europe that Moscow opposed but having no security guarantees if Russia decided to turn up the heat” (Menon, 2011, p. 8). In 2011, Yanukovich and several Ukrainian officials, proposed the idea of a 3+1 agreement, where Ukraine joins the DCFTA but also signs the ECU, to ease Russian relations. In contrast, Russia rejected this proposal and demanded Ukraine make a choice. In Russian perspective, Ukraine has made a decisive choice about its future, which forces Russia to respond to their decision on DCFTA, in one or more of several ways. It might directly challenge EU states, such as Germany, France and Italy or even sabotage the DCFTA (Menon, 2011, p. 9).

In a publication by Alexander Duleba, Vladimír Benč and Vladimír Bilčík on 'Policy impact of the Eastern Partnership on Ukraine', the publication states that the DCFTA would give Ukraine more freedom to handle, in order to decrease the pressure from Russia. One of the examples, is the Russian pressure for Ukraine to join Russia's Customs Union. Moreover, some of Ukrainian's oligarchs regard the DCFTA in a positive sense, because it will allow them to strengthen their position that they face from Moscow. Furthermore, a majority of the oligarchs are against the membership of Ukraine in the ECU, which was designed by Russia, and fear the consequences of Ukraine's membership in this Union. The authors believe that this would eventually bring Russian power in gaining control of the Ukrainian oligarchs' property (Duleba, Benč & Bilčík, 2011).

3.8 European energy security in regards to the Nord Stream Two pipeline project

The EU has issued a number of ongoing initiatives to secure gas pipelines in Europe, but also for its eastern and southern neighbors. One of these initiatives is the Nord Stream (NS2) pipeline, which connects the EU and Russia via the Baltic Sea (Eurostat Statistics Explained, 2016).

NS2 is a new pipeline project, whose major shareholder is the Russian gas company Gazprom. The decision to construct this pipelines is based on the previous "successful experience" of the Nord Stream gas pipeline, which continues to operate until now (Gazprom, 2016). However, the NS2 project promises a highly reliable supply of Russian gas flow to Europe. NS2 will start its operation before late 2019, according to Gazprom's official website. The preliminary negotiations of NS2 project started in October 2012. The Figure 2 below of the Route Map exhibits Nord Stream in blue color, and the proposed NS2 pipeline in yellow dashed line (Gazprom, 2016).



Route map of Nord Stream and Nord Stream 2

Figure 2: Nord Stream and Nord Stream 2 pipelines, connecting Russia with the EU (Gazprom, 2016).

One of the conditions that must be met is, according to German Vice Chancellor Sigmar Gabriel, that NS2 project will not bring negative impact on gas transit through Ukrainian territory. On the other hand, Konstantin Simonov, head of the National Energy Security Fund, argued in the Russian newspaper *Vzglyad*, that: "The requirement about Ukraine is political. None of European laws and regulations requires this. In fact, the issue is purely commercial" (Sputnik International, 2016, para. 15).

According to Antto Vihma and Mikael Wigell in an article on 'Unclear and present danger: Russia's geo-economics and the Nord Stream II pipeline' from September 2016, the Nord Stream Two "is the most weighty and consequential project", which "may undercut what has been one of Putin's greatest challenges in recent years" argues Vihma and Wigell (Vihma & Wigell, 2016). The challenge is, according to Vihma and Wigell "a joint Western front opposing his [Putin's] plans to bring Ukraine back under his control..." (Vihma & Wigell, 2016). Furthermore, after 2019, the much increased gas transport over the Baltic sea through Nord Stream One (NS1) and NS2 will result in a dramatic decrease of Russian gas exports over Ukraine. This act might further jeopardize the main goals of the Energy Union, such as diversification of natural gas sources and increasing competition with EU's external energy security, (Vihma & Wigell, 2016). On the other hand, Vihma and Wigell conclude, that such projects do bring several economic benefits, but they may result in a price of political concessions. This is a concept of geo-economics originally coined by Edward Luttwak, who emphasized "how competition for relative power continues to drive state behavior in international relations, albeit with states increasingly using economic means instead of military ones" (Vihma & Wigell, 2016). In spite of the means being distinct, the incentives are still geostrategic, stretching and increasing the sphere of political influence (Vihma & Wigell, 2016).

Furthermore, Petro Poroshenko emphasized the position of Ukraine seeing the NS2 as their "greatest concern as of today and it should be blocked as a project which undermines both Ukraine's and Europe's energy security" (Consulate General of Ukraine in Chicago, 2015, para. 5). On February 1st 2016, Kyiv failed in a lawsuit over NS2, calling the project an "'anti-European, anti-Ukrainian' 'political project'" (Bentzen, 2016, p.4).

Additionally, an article by Anke Schmidt-Felzmann in the *Journal of Global Affairs* argues, that opponents of the NS2 consider the pipeline project as a threat to European energy security, insisting that “the pipelines could be used by the Kremlin” as a tool to apply pressure (Schmidt-Felzmann, 2016, para. 11). Moreover, critical concerns have been stressed since 2015, that having built two Nord Stream pipelines, Ukrainian’s economy and security may be severely affected. Ms. Schmidt-Felzmann further reasons that the link between business and politics might jeopardize national, regional and global security (Schmidt-Felzmann, 2016).

On the other hand, Ronald Götz as one of Germany’s foremost experts on Russian energy, claims that Russian’s shift from transit pipelines to direct ones, such as the Nord Stream route, is assumed by many Europeans as a political move, having Gazprom using the pipeline as a tool to punish those ex-Soviet countries “that try to escape its domination” (Götz, 2011, p. 9). However, he sees the pipeline project as a good commercial strategy, which does not require Gazprom to pay transit fees. Moreover, Götz believes that Europe sees Gazprom’s strategy “in a wrong way” and that the EU should expect security of supply from Russia if they propose a dialogue about security of demand and transit routes with the Russian partners (Götz, 2011, p. 9).

The EU has been obliging and willing to cooperate to discuss potential Russian concerns on the basis of the flexibility presented by the DCFTA. However, the EC denied any renegotiating of the agreement, as “a large number of member states have already ratified it, or are in the process of ratification” (EurActiv with Reuters. 2015, p. 17).

Arguably, on November 24th 2016, at a EU-Ukraine Summit, EC Vice-President for Energy Union Maroš Šefčovič and Energy Minister of Ukraine, Ihor Nasalyk, signed a new ‘Memorandum of Understanding on a Strategic Energy Partnership between the EU and Ukraine’, where Vice-President Šefčovič stated that the EU aims to “...maintain Ukraine as an important transit country also for the future” (European Commission, 2016, para. 4).

3.9 Conclusion

To summarize this chapter, it is crucial for the European energy security to be aware of the consequences after the DCFTA comes fully into force. As has been illustrated in a number of examples above, Russia has been against the DCFTA, which it considers to be an obvious inclination towards the West. Such decisions, by Ukrainian authorities, mean not including Ukraine in a westward expanding Russian Eurasian Economic Union. Also, it is important to realize the

connection between the DCFTA and the European energy security with a research examining this connection and filling the missing gaps in the existing literature. Consequently, as in the end of this chapter, the NS2 project is comprehensively elaborated on, which will be examined in the following chapters as well. The NS2 pipeline is one of many aspects of the Ukraine, Russia and EU triangle. It is definitely an inevitable part regarding to the European energy security, and belongs to this research in consideration to the energy dependency in this matter. In the following Results chapter, the findings prove the stated.

4 Results

This chapter provides descriptive findings of the four interviewees, which were collected throughout the research period. All the findings are statements of individuals, whose views on the research are based on their professional experiences and knowledge. This results section is divided into five main sub-chapters, which contain the findings from each of the interviewees, who participated in this research. All of the sub-chapters are believed to be important and the connection will be further discussed in the Discussion chapter. Moreover, the complete transcripts of each interview can be found in the Appendices.

4.1 Ukraine in the European Energy Community

Regarding energy security, Mr. Kapitonenko argued that the EEC is the most important instrument. However, Ukraine is still not a full member of EEC. In addition, the DCFTA has the ability of being a sufficient instrument for pursuing not only the Ukrainian interests, but also the interests of Europe, when it comes to the relations between Russia, the EU and Ukraine. Mr. Kapitonenko seemed to believe, that both the EEC and the DCFTA, can provide more balance to the defense interests of transit countries. In other words, the agreement is important in terms of enhancing Ukraine both economically and in its security. Also, it helps Ukraine to become more energy efficient (N. Kapitonenko, personal interview, November 18, 2016).

However, during the interview with Mr. Duleba, he emphasized the membership of Ukraine in the EEC, which accedes the DCFTA. Since this membership began in 2012, Ukraine's entry has obliged itself to become fully harmonized with the EU legislative in energy sector, and to coordinate their policy in the energy sector. Ukrainian membership in EEC, represents the same as what is in the DCFTA. It means that if Ukraine meets conditions of EEC, then these conditions automatically become a part of agreement (A. Duleba, personal interview, December 5, 2016). Mr. Duleba emphasized the importance of Putin's idea to create Eurasian Union, simply because according to Putin, since the USSR disintegration, Russia has become the greatest catastrophe of 20th century. Therefore, behind the idea of Eurasian Union, its that Putin seeks to create at least a partial reintegration of the former USSR. It is important to realize that the core of the Soviet space was the economic and political core of eastern Ukraine. In other words, what Stalin used to call "the Iron Pillar of the USSR" (A. Duleba, personal interview, December 5, 2016). In this Pillar, there are approximately six areas in eastern Ukraine, which represented the industrial core of USSR. This era was known for a boom in the metallurgy and chemical industry. Hence, this idea, would not work

without the “Iron Pillar” and this is the reason why, in 2013, Putin attempted to stop Ukraine signing the DCFTA. Mr. Duleba stressed here a point, where, from a Russian point of view, or from Putin’s perspective, Ukrainian membership in the Eurasian Union, is in a vision of the reintegration of USSR, which would not function well without the former “Iron Pillar”, from which the industrialization of USSR originally commenced. This answers, why Putin contemplates the reintegration of the USSR. (A. Duleba, personal interview, December 5, 2016).

4.2 Findings regarding the DCFTA

Interviewee A argued, that the DCFTA will never stand alone, because such contracts are always a part of a bigger whole. Moreover, the relationship between Ukraine and Russia is an old one, and in January 2016, this relationship faced some issues, which were, not directly related to this agreement. History between Ukraine and Russia is longer lasting, thus there is no need to take into consideration how these these nations will cooperate with each other. Therefore, Interviewee A did not believe that the agreement will change the relationship, because it is just one issue of a very complex relationship with multiple issues. On the other hand, as Interviewee A argued, this relationship it is not written in stone, therefore the political situation may change very rapidly (Interviewee A, personal interview, August, 21, 2016). Also, Interviewee A claimed, that the DCFTA will not bring about an impact on the relationship between Russia and the EU. There are several issues to be considered in this complex relationship. One of the issues is history, then also, how will the EU deal with the Crimea issue and the Syrian conflict with regards to Russia’s involvement, heating of houses in the Western Europe depending on Russia, and also import sanctions, both for Russia and the EU often imposed by the wider world. Therefore, the agreement is only a minor part in this complex situation (Interviewee A, personal interview, August, 21, 2016).

Mr. Kapitonenko added that the DCFTA signed by Ukraine with the EU, is an important step in order to bring Ukraine into the European Common market in all senses. In other words, it is a significant step towards full integration. The DCFTA provides a good strategic and prospective attitude to Ukraine in general (N. Kapitonenko, personal interview, November 18, 2016). However, Russia is still trying to block the agreement from coming into full force. He suspected that the results of the agreement will be manipulated in the future, which may then have a negative impact on the energy situation in general. Therefore, Mr. Kapitonenko did see a situation where Russia will try to lower the impact of the AA by imposing limits on Ukrainian access to European markets (N. Kapitonenko, personal interview, November 18, 2016).

Mr Duleba pointed out, that the relations do not depend on the agreement itself, it depends on the actual situation when this agreement is not in the full force yet and the situation of relations between the EU, Ukraine and Russia within the energy sector and Ukraine's membership in the EEC. Moreover, Mr. Duleba emphasized two sectorial policies, which go beyond bilateral agreements that the EU has with third countries. The first one concerns the EEC and the other one concerns visa relations especially within the so-called Schengen area. These two policies are very specific ones, and go beyond the contractual relations with European countries. These, as Mr. Duleba summarized, occurred long before the Euromaiden and also before the AA being signed (A. Duleba, personal interview, December 5, 2016).

Therefore, Mr. Duleba seemed to believe, that if the DCFTA did not come into full force, or even not exist at all, it would not result in a negative effect towards Ukraine. It is caused by the fact, that thanks to the membership of Ukraine in the EEC, Ukraine has the possibility of being an observer in the key areas of energy politics in the EU. That is the reason why Russia was blocking the DCFTA (A. Duleba, personal interview, December 5, 2016). Furthermore, Mr. Duleba did not connect the fact that Russia's opposition to the agreement between the EU and Ukraine has a connection with energy politics. Russian's aim has always been to keep Ukraine in its project of Eurasian Union, which they started to build in 2003. This was the reason why Russia was blocking the AA. Mr. Duleba explained this further, that behind the idea of Eurasian Union is the view of Putin, who believes that Russia after the USSR was the biggest disaster of 20th century. Therefore, behind the idea of the Eurasian Union is a *reintegration* of the former USSR (A. Duleba, personal interview, December 5, 2016). This fact has already been explained earlier in this chapter. In other words, this was the main motive of Russia restraining Ukraine in 2013 in signing the DCFTA therefore, the primary reason was not the energy industry itself (A. Duleba, personal interview, December 5, 2016).

Additionally, Mr. Vihma argued that it is very important that the EU has institutionalized its relations with Ukraine. Also, he seemed to believe that it is very important that the EU is also represented in a party of trilateral negotiations with Ukraine and Russia. Mr. Vihma argued, that it is substantial to have gas trade institutionalized in the trilateral negotiations to some extent. On the other hand, Mr. Vihma did not deny that there is a possibility that the DCFTA might cause or influence the energy security in Europe. He thinks that a number of experts have confounded that the gas keeps flowing through the Ukrainian territory and has not become a lightning rod of Ukrainian conflicts. He commented that there is a general feeling of restraint being brought into

play, when it comes to using the so-called “energy weapon by Russia” (A. Vihma, personal interview, December 8, 2016).

4.3 Findings regarding European energy security

Interviewee A said that the EU is very reluctant to show their stand against Russia. Interviewee A did not understand this approach and he finds it “strange” (Interviewee A, personal interview, August, 21, 2016). Interviewee A elaborated his statement by giving an insight into geo-politics. He argued that if the EU states, that the EU wants to be independent from Russian gas, but they are still in significant need of fossil fuels. Europe needs to receive some amount of fossil fuels, but coal is eco unfriendly, and therefore incompatible with the EU's CO² reduction targets, gas is therefore the only option. Interviewee A claimed that Europeans are often very naïve and they do underestimate the influence of the geopolitical gas flows. Therefore, if gas supplies are being disturbed from one direction, it will come from another, which might be the USA. Interviewee A argued that it is unlikely to be independent from external gas suppliers. There is a geopolitical, economic reason behind why the EU is so dependent on Russian supplies. The gas will not come from the Middle East because gas supplies from Qatar flow to Asia, and it is also the main source for the local Middle East area. By building the South Stream pipeline, the transit fees would be avoided, and through building these pipelines, Russia provides gas from which they want to earn money. This is an economic reality, which represents an idea of, if you want to earn money and transit gas, you will not be having gas disputes summarized by Interviewee A (Interviewee A, personal interview, August, 21, 2016).

Interviewee A argued, that eventually the EU will have issue wise statements by very wise businessmen, who will make the right decision, to secure energy supplies to consumers. However, as Interviewee A claimed, his logic in this regard is very simple, and he does not understand, why if Europe wants to have clean energy, that they do not focus on gas, which is the cleanest fossil fuel, and thereby secure European energy consumption in the future. Interviewee A argued that the EU does not have alternatives in this sense, and therefore he did not understand, why the NS2 is so criticized because it represents security of energy (Interviewee A, personal interview, August, 21, 2016).

Mr. Kapitonenko regarded that the most urgent problem that Ukraine is facing, in terms of energy security, is Ukraine's low level of efficiency. The country is three to four times less energy efficient

than in comparison with other European countries. As a consequence, it is necessary to improve on this factor, otherwise Ukraine will be dependent on Russian energy supplies and the EU will be unable to assist significantly, (N. Kapitonenko, personal interview, November 18, 2016).

On the other hand, Mr. Kapitonenko argued, that the only positive for Ukraine is the price of natural gas, which is lower than they used to pay in the past. Therefore, he did not see Ukraine being in such a difficult situation in the energy sector, as they were two or three years ago. One of the reasons for this situation is, that the gas prices have dropped in general, and the second is that Ukraine is experiencing 20% economy loss. That is why Ukraine is having a relatively easy situation when compared with the recent past (N. Kapitonenko, personal interview, November 18, 2016). Furthermore, Mr. Kapitonenko considered the situation of energy security, as that Russia has fewer ways to influence Ukrainian position, than it used to have some time ago. Building alternative pipeline is the main, most important and strategic instrument for now. However, Mr. Kapitonenko said that the significance of this will drop eventually because of the decrease in European dependency on Russian shale gas (N. Kapitonenko, personal interview, November 18, 2016). However, Mr. Kapitonenko argued that relations at the bilateral level are certainly tense. He added that it will remain tense for foreseeable future, and nobody knows what the price of Ukraine leaning towards the West including the EU, will be. It might touch the economic, trade or energy sphere. Nevertheless, this situation is difficult and as Mr. Kapitonenko said, "Russia is trying to block the development of the relations between Ukraine and the EU" (N. Kapitonenko, personal interview, November 18, 2016).

Mr. Duleba argued, that the European energy security does not entirely depend on the DCFTA. On the other hand, he painted the Energy Dialogue as a problem in the Russia-Ukraine relationship due to the fact that this Dialogue has ended, and Russia decided to step away from this and any other Dialogues with the EU. Russia bet on "the card", of having the EU being dependent on the gas supplies (A. Duleba, personal interview, December 5, 2016). Then, as Mr. Duleba continued, Russia decided that it does not need to coordinate its gas supplies to the EU, which resulted in a negative reaction from the EU side. Then the disputes in 2009 started. Later in 2010, the former Speaker of the EU Parliament came up with the idea of Energy Union, which soon became a reality. Moreover, Mr. Duleba recalled 2010, when the former chairman of European Parliament, Mr. Buzek, came with an idea to come back to the initial plan of the EU of European integration. This was one of the first initiatives where the idea of integration of the EU and its subsequent Energy Union emerged (A. Duleba, personal interview, December 5, 2016).

On the other hand, Mr. Duleba argued, that Europe is witnessing a formulation of a more stable trade environment. Though more importantly, as Mr. Duleba emphasized, since 2009 the formation of a functioning market is emerging on European territory. Also, he seemed to believe that in recent years, Europe is experiencing a dramatic market expansion, supporting connection of northern and southern markets, regarding gas supplies (A. Duleba, personal interview, December 5, 2016). Additionally, Mr. Duleba stressed the importance of pipeline constructions, which are key in this regard. The EU, as Mr. Duleba argued further, on the subject of European energy security, is far off better today than it was in 2009. Russia is losing their monopoly in gas supplies to the EU, which is very important. Thus, Russia, in its own way, does not have a chance to put the EU in a similar situation to 2009. However, Mr. Duleba argued that today, Europe is capable of substituting Russian gas supplies with those from other sources. Further, Mr. Duleba presumes a form of gas revolution natural gas or shale gas will be replaced by LNG. He assumed that in five or six years, Europe will not perceive gas markets as a threat anymore (A. Duleba, personal interview, December 5, 2016).

Moreover, Mr. Duleba argued that a successful operational trade is the best answer to external threats. In other words, when a market allows access to multiple energy suppliers, the competition will grow stronger, the prices will become more lucrative and the environment will grow more stable. Therefore, as Mr. Duleba said, since 2009, Europe has been witness of such trade, which is gradually developing, though not without its difficulties (A. Mr. Duleba, personal interview, December 5, 2016). A key point in energy relations, is the interconnection of infrastructure, in relation to the North-South cross-connection. Western Europe is already interconnected regarding infrastructure. However, middle Europe and the former CMEA³ group, used to be a problem, where the infrastructure was connected only from east to west. The key point in this relation is a terminal located in Świnoujście⁴, Poland, which will connect Poland, via Slovakia, down to the Balkans. Moreover, there are several other plans in construction regarding to this interconnectivity. Therefore, as Mr. Duleba summarized, today regarding energy security, the EU is in a more desirable condition than it was in 2009. Russia is losing its monopoly with regards to gas supplies, to the other regions as well. For this reason, Mr. Duleba did not see Russia having a reasonable chance to expose Europe to a situation such as that in 2009. Nowadays, the situation is different, because the EU is capable of substituting Russian energy supplies with different sources. This is another key point, where Mr. Duleba recalled to the gas revolution in shale gas towards the Liquefied Natural Gas (LNG). He claimed that in two or three years, Australia will become the main

LNG supplier, including providing competitively priced LNG supplies to the European area. Through this example, Mr. Duleba drew a comparison to the oil crisis of 70s, where the majority of consumers were dependent on the oils supplies of the main oil pipelines, which made the transit inflexible. However, oil has lost its superiority in energy relations, and the consumers have more options to choose from. The developments in LNG technology are starting to resemble those during the oil crisis, and it is a matter of five or six years until gas will no longer represent a security threat. Today, nobody is concerned about oil, because this market has lost its traditional patterns of trade and supply, which might have caused security concerns. The same story will occur with gas (A. Duleba, personal interview, December 5, 2016).

Regarding to the energy security, Mr. Vihma seemed to believe that such a topic should be addressed as a very broad issue. Among individuals who have an energy background, it is often regarded as something that has to do with security of supply solely. In other words, whether gas pipelines through Ukrainian territory are reliable, or whether someone will suspend the transit, or whether there will be a conflict, or a contract disagreement, Mr. Vihma argued. This is the usual picture of energy security, he believes. However, Mr. Vihma emphasized, that it is not always about the measures mentioned earlier. It is also about the use of economic power and economic instruments. He compared this situation with the “Sticks and carrots approach” idiom, where “sticks” are the economic power and carrots are the above-mentioned attributes (A. Vihma, personal interview, December 8, 2016). Mr. Vihma’s broad view on energy security emphasizes the “carrot” side. In other words, the effects the energy policies of Russia have on the EU on its unity. Mr. Vihma brought an example of Germany and NS2. He and Interviewee A, both regarded that the NS2 is by far the most substantial issue point in European energy security, and also for Ukraine (A. Vihma, personal interview, December 8, 2016).

Furthermore, Mr. Vihma stated that European energy security depends on how will the EU-Russia’s strategic relations develop. In other words, if the EU is capable of developing strategic relations, if the EU is able to hold onto its sanctions, and not to omit them in 2017, and if the EU completes its infrastructure projects, then its security of supply will be strengthened. However, if Europe fails to impose sanctions on Russia, and if Europe uses the EU kind of common front, it will mean that Russia will be able to influence many EU countries with energy deals. In other words, this will lead Russia being in control by manipulating gas supplies anytime it wants, and being regarded as an economic stronghold for Europe. Here, Mr. Vihma used a term *geo-economics*, which is the key

issue in the future in the energy security of supply in Europe (A. Vihma, personal interview, December 8, 2016).

In the article from November 2016, called *Unclear and present danger: Russia's geo-economics and the Nord Stream 2 pipeline* by Mr. Vihma and Mr. Wigell, the article emphasized the statement by Edward Luttwak, who “emphasized how competition for relative power continues to drive state behavior in international relations, albeit with states increasingly using economic means instead of military ones”, Mr. Luttwak continues that “despite the means being different, the motivation is still geostrategic – broadening and deepening the sphere of political influence” (Vihma & Wigell, 2016), Mr. Vihma responded by stating that states (Russia) use economic means (gas) with a geostrategic motivation against Ukraine, in a response for signing the DCFTA. He argued, that these actions have certainly been Russian practice in the past, when one looks back over the shared history of Ukraine and Russia. Ukraine has had Western-oriented governments, which have affected the gas negotiations, but lower gas prices for Ukraine have not always been the case. However, it is clear that gas has become a geo-economic component in exchange of political concessions. Also, in a broad way he confirmed that the NS2 pipeline could be regarded as one of the economic means used by Russia against Ukraine. However, Russia is a sovereign state and has the right to chose its exporting roots. There is nothing normatively that stops Russia from not building the NS2. However, NS2 is a geo-economic project, that splits Germany and therefore, the EU, Vihma asserted (A. Vihma, personal interview, December 8, 2016).

4.4 Gas disputes

On a question, if Interviewee A believes in a potential gas crisis coming from this triangle of the EU, Ukraine and Russia, he rejected the possibility of such dispute emerging again. During the interview, Interviewee A asked a diplomatic question in this matter: “Do you really think that Gazprom company is investing billions of dollars to create another issue?” (Interviewee A, personal interview, August, 21, 2016). His answer was very much in the negative, doubting that such a situation would be repeated. However, Russia is doing its maximum to get into Europe by the NS1 and NS2, thereby to secure gas delivery to the EU. Even though Russia wants to build additional pipelines, the DCFTA is not threatened through this, as Interviewee A assured (Interviewee A, personal interview, August, 21, 2016).

Mr. Kapitonenko argued that the chances of witnessing similar scenarios from 2006 and 2009 are

much reduced, because Russia is in a weaker position compared to the years of gas disputes. At that time, Russia counted for a half of the energy supplies to Europe, and in some countries it was as much as 100% dependency on Russian gas. Nowadays, gas has become much cheaper, and the energy market is more diverse. Mr. Kapitonenko asserted that today, Russia is more dependent on European states purchasing their national gas, rather than the other way round. Due to this, it is unlikely that a similar situation similar to that a few years ago will be experienced any time soon (N. Kapitonenko, personal interview, November 18, 2016).

Regarding the mistakes made and the crisis in Ukraine, Mr. Kapitonenko recalled as one of the most fundamental mistakes of Ukraine, occurred when Ukraine was linking energy issues to those of a purely political nature. When in 2010, Ukraine signed the unfavorable *Kharkiv accords*⁵, these included discounts for natural gas in exchange with prolonging the Russian Black Sea fleets stay in Sevastopol. This example of trading political concession for energy, was the biggest energy mistake, which in turn weakened the relationship by creating a linkage to a sphere, where the stronger opponent has a vast advantage with unrelated areas. Another strategic mistake of Ukraine was in 2012, when Ukraine was concentrating on securing supplies of natural gas from Russia. As Mr. Kapitonenko asserted, Ukraine was trying to secure as much gas as possible due to domestic issues, which led to the situation where Ukraine was not motivated to make their economy more competitive and more efficient but rather the opposite. As he highlighted, ensuring gas supplies from Russia was a priority number one, which was not the appropriate approach. However, Mr. Kapitonenko emphasized that Ukraine has learn its lesson from these past experiences (N. Kapitonenko, personal interview, November 18, 2016).

On the other hand, Mr. Duleba argues that the relations between the EU and Russia began to change after the gas crisis in 2009, regardless of the DCFTA Agreement. The EU started to strengthen their capacities, and coordinate relations with other external gas. Mr. Duleba did conclusively negate the fact that such gas disputes will occur in the near future again. He explained that in three reasons. First is the formation of the Energy Union, second, one-year independence of Ukraine from Russian gas supplies and third, full gas reserves kept in gas reservoirs and reverse-flows. Gas reservoirs are full, according to Mr. Duleba. This is mainly due to the recent quite warm winters, when Europe could save the gas for the future. Therefore, Mr. Duleba does not see a reason for Russia to cut off gas supplies because the effects will be much diluted due to the reserves held, and the fact that Russia needs incomes from gas exports. He claimed that Russia is experiencing an unwelcome economic downturn because of the lower gas prices, which are caused

by the full gas reservoirs in Europe, and a general slump in energy prices on the international stage. He did not see any point for Russia to cause another gas crisis for that reason (A. Duleba, personal interview, December 5, 2016).

Furthermore, Mr. Duleba recalls the former relations between Russia and Ukraine, when till 2002, Ukraine did not pay for the Russian gas at all. This relation operated on a Bartel method, when Ukraine could use as much gas as they needed without any charges, if in return Kiev would not request transit fees from Russia for gas transported through their territory. When in 2002 Russia changed its policy, Ukraine wanted to charge Russia as much as they were charged for the Russian gas prices for their own consumption, to compensate the differences. Only after this affair did the gas disputes start to emerge. In 2005 and 2006, an agreement between Ukraine and Russia was somehow reached. However, after 2009 the situation was different. The gas supplies were temporarily suspended, but not for the reason of having nontransparent relations, it was because Russians forced Ukrainians into very unprofitable agreements. Russians did not want to accept the transit fees and Ukrainians did not want to accept the invented price. For these reason, there was no consensus met between Russia and Ukraine. This act was one of Russian's strategies to push their interests on Ukraine. Then in 2009, during the activity of Yanukovich, Ukraine paid the highest price for gas. This standpoint could not function, and for this reason any agreement could not arise. This, as Mr. Duleba described, was one of the reasons why he does not believe that the crisis might occur again. Another reason is that the EU has made new alterations regarding energy politics. Nowadays, the EU has its own gas reservoirs and also, the pipelines are capable of activating reverse flows, which was not possible in the past, added Duleba. The gas reservoirs are full due to the warmer winters in the recent years. As a consequence, this advantage ensures customers are buffered from the effects of gas cut-offs, for a period of at least two to three years according to Mr. Duleba. The gas prices have dropped, which has further harmed the Russian economy. Therefore, Mr. Duleba asserted that Russia does not have any reason to cause another gas crisis in the near future in fact quite the opposite, (A. Duleba, personal interview, December 5, 2016).

In contrast, Mr. Vihma finds the possible gas crisis more likely. During the interview, in regards to the question regarding the DCFTA, he reflected his point of view on a gas dispute situation, when he said: "...when there will be another, if you want to call it, gas crisis or some other kind of dispute with Russia and Ukraine...and there will be, as you know. There will be several of those in the making" (Vihma, personal interview, December 8, 2016). He confirmed this statement when directly asked by the interviewer, straight after his direct expression, on if he does believe that

there will be several new disputes between the EU, Ukraine and Russia. His response was open, recognizing a potential gas crisis to emerge in the energy triangle of the EU, Ukraine and Russia. Mr. Vihma argued, that Russia has clearly signaled that they want to terminate all gas transit through Ukraine, when the current agreements run out of effect. However, Mr. Vihma commented, that Russia will not adhere to this stance. He claimed that Russia will create temporary transit deals after 2019. However, he regarded the possibility of several escalations before these disputes are finally over (A. Vihma, personal interview, December 8, 2016).

4.5 Ukraine today

Interviewee A commented, that to understand the European tensions with Russia and Ukraine, there are several issues involved between different countries, however, there are also hidden issues, which are referred to as interests. Therefore, this complex situation is also impacted by the referendum in the Netherlands regarding the agreement with Ukraine. Interviewee A regarded it “strange” that the Netherlands can reject the agreement in a referendum, even though the document has already been signed by the EU. Interviewee A argued this position, as Europe is living in a life with false information, which is made for the purpose of influencing public opinion. However, he believes that there are wise people in “Brussels” to make wise decisions regarding Ukraine and the agreement (Interviewee A, personal interview, August, 21, 2016).

According to Mr. Kapitonenko, Ukraine is facing serious problems regarding the energy sectors. Coal mines are a major issue in Ukraine with half of them in occupied territories, which influences the energy balance and energy consumption in Ukraine. For this reason, Ukraine is not in a very prosperous situation when dealing with the EU in the field of energy. Therefore, as Mr. Kapitonenko presumed, as soon as Ukraine recovers from the situation of its territory being occupied and therefore out of the control of Kiev, the DCFTA will work as it should, which will certainly enhance Ukrainians energy security (N. Kapitonenko, personal interview, November 18, 2016).

Furthermore, Mr. Kapitonenko says, that there is a consensus that Ukraine should become less dependent on Russian gas supplies. However, there are still several lobbyists connected to the former Party of Regions, and also to some extent to the former Prime Minister of Timoshenko’s party, in the Ukrainian government. This makes Ukrainian energy sphere opaque enough, keeping Naftogas as a monopoly company in Ukraine, because Naftogaz is still a non-economic and ineffective company, vulnerable to influences from diverse lobbyists. This issue, is according Mr.

Kapitonenko the key problem, although, as he states “most of the rhetoric is for reducing dependence on Russian supplies”. He pointed out the rhetoric as a common factor in Ukrainian politics recently, which contradicts fact, that there is no strategy, which would allow Ukraine to diminish significantly their dependence on Russian gas. Even though Ukraine has reduced their purchases from Russia to almost zero of the volumes of natural gas, at the end of the day it is still, ultimately Russian gas that Ukraine buys from European states (N. Kapitonenko, personal interview, November 18, 2016).

Mr. Kapitonenko seems to believe that Ukraine still has not learnt its lesson regarding its need to become more energy efficient. It is still at a very low level and because of this, Ukraine remains dependent on external gas coming from Russia, which makes Ukraine vulnerable. Also, Ukraine should be prepared for a significant decrease in income as a transit country because of the alternative gas pipeline infrastructure, and because of a general decline in demand from Europe for Russian gas. Mr. Kapitonenko argued that Ukraine should not focus on basing their strategy on transiting Russian gas, as they used to do for many years. As he looked back at the events, when Ukraine faced a lack of coal, the government dealt with the problem very effectively, which as Mr. Kapitonenko stressed, should be a motivation for Ukrainians to build a more competitive energy system, depending on renewables, atomic energy, or possibilities that differ from traditional coal, oil or natural gas, (N. Kapitonenko, personal interview, November 18, 2016).

However, Mr. Duleba recalls that Ukraine is celebrating one year of being independent from Russian gas supplies (November 2015). Through Ukrainian territory, henceforward flows a technical gas from Russia to the EU. Mr. Duleba called this as a successful dialogue, he emphasized that the EU has pledged to strive and strengthen energy security in Ukraine, and that the EU will coordinate substantial steps with Ukraine regarding the transit of gas supplies through Ukrainian territory (A. Duleba, personal interview, December 5, 2016).

4.6 Nord Stream Two and other energy alternatives in European energy security

With regards to the new Russian pipeline, Interviewee A recalled the affair from some years ago, when Russian gas was transported through Ukrainian territory. However, Ukraine did not pay their debts, and started to take gas which was intended for Western Europe. That is why Russia wants to avoid this situation again, and to be released from its dependency on Ukraine, as a gas transit country. Furthermore, he pointed out at the official website of NS2, which states, according to him,

that the pipeline will guarantee energy security, reliability and that the project is eco-friendly. Interviewee A considers security and reliability as the main key words in this matter (Interviewee A, personal interview, August, 21, 2016).

Furthermore, Interviewee A argued that gas consumption is going to increase in the near future. However, Interviewee A claimed that a lot of people believe, that in the near future, Europe will be independent from fossil fuels, an opinion with which Interviewee A strongly disagreed. He provided an example of the Netherlands, focusing on wind and solar energy. This kind of renewable energy should be neglected, because it is not sufficient, claimed Interviewee A. Therefore, the remainder of the energy supply needs to come from fossil fuels, which is coal, oil and gas. Everyone accountable in this matter disagrees with this idea, however, gas is the cleanest fossil fuel and there are sufficient supplies of gas at the moment for at least the next decade. Furthermore, he emphasized that Europe needs more gas, and if the EU will not take further steps, Europe will experience an energy shortage. Therefore, Interviewee A assured that it is necessary to build an additional pipeline to secure security of supply, and by building the NS2, Europe will fill the gaps and fulfill the shortage (Interviewee A, personal interview, August, 21, 2016).

Also, Interviewee A said that it is difficult to predict if the NS2 will be postponed or stopped by the EU. He explains this in three remarks. The first one, in case of the EU wanting to prevent the NS2 construction, "where will they get the energy from in the future?", he questioned. The second remark refers to Interviewee A's critical opinion about the European Parliament. He questioned their notion of the energy market, or knowing less than the energy experts who work for Shell or Gazprom. And the third remark concerned the fact that Europe is still using coal plans in the market. This causes heavy pollution, however, it is a cheaper energy source. As in an example, Poland, which is a country rich in coal resources, but aims to reduce its reserves. For this reason, they block the gas supplies, because they want to sell their coal stocks (Interviewee A, personal interview, August, 21, 2016).

To cover the argument on why NS2 is planned to be constructed right next to the NS1, which has been in operation for a couple of years already, Interviewee A emphasized, that it is important to pay attention to the infrastructure, which should not be underestimated because NS2 is a massive installation. Here Interviewee A pointed out at the gas distribution, and a huge infrastructure construction in Europe that play role in the NS2 (Interviewee A, personal interview, August, 21, 2016).

On the topic of NS2, Mr. Kapitonenko asserted that the project is economically justified and “everything is fine [regarding] the project” (N. Kapitonenko, personal interview, November 18, 2016). He believes that it is in order for Russia to lower its transit payments to Ukraine, and at the same time it is in order for the EU to dispose of another transit state (N. Kapitonenko, personal interview, November 18, 2016). However, Mr. Kapitonenko regarded a problem in the transit of gas via this pipeline, which might be more expensive than through Ukraine. Europe does not need such large amounts of natural gas through a new infrastructure, when there is one functional one through Ukrainian territory, added Mr. Kapitonenko. On the other hand, the diversification of gas supplies is a positive attribute for a consumer and exporter since it destroys the monopoly. Looking at the European security aspect, it is important to take a wider look at if Russia is trying to construct this new pipeline to preserve the dependence on its energy resources, which is already present in Europe. For this reason, Mr. Kapitonenko seemed to believe that from the European perspective, it is more preferable not to build the alternative pipeline from Russia, even if the EU would get a cheaper gas as a result. Therefore, it is more advisable to concentrate on searching for new and alternative sources of gas supply. Europe is the most lucrative market for Russia, and they will certainly prefer to expand their pipeline infrastructure to the EU, argued Mr. Kapitonenko. However, the NS2 pipeline is not being build as a reaction to Ukraine signing the DCFTA. He definitely did not see any connection between these two events (N. Kapitonenko, personal interview, November 18, 2016).

Additionally, Mr. Duleba argued that the NS2 is part of the conflict between Russia and Ukraine. It is a revenge for Ukraine, that they completely stopped buying Russian gas. For this reason, Russia decided to penalize Ukraine by means of stopping or avoiding transiting Russian gas through Ukrainian territory and intend to redirect and expand their supplies via the NS2. However, he claimed that Russia cannot entirely stop gas transit via Ukraine, because Russia needs to meet gas-supplies agreements with their Western clients. Therefore, Mr. Duleba argued, that the NS2 will not lead to a complete shutdown of gas transit via Ukraine (A. Duleba, personal interview, December 5, 2016).

On the other hand, Mr. Duleba points out that by 2019, when a transit contract between Ukraine and Russia will terminate. Russia does not want to extend it, and for this reason Russia is pushing on with the construction of the NS2 project, with the aim of bypassing Ukraine. This would signify a significant loss of income for the Ukraine state budget. However, Mr. Duleba spotted

uncertainties and legal implications and vast investment regarding the project. A planned consortium, which was created to realize the project was not created because of the legal implications. Polish antitrust authority claimed that if the NS2 project would be realized, it will lead to deformation of the Polish gas market. This fact might lead into providing precedents for future complaints at the European Court. (A. Duleba, personal interview, December 5, 2016).

Moreover, Mr. Duleba further commented, that Russian predominance and the formation of their monopoly in the territory of the EU, will be subject to attention from the European Court. It might happen due to the AA, where the EU has committed itself to strengthen the energy security of Ukraine and also, that the EU will coordinate the trade with Ukraine in terms of the gas transit issues through Ukrainian territory. Ukrainian Naftogaz attacked the decision of the European Commission, in regards to the OPAL pipeline. The European Commission has granted an exception to Gazprom, that the Russian OPAL might be operated by Gazprom to 50%. It is an exception in European legislation, as Mr. Duleba said, because according to the EU legislation in the energy sector, any pipeline on the territory of the EU must be available to any operator or gas trader. Therefore, the OPAL case, creates a monopoly on the territory of the EU. In other words, anyone who deals with the gas trade in Europe can sue through the European Court to allow use of the whole system of NS1 and NS2 and their supplies to the EU territory. Therefore, there are new legal uncertainties emerging from the NS1 and NS2 and for this reason, Mr. Duleba did not see any logic in an investor joining this project (A. Duleba, personal interview, December 5, 2016).

Thus, Mr. Duleba does not regard any connection between the DCFTA and NS2 project, which he compared with an expression of not “mixing apples with pears” (A. Duleba, personal interview, December 5, 2016). The DCFTA between the EU and Ukraine is essentially a copy of AA he claimed. These kinds of Association Agreements are designed for countries, which sign agreements with the EU, but they themselves are not members of the EU (A. Duleba, personal interview, December 5, 2016).

Furthermore, Mr. Vihma claimed that in the EU, the NS2 is recognized quite well, as the project with a perception of having a political element. When the project was launched, there were several opinions within the EU, which argued that the NS2 is a technical and commercial issue. Especially in Germany, but also in Scandinavia, Mr. Vihma recalled. However, he seemed to find the argument objectionable and referred to the project as being recognized to possess a political intention. He regarded this argument as a strategic issue for the EU, which is currently supporting Ukraine, by

means of both finance, and also in the trilateral talks regarding natural gas. Therefore, the transit via Ukraine is the EU's strategy, and if the EU weakens the gas transit by supporting and effectively cooperating with another gas pipeline, it will create policy incoherence, Mr. Vihma explained. He pointed out the high level German politicians, who says that it is necessary to keep in mind not to worsen the Ukrainian position, regarding the construction of a new pipeline (A. Vihma, personal interview, December 8, 2016).

Mr. Vihma gave an example of unfair sanctions, regarding the sanctions on the NS2. Angela Merkel has completed a favorable bilateral cooperation with Russia, in the form of the NS2 project. However, several other countries, like the Netherlands, Finland and Portugal have to carry the burden of sanctions in the agricultural sector with third countries. These countries were awarded with sanctions by the EU, but Merkel's decision on NS2 project, makes the situation very easy. The question Mr. Vihma posed is, why should other EU countries take the burden of sanctions, if Germany strives to impose these sanctions, but is actively cooperating in matters that are important to them? Moreover, several EU countries, such as Poland and the Visegrad countries, actively oppose NS2. In other words, Germany shows an example of a bilateral cooperation, where smaller Member States also try to act bilaterally for their own interest, rather than for the interest of the EU. However, in such situation, these countries suffer sanctions by the EU, though Germany will not, (A. Vihma, personal interview, December 8, 2016).

Furthermore, Mr. Vihma asserted that even though the NS2 could cover a significant amount of the European demand, it will not cover everything. Therefore, even if the NS2 is built, there will be a small amount of gas transmitted via the Ukrainian territory. However, in Russian point of view, if there are more pipeline options, Russia will shift the gas transit away from Ukraine, claimed Mr. Vihma. Since 2000 or 2001, Russia's strategic goal has been to bypass Ukraine and if there are ways to achieve this, Russia will use them (A. Vihma, personal interview, December 8, 2016).

On a question if Mr. Vihma considers the DCFTA having a connection on the NS2 project, Mr. Vihma unveiled that he has never thought of in this regard. However, the South Stream pipeline, which was halted in December 2014, left a bitter disappointment on the Russian side. Therefore, Mr. Vihma seemed to believe, that this act showed the determination of Russia to bypass Ukraine, when they started to ship pipes to build the pipeline, and a construction in Serbia was started but has not been finished. However, as Mr. Vihma pointed out, the cancellation of the South Stream

project shows that nothing is certain, until the pipeline is actually built (A. Vihma, personal interview, December 8, 2016).

4.7 Conclusion

In conclusion, this chapter illustrates a detailed collection of four interviewees' thoughts which contributed greatly to this research. During the interview with Alexander Duleba, he recommended paying attention to his publication he created with Tomáš Galiáš, called *Russia, Ukraine and us*. Here is found comprehensive motives, as to why the gas disputes emerged, and what was the Russian politics regarding this issue. Furthermore, Antto Vihma emphasized a book from Harvard University Press, called *War By Other Means*, released by the European Council of Relations. The book discusses geo-economics in more details, which interestingly, all of the interviewees took into account during the interviews.

Briefly, through this extensive research on the DCFTA between Ukraine and the EU and its influence on European energy security, the interviewees tend to indicate that the DCFTA does not have such a dominant impact on energy security relations, and will not lead to additional conflict between Ukraine and Russia. Also, the agreement is not an instrument that can cause a significant gas dispute, which will be more elaborated on later in this chapter. Moreover, the findings show that answers vary in regards to the NS2 project as an economic tool or a retribution created by Russia as a result of Ukraine signing the DCFTA with the EU. Therefore, the Discussion chapter combines and compares these results, and incorporate them with the results of Literature Review. As the aim of this chapter is to portray the findings, the next chapter will discuss them to provide a deeper understanding of the results with a consequent conclusion.

5 Discussion

In this chapter, the findings of the research on the DCFTA, and its influence on the European energy security will be discussed. All the important and relevant findings can be found in the previous *Results* chapter, and also in the *Appendixes*. This chapter begins with the most significant findings, and proceeds towards the more general ones. The most crucial findings are connected to the agreement, and support answering the main research question. The latter sub-chapters provide a more comprehensive view on the complex of issues regarding to the DCFTA, and European energy security. Moreover, this chapter refers to the Literature Review and Results chapters, which support the comparison and discussion of the findings in order to come into a reasonable conclusion.

5.1 A membership of Ukraine in European Energy Community

Findings from *Literature Review* chapter demonstrate, that since Ukraine has joined the EEC, its membership ensures that Ukraine has access to a pan-European energy market. This membership is based on the principles of solidarity and transparency (European Commission, 2010h). In contrast, this approximation of Ukraine to the Western market is opposed by Russia, intimidating Ukraine by ordering the cut off of free trade zone with its neighbor (Ukraine Today, 2015). The reason for such Russian behavior is illustrated by Putin's desire to build the Eurasian Union (Wolczuk, 2014), followed by offering Ukraine trade benefits, if they join the Union. However, when the DCFTA came on the table, and Ukraine declared that it would incorporate this agreement into their trade policy, Russia began with minor trade wars, to pull Ukraine away from the DCFTA (Tapiola, 2012). The findings from the *Literature Review* regarding this, were independently confirmed by the results of the interviews with Mr. Kapitonenko and Mr. Duleba, who argued that the EEC, is the more important instrument in the Ukraine-EU relationship (N. Kapitonenko, personal interview, November 18, 2016; D. Duleba, personal interview, December 5, 2016). Also, Mr. Duleba emphasized several times, that the gas trade tensions between Ukraine and Russia, did not originate from the DCFTA itself, but from Ukraine becoming fully harmonized with the EU legislative in the energy sector (A. Duleba, December 5, 2016). Furthermore, during the interview with Mr. Duleba, while interpreting the main research question by the interviewer to the interviewee, Mr. Duleba often interrupted the interviewer in order to emphasize that the attention being put on the DCFTA should be reoriented on the EEC instead (A. Duleba, personal interview, December 5, 2016). On the whole, none of the interviewees recognized the DCFTA as the main cause of the gas disputes resulting from the events of 2006, 2009 and 2014, between these two nations. In contrast the

participants referred to Ukraine's membership in the EEC, as the main argument to pay attention to in this regard. It means that the agreement, in the view of the interviewees, does not represent the main cause of the gas disputes in recent years. Thus, this research deems the DCFTA as a less relevant agreement, and recommends turning the focus on the existence of the EEC and the membership of Ukraine.

Consequently, Mr. Duleba clarifies the importance of the EEC, where Ukraine as a member, obliges itself to become fully harmonized with the EU legislative in the energy sector, and to coordinate its policy in energy area accordingly. Ukraine's membership in the EEC constitutes the same, as what is in the DCFTA, Mr. Duleba argued. In other words, if Ukraine meets all the conditions of EEC, these conditions automatically become a part of the agreement (A. Duleba, personal interview, December 5, 2016). This finding shows that it is not the DCFTA that is important for Ukraine's energy security, but Ukraine's membership in the EEC, because Ukraine must comply with the EU legislative regarding the energy sector to become a full member of the EEC, and the DCFTA is already incorporated within it. Therefore, this research cannot attach significance to the DCFTA, but rather to the membership of Ukraine in EEC. However, as a result, following are two sub-questions to answer, how this agreement will influence the diverse relations in the EU-Ukraine and Russia triangle. Sub-question eight is as follows:

8. What effects will the Deep and Comprehensive Free Trade Agreement have on the gas trade relations between Ukraine and Russia?

First of all, Interviewee A does not believe that the agreement will reshape the relations between Ukraine and Russia significantly. Interviewee A argued that the DCFTA is only a small part of a very complex relationship with multiple issues. However, as he concluded, this relationship is not "written in a stone" and it cannot be discounted that the political situation may change at any time (Interviewee A, personal interview, August 21, 2016). Secondly, Mr. Kapitonenko sees Russia as trying to block the Agreement from coming into full force, which has negative implications in general. The Russian opposition to the DCFTA will lower the impact of the agreement by imposing limits on Ukrainian access to European market (N. Kapitonenko, personal interview, November 18, 2016). Furthermore, Mr. Duleba does not believe the belief that the relations between Ukraine and Russia depend on the agreement itself. Here, he pointed out at two sectorial policies, which "go beyond the contractual relations" (A. Duleba, personal interview, December 5, 2016). The first one is related to the EEC and the second one refers to visa relations. This is the thorn in the eye in Mr.

Duleba's opinion, rather than the DCFTA. He believes that Russia's opposition has nothing to do with the energy politics directly (A. Duleba, personal interview, December 5, 2016). In contrast, Mr. Vihma's stance on the DCFTA and the Russian reaction towards the agreement is somewhat questionable. He does not neglect the possibility of Europe witnessing political conflict between these two countries. He is of an opinion that the DCFTA has brought a restraint into play, and "it is using the so-called energy weapon by Russia" he concluded (A. Vihma, December 8, 2016). To answer the 8th sub-question in this regard, it cannot be ignored that the DCFTA has brought some resistance from the Russian counterparts. However, it is not believed that it will significantly influence events in the energy sector between Ukraine and Russia, because the DCFTA does not play such an important role in this old and tangled relationship between the two nations. To answer how the agreement be seen from a wider point of view, can be found subsequently. The ninth sub-question reads as follows:

9. What is the influence of Deep and Comprehensive Free Trade Agreement on the relations between the EU and Ukraine, and the EU and Russia in terms of the gas trade?

Interviewee A also said, that the DCFTA will not lead to any negative impact on the terms between the EU and Russia, because this contract is a minor part in a complex situation (Interviewee A, personal interview, August 21, 2016). Mr. Kapitonenko asserted that, by signing the agreement, Ukraine achieved an important step in order to bring Ukraine into the European Common market in all senses, because this act will serve for Ukraine as a good strategic stepping stone and improve attitudes to the country (N. Kapitonenko, personal interview, November 18, 2016). Mr. Vihma argued that it is very important that the EU has institutionalized its relations with Ukraine, and that the EU is a part of trilateral negotiations with Ukraine and Russia. In contrast, he is of the opinion, that the DCFTA not the main influence in the energy security in Europe (A. Vihma, December 8, 2016). On the whole, the reaction of interviewees to the DCFTA is rather positive, and in favor of the agreement being signed. This strategic step for Ukraine, will bring a number of benefits to Ukraine's trade zone. However, it does not represent any significant impact on the gas trade, as was concluded from the primary results of this research. Thus, it can be concluded that the DCFTA is a small part in a complex of multiple issues in the EU, Ukraine and Russia relationship. However, this research attributes more importance to the membership of Ukraine in the EEC, because that was the initial reason that led to the Ukraine-Russia gas disputes, and the DCFTA was a subsequent

small additional step in this regard. In other words, this research is not of the opinion that the relations among those three actors will be changed significantly by the DCFTA.

5.2 The DCFTA and its impact on the European energy security

In November 2013, the decision of the Ukrainian President Viktor Yanukovich, to refuse to sign the DCFTA, caused an upheaval with thousands of Ukrainian citizens joining the *Euromaidan* demonstration. As a consequence, this event led to a reshaping of the Ukrainian political situation (Van der Loo, 2015) and as referred to by many, the DCFTA is a “suicidal pact” for Ukraine, letting Russians avenge Kiev’s European choice (Wolczuk, 2014). To illustrate an adequate overview by the interviewees regarding their general point of view on the DCFTA, respondents answered distinctively. Nevertheless, Russia’s opposition on the DCFTA is straightforward, which can be seen from a number of punitive trade measures against Kiev since the ratification of DCFTA. As the CEPS Working Document on *Russia’s Punitive Trade Policy Measures towards Ukraine, Moldova and Georgia* indicates, these punishments were in a format of cutting off gas supplies to Ukraine in June 2014 (Cenusa, Emerson, Kovziridse & Movchan, 2014).

Apparently, Russia’s goal has been to put veto on DCFTA, to block the process of Ukraine’s economic integration in the EU (Consulate General of Ukraine in Chicago, 2015). However, statements from the interview with Interviewee A revealed, that he does not believe that the DCFTA alone, will lead to an impact on trade relationships, because the DCFTA will never stand alone, on the ground of the agreement being a part of a bigger whole (Interviewee A, personal interview, August 21, 2016). He further argues that the agreement is just one issue of a very complex relationship, and it is also important to consider other affairs from Russian-Ukrainian history (Interviewee A, personal interview, August 21, 2016). Therefore, the DCFTA is a part of a complex, upon which the consequences do not represent a great hazard for European energy security.

In addition, Mr. Kapitonenko finds the DCFTA to be an important step for Ukraine, in order to bring Ukraine to the EEC in all senses, because it brings a good strategic and prospective attitude to Ukraine in general. However, Mr. Kapitonenko also recognized, that Russia strives to impose limits on Ukrainian access to European markets (N. Kapitonenko, personal interview, November 18, 2016), which confirms the restlessness of Russia with regards to the DCFTA. Therefore, even though Interviewee A and Mr. Duleba claim that the DCFTA does not represent a danger for the European

energy security, the findings from the primary and secondary research contradict to these statements. Mr. Duleba argued, that the relations do not depend on the agreement itself. Furthermore, he argued that the Russian opposition to the DCFTA has nothing to do with the energy politics (A. Duleba, personal interview, December 5, 2016). Additionally, he confirms his statements with a policy brief by Kataryna Wolczuk (Wolczuk, 2014) that Putin's aim is to keep Ukraine in its concept of Eurasian Union, which is the reason why Russia blocked the agreement (A. Duleba, personal interview, December 5, 2016). Besides, Mr. Duleba recalled Putin's idea behind the formation of Eurasian Union as a way to reintegrate the former USSR in order to enable Putin to use Ukraine's industry on the east of the country. Ukraine, as an "Iron Pillar", an essential part of Eurasian Union and Putin continues to strive to achieve his goal (A. Duleba, personal interview, December 5, 2016). Thus, Ukraine's industry is the main reason why Putin attempts to block the DCFTA, in order that he can create a new Eurasian Union increasing thereby Russia's sphere of influence. In this case, the opposition does not originate from the gas market itself, even though the gas market may be dragged into the conflict as has happened in the past.

Additionally, an interview with Antto Vihma revealed, that he finds Ukraine institutionalizing its relations with the EU as very important step and he believes that the EU's presence in these trilateral negotiations is essential (A. Vihma, personal interview, December 8, 2016). On the other hand, he does not see the DCFTA as a potential cause of gas disputes in European energy security. As a consequence, it can be determined that the agreement is not the main thorn in Russia's eye and is not a potential cause of gas disputes.

5.3 Gas relations in the light of European energy security

The European Commission released its Energy Security Strategy, based on the previous energy disputes between Ukraine and Russia, and the fact that several EU Member States were dependent on one single gas supplier (European Commission, n.d.). Ukraine's increase in transit fees for Russian gas are considered as unreliable as in Ukraine being a transit state, and therefore the potential of experiencing a new gas crisis is in sight, argued Alexei Grivach, a deputy director of the Russian foundation for national energy security (Chornaya, 2016). However, as Interviewee A argued, the EU wants to be independent from Russian gas, but they remain in need of fossil fuels and therefore, gas is the only workable option, thanks to its eco-friendly, clean energy characteristics. Therefore, Interviewee A stands by his his opinion, that the EU is unlikely to become independent from gas (Interviewee A, personal interview, December 5, 2016). Considering gas's

advantages, this research considers statements from Interviewee A as a logical option for the EU to focus on, however, political relations between Ukraine and Russia are unstable and vulnerable. Therefore, relying on Russia as the main gas supplier is not recommended. According to Interviewee A, the EU is also less likely to find alternative suppliers, because of the geopolitical and geo-economic reasons. Europe cannot rely on the gas supplies from the Middle East, and Russia's attempt to build the South Stream or Nord Stream Two offer alternatives. Interviewee A does not understand, why the Russian energy market is so criticized, because of several advantages as has been already mentioned above (Interviewee A, personal interview, December 5, 2016).

On the other hand, Mr. Kapitonenko sees Ukrainian's low level of efficiency as the most urgent problem. If Ukraine continues having this low level of efficiency, it will remain dependent on Russian energy supplies. However, by establishing alternative gas supplies for the EU, there will be less ways of influencing Ukrainian's energy security (N. Kapitonenko, personal interview, November 18, 2016). As for now, these relations are tense and European energy security remains instable. Similarly, Mr. Duleba also stressed the importance of the pipeline construction regarding the subject of European energy security. He explained his argument with the fact, that Russia is losing its monopoly in gas supplies to the EU, which ensures that the situation from 2009 is less likely to happen (A. Duleba, personal interview, December 5, 2016) Moreover, events from 2009, such as Kharkiv Accords (A. Kapitonenko, personal interview, November 18, 2016), forced the EU to strengthen energy security in Ukraine. Therefore, European energy security has been fortified. A successful trade as such, is the best answer to the external threats, argued Mr. Duleba, because when a market has access to multiple energy suppliers, the competition will get stronger (A. Duleba, personal interview, December 5, 2016), which confirms the arguments of Mr. Kapitonenko regarding strengthening Ukraine's levels of efficiency. Therefore, the key point is the interconnection of infrastructure. Western Europe has already been interconnected, however, central Europe lacks a satisfactory gas infrastructure. As a consequence, a terminal (in operation) in Swinoujscie, Poland, is expected to provide more energy security (A. Duleba, personal interview, December 5, 2016) in the eastern part of Europe and therefore in Ukraine. In addition, European energy security should be addressed as a broad issue, argued Mr. Vihma. He illustrated this situation with a "Sticks and Carrot" idiom emphasizing an economic power, as the main instrument in this relation (A. Vihma, personal interview, December 8, 2016). Notwithstanding, the EU needs to hold on to its sanctions in the EU-Russia strategic relationship, in order to not allow Russia to influence EU countries with energy deals.

Consequently, in an article by Mr. Vihma called *Unclear and present danger: Russia's geo-economics and the Nord Stream 2 pipeline*, which was published on a Journal of Global Affairs this November 2016, Mr. Vihma refers to the power of the geo-economics and geo-politics (A. Vihma, personal interview, December 8, 2016). For Vihma, it is clear that Russia is using this geo-strategy as a means of political influence. Therefore, gas has become a geo-economic component in the energy security (A. Vihma, personal interview, December 8, 2016). Additionally, Interviewee A, draws attention to the old relationship between Russia and Ukraine, and refers to the geo-political climate in this regard, as Mr. Vihma did as well (Interviewee A, personal interview, August 21, 2016). However, political relations, as Interviewee A argues, might change very rapidly, at this point however, he believes that the DCFTA will not significantly change the relations between Ukraine and Russia, because of Russia's economic reasons to fill the state budget (Interviewee A, personal interview, August 21, 2016). On the whole, strengthening levels of efficiency in the energy market is a priority issue in Ukraine, but also for the EU. As a consequence, it is important to pay attention to the more effective interconnection of gas infrastructure throughout Europe, in order to secure European energy security, this is confirmed by this research. In contrast, Russia sees the EU's endeavor in gas suppliers' diversification as a potential threat and, uses geo-strategic and geo-political components to secure its position on market.

5.4 Gas Crisis

Regarding the possibility of a repeat of the gas crises of 2006, 2009 and 2014, three out of four interviewees do believe that a gas crisis is not likely to happen in the near future. In contrary, Mr. Vihma seemed convinced that Europe should be prepared to experience another gas crisis coming from Russia. However, he does not believe that the dispute will be caused by the DCFTA (A. Vihma, personal interview, December 8, 2016). Similarly, Interviewee A, entirely rejected such a scenario and considers the DCFTA as "nothing to be worried about" with regards to a gas crisis (Interviewee A, personal interview, December 8, 2016). Similar to the previous opinions, Mr. Kapitonenko argued, that the chances are much smaller now since Russia is in a weaker position than before. The gas has become cheaper and the energy market is more diverse, making Russia more dependent on European markets rather than the other way round. He asserted that Ukraine has learnt its lesson from 2010, when Ukraine signed the unfavorable Kharkiv accords, to assure gas supplies from Russia as a top priority (N. Kapitonenko, November 18, 2016). However, since 2009, regardless of the DCFTA, the situation is different today, because of the Energy Union, one-year gas independency of Ukraine from Russian gas supplies and full gas reserves and operational

reverse-flows, argued Mr. Duleba, (A. Duleba, personal interview, December 5, 2016). These findings do not confirm that Ukraine or the EU should be expecting another gas crisis coming from Russia. Therefore, the DCFTA, is improbable to be the main source of a gas crisis if any should occur.

In a somewhat contradictory position to the findings of the literature review, Mr. Duleba does not see the DCFTA having a significant influence on European energy security. However, as he argued, Russia decided that it does not need to coordinate its gas supplies to the EU, which then created a negative reaction by EU representatives. Moreover, Russia needs gas incomes from its gas exports. The gas prices have dropped as well and therefore, Russia has no reason to cause another gas dispute, according to Mr. Duleba (A. Duleba, personal interview, December 5, 2016). Mr. Vihma counters Mr. Duleba's opinion; he predicts gas cut offs from Russia seeing possible disputes occurring in the future (A. Vihma, personal interview, December 8, 2016).

The following section, will briefly answer the seventh sub-question of this research. This question aims to answer what can be expected from the DCFTA in case of a gas dispute. Ms. Sieflinde Gstöhl explains the agreement's effects and more detailed procedure can be found in her book on *The European Neighbourhood Policy in a Comparative Perspective*. Thus, the seventh sub-question is as follows:

7. *What are the effects of Deep and Comprehensive Free Trade Agreement (DCFTA) on European Energy Security in terms of a gas dispute?*

On the whole, in the case of a gas crisis on Ukrainian territory, the DCFTA is designed to prevent and solve disagreements. Findings of the Literature review revealed, that a publication by Sieflinde Gstöhl, illustrates DCFTA's tasks, where one of the agreement's responsibilities is to provide dispute settlements (Gstöhl, 2016). Therefore, the DCFTA is also designed to find a solution in the case of a gas crisis, if required. As a consequence, this argument also answers the tenth sub-question, because it reveals that the DCFTA plays a significant role in handling any energy related disputes in case of an emergency. Therefore, the measures of what to do in case of a gas crisis, can be found in the content of the agreement. However, as it has been previously discussed, the findings from the primary research do not agree that the main DCFTA is the cause of the gas disputes, nor that the agreement will complicate the relations among those who are engaged in this contract. Therefore, this research stands for the statements of the interviewees, due to their rich professional experiences, and will not regard the DCFTA as the main concern for the European

energy security. As a consequence, this research will not elaborate on the proceedings in a gas dispute and this information can be found in Ms. Gstöhl publication in this instance. The tenth sub-question stands as follows:

10. What measures can be taken to ensure European Energy Security (EES) during a gas dispute?

5.5 Political situation in Ukraine today

To understand Russia-Ukraine disputes, it is important to understand several issues from the whole complex. However, many of these are “hidden”, and referred to as *interests*, namely, the Dutch Ukraine-European Union AA, which was rejected with a majority of voters, recalled Interviewee A (Interviewee A, personal interview, August 28, 2016). Furthermore, another *hidden* issue is the case of coal mines in Ukraine, which influence the energy structure consumption, as commented by Mr. Kapitonenko. Besides, in Ukraine, there are still several lobbyists connected to the previous party in the Ukrainian government influencing, and at times hindering the Ukrainian’s governmental operation. On the other hand, there is a consensus, that Ukraine should become less dependent on Russian gas supplies, but the energy sphere is not transparent enough and vulnerable to influence from diverse lobbyists. As soon as Ukraine recovers from these and other *hidden* issues, the DCFTA will work effectively (N. Kapitonenko, personal interview, November 18, 2016). For this reason, Ukraine definitely needs to become more energy efficient in order to become energy independent. This goal is still at a very low level and because of this position, Ukraine remains dependent on gas coming from Russia. Even though Ukraine has stopped buying gas from the Russian market for more than a year, de facto, it is Russian gas that Ukraine purchases from the European states at the end of the day (N. Kapitonenko, personal interview, November 18, 2016). What this research finds as very important is that, despite the *hidden* issues, Ukraine work on its aim to become energy independent, and more efficient in the energy industry. It is a matter of time to solve Ukraine’s implications on a level, when these issues will not represent a hindrance in Ukraine’s energy market. Ukraine’s cooperation with the EU, strengthens its position in their energy trade, thus it can be expected that Ukraine will not suffer from Russia’s oppression in the near future.

In addition, it is more advisable to focus on alternative gas suppliers for Europe. Europe, is the most profitable market for Russia, and they will unquestionable strive to build more pipelines on the

European continent. Mr. Kapitenenko argued, that Ukraine should build a more competitive energy system focusing on renewables, such as atomic energy, instead of the traditional coal, oil or gas capacities. (A. Kapitenenko, personal interview, November 18, 2016). Also, Mr. Duleba recalled the oil revolution from 70s, and presumed that in five or six years, the same situation will be occurring in Europe as well. As a result, Europe will not consider gas markets as a hazard anymore and LNG will become the new source in European energy markets (A. Duleba, personal interview, December 5, 2016). This finding means that the Russian dominance will slowly fade away and Europe will not remain as vulnerable as it has been for the past couple of years. Controversially, Interviewee A, does not find it logical to look for different energy alternatives to gas, because gas is one of the cleanest fossil fuels (Interviewee A, personal interview, August 21, 2016). However, Interviewee A works for one of the biggest Russian gas companies, therefore his response may be biased towards gas energy, rather than on other alternatives. Therefore, it could be also said that his opinion is impacted by his current occupation within the company, although his comments regarding gas as being an eco-friendly resource is convincing enough for the EU to be considered.

5.6 The mind behind the Nord Stream Two pipeline

NS2 is believed to have the potential to undercut Ukraine's energy security (A. Vihma, personal interview, December 8, 2016). On the other hand, such pipeline projects bring a number of economic benefits. It is also a concept of geo-economics, pointing at how competition for relative power keeps steering state behavior in international relations (Vihma & Wigell, 2016). This project it also greatly criticized by Petro Poroshenko, who requested that the pipeline project be blocked because it threatens both Ukraine's and Europe's energy security (Consulate General of Ukraine in Chicago, 2015). This "anti-European, anti-Ukrainian" political project has diverse points of view, regarding the primary findings of this research (European Parliament, 2016).

Above all, Interviewee A argued, that the NS2 pipeline is believed to be built due to the former gas disputes, when Ukraine used to take gas, which was intended for Western Europe. Russia does not want such a situation to happen again. Hence the construction of the new pipeline project. It is believed that NS2 guarantees energy security, reliability and eco-friendly energy. Besides, Interviewee A argued, that the gas consumption will increase in the near future, even though there are some who do not share this opinion. If Europe will not make any steps further, the continent will soon experience an energy shortage. For this reason, Interviewee A believes, that it is necessary to build the NS2 pipeline, to avoid such scenario. Additionally, an interesting comment was pointed

out by Interviewee A, who said “at the moment, the EU has a shortage of gas” (Interviewee A personal interview, August 21, 2016). This statement, is however in contrast with Mr. Duleba, who argues, that European gas reservoirs are filled with gas, thanks to the several warm winters, which did not require the need to use as much of gas as in previous years. Moreover, according to Mr. Duleba’s estimation, if gas would be suspended for around two weeks, European gas reservoirs are full, and Europe should not suffer from a gas crisis. These gas stocks could hold up to two years worth of supplies, which gives the EU enough time to find a solution (A. Duleba, December 5, 2016). Unfortunately, it was not in power of this research to find out, how much of the gas stocks are stored in gas reservoirs up until today. Therefore, neither of the arguments can be confirmed or refuted. However, it has been taken into consideration, that Europe has had quite warm winters in the past few years indeed. Therefore, the European gas reservoirs could have stored a significant higher amount of gas than is usual, which could act as a buffer should a gas emergency strike.

On the other hand, several other European countries aim to stop the construction of NS2. One of these countries is Poland, but their aim, is to sell their coal resources first, because the NS2 would devastate their plans. Even though the pipeline’s construction is designed to lead right next to operating NS1, it is important to realize, that the construction itself, depends on several factors not to be ignored. One of these factors is infrastructure and the massive work involved in the pipeline installation, argued Interviewee A. Also, building a pipeline depends on the geological environment. It also depends on a pipeline, which runs offshore, and these matters cannot be underestimated. Available, infrastructure is also one of the important elements to draw an attention to as well (Interviewee A, personal interview, August 21, 2016). These reflections are necessary to consider, and thus the location of NS2 is reasoned and rational considering its proven suitability for the NS1 pipeline. However, it cannot be ignored that the pipeline will bypass Ukraine, which could be also perceived as a Russian intention to avoid Ukraine’s transit pipelines, in order to abstain from paying gas transit fees to Kiev.

Mr. Kapitonenko, is very much in favor of the pipeline project. Diversification of gas supplies is an important attribute for a consumer to keep away from monopoly. On the other hand, it is essential to look at the matter from the other point of view. Mr. Kapitonenko hints at seeing Russia, striving to construct the NS2 to preserve European dependence on its energy resources. However, he does not believe that the DCFTA could be a result of Russians pushing to build the NS2 pipeline (N. Kapitonenko, November 18, 2016). Neither does Mr. Duleba, calling the connection as a “mixing of apples with pears” (A. Duleba, personal interview, Duleba 5, 2016). Ultimately, Mr. Vihma denies

the possibility of the DCFTA having a connection with the NS2 project. However, he believes that Russia is determined to bypass Ukraine after their bitter disappointment of not launching the South Stream pipeline into operation (A. Vihma, December 8, 2016).

Consequently, Mr. Duleba argued that the NS2 is a war and revenge between Russia and Ukraine. Although, Russia wants to stop transferring their gas supplies via Ukraine, Moscow needs to meet gas-supplies agreements with other European countries. Therefore, the complete stoppage of gas through Ukrainian territory is unlikely to happen. In 2019, a transit contract of Ukraine with Russia terminates and Russia is not aiming to extend it in the future (A. Duleba, personal interview, December 5, 2016). Accordingly, Interviewee A also confirmed that Russia clearly indicated that they want to terminate all gas transit through Ukraine when this contract will run out (Interviewee A, 2016). However, he does not believe that Putin will adhere to this stance and will create temporary transit deals after the 2019 (Interviewee A, personal interview, August 21, 2016).

Additionally, Mr. Vihma claimed that he sees the EU recognizing the NS2 in a positive stance. On the other hand, he sees that the project has a clear political aspect, yet with a strategic issue for the EU. He believes, that the EU is supporting Ukraine, therefore transit through Ukraine is the EU's strategy and should not weaken the gas transit via its territory because it will create a policy incoherence. However, even though the NS2 is able to cover a significant amount of the European gas demand, it will not be able to cover all of it. Therefore, if the NS2 will eventually start to operate, at least a small amount of gas will have to be transmitted via Ukraine. Nevertheless, NS2 is regarded as one of the economic means used by Russians. Russia is a sovereign state, which has a right to decide whether and where they will steer their exporting routes from their territory to Europe (Vihma, personal interview, December 8, 2016).

It could be also said that DCFTA is one of the *hidden issues* regarding the NS2 in this matter. It is not a coincidence that during the interview, all of the interviewees mentioned the NS2 pipeline, and that is why this research started to pay more attention to this project. This pipeline has become associated with the subject of the research. However, when directly asking an interviewee about a potential connection of the DCFTA with the NS2, the correlation was denied. Therefore, this research does not consider any significant relation between these two variables.

If the NS2 will be realized and brought into operation, Russian predominance on European energy market will remain, which might result in a case at the European Court. As a matter of fact, the EU

has promised to strengthen the energy security of Ukraine and also to coordinate with Ukraine in regards to the gas transit via their territory. By building the NS2, bypassing Ukraine, the EU is not keeping its promises and creating a monopoly within the EU's territory. In other words, it is likely that if the NS2 will start to operate and transit gas from Russia to Europe, a legal uncertainty will emerge out of these circumstances, which can lead to legal action at the European Court. Moreover, OPAL pipeline illustrates another example of trade uncertainties, representing an exception on the European market, creating disagreements from the European opponents (A. Duleba, personal interview, December 5, 2016). It is not clear yet, if the NS2 pipeline will be successfully finalized and put into operation. However, its construction invites a reaction by its opponents, through creating a monopoly on the European territory. If this pipeline does become operational, it will keep Russia as the main gas supplier, thus a dominant gas trader for the European continent.

5.7 Conclusion

This chapter provides a detailed discussion based on the findings from the Results chapter and Literature Review. As a result, the findings led in a different direction to that expected and revealed that Ukraine's membership in EEC, could be the origin of recent Russia-Ukraine gas disputes. Both the DCFTA or Ukrainian membership in EEC may result in a possible gas crisis and this must be taken into an account. Ukraine, as a transit country, is an important strategic aspect for the EU. However, Russia also has Ukraine in its sights and wishes to control the country as part of Russia's desire to create a Eurasian Union and to take over control of Ukrainian's rich energy industry. Accordingly, this research has found that the weak point in regards to the European energy security, is the membership of Ukraine in the EEC. This seat in EEC, contributed to the gas disputes in the past, and the danger of a repetition remains until today. If Europe wants to avoid such energy uncertainties, the EU should act and find more diverse energy alternatives than the ones coming from Russia. Subsequently, the NS2 is in a negotiation to be constructed, but the new pipeline alternative does not create a safer energy market on the European continent. The pipeline is originating from Russia, which strengthens Russia's dominance on the European market and gives them the power to manipulate gas supplies in the future. The research has not found a significance of the DCFTA to the European energy market, however, the agreement is a part of a group of complex issues within the whole gas market, created by the EEC. Therefore, this research finds that the Ukraine's membership in EEC began to create friction between Ukraine and Russia, which resulted in gas crises in the recent past.

Regarding to the last sub-question of this research, the findings could no be found, as the DCFTA does not play a significant role to keep the European energy security stable. Therefore, it is believed that it is not necessary to seek for its answer. The 11th question sounds as follows:

11. What regulations could be amended by the EU in the DCFTA in order to keep Ukraine-Russian relations stable?

The following *Conclusion* chapter reveals the results of the main research question of this research. Thereafter, *Recommendation* chapter will explore findings from the primary research, which were encountered, yet not used in this *Discussion* section.

6 Conclusion

This research examined the impact of the DCFTA on the European energy security, by means of conducting four semi-structured, comprehensive interviews, to answer the following research question:

How will the Deep and Comprehensive Free Trade Agreement (DCFTA) between the European Union and Ukraine influence European energy security?

As has already been stated in the *Introduction* chapter, the purpose of this research is to determine, if the DCFTA could pose a risk to the energy relations between Ukraine, the EU and Russia. This research has been aimed at examining the possibilities of a potential gas related dispute affecting the EU. All of these objectives were met, and a rational conclusion has been derived from them.

The findings reveal, that the DCFTA itself, does not have a significant impact on the relations in the political triangle of the EU, Ukraine and Russia. Also, this research has found out, that this agreement will not influence energy security relations between these three super powers. Likewise, the DCFTA has not constituted a menace in the energy sector, since its provisional entry into force in January 2016. Therefore, a conclusion to the main question of this research is as follows. The DCFTA Agreement between the EU and Ukraine will not markedly affect the European energy security. The DCFTA is not regarded as such a substantial document, and therefore does not possess enough weight relative to other energy security related agreements or treaties, to have the power to modify external relations between the EU, Ukraine and Russia.

Nonetheless, this research acknowledges that there is a possibility of witnessing another gas crisis, in the same way that Europe was challenged in the past. On the other hand, the likelihood of such crisis to happen in the near future is small for several reasons. One being Russia's interest in supplying gas to the EU. Russia is currently experiencing economic problems in their state budget. Therefore, there is little logic for Russia to create another dispute with negative financial consequences for the Russian State coffers at the moment. Also, Europe's gas reserves have been supplied well enough in case of an emergency. Therefore, this research shows, that there is little chance of immediate cut-offs in the near future.

In addition, a membership of Ukraine in the EEC, invoked a greater impact on the relations between Ukraine and Russia. This step by Ukraine's representatives might imperil energy security of the EU. Russia wants Ukraine to join their own superpower, the so called the Eurasian Union. It is more likely that Russia would create a gas dispute, based on the Ukrainian decision to lean towards the Western market, rather than to join that of Russia. Therefore, the chances of another gas disputes are less likely to happen due to the DCFTA, but the dispute might result from Ukraine joining the Energy Community.

Furthermore, this research has demonstrated that the DCFTA has not resulted in commencement of construction of the NS2 project. The results do not show any direct association between the NS2 project and the DCFTA according to the interviewees. NS2 pipeline project is a result of the conflict situation in Eastern Ukraine, leading to a desire to bypass Ukraine and to avoid Russia paying transit fees.

As a consequence, the EU remains vulnerable and dependent mainly on Russian gas supplies. This reliance on outside suppliers creates uncertainty and instability in the EU, when it comes to achieving an energy security free environment. The gist of European energy security is to find a solution to achieve a safe energy environment for European citizens. To diversify energy suppliers, the EU should consider focusing on other alternative sources, such as LNG, as is indicated by this research. However, if the EU wants to remain loyal to natural gas as the main fossil energy source, it should diversify its suppliers and purchase from other parties, such as the US or Middle Eastern countries.

On the whole, through this research, an area of European energy security and the external affairs between the EU, Ukraine and Russia will provide an addition to the literature, with respect to the brittle relations of this triangle, which has been especially turbulent in the past few decades. Moreover, this research is intended to contribute to the literature regarding the DCFTA.

Ultimately, as the Recommendation chapter shows, this research has uncovered several critical revelations, which have been disclosed by an interviewee, Mr. Alexander Duleba, who spoke about the energy revolution in fossil fuels. This new variation in the energy market may reshape and strengthen the EU's energy security towards an untroubled future. Furthermore, second recommendation for conducting additional research, arising from the interview with Mr. Duleba, whose confident stance on seeing that more significance and weight, is put on Ukraine joining the

EEC. and approximating their politics towards the West, rather than towards Russia. This act has been a thorn in the eye of Putin and therefore, the next research should examine how will the membership of Ukraine in the EEC Influence European energy security.

This research closes with a statement by Interviewee A, whose words were also used on one of the first pages of this document, and reads as follows:

“There is no government with friends, only governments with interests”

(Interviewee A, personal interview, August 21, 2016).

These words quoted by Interviewee A during a personal interview, reflect the situation of today's political environment. Interviewee A cited Henry Kissinger, who referred his statement to Americans, as Interviewee A explained. On the other hand, Interviewee A believed that these words could also be applicable for many other governments, because, as he said, “they all have interest in something (Interviewee A, personal interview, August 21, 2016). In other words, that it is common sense, that when there is a criticism arising about any issue concerning political circles in different states, it is important to pay an attention to who will benefit from the resources. It has become the norm that behind all the arguments are industries, power, money, gas or oil, or other issues. Therefore, this research quoted the statement of Interviewee A, and set it as its opening sentence for a reader of this research, because it is believed that governments indeed often act on the account of their own interests, or rather on the account of the personal interest of their representatives. On the whole, the EU claims that they strive to improve European energy security, and the DCFTA is only an additional “harmless” document in regards of the energy security for both, the EU and Ukraine. However, to what stance are their assurances trustworthy for Europeans? “Interesting, very interesting world that we now live in” Interviewee A emphasized and concluded his point of view (Interviewee A, August 18 2016).

In brief, this paper has conducted a successful research, which has come to a reasonable conclusion after a protracted period. It is strongly believed, that the results will conduce to the existing literature on European energy security. Moreover, it is regarded that this research has filled the gap on the DCFTA and European energy security, which was lacking until now. As a result, this Dissertation was ambitiously accomplished and is deemed as a personal successful accomplishment in this regard.

7 Recommendations

This research has encountered and collected a great amount of information, which contributed to a reasonable conclusion based on the results. However, unfortunately, not all the collected data is directly relevant, in order to answer the main research question. This information is however interesting, and worthy of further research, if any initiative will be taken to challenge this research in the resulting analysis. As a consequence, this research has found two interesting points that are recommended for further research.

First of all, during the interview with Alexander Duleba, he recalled the revolution in the oil industry in the 70s, which led to the exploitation of shale gas within the European market. He likened this phenomenon in energy industry during the 70s, with today's situation, and implies a revolution in the energy sector towards LNG. Mr. Duleba presumes that in two or three years, Australia will become world's main LNG supplier, which will bring new energy competition to the European energy market. He believes that this new technology is reliable in the EU regions as well, and resembles the case of the oil crisis from the 70s. In other words, the LNG technology will not present a security threat and will go a long way to alleviate energy security issues that now exist, (A. Duleba, personal interview, December 5, 2016). As a result, this transition, according to his viewpoint, can lead to a more secure European energy security. However, this research does not have the competency to examine this topic further. Therefore, this information is recommended by this research paper, for additional studies regarding the European energy security.

Secondly, from the early stage of the interview with Alexander Duleba, the reaction was clear in acknowledging that the most significant step, in regards to European energy security, was the integration of Ukraine in the European Energy Community. This step was, according to his perspective, a more substantial achievement for Ukraine than the DCFTA. Therefore, as this research document suggests, further steps should be taken, to research the significance of Ukraine's membership of the EEC, and its influence on European energy security, rather than the DCFTA, with regards to the Russian reaction. Therefore, the main research question should be amended and reshaped as follow: 'How will the membership of Ukraine in European Energy Community Influence European energy security?'

In conclusion, these two recommendations are believed to have the potential to greatly contribute to the EU literature, if conducted as two separate research papers. Due to the fact that both of the

recommendations are based on the statements of PhD. Alexander Duleba, who contributed to this research as one of four interviewees. His input is regarded as valuable, and therefore both of the recommendations are believed to represent a significant asset in the knowledge in European energy security.

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9 Notes

¹ European Energy Community has 8 Contracting Parties: Albania, Bosnia and Herzegovina, Kosovo, Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and Ukraine (Energy Community, 2017).

² The Eurasian Economic Union was created on January 1st 2015, as a result of the unification of the Customs Union and the Common Economic Space (Strzelecki, 2016).

³ Council of Mutual Economic Assistance (CMEA). Members of CMEA are: The Socialist countries of East and Southeast Europe, excluding Albania and Yugoslavia; the People's Republic of Mongolia, Cuba and Vietnam (Gumpel, W. 2007).

⁴ Świnoujście LNG Terminal in Poland (Gaz System, 2016).

⁵ Kharkiv accord (Kapitonenko, 2012).

10 Appendices

10.1 Transcripts of Interviews

Transcript of Interview number 1

Date: 21.08.2016

Interviewer: Veronika Leitmanova

Interviewee: [REDACTED] also known as Interviewee A (IA)

Veronika Leitmanova (VL): Thank you for helping me to finish my final paper of my Bachelor Degree on European Studies. From what I have read about you Sir, that you are [REDACTED] [REDACTED] right?

Interviewee A (IA): That's correct.

VL: I decided to contact you because all of your rich experiences that you have obtained in those years and I was hoping that you can help me with my research question which is "How will the Deep and Comprehensive Free Trade Agreement between European Union and Ukraine influence European energy security."

IA: I am not sure if I am entitled or able to answer all questions regarding these political issues.

VL: Well, will also ask you question and you can give me your opinion if you like or on behalf of your company. Anything would help me I think because you work for [REDACTED] and your experiences are really valued for me. So, well..

IA: I can't on behalf of my company, as you know. Because the company's decisions in geopolitical issues are are never dealt by international persons, so then you need to understand that not to include it.

VL: Are not included.

IA: Not in [REDACTED] as my point of view.

VL: OK. Well, then you are aware of the agreement, right? Between EU and Ukraine.

IA: Yes, I know that there are some issues over the amendments, yes.

VL: And then, just to remind that the Agreement came into force this January 2016. What do you think would have the effects on the agreements between Ukraine and Russia?

IA: (laughs)

VL: What effects do you think it would bring in between those two nations or two powers.

IA: To be honest, you know, I think that the contract will never stand alone. Contracts are always a part of a bigger picture. And relationship between Ukraine and Russia is very old one and there are some issues between Russia and Ukraine in January as well which has nothing to do with this Treaty, this contract. And what you see is happening more often Veronika, is that everything in the geopolitical climate that you can have all different arguments. But the history between the companies are longer lasting. And there is a need to take into consideration about how to continue with each other. And by the way, even that it is not written in stone, because political situations might change again and can change very rapidly as you know.

VL: That's true

IA: So the answer to your questions is "If its going to change", I don't think so. Its just depending on the bigger picture of how the mutual relationships on the short term and the long term. So between the European Union and Ukraine, it is just one issue of the very complex, relationship in multiple issues instead of only one.

VL: I understand. So, you agree that the Agreement will bring big influence on the relations between the European Union and Russia?

IA: Again, can you repeat?

VL: Do you agree that it will bring big influence between the European Union and Russia? Or Ukraine and Russia.

IA: I think that relationship between Russia and the European Union is not going to be impacted in one single treaty. So there are multiple issues in this difficult, very complex relationship. One of them is historical. Or another thing is of course, how the European Union is dealing with the Crimea issue. Then another issue is how is European Union dealing with huge difficult point in Syria, that also Russians are playing part. And third issue is going to be, how World economics impact sanctions both partly Russia and the European Union sovereign covenant. And the third item is dependency on gas for heating of the houses in the Western Europe. Europe is depending on Russia. So, I am mentioning a couple of issues that the Treaty between Ukraine and EU will be totally a minor part of a total complex in this situation.

VL: I understand. So, well these relations are obviously not stable between Ukraine and Russia, and the EU and Russia. That in the past when the agreement was supposed to be signed and come into force in 2013, which wasn't signed by the former president Yanukovich. And well, we had several gas disputes before in the past, but since this agreement has come into force this year, do you think that the probability of this dispute will happen again, concerning this Agreement?

IA: Hm, your questions is, if its going to be a dispute again?

VL: Just because of this Agreement has come into force, do you think that this agreement will have an affect on having a gas dispute again in the near future for European countries?

IA: A gas dispute because of this Treaty?

VL: If it has any impact on that, if you think that, just because of this agreement, Gazprom or Russia would make this dispute to happen again for European countries. For Ukraine, that the EU will be cut off the gas from Russia.

IA: Hm, are you referring to the gas dispute from the couple of years ago?

VL: Yes, because there were gas disputes a couple of years ago and that is what I am relating to right now with the agreement, because Russia was against Ukraine to sign it and since the agreement came into force, if you think Gazprom or Russia would create another dispute such as it was a couple of years ago?

IA: No, no no no. I think we need to be well informed about this issue as well. We need to understand that Gazprom is doing its utmost best to get Russia get to Europe. So its about Nord Stream, which is a pipeline over the North. Actually they have developing also the Nord Stream 2 to secure gas delivery to Europe.

VL: That's what Im...

IA: And there is something about South Stream, which is now coming over Turkey and getting into Southern Europe. Do you really think that Gazprom company is investing of billions of dollars to create of another issue? It's not. The South Stream is exactly intended to avoid Ukrainian ground. The reason behind is very simple. That a couple of years ago when there was a dispute and Russian gas to Europe was transported through Ukrainian ground. Right? But Ukrainian government did not pay for depts. And actually they took the gas which was intended for Western Europe. That's an interesting issue and actually Russia wants to avoid this is by not being dependent on Ukraine anymore. But the Treaty between European Union and Ukraine is nothing to be worried. Also this had outlining in gas distributing in its product, total complex of situation between, you know energy, but those are geopolitical issues as well.

VL: Yes, you have already mentioned the Nord Stream Two Project, the pipeline. I would have a couple of questions about that. I have read many articles about Nord Stream Two project. There has been lots of criticism about it but lots of positive messages about that. Its definitely a development in its sense. But what do you think what are the advantages and disadvantages of this project for European Union?

IA: That's very simple. It has assumption that its going to be increased in a couple of years so the growth of gas consumption is going to grow about a coupe of percent. So at the moment EU has a shortage of gas and I know that a lot of people believe that in the near future that we are going to be independent on the fossil fuel which is not true. Please do not believe it is true. And in the Dutch government is doing its utmost best by investing billions of dollars in wind energy and solar energy then the Dutch government will only have 23% of this renewable energy by the 2025 or 23. At the moment its even coming to nine percent. Eight point percent something percent. The wind energy and solar energy, anything else is you can neglect because its too small. So the rest of the energy source need come from fossil fuels which is coal, which is oil and which is gas. And everybody

accountable disagree that from the fuels, gas is the most cleanest fuel that ever is. And there is sufficient of gas at the moment or the next decade. So, you know it's better to oil. So if you make calculations about next 20 - 25 years, Europe needs more and more gas and the shortage will be in 2025 by 30% if they don't do anything. Though, if they don't put the additional pipeline to secure the supply, then Europe will be in shortage. So there is a funny thing that it's going on that Nord Stream 2 is actually has a lot to provide you know to fill in the gap, you know.. and to fulfill the shortage. But the European Union governments are very reluctant and are very against Russian gas, which is strange because its just strange. They also need to understand that in the NS2 project, not only Gazprom is involved. Its just one of the partners but a lot of investments are involved as well because people see that there is a need for the start of the project.

VL: I have read about that there are more partners involved in NS2 project. Well, EU wants to be independent from Russian gas. And that is why I was wondering why this project is happening since they want to to independent and EU has its own suppliers, or European suppliers. And there is already NS1 project. And the NS2 project goes just along with the first one.

IA: Yeah, but you can see that the NS2 is included Shell, Uniper, BASF/Wintershall, OMV

VL: Yeah, BASF.

IA: So, let me give you a little bit insight in geopolitics. So if EU is stating that they want to be independent from Russian gas, you know, and they still are in huge need of fossil fuel. So generally, so let's say 75% of future energy needs to come from renewable energy, oh sorry, from energy out of fossil fuel, 75%. Where do you think will 75% will come from? (technical problem) ... because we are talking about supplying demand. So if you need to have 75% of total energy need, it needs to come from fossil fuel and you do not want to have coal because that is very eco unfriendly. Where do you think that the gas needs to come from?

VL: Russia?

IA: Everybody in general, Europeans are very often naïve and they underestimate the influence of the geopolitical gas flows. So if you can disturb one gas flow to Europe so then the gas will come from other direction. And there could be some potential influence from the US to provide gas to Europe, because they have more than sufficient gas in the United States because they use a lot of

shale gas as you know, which is a very unfriendly, environmental unfriendly way of getting oil. But maybe they want to provide their gas to Europe. Just imagine that there is geopolitical, economic reason behind it, which you shot very high up that we won't be independent on Russian gas, but it's a fact. You cannot be avoided by the gas. It's not coming from the Middle East because Qatar's gas is coming to Asia and that's the main resource in the Middle East, so because Japan is consuming actually even more gas than anybody else. And, so, supplies that I mentioned, there are most accountable gas where gas from Russia its called the LOT where does the treaty come from. Maybe you have an answer Veronika.

VL: What would be a good supplier for EU, you mean?

IA: What do you think if Russian gas is going to be blocked, you know they want to be not so much independent on Russian gas anymore. What do you think where the gas would come from?

VL: Hm, Im sure, well of course we can't avoid Russia at all, that's for sure. And I don't agree, well there, well there are many political disputes between EU and Russia which I find sometimes as really, well there're not as important, or we should have these disputes between these two countries or these nations nations. But, I was just more concerned about because we are going to have this new project NS2, Ukraine and Slovakia will be affected by the new pipeline because of loosing transition feels through these countries. And that's probably why the EU is also against. And I am from Slovakia and I remember when we had those disputes a couple of years ago and I was that time in my country and it created a lot of hassle and fear and also hate against Russia because many hospitals and school were out of gas and that's why I was worried about if it could happen again.

IA: I understand and you know this geopolitical hassle we are in. So all of the transportation fees paid over the Ukraine and Czechia and that would be avoided by South Stream by the way. Which is actually providing to the EU cheaper gas because you don't need to put transportation fee there anymore from over the Ukraine. And will have a security of supply, because that's a difficult and its an issue of course as well. Do you think that Western Europe wants to have pipelines who are not providing gas of the time, because the gas won't be distributed accordingly to the rules in those days when there was a dispute? And of course Russia is providing the gas and wants to earn the money, you know its economic realty as well. You want transit gas, you want to earn money and you won't be having disputes, same for company like Gazprom.

VL: I understand

IA: If you go to the website of NS2, the contract says that the aim of the gas of NS2 is energy security, being reliable and eco-friendly. I would say security and reliable, these are two key words. That's same when you go to shopping and you want to buy something and you want it to be reliable and secure. The same for gas supply. But I understand you, not that I'm ignoring the signals, just wanted to make a point of another country. Of course there is a lot of tension in the world. And this huge gap between Europe is forcing the old enemies like France and Germany are not longer enemies but now we have new enemies, and that's the historical part. Think about what happened in Crimea, think about what happened now in Ukraine. It is a very difficult history and it is impacting us the way that there will be some fear about Russians and of course about their history. But I think that in the end we will have very wise statements and very wise businessmen who will make the bright decision to secure energy supply to customers. And I think everybody want to be independent regarding to the energy supply.

VL: Well, I also read about the criticism about the NS2 project. Do you think that the project will be stopped or postponed?

IA: No, I don't think so.

VL: Because I have read an article about Maros Sefcovic, who is a Vice-President of European Commission, and he was against the NS2 project. And also some other European countries raised their eyebrows across the project. And a couple of days ago, Forbes released an article saying that Poland's anti-trust agency, kept to its word and a couple of days ago they blocked Russia's propose NS2 pipeline in Baltics. So, and a few articles that I went through, they were saying that they really were trying to stop NS2 project, though its already in a process kind of to start to build it. Do you think it can be postponed or stopped?

IA: I'm not sure. Its difficult to be stopped. I don't know because that's depending on one of those issues of course. I'd like to add two remarks. One remark is, if they want to block it or if they want to stop it. Then my question is where are they going to get the energy from in the future? Are they going to buy it from Americans? And if so, they are putting themselves in a very dependent relationship with Americans then? Or any other country? So, I'm not sure why they would block it.

It doesn't make any sense to me. In economical reasons, the second item that I want to mention is, I have never met such stupid people in European Parliament. And I will tell you why. They have no clue, very often, how the energy market is working. From Shell I know, they have a prominent representative office at the European Union with a couple of people, not talking about small, talking about a couple of people, talking about 10, they are working very hard, provide all kind of information regarding what is needed for energy security in the future and that is of course suspicious for Shell which is also partner which is also making money out of it. Shell is also a duty telling the reality about energy. And to be honest, most of these European Parliament members have no clue. I give you one more issue. Normally, we are still providing energy in the market by coal plants so we are building still coal plants in the market. This cause actually a huge, huge pollution compare to anything else. And Shell and also Gazprom, they are already in this for years what is called a 'gas advocacy', means provide information that gas is probably best solution for an environment, an economical issues, but the Parliament doesn't want to understand this. So they are building, polluting coal plans because its cheaper energy and try to mention also, there is a huge mock in the world as well, Shell is lobbying for gas, of course Gazprom is lobbying for gas, and there are also coal producers, who are lobbying for coal. So, we don't talk about small influence, we talk about huge, huge huge influence. I would be surprised that Poland wants to get rid of all the coal in Poland. And so they are blocking the gas because they want to sell their coal. Partly mention this one, Veronika. So, it is not just there are against, its probably very often but Mr. Kissinger once said. Do you know who Mr. Kissinger was? America doesn't have friends. America only have interests. And I think that Mr. Kissinger's words are also applicable for lot of other governments. There is no government with friends, only governments with interests. They all have interest in something. So every time you read an article with critical words in there, try to mention who has benefit of resource of that article. And very often that's all about the industries or countries or influence or money or gas or oil or other issues. Interesting, very interesting world now we live in.

VL: Indeed.

IA: Its very complicated. Its very suspicious.

VL: Its very complicated indeed and to be honest to also find information relevant to that because of course, many countries from what I read are against Russia or Gazprom or this project, then they find everything the most negative about the project. And its difficult to build your own opinion about it. Even though we know it would be beneficial for the European Union.

IA: To be honest, you know, my logic is very simple and I don't understand why my logic is not understood by anybody else. If we want to have clean energy, like gas. Gas is one of the cleanest fossils as I mentioned. And we want to secure our energy consumption in the future and we don't have alternatives, I don't see why we should have anything against NS2. There is nothing against it. They are just securing energy. And there is something against something, I would say. Because everything is just providing energy to the market.

VL: May I just ask you a question, that just got into my head. Since there is this NS2 project, its going in parallel with the Nord Stream 1, but it goes to Germany, right as the first one.

IA: I'm not fully informed, because I'm in the different type of business.

VL: Oh, okay. I was just wondering because it [pipeline] goes to Germany, since like why these two pipelines are going to the same country in terms like, if there is any dispute, it would be safer if it goes to some other country instead. I would personally think. I don't really know how it works in these relations.

IA: I think that would also depend on geological environment. So where can you place two pipelines, which is not always possible to put them anywhere. You need to understand where its going. Secondly, when its coming offshore, you need to have infrastructure and don't underestimate such as offshore it's a huge, huge installation. I wonder if there is any some huge brand in Germany for receiving the gas then why would you build something elsewhere? By the way, this Russian gas is transported immediately into Europe because it's European gas network. And I think you should put little bit more emphasis on this on the European gas how its exactly working. That's quite interesting because there are institutions, there is actually a storage. Do you know that there is a huge storage of gas in the NL? And there are some from Gazprom, called Gasuni. You can see that it's a Dutch gas company. And actually they provide distribution and they do storage. This storage is in the North Holland that's a huge storage and NAM it's a storage for gas as well. So don't talk about just simple gas plan. We are talking about geopolitics now working in Europe and there are pipelines everywhere, which is opening also here and the gas is flowing to the other directions. And also, we are talking about the money, because distribution cost you money and getting into the place where you want to have it. There is a huge phase in it as well, so

you understand its not just a pipeline gaining gas offshore you need to have an infrastructure. Maybe pay a little bit of attention to the gas distribution that's working in Europe.

VL: I will have a look on that. Perfect! Thank you. Well, I have already asked you all of my questions. If you have any questions or any other comments, you can tell me now.

IA: Well, I do not know. The only thing I want to say is that you know you mentioned in your thesis-work that you want to pay attention to the Ukrainian Treaty with the EU. I think that's an interesting thing. But on the other hand, I think its only a part of the European issue. Like we just mentioned also the Nord Stream and I noticed that you are more interested into the Nord Stream. And I think its, you know understanding European tensions also with Russia, is taking a couple of things into the consideration. I'm just repeating myself, you need to understand history, you need to understand that there are more issues between different countries and there are hidden issues and that's called interests between these several countries. And we need to put everything into the structure.

VL: I'm just looking at these aspects of the gas and gas relations and energy security like NS2 project, to make a conclusion or to get some other point of view or how these aspects can influence the relations after the agreement came into force. Because I know its only an agreement that's basically a paper but there are different other aspects as you said that will influence the relations not only the agreement. That's my research question but I'm going into details in other aspects as I said.

IA: It's a very difficult to be honest Veronika. It's a very difficult and very complex issue. And what I noticed that during the referendum in the Netherlands about the treaty with Ukraine there are lot of people who put this little bit too simple. And also one of your questions in the beginning was the relations of Russia and EU distributed by this Treaty. To be honest, you know, we saw at that times during the time in the elections, posters of some parties of Mr. Putin on a screen, that Mr. Putin would become very angry if we would not sign it, something like that. I am wondering if Mr. Putin would be paying attention to this, you know. Diplomatically, they said that we are not pleased with this protest. But on the other hand, I think in Brussels are wise people and they need to understand also, how you should read a referendum in the Netherlands which is a very strange for a country, in a way that we can say "NO" but the treaty is already signed by the EU. So we are living in a world with a lot of false information and you are young and you know how to deal with internet,

etc. What I noticed is that there are lots of false information put on the internet and they make it to believe.

VL: Exactly. It's very difficult to find a trustworthy information on the internet even though you know which media you should trust to but sometimes it's not really as believable. I think people create lots of provocation on purpose to make these disputes to happen...

IA: Yeah, I have very interesting picture for you, I can send it to you. It's about where you see a lot of people entering a crossword. One of the road is leading to simple answers and the other one is leading to complex answers. And everybody is moving to the right to the simple answers and there is only one person who is going to complex answers. And these issue is as well, it's everybody is running behind the simple things about the old enemy, pictures of the neighbors, angry persons of Russians are there and whatever. But the reality is much more much more complex and we need to have a better understanding of what is underneath from old parties involved. And to be honest, I'm sure that Ukraine is always telling the truth. I'm not sure Poland is always telling the truth. I'm not sure if Americans are always telling the truth. So we need to be very careful this.

VL: I agree.

IA: This is very helpful Veronika for you.

VL: Yes, everything what you said is very valuable for me and it is going to help me a lot. I really appreciate your time and the information you have shared it with me.

IA: One more thing again, I have already mentioned it at the beginning. You cannot quote me on the behalf of Gazprom, that is impossible. But you can add my personal statements, that is not a problem.

End of Interview

Transcript of interview number 2

Date: 18.11.2016

Interviewer: Veronika Leitmanova

Interviewee: Nickolay Kapitonenko

Nickolay Kapitonenko (NK): Good morning Veronika

Veronika Leitmanova (VL): Good morning Nickolay.

NK: It is fine I'm trying to see you if the connection is fine.

VL: For me it is very good.

NK.: I am ready to talk.

VL: Okay. Perfect. Thank you! Thank you very much for your time. Thank you very much for your willingness to contribute to my research on the energy security of Ukraine and the EU. Your contribution is very valuable for my research based on your experiences. Please correct me if I am mistaken, currently you are employed as a Director of the Center for the Study of International Relations. Also, you are a researcher of international conflicts and foreign policy of Ukraine.

NK: Yes, that's right.

VL: You may add some information about you if there is anything missing that is important.

NK: Well, I am also an associate officer at the Institute of the International Relations, which is based in Kiev and that's all. That would be enough I think.

VL: Okay. Great. Great. To shortly introduce you to my research, I would like to summarize it with following statements. My research question is: How will the Deep and Comprehensive Free Trade Agreement between the EU and Ukraine influence the European Energy Security? My motivation to research this issue was the former two gas crisis in 2006 and in 2009 and the subsequent

concerns about this agreement which came into force at the beginning of this year. Several sources published that Russia was strongly against this agreement. However, the agreement is operating already for 11 months. Therefore, my question to you is: What is your opinion about the overall agreement in sense of energy security development for Ukraine?

NK: Hm. First of all, I believe that the Association Agreement we have signed, the DCFTA, is an important step which brings Ukraine to European Common Market in all senses or at least it makes a step towards it. And what concerns Energy security in my opinion is that the Energy Community is the more important instrument. However, as long as we are still away from becoming the full member of European Energy Community and Association Agreement can be a good instrument for pursuing not only Ukrainian interests but also interests of Europe in this triangle of Russia, EU and Ukraine. What I believe that both the Energy Community and the Association Agreement can provide a more balance to defense for interest of the transit countries like Ukraine and vs. consumer countries and that exporter of energy resources in this case, Russia. So I think that both the AA overall and the part of the free trade agreement are important in terms of enhancing Ukraine and its security but what is even more important is that Ukraine is becoming more energy efficient. I believe that the most urgent problem that we are facing in the enhancing the energy security in Ukraine is our low level of efficiency. We are like three to four times less energy efficient than the Europeans or the Americans. And unless we bring this to a more profit level we will continue to be dependent on Russian energy supplies and I see, frankly speaking, no way Europeans can significantly help us.

VL: So, what do you think about the actual results of the Agreement in terms of energy security after its adoption from January first?

NK: It provides a good strategic prospective the agreement overall. But like the case in other economic fields, it is not working at an appropriate level right now because of the problems we are having in Ukraine. Because we are having economic problems we cannot take the full advantage and all the opportunities that provides Ukraine concerning our exports to Europe. The same is true about the energy. We are now facing specific, very new problems in what concerns for instance coal mining. Half Ukrainian coal mines are left at the occupied territories and that influences the energy balance and energy structure consumption in Ukraine. And because of that, Ukraine is in a kind of not so normal situation when dealing with EU in the field of energy. So as soon as Ukraine recovers from the outcomes of the mediatized conflicts having in our territory, the AA will work as

it should. So it will certainly provide more chances for Ukraine, more opportunities to enhance its the energy security.

VL: What do you think is the perspective of the Ukrainians.. what is the political atmosphere in Ukraine? Because I believe that you are speaking from your opinion right now but what do you think what is the atmosphere between the political leaders in Ukraine about the energy security regarding to this agreement?

NK: I think that there is a consensus that Ukraine should become less dependent on Russian energy supplies but at the same time, there are lobbyists still connected to the former party of regions and to some extent to the former Primer Minister of Timoshenko's party. We are trying to preserve the old ways of buying the natural gas from Russia. The energy sphere is still not transparent enough so we are having monopoly company which is Naftogas of Ukraine, which is mostly buying and distributing gas on Ukrainian territory. And this is still a non, economically non-effective company which is transparent and which is vulnerable to influences from various lobbyist. So this is the key problem. Although, most of the rhetoric is for reducing dependence on Russian energy supplies. But there is no answer to the question of where we actually should buy the gas from. So, along with the nice rhetoric, which is common place in the Ukrainian politics right now, there is no specific strategy which would allow us to diminish significantly our dependence on Russian gas. Although, formally we have reduced to almost to zero the volumes of natural gas that we are actually buying from Russia. But in fact it is still the Russian gas which we are buying from European states. So for Ukraine, the only positive moment here is the price for national gas is lower and because of that we are paying less than we used to pay before. So, what I mean is that we are having probably a not so difficult situation in energy sector as we used to have two or three years ago. But this is mostly because first of all, the price for gas went down and second of all is that we are having about 20% of our economy loss and because of that the level of consumption energy in general and natural gas in particular has dropped. These are the reasons we are not having such difficult situation as we used to have before.

VL: Russia was strongly against this agreement. I have read several articles about Russia threats in Ukraine, about if this agreement would pass. So, since this agreement has been accepted and its running since the first of January, how is the situation between Ukraine and Russia right now in terms of international relations and energy?

NK: This issue is very tense. Russia still I think tries to block somehow the agreement from entering into full force, including the results in the Netherlands of the referendum and I think they will be manipulated in the future, they may have some negative impact on the general situation. Moreover, I think that their practical implementation of the agreement will be on the table when Russia will finally settle down agenda of the negotiations in Donbas. So I think that, de facto Russia will try to minimize the impact of the AA and somehow to put limits on Ukrainian access to European markets. This is a more general picture and in what concerns energy, certainly the Russia's today has much less ways to influence the Ukrainian position as it was before. Building an alternative gas pipelines, so I think this is the main instrument they can use and it is still an important one, but strategically, I think that the significance of this instrument will drop because of the decrease of European dependency on Russian shall gas. Returning to bilateral level, certainly it is tense. It remains tense and will be tense for deceivable future. No one actually knows what will be the price, Ukraine will have to pay for regulation of the current conflict and how far will go in giving up our European aspirations. Whether it will touch upon economic sphere, trade, energy we still do not know. But this situation is tough and Russia is still trying to block the development of the relations between Ukraine and the EU.

VL: As you are saying that Russia is trying to block the agreement and nobody knows what will happen. But from previous experiences from previous experiences of 2006 and 2009, what are the chances in your opinion that we will witness this situation again?

NK: I think that there is a much smaller chance of it because again, because Russia is in a much weaker position than it used to be in 2006 and 2009. At that time, it has counted for like a half of energy gas supplies to Europe and in some cases for some of the countries it went to nearly 100%. Now the gas is cheaper and the alternative sources and supplies are open, since the country of which buys natural gas actually depends on the supplier as much as the supplier is dependent on the country which buys the gas. I think that Russia is more dependent today on Europeans states buying its national gas than vice-versa. Because of that I think it is mostly impossible that we will have the repetition of the situation we had ten years or seven years ago.

VL: You were also saying that there are other alternatives in getting the gas into the EU. But I am sure that you are well informed about the Nord Stream Two Project which will bypass Ukraine. And Ukraine as a transit country is very important for the EU and the gas supplies. Therefore, my question is about the NS2 project to you. What is your stance on NS2 project in regards of Ukraine

as a transit country?

NK: I think that frankly speaking, if it is economically justified, everything is fine with the project. It is okay for Russia to minimize its transit losses and payments to Ukraine and it is the same okay for European countries to get rid of another transit state. But the problem with the NS2 is with other alternative pipelines, is the probably transporting gas through them will be more expensive than through Ukraine. And probably Europe will not need such big amounts of natural gas which Russia will be able to export through a net of new pipelines plus their already existing through territory of Ukraine. The results of another issue of whether Russia will be capable of filling them with natural gas which is still open. They are building the pipeline but they are not sure if they will have enough amounts of gas to fill-out the full capacity of the gas pipeline. So in my opinion the diversification of supplies and pipelines as well, is totally good thing from the point of view of consumer and exporter since they are breaking the monopoly of a transit country. But if we take a wider look at the European security and the role on which energy place in political schemes or more broad of political picture then probably we should take into account a broader context and see if energy supplies by constructing new pipelines to Russia is trying to preserve this dependence on its energy resources which already exist in Europe. But strategically Europe should more concentrate on diversification of supplies. So from European perspective its probably better not to build the alternative pipelines from Russia even if they will get cheaper gas from Russia as a result. But to concentrate on looking for other alternative sources of supply. Although from Russia point of view it is absolutely clear since they can not, hmm building a pipeline to China will take enormous time and money so from their perspective, Europe is the most important market and they will certainly would like to have as more pipelines as possible.

VL: I understand. From the articles what I read, Russia is building this pipeline as a revenge of Ukraine signing the agreement. Do you think that it has any influence on that?

NK: I would not say so, because Russia started projecting the NS2 pipeline as well as Nord Stream itself and South Stream as well long before the crisis. So this is a part of a long-term strategy which has been applied since 2006 at minimum. So, I would not say that this is directly connected to what is happening in Ukraine. Probably this situation in Ukraine certainly creates new conditions for Russia generally in what concerns supplying its energy influence to political issues. But it is not directly connected in my opinion.

VL: I contacted you because I read your article on “Between Mortgage and Profit” from October 2012. It was a very interesting article and I am going to use it in my thesis. Regarding to your article, in the Summary part you are stating that “Compromises, agreements, and mistakes in dealing with natural gas supplies are at the heart of Ukrainian foreign policy.” Could you be more specific about the mistakes? What did you mean by the mistakes that Ukraine did? If you can elaborate on that because I was really sure what mistakes did you mean.

NK: By 2012 the most fundamental mistake we made with dealing with energy issues is linking those energy issues to political. By signing the accords with Russia in 2010, we had exchanged the discount for natural gas supplies. About 100 Dollars per 1000 cubic meters we have got a discount from Russia, in exchange for prolonging the Russian Black Sea fleets staying in Sevastopol. So this was the example when we traded political concessions for energy. Exactly the way Russia was planning to use this particular energy advantages in order to get political results. And we were the country which actually agreed on such way of dealing with political issues. So that kind of signing the Kharkiv accords, signing the accord was the most great mistake which resulted in what we are having today in Ukraine. Basically, this is the worst mistake, the weakest side can make in relations with the stronger one by creating this linkage between the sphere where the strongest side has a huge advantage with any other spheres. So we did it and that was the most important mistakes. Other ones, probably by again, in 2012 the situation was I would say different from what we had today but in 2012 another our strategic mistake was that what we are having concentrating on was getting secure amounts of natural gas from Russia. Not on decreasing the effectiveness of our industries and by that decreasing dependency on any natural gas coming from any direction, not only Russia. So we were concentrating on getting as much gas as possible also because of domestic issues because lots of people have been doing businesses actually on the gas supplies. And instead making our economy more competitive and making it more efficient, we have been only paying attention to this external side branch of our security. Securing supplies from Russia was priority number one and that probably not the right approach.

VL: Do you think that Ukraine has learnt from these lessons, from these mistakes from 2012?

NK: Yes, it had to because we are having almost an open war with Russia and it is no longer possible to do lots of things which have been done before. In a way what we have not learnt, is concerning again our energy efficiency. It is still at a very low level. And because of that, we are still dependent on external gas coming either from Russia or from Slovakia or Romania or from

whatever country and that makes us vulnerable. And this is an important factor but at least people do understand how important it is today to get rid of its dependence unlike it was four years ago.

VL: How do you see Ukraine in the future in energy politics and its gas supplies? What is your prognosis about the situation regarding to the gas relations? Because Ukraine will suffer from having the NS2 project as it will bypass Ukraine. So economically Ukraine will suffer. How do you see the situation in upcoming years regarding to the gas supplies?

NK: I think that this should be prepared for a great deal decrease in income we can generate as a transit country because of alternative gas pipeline routs or because of general decrease in energy demand from Europe or Russian gas at least. Or for any other reasons, we should not build our strategy on transiting Russian gas as we have done for many years. We should along with increasing our energy efficiency, we should pay closer attention to alternative supplies, to energy supplies and also to solving other other problem in energy sector which are now quite urgent. For instance, we have for the first time in our independent history, during last two years we have faced the problem of lack of coal in Ukraine and we have been dealing with this problem now very effectively and this also should also be a sign for us to build a more competitive energy system relying on renewables, relying on probably an atomic energy or something what is different from traditional coal, oil or natural gas.

VL: Thank you very much, that was all from my questions. If you have any information to add please do so.

NK: You are welcome. I will contact you for sure.

End of Interview

Transcript of interview number 3 (English version)

Date: 05.12. 2016

Interviewer: Veronika Leitmanova

Interviewee: Alexander Duleba

Veronika Leitmanova (VL): Good day Mr. Duleba. Veronika Leitmanova speaking.

Alexander Duleba (AD): Good day!

VL: As we both agreed to schedule an interview at 11am today, I am very thankful for your time and for your willingness to contribute with your knowledge and opinion in regard to the European energy security and its relations between Ukraine and Russia, after the DCFTA came into force from January of this year. I am very pleased to hear your answers and comments to my questions Mr. Duleba. The main question of my Bachelor thesis is: 'How will the Deep and Comprehensive Free Trade Agreement influence the European energy security'. I am sure that you are well informed about the actual situation where Russia expressed their disagreement regarding to the DCFTA and also they tried to stop the agreement to come into force. However,...(interruption)

AD: In my opinion, it is necessary to explain, a difference that I see in this regard, because one this is the agreement, which you have mentioned, along with with the one with Ukraine. The other thing is a membership of Ukraine in Energy Community. Ukraine has become a member of Energy Community, I guess in 2012 and this membership preceded the agreement [DCFTA]. This agreement depends on if it will be ratified by the Netherlands, which is not quite sure yet. Therefore, if this scenario will happen, that simply the Netherlands will not ratify it, it will lead to a problem of suspending of this agreement. In other words, the agreement will not come into full force. Therefore, now, we are not going to speculate any solutions of if the Netherlands will do, we need to understand two things here. The first one is, that long before the agreement came into force, Ukraine had become a member of the Energy Community. In other words, her membership represents the same as before [the membership of the agreement with the Energy Community]. These are automatically becoming a part of the agreement. Therefore, let's not make up something that is it not out of this agreement [DCFTA]. Therefore, it is important to realize this already at the early beginning. Well, and then regarding to your question which led to how this agreement might influence relations between the EU, Ukraine and Russia, if I understood well...

VL: Yes, that was my main question.

AD: Yes, but we should make it clear a bit, because actually, it does not depend on the agreement, it depends on the actual state when this agreement is not in a full effect, the one who has an impact on the relations between the EU, Ukraine and Russia within the energy policy, which is the membership of Ukraine in the Energy Community. Because basically there are two sectorial policies and this is also important to acknowledge. These two policies are integral and they go beyond those bilateral agreements, which the EU has with third countries. The first one concerns Energy Community, because there are western Balkan countries, Norway, which is not a member of the EU, then Turkey, but also Ukraine and Moldova. And this goes beyond, therefore, if the agreement would not enter into force, or even if it would not exist, then basically Ukraine by entering to Energy Community, regarding to the energy sector, has committed to fully harmonize itself with a legislation of the EU in the energy sector, and also to coordinate its policy in area of energy. This membership gives her the opportunity to participate on the level of an observer in all key issues, which are related to energy policy of the EU. Therefore, I consider this as an important to acknowledge and understand.

VL: Yes, ...

AD: That's one thing. The other issue is basically that energetics is not a part of sanctions of the EU against Russia. Thus, simply said, there are two issues. Thus, there is a problem between the relations of Russia and Ukraine. The problem is, that a couple of years ago, an energy dialogue terminated. The energy dialogue was a regular forum where the EU with Russia could jointly plan a cooperation of the EU in Russia in regards to the modernization of energy sector, as it is a part of a package called "Partnership for Modernization". However, from this dialogue, similarly as from other dialogues, which the EU and Russia used to have, Russia decided to simply terminate with a collaboration with the EU. Therefore, at this moment what we see from the Russian side, well, this is how I would evaluate it. Russia bet on the "card", that the EU is dependent on the Russian supplies, therefore, the natural gas but also of course, an oil, which also has the same share on the overall consumption of the EU. Russia decided that they do not need to coordinate their supplies to the EU anymore, which created a negative reaction from the EU side. Well and then the relations between the EU and Russia started to change in a dramatic way after the crisis in January 2009. It was not caused by the events in Ukraine, but after the crisis in 2009, when in 2010 then-Prime

Minister came up with an idea, which became a reality during Junker's Commission. In February 2015, ... it is actually an official program of the EU, whose aim among others, is to strengthen the ability of the EU face crisis in energy supplies. The idea was to prevent such situations as of January 2009. Thus, there are some processes that do not go with accordance with your question.

VL: Yes, but thanks to our interview, my research question will be clarified in the Discussion part.

AD: The point is, that your topic regarding your research is feasible and you may take it as a hypothesis, which you want to prove. However, basically, on the turn of these relations between the EU and Russia in the energy sector came to the crossroads during a gas crisis in 2009. Also, from the political point of view it means that an idea emerged which and to strengthen the capacity of being able to face such disputes, and to better coordinate relations with the suppliers. This idea originated in the political NAVRH of Buzek, the ex chairman of the European Parliament. This happened in 2010 I guess, when he again came with an idea to come back to the initial idea of the EU, because European integration started from the integration of the energetics. That time, it concerned the issue of an atomic energy and so on. But it was the first initiative, from which the idea of the integration of the EU emerged. Well, and Jerzy Buzek came with a view that the sequences regarding to the crisis of 2009, necessitates a grand vision of revitalization of integration. Thus, this became the reality during Junker's Commission, when this idea became reality was when it took action in February 2015 vice-chairman Šefčovič, who for the first time introduced a program of Energy Union. All of these of course, has its influence on the relations on Russia. Well, and then there is a great precedent between the EU, Ukraine and Russia, meaning that when in 2009, there was the gas crisis, then the European Commission, and then then preceding country, Czech Republic, played the key role when solving of this dispute. And therefore, by now we are still experiencing the precedent of the gas crisis from 2009, when the European Commission, Ukraine and Russia led negotiations in so called "Winter Package" of supplies. Led, because by then, Ukraine used to buy gas from Russia until the last year. This year is the first one, when in November 2015 Ukraine stopped to take the gas from Russia. Therefore, today we are experiencing the first year, when Ukraine operates without the Russian gas. Therefore, the negotiations could be related to the concerns of to solve the question of the so called 'technical gas' which is necessary to transit gas from Russia via the Ukrainian territory to the EU. And this procedure is quite successful. Therefore, the triangle of the energy relations of the EU, Ukraine and Russia emerged after the gas crisis in January 2009, regardless on the AA, but with the regard on the entry of Ukraine to the Energy Community in 2012. Only after this, Ukraine started to harmonize its legislation with the

EU; to coordinate its policies; and everything else what is in the AA, only since Ukraine is already in the Association Agreement of Ukraine in the Energy Community. Therefore, the characteristic of one policy is that it foregoes the integration process, which goes beyond any of the contractual agreements, which is the energetics. The second policy is the visa relations of Schengen, where also are several countries, where the EU decided to integrate with some of the countries, by RUSIT the visa regime. That is what concerns the free movement of individuals. These are two policies that are very specific and go beyond the contractual agreements with the European countries. And also, they are part of their component, and therefore the visa dialogue with Ukraine and also in the area of energetics, somewhere else for already a long time, before the Maiden and signing the AA.

VL: Yes, My question was created for the reason of encountering of several online sources pointing at Russia being against Ukraine to sign the contract... (interruption)

AD: But not for the sake of energetics! That was not the reason why Russia was against signing the AA with Ukraine. Russia was against the signature of the AA mainly from the reason of the Eurasian Union project, which Russia systematically started to work on. Russian side in 2003 expected Ukraine's participation in the cluster in the Eurasian Union. Therefore, Russia was blocking the AA with Ukraine to prevent Ukraine, resp., to have the possibility of having Ukraine to enter to the Eurasian Union and I will explain why. It is simply because of the idea of Eurasian Union and the image of Putin, when he stated that since the USSR disintegration, Russia has been the greatest catastrophe of 20th century. And behind the idea of Eurasian Union is the reintegration of the USSR. And here it is important to realize, that the core of the Soviet space, was the economic and political core of eastern Ukraine, and most importantly, what Stalin used to call the "Iron Pillar of USSR", which is approximately six areas of eastern Ukraine. These areas used to be an industrial core of USSR, thanks to a boom in metallurgy and chemical industry. These industries were closely connected with research in the area of cosmic technologies. The leader of USSR from the point of the development of cosmic technologies and nuclear physics was in Dnepropetrovsk. Engineering or the machinery plant in Charkov, which was the main producer of tanks. Motor Sich Zaporoshye, was the main producer of aviation motors up until now. Well, I could carry on with this, but I want to emphasize that from the Russian point of view, the membership of Ukraine, well from Putin's point of view, he contemplates about the reintegration of the USSR. Therefore, it will not work without the 'Iron Pillar", from which the industrialization of the USSR would start in regards of the Energy Union. For this reason, this politics was the main reason, why Russia did everything it could

in 2013, to stop Ukraine to sign the AA. It was not the reason of the energetics primary. There were other reasons.

VL: I understand. More or less you have already answered a majority of my questions. It is very interesting how you reacted to the topic of this research... (interruption).

AD: I have already reacted to this matter, basically I have already explained it in my book 'Rozhovory Tomasa Galiáša s Alexandrom Dulebom' also known as 'Rusko, Ukraine a my'. This book is also in PDF and you can download it from the internet or buy it in a bookstore. And I think that I explained the motives of the crises the most comprehensively. What was the policy of Russia and so on. I recommend you to read this book, as it is the easiest option for you to do.

VL: Absolutely. I will definitely read it. However, I need to conduct an interview in order to have a primary input in my Bachelor thesis. Therefore, I hope that you do not mind when I will ask you... (interruption).

AD: No, no, no, it is alright. That is the point of our interview, isn't it?

VL: Yes, thank you. Therefore, to also confirm it in my Bachelor thesis, from the gas crisis in 2006 and 2009, which I am sure you remember well. Do you think that a similar scenario will occur again in the near future?

AD: Well, I do not think that it will happen in the near future for several reasons. Regarding to the gas crises, it is necessary to say, that the first gas crisis occurred in 2004 between Russia and Belarus. It was because Belarus was the first country where in January 2004 Russia suspended gas supplies due to a conflict with Lukašenko, and mainly for the reason that Belarus refused to create a transit of Beltransgaz, which is a company that operate gas pipelines on the territory of Belarus, such as Gazprom. There the initial conflict emerged, where indeed Russia, for the first time used this form of pressure on Belarus. Eventually, it is necessary to say that it was a successful attempt, because an agreement was reached. Gazprom gained, I am not sure if 41 or 51 per cent of shared from Beltransgaz, I do not remember much anymore. Therefore, there the idea was created when Russia used suspending of the gas supplies as a tool to create a pressure with an aim to reach some political and economic goals against Belarus. However, the situation in Ukraine was worsening. We did not really notice that because it did not really concern the transit via Ukraine. There was a

different issue. However, there were several gas crises, in 2004 and 2009, and then again in Ukraine, is a result of Russia, when in 2003, decided to change the gas relations in terms of gas supplies with the former USSR countries. Until 2002, Russia used to deliver their own gas to Ukraine with prices similar to their internal Russia market. It means, that in domestic-internal-Russian prices. Russian reconsidered this business and decided to set commercial prices. However, the problem was in setting the prices. Basically, Russia decided to independently set the prices for different Soviet countries, which were completely different. For example, 120 dollars for 1000 cubic for Moldova. For Ukraine 290 dollars for 1000 cubic. In other words, these prices were politically motivated set by Gazprom. Previously, the relations between Russia and Ukraine used to function differently. Ukraine did not pay anything for Russian gas before. Ukraine used to receive 50 milliards cubic of gas by Barter, in order to transit Russian gas from Russia to Europe. In other words, there were no transit fees. It was a simple Barter until 2002. In the moment when Russia changed its policy, Ukraine wanted to overrate the transit fees on their territory in order to compensate it. However, there then the disputes started to originate. It was between years of 2005 and 2006. Somehow, in 2005 an agreement was met but not in 2006 anymore. Russians wanted to reduce transit volumes, when we became witnesses of these disputes in 2007, 2008 and the final 2009 crisis. Here in 2009, the gas transits were complete suspended but not because of the nontransparent relations. Simply, Russia pressured Ukraine into very unprofitable agreements. They did not want to accept any transit fees. Ukrainians did not want to accept a made up price because it was impossible to find a different mechanism. There was no agreement anymore. Therefore, via this powerful act, Russia was striving to enforce their interest. However, in contrast with Belarus, this act was not successful to reach for Russian Gazprom against Ukraine. Moreover, there was another deal of who will own the transit pipelines. Russia wanted Ukraine to agree that Gazprom will own the pipelines on Ukrainian territory. Then the price would be different. Nevertheless, Ukraine did not want to agree with this idea regardless if it originated from pro-Russians or anti Russian Ukrainians. This had already originated during the governance of Kučma, during the Orange revolution, when during the reign of Juščenko, and it came clear that the problem emerged when Janukovič was in charge. During his activity, these matters were dealt ad hoc. When during Janukovič's governance Ukraine used to pay the highest price, because the agreement from 2009, which caused the crisis was very unprofitable for Ukraine. Ukraine used to pay the most in the whole Europe for Russian gas. The price used to be 460 dollars for 1000 cubic of natural gas. In the same time, Germans paid around 220. Basically, Ukrainians paid more than 100 per cent more than Germany. Simply said, this could not work well. The gas agreement between Ukraine and Russia was not met. This was the situation of 2004 and 2009. And then of

course, during the crisis of January 2009, when it was clear that Ukrainian government, regardless to its pro-Russian or anti-Russian orientation, is not able to come to a standard agreement. Basically, at this point, the EU came up with the Energy Union, to be better prepared to face such situations. Thus, that is the first reason of the conflict. The second one is, well, we are in a different situation, right? Today, the transit via Ukraine operates. Ukrainians stopped to taking Russian gas for their own consumption. However, the transit via Ukraine to Europe still works without any problems. Well, that is one thing. Another thing is that I do not suppose that we would be facing a similar situation as of 2009. It is because the EU has already done many things, also in Slovakia, and also other countries, which were hit by this crisis. That time, the problem for Slovakia was that Slovakia was not able to mine the gas from their own reservoirs from their own territory. Nowadays, the volumes of these reservoirs are at the level of 3.6 milliard cubic of natural gas. Last year, Slovakian consumption was around 4.8 milliard cubic. That is almost an annual consumption, minus one milliard of gas roughly. Slovakian government adopted a law, when in case if the situation in Veľké Kapušany (Slovakia), on the border of Ukraine, is a zero, then the gas which is in Slovakian territory belongs to Slovakian government, and the government may use it. In other words, this gas becomes a property of a private company, which can be used by the company in the public interest, to secure the gas supplies of households and firms as well. Another thing is that we have built reverse flows with Czech republic, Austria, Hungary and with Poland, which is still in realization. I need to say, that a daily gas consumption of Slovakia used to be 41 millions cubic in 2014. It was measured during the period when the winter was very cold. Thanks to the reverse flows via Czech republic, Slovakia can receive 35 millions cubic of gas. Moreover, the Austrian connection and the Hungarian, which we did not used to have before. That time we used to have a problem of not having a compress capacity on our territory and the gas from the reservoirs could not be pushed to Veľké Kapušany. We could push it only till the middle of Slovakia. This is not a problem anymore, because the new compress station work well now. Therefore, today, we should not suffer from such crisis and and we are well prepared than we used to be as well. Basically, we would not be able to feel it during two or three years after Russia would block its gas supplies. My estimation is that Slovakia is able to cover the gas supplies for a period of almost two years. Moreover, two years is a pretty long period to find a solution. So, I would not deal with this as much, if the gas supplies would be suspended for two weeks. Also, it is important to realize that there were several pretty warm winters one after another, which means that European gas reservoirs are full and for this reason the gas is much cheaper than the predicts of gas. This gas from reservoirs is much cheaper than the pipeline gas from Russia. Therefore there is a number of other factors, which I would say to answer to your question. Therefore, let me summarize it.

Nowadays, we are facing a different situation where we will not face the crisis. This is from my point of view. However, then there is a question of Russia and their motives. I think that Russia does not have a reason to suspend the gas supplies, because Russia needs an income from exporting of the natural gas and oil. Nowadays, Russia is in a difficult economic situation also for the reason that the gas and oil prices dropped dramatically. Also, Russia's state budget is experiencing great income outage and Russians do not have a reason to punish themselves in order to stop the gas supplies.

VL: I understand. Now, I would like to discuss the Nord Stream Two pipeline. I have a few questions regarding to this project and I believe that it is also very familiar for you.

AD: Well, I keep watching it.

VL: This new pipeline will bypass Ukraine, which serves as a transit country for other European countries. On the other hand, there is already another pipeline, the Nord Stream I, which connects Russia and Germany, do you think that the contraction of this pipeline is important?

AD: Hm, Nord Stream Two is a part of a war of Russia with Ukraine. It is Russia's reaction for when Ukraine stopped to buy Russian gas. Then Russia decided to punish Ukraine by suspend the gas transit via Ukrainian territory and that they will redirect it and expand gas capacity via Nord Stream Two. One thing is important to mention that even if the NS2 would be built, it does not mean that the transit via Ukraine will be completely shut. It is because Russia needs to follow the agreements with other Western European clients, which they have the gas contracts with. Therefore, a minimum of 15-20 million cubic of gas will have to be transferred via Ukrainian territory. In other words, the transit will not be completely terminated. The main issue is that a transit contract between Russia and Ukraine will terminate in 2019 and Russians have decided not to extend it anymore. That is the reason of why they want to build the NS2. This is the Russian interest. Russian are in a war with Ukraine, therefore with a war with Naftogaz. Roughly 2.5 milliards of American dollars cost the gas transit via Ukraine. We still speak in a conditional sense. Why? Because, first of all, the NS2 construction cost roughly 10 milliard of euros. Therefore, it is a big investment. Russians need partners to handle such investment. The consortium which was supposed to emerge to realize this project was not eventually created. It was not created for a reason of a legal impeachment, mainly for European firms, which want to operate on European market. These impeachments resulted from a decision of Polish antitrust bureau, which claimed that if the NS2 project will be

realized, it will lead to a deformation of a Polish gas market which will lead to a shutdown of these Polish firms functioning on the gas market. This fact, will result into providing precedents for future complaints at The European Court. That is the reason why the consortium was not eventually created. For this reason of legal impeachments, Gazprom is not in a condition to invest 10 milliard euros in a new pipeline in the upcoming two to three years. Therefore the question is, when and if this pipeline will be built. That is one issue. Another issue is that from the customers' point of view, we do not need a new gas pipeline because this new investment would be paid by the consumers or by the clients. Every investor wants the investment to be repaid of course. Therefore, why would we have to pay 10 milliards of euros for a gas, when there are already others working via Ukraine. Therefore, there is no logic in this matter. Another thing what I find interesting for you is the AA. The EU has promised to strengthen the energy security of Ukraine by coordinating their steps with Ukraine in regards of the gas transit via Ukrainian territory. Naftogaz attacked the newest decision of the European Commission regarding to the OPAL gas pipeline. The OPAL was given an exception in regards to the NS2, that 50% of OPAL can be used by Gazprom. This is an exception from the European legislation, because according to the energy legislation of the EU, any pipeline on the EU territory must be available to any operator or to any gas dealer. Therefore, there is a monopoly being created on the EU territory and this decision or this exception will be the subject of the decision of the European Court. In other words, there is a legal uncertainty in regards to the NS1 and NS2. Whoever who operates with the gas trade in Europe, will be allowed to take legal action on the European Court for using the whole system of NS1 and NS2 and their supplies on the EU territory. Therefore, there is certainly lots of legal uncertainties for the investors to build the NS2.

VL: I have last two questions for you Mr. Duleba. Since my topic concerns the AA, I am going to ask you directly. Do you see any connection with the NS2 project with the AA?

AD: No. Let's not mix pears with apples. The DCFTA between the EU and Ukraine is in a sense a copy of the AA. De facto, these AA signed by other countries without a membership of the EU. The difference between the AA and acceding countries lies substantially in a harmonization of Ukraine with the European energy market, but not only the energy one but the European market as such. For instance, the EEA agreement between Norway and the EU means that Norway is a part of the single market but not the member. The AA signed with Ukraine, Moldova and Georgia concerns all the sectorial politics of the EU, which counts to 30. The Energy Union and their projects in energy politics in general has nothing to do with this agreement. It is because the AA is about harmonization of legislation of the institution with the EU justice, thus with functioning of a single

market. Thus what Norway, Island, Lichtenstein and countries of The Eastern Partnership have. A different example is Switzerland, which is also not a member of the EU, but it is a part of a single market, based on the 120 bilateral agreements. Therefore, those 120 agreements meant that Switzerland is a part of the single market. Not a member! These 120 agreements are in one agreement of European Economic Area, a model where Norway, Island and Lichtenstein is a part of. The same goes for Ukraine. Therefore, according to this agreement Ukrainians are going to harmonize all their sectorial polices with European legislation. They do not have 120 agreements but only this one, the DCFTA. Simply said, this agreement does not deal with any projects of any state or commercial companies. That has nothing to do with it.

VL: My last question is, could you predict the earliest development of energy security in the EU? In your opinion, what is the prognosis of the European energy security?

AD: Well, in a case of the measures, such as a creation of a market, will be proposed by the European Commission... because a successful operational trade, is the best answer to the external threats. In other words, when a trade allows an access to multiple energy suppliers, the competition will grow stronger, the prices will become more lucrative and the environment will grow more stable. Therefore, we are being witnesses of seeing such trade which is gradually developing, though it is not very easy. However, last Wednesday, the European Commission accepted a so called "Winter Legislative Package", which if it becomes successful, well... of course it must be accepted by the European Parliament, The Council of the European Union, therefore the member countries. If it becomes successful, then 90% regarding to the EU legislation, will become a reality. This is of course a credit of the office of Šefčovič and his DG Energy. However, there are several controversial issues, which will become a subject of a discussion in difficult debates. But, this is a matter of climatic relations. It is important to say that there is a development of a functioning market since 2009. In an example of Slovakia, we have three gas pipelines in operation, which we never had before. There are 23 firms which can supply gas to the final consumers. However, it is not Russian gas. It is not a Russian gas because they buy it "from spots". It is more successful than let's say SPP, which in its own way is suffering in a long-term contract with Gazprom. It is due to the agreed fixed prices and the agreement is not as flexible in order to SPP to have competitive prices on the domestic market. However, this is already a problem of the SPP. It is not a problem of Slovakian consumer, which benefits from the development of this market and has more options than before. And this happened in the last years in a dramatic way across Europe. It is mainly caused by the construction of inter-connected infrastructure of North-South. It means

that when the Western Europe is connected pretty well, as in Nord-South-East-West, the problem was the middle Europe, or former SVP, the part, where we used to have connected only East-West. And All these supplies were only from Russia and went towards us and through our territory. Therefore, what is very crucial in this connection, there is a Swinoujscie terminal in Poland, which is a big deal. Pipeline connections between Poland and Slovakia towards Balkan are in a construction as well as some other ones. Therefore, regarding to the energy security, the EU, and likewise Slovakia, is in a much better situation than in January 2009. Therefore, Russia is losing its monopoly stance of his gas supplies, and this is very important. Therefore, there is possibility for Russians to suspend its gas supplies to our region and that is very important. In other words, Russians do not have a reason to cause a situation such as from 2009. Nowadays, the situation is different, because the EU is capable of substituting energy supplies with different sources. Particularly, what is a new and a key issue not is when we had the gas revolution in shale gas towards the Liquefied Natural Gas (LNG). Today, we can predict that in two or three years, Australia will become the main LNG supplier, which is also competitively in European area. For example, this is applicable for our regions as well. A new technology is coming. Well, you know, the oil crisis in the 70s, where the majority of consumers were dependent on the oils supplier of the main oil pipelines, which made the transit inflexible is one of the examples. The LNG technology is becoming to resemble of the case of the oil crisis and it is a matter of five or six years when the gas will not represent a security threat anymore. Today, nobody is concerned about oil, because this market has lost its patterns of trade and its supplies, which might have caused security concerns. Look at what happened to the oil market. Today, nobody cared about it anymore, because oil has lost its pattern of trade and supplies, which may have cost security concerns. The same story will happen to the gas.

VL: Interesting. Therefore, these were all my questions that I wanted to ask you Mr. Duleba.

AD: No problem. It was nice to talk to you.

VL: It was very interesting and all the information will be very important for my Bachelor thesis.

AD: I will keep my fingers crossed for you.

End of Interview

Transcript of interview number 3 (Slovak verstion)**Date: 05.12.2016****Interviewer: Veronika Leitmanova****Interviewee: Mr. Alexander Duleba**

Veronika Leitmanova (VL): Dobrý deň pán Duleba. Tu je Veronika Leitmanova.

Alexander Duleba (AD): Dobrý deň!

VL: Dohodli sme sa dneska na jedenástu hodinu. Som veľmi vdáčajná že ste si na mňa našli čas dnes a že ste ochotný prispieť vašim názorom a pohľadom čo sa týka Európskej energetickej bezpečnosti a jej vzťahmi medzi Ukrajinou a Ruskom, po tom ako Rozsiahla a Komplexná Dohoda o Zóne Voľného Obchodu začala plniť svoju platnosť od prvého Januára tohto roku. Veľmi sa teším na to že si budem môcť vypočuť Váš názor a Vaše odpovede na moje otázky pán Duleba. Hlavná otázka mojej bakalárskej práce znie "Ako táto dohoda medzi Európskou Úniou a Ukrajinou ovplyvní Európsku energetiku bezpečnosti." Som si istá, že ste oboznámený aj so skutočnosťou, že Rusko prejavilo svoj nesúhlas voči zmluve a takisto sa snažilo zabrániť k jej samotnému nadobudnutiu činnosti. Avšak...

AD: Treba si tu vysvetliť podľa mňa. Je tu rozdiel ktorý tu vidím, pretože, jedna vec je táto dohoda ktorú spomínate v rámci tej ???Ukrainskej??? iná však vec je, členstvo Ukrajiny v Energy Community. Do Energy Community Ukrajina vstúpila, stala sa členom, tuším že v roku 2012 a Energy Community, vlastne toto členstvo v Energy Community, ono vlastne ako keby predchádzalo tej dohode. Tá dohoda je tak nastavená od skutočnosti, že samozrejme závisí od toho či ju ratifikuje Holandsko, čo nie je úplne jasné. Čiže v prípade ak dojde k takému stavu, že Holandsko ju neratifikuje tak jednoducho je tu problém pretože hrozí suspendovanie tejto dohody, v respektíve, nebude môcť vstúpiť do úplnej platnosti. Čiže teraz nebudeme špekulovať riešenia že čo Holanďania, ale treba si uvedomiť dve veci, že Ukrajina už dávno pred vstupom do provizórnej platnosti tejto dohody sa stala členom Energy Community, a v podstate jej členstvo v Energy Community obsahuje to isté čo len skôr než čo je obsiahnuté v tejto dohode. To znamená, že keď táto dohoda, teda, keď Ukrajina splní podmienky Energy Community, tak tie sa automaticky stávajú vlastne súčasťou aj tej dohody. Čiže, len aby sme nerobili z tej dohody v oblasti energetiky niečo čo nie je. Je dôležité si proste vysvetliť na samom začiatku. No a čo sa teda týka, vaša otázka smerovala

k tomu že ako táto dohoda môže ovplyvniť vzťahy medzi EU, Ukrajinou a Ruskom v oblasti energetiky ak som správne pochopil.

VL: Áno. To je moja hlavná téma.

AD: Áno. No, trochu by ste to tam mali upresniť, pretože v podstate, nezávisí od tejto dohody, závisí to v momentálnom stave keď táto dohoda nie je v plnej platnosti, ten čo má dosah na vzťahy medzi EU, Ukrajinou a Ruskom v rámci energetiky je členstvo Ukriany v Energy Community. Lebo v podstate existujú dve politiky sektorové a to je tiež dôležité pochopiť, ktoré sú integračné a ktoré vlastne idú nad rámec tých bilaterálnych dohôd, ktoré EU má s tretími krajinami. Prvá sa týka Energy Community, lebo sú tam krajiny západného Balkánu, Nórsko je tam, ktoré nie je členom Európskej Únie, je tam napríklad aj Turecko, ale je tam spolu s Ukrajinou aj Moldavsko. A toto ide nad rámec, čiže keby dohoda nevstúpila do platnosti, aj keby nebola, tak Ukrajina v podstate v oblasti energetiky svojim vstupom do Energy Community sa zaviazala plne harmonizovať s legislatívou EU v oblasti energetiky plus koordinovať svoju politiku v oblasti energetiky. A toto členstvo jej dáva možnosť participovať aspoň ako na úrovni vlastne pozorovateľa vo všetkých kľúčových veciach, ktoré sa týkajú energetickej politiky Európskej Únie. Čiže toto je si myslím dôležité a mať v tom úplne jasno.

VL: Áno.

AD: To je jedna vec. Ďalšia vec je že v podstate energetika nie je ani súčasťou sankcii EU voči Rusku. Čiže jednoducho sú tam proste iné veci. Čiže, medzi vzťahmi medzi Ruskom a Ukrajinou je problém ten, že vlastne už pred niekoľkými rokmi skončil energetický dialóg. Energetický dialóg bol pravidelne fórum kde Európska Únia s Ruskom mohli spoločne plánovať spoluprácu, Európskej Únie v Rusku čo sa týka vlastne modernizácie energetického sektora, pretože to bolo súčasťou balíka "Partnership for Modernization". No ale z tohto dialógu podobne ako z ďalších dialógov ktoré teda EU a Rusko mali, Rusko sa rozhodlo proste vystúpiť prestať spolupracovať s EU. Čiže, momentálne to čo vidíme na strane Ruska a, tak by som to zhodnotil, Rusko vsadilo na tú kartu, že Európska Únia je závislá od dodávok Ruských surovín a ide teda v prvom rade samozrejme o zemný plyn a v prvom rade samozrejme aj o ropu, ktorá tak isto má veľmi vysoký podiel na celkovej spotrebe EU. No a rozhodlo sa, že jednoducho nepotrebuje tie svoje dodávky do EU koordinovať, čo vyvolalo samozrejme negatívnu reakciu na strane EU. No a vzťahy s EU a Ruskom sa začali meniť dosť zásadným spôsobom po plynovej kríze v Januári 2009. Nie primárne kvôli udalostiam na

Ukrajine, ale primárne po plynovej kríze v roku 2009, v roku 2010 vtedajší predseda parlamentu prišiel s ideou energetickej únie, ktorá sa vlastne stala realitou v rámci v Junkerovej Komisie. V roku 2015 vo februári, je to akože vlastne oficiálny program EU ktorý má za cieľ posilniť schopnosť, aj okrem iných vecí je tam viacero dimenzií, ale v rátane, zvýšiť schopnosť EU čeliť krízam v dodávkach. Tak aby sa predišlo tomu čo bolo v januári 2009. Čiže jednoducho, máme tu nejaké procesy ktoré nejdú úplne v súlade s logikou vašej otázky.

VL: Áno, moja otázka práveže vďaka vášmu interview sa dostane k odpovedi a k diskusií.

AD: Ide o to že vaša téma k tej vašej práci ona môže byť, a môžete ju brať ako hypotézu, ktorú chcete vlastne overiť. Ale v podstate, k zlomu tých vzťahov medzi EU a Ruskom v energetike došlo po plynovej kríze v roku 2009. Aj z hľadiska politiky, to znamená že vznikla idea že musia posilniť kapacity byť schopný čeliť takýmto krízam, koordinovať viac vzťahy s externými dodávateľmi. To bol vtedy politický návrh Buzeka, vtedajšieho predsedu Európskeho Parlamentu a to bolo v roku 2010 tuším prišiel, ale s tým že treba znovu sa vrátiť k pôvodnej myšlienke vlastne EU lebo Európska integrácia začínala vlastne z integrácie energetiky. Vtedy išlo práve o jadrovú energetiku a podobne Energoatom, ale to boli prvé z iniciatív okolo ktorých vlastne vznikla idea integrácie EU. No a Jerzy Buzek prišiel s tým že aj teda nadväznosti na tú krízu v januári 2009, že jednoducho treba z toho urobiť nejakú grand vision revitalizáciu tej integrácie. No a stalo sa to realitou, to bolo v tej Junkerovej Komisii, keď sa ujala pôsobením funkcie vo februári 2015 podprededa Šefčovič, prvý krát predstavil program tej Energetickej Únie. Ale to všetko, to má dosah samozrejme aj na vzťahy s Ruskom. No a potom je tu samozrejme veľký precedens medzi EU, Ukrajinou a Ruskom, že vlastne v momente keď aj sa riešila plynová kríza v roku 2009, tak Európska Komisia a vtedy ešte predchádzajúca krajina Česká Republika, zohrali kľúčovú úlohu pri vyriešení tohto sporu. No a v podstate doteraz tu máme teda precedens plynovej krízy z roku 2009, že Európska Komisia, Ukrajina a Rusko viedli rokovania v takzvanom „Zimnom Balíčku“ dodávok. Viedli, pretože vlastne dokiaľ Ukrajina odoberala plyn z Ruska minulý rok je prvý, keď Ukrajina prestala odoberať plyn z Ruska v novembri 2015. Čiže teraz je prvý rok, keď Ukrajina funguje bez ruského plynu, čiže tie rokovania sa môžu týkať len toho aby sa vyriešila otázka takzvaného technického plynu, ktorý je potrebný pre to aby fungovala preprava plynu z Ruska cez územie Ukrajiny do EU a to sa celkom akože darí. Čiže, ten trojuholník, vzťah energetiky EU, Ukrajina a Rusko vznikol po plynovej kríze v januári 2009 bez ohľadu na Asociačnú dohodu, ale s ohľadom na vstup Ukrajiny do Energy Community v roku 2012. Lebo vtedy Ukrajina začala postupne harmonizovať legislatívu s EU, koordinovať politiky a v podstate všetko to, čo je v Asociačnej dohode vtedy, je už v prístupovom

protokole Ukrajiny v Energy Community. Teda jedna politika, hovorím, to je špecifickosť tej politiky EU, že prechádza integračný proces nad rámec nejakých zmluvných vzťahov, to je energetika. A druhá takáto politika je vízum a vízové vzťahy Schengenu, kde tak isto, vlastne sú niektoré krajiny, kde sa teda EU rozhodla integrovať s týmito krajinami povedzme tým, že sa ruší vízový režim. To je čo sa týka voľného pohybu osôb. To sú dve politiky, ktoré sú veľmi špecifické a je to nad rámec zmluvných vzťahov s Európskymi krajinami. No a sú samozrejme aj súčasťou, preto je vízový dialóg s Ukrajinou aj povedzme v oblasti energetiky, oni už dávno sú niekde inde a dostali sa niekde inde ešte pred Maidanom a pred podpisom Asociačnej dohody.

VL: Áno. Moja otázka vznikla hlavne z toho dôvodu, že viaceré zdroje udávali na internete, že Rusko bolo proti tomu aby Ukrajina podpísala túto zmluvu...

AD: Ale nie kvôli energetike. To nebol dôvod prečo Rusko bolo proti podpisu Asociačnej dohody s Ukrajinou. Rusko bolo proti podpisu Asociačnej dohody s Ukrajinou hlavne kvôli tomu, že jednoducho projekt Euroázijskej Únie, nad ktorým Rusko začalo systematicky pracovať, Ruská strana v roku 2003, proste predpokladal účasť Ukrajiny v tomto zoskupení. Čiže Rusko blokovalo Asociačnú dohodu s Ukrajinou kvôli tomu, aby jednoducho zabránilo, respektíve, aby si ponechalo možnosť vstupu Ukrajiny do Eurázijskej Únie, a vysvetlím prečo. Jednoducho preto lebo za ideou Eurázijskej Únie je vlastne predstava Putina, ktorý povedal, že Rusko od Sovietskeho Zväzu bola najväčšia katastrofa dvadsiateho storočia. A za tou ideou Eurázijskej Únie je reintegrácia toho Sovietskeho priestoru. No a tu si treba uvedomiť, že jadrom toho Sovietskeho priestoru, ekonomickým a politickým jadrom bola východná Ukrajina, a predovšetkým tomu čo Stalin nazýval, že "Železný pilier ZSSR" a to je zhruba šesť východov Ukrajinských oblastí, ktoré boli priemyselným jadrom Sovietskeho Zväzu, je to vďaka tomu, že tam došlo k boomu metalurgie a chemického priemyslu, ale to na seba naviazalo potom aj výskum v oblasti napríklad kozmických technológií. Lídrom Sovietskeho Zväzu z hľadiska rozvoja kozmických technológii jadrovej fyziky, to bol Dnepropetrovsk. Strojárne, alebo strojárenské závody v Charkove, to bol hlavný výrobca napríklad tankov. Motor Sich Zaporoshye, to bol hlavný výrobca leteckých motorov a v podstate je takým dnešného ho dňa. No a mohol by som proste pokračovať, ale to chcem zvýrazniť, že z Ruského pohľadu, členstvo v Ukrajine, teda pokiaľ Putin uvažoval, a uvažuje o reintegrácii Sovietskeho zväzu, tak to nejde bez toho železného bývalého piliera, z ktorého začala industrializácia Sovietskeho zväzu v rámci Eurázijskej Únie. Preto takáto politika, toto bol hlavný motív, prečo Rusko urobilo všetko preto v roku 2013, aby zabránilo podpisu tejto Asociačnej dohody. Nie kvôli energetike primárne, ale z iných dôvodov.

VL: Rozumiem. Viac-menej ste zodpovedali na viacero mojich otázok. Je do veľmi zaujímavé a viem, že ste sa k tejto tému už vyjadrili,...

AD: Ja som sa k tomu vyjadroval, v postate ja som to aj vysvetľoval, ja neviem ak si prečítate tú moju knižku rozhovorov čo robil Tomáš Galiáš, je to v PDF a dá sa to stiahnuť z internetu a dá sa to kúpiť vo vydavateľstvách. Volá sa to že "Rusko, Ukrajina a my". No a tam som si myslím, že som tak najobširnejšie vysvetlil motívy a prečo teda došlo k tej kríze. Aká bola politika Ruska, aké boli motívy a podobne. To by bolo možno najjednoduchšie, ak by ste si to prečítali.

VL: To si každopádne prečítam. Ale, potrebujem mať aj s vami rozhovor, aby to bol môj primárny input do mojej bakalárskej práce. Tak dúfam, že sa nenahneváte, že sa vás budem pýtať...

AD: Nie nie nie, v pohode. Veď to sa deje práve, nie?

VL: Áno, ďakujem. Teda, aby sme si potvrdili aj teda pre moju bakalársku prácu, z plynovej krízy z roku 2006 a 2009, na ktoré si určite pamätáte, myslíte si, že sa podobná situácia zopakuje v blízkej budúcnosti?

AD: No, nemyslím si, že sa to zopakuje v blízkej budúcnosti z niekoľkých dôvodov. K plynovým krízam, ale treba ešte povedať, že prvou plynovou krízou bola plynová kríza v roku 2004 medzi Ruskom a Bieloruskom. Pretože, Bielorusko bolo prvou krajinou, kde Rusko zastavilo v Januári 2004 ešte dodávky plynu kvôli konfliktu s Lukašenkom a hlavne kvôli tomu, že Bielorusko odmietalo vytvorenie, respektíve prechod Beltransgazu, čo je spoločnosť, ktorá prevádzkuje plynovody na území Bieloruska, tranzitné ako Gazprom. Tam vznikol konflikt a vlastne Rusko prvý krát využilo takúto formu nátlaku na Bielorusko. Nakoniec treba povedať, že to bol úspešný pokus, pretože došlo potom k dohode a Gazprom získal, teraz nie som si istý či 41 alebo 51 percent, si veľa nepamätám, akcii Beltransgazu. Čiže, vtedy vznikol ten model, kedy Rusko použilo zastavenie dodávky plynu ako nástroj na vytvorenie nátlaku s cieľom dosiahnuť nejaké politické a ekonomické ciele voči Bielorusku. No situácia s Ukrajinou sa zhoršovala samozrejme a vtedy sme si to ale nevšimli viac menej lebo sa to priamo netýkalo tranzitu cez Ukrajinu. Išlo o niečo iné. No ale, problém v tých krízach 2004 až 2009 plynových, lebo ich bolo niekoľko, a potom prišli tie krízy s Ukrajinou, to je dôsledok toho, že Rusko v roku 2003 sa rozhodlo prejsť na nové vzťahy v oblasti dodávok plynu s bývalými Sovietskymi republikami. Do roku 2002, vlastne Rusko im dodávalo

vlastný plyn, za ceny, ako keby to bolo na vnútornom Ruskom trhu. To znamená, ako za domáce-vnútro-Ruské ceny. Rusi sa rozhodli toto prehodnotiť s tým, že teda treba prejsť na komerčné vzťahy. Lenže, problém bol v tom, že ak nemáte "Turich", tak ťažko sa určuje nejaká adekvátna cena. V podstate Rusko sa rozhodlo samostatne zadefinovať ceny pre rôzne Sovietske republiky a tie boli boli absolútne rozdielne. Napríklad, 120 dolárov za 1000 kubíkov pre Moldavsko, pre Ukrajinu 290 dolárov za 1000 kubíkov. Veci, ktoré sa ťažko dali nejak, čiže, boli to dosť politicky motivované ceny, ale také proste Gazprom určil. Predtým vzťahy medzi Ruskom a Ukrajinou v oblasti dodávok plynu fungovali tak, že vlastne Ukrajina neplatila nič za Ruský plyn. Ukrajina dostávala Barterom 50 miliárd kubíkov zemného plynu z Ruska, za to že zabezpečila prenos plynu z Ruska do Európy. Čiže, tam neplatili ceny ako tranzitných poplatkov, bol to proste doslova Barter do roku 2002. V momente, keď Rusko prešlo na takúto politiku, zas Ukrajinci potom požadovali jednoducho, chceli nadceniť tranzit na svojom území takým spôsobom, aby sa im to kompenzovalo. Lenže, tam začali vznikať tie problémy. Tam jednoducho v tých rokoch to začalo už potom v tých 2005 a 2006. V 2005 sa ešte podarilo nájsť dáku dohodu, v 2006 už nie. Rusi, proste prvýkrát znížili objemy tranzitu, a potom sme boli svedkami v roku 2007 až 2008, až potom to vyústilo v Januári 2009, keď tam dva týždne sa zastavili úplne dodávky plynu z Ruska cez Ukrajinu. Ale, dôvod bol v tom, že tam boli netransparentné vzťahy, jednoducho, Rusko nútilo Ukrajincov do dosť nevýhodných dohôd. Nechcelo akceptovať ich tranzitné poplatky. Ukrajinci nechceli akceptovať vymyslenú cenu. Pretože nebolo možné nájsť nejaký mechanizmus, nebola nájdená dohoda. Čiže takýmto silovým štýlom sa Rusko snažilo pretlačiť svoj záujem. No ale, na rozdiel od Bieloruska, to sa nepodarilo Gazpromu Rusku dosiahnuť voči Ukrajine tie ciele ktoré boli stanovené, pretože tak isto tam bol aj záujem o to že, teda vlastniť to a že teda ak by Ukrajinci súhlasili s tým že Gazprom bude vlastniť tranzitné potrubia na ich území, tak jednoducho potom cena by bola iná no a podobne. No, zas Ukrajinci nechceli a to bez ohľadu na to, či to boli pro-Ruskí alebo ne pro-Ruskí Ukrajinci, toto bol problém už za Kučmovej vlády, potom počas Oranžovej revolúcie, za Juščenka a ukázalo sa, že to je vlastne problém aj za Janukoviča. Za jeho pôsobenia sa to riešilo ad hoc. Za Janukoviča, Ukrajina platila úplne najvyššiu cenu, pretože, dohoda z roku 2009, ktorá vyriešila tú krízu, bola pre Ukrajinu dosť nevýhodná. Ukrajina platila najviac v celej Európe za Ruský plyn. Cena bola 460 dolárov za 1000 kubíkov zemného plynu. V tom istom čase, napríklad, Nemci platili nejakých 220. Proste, Ukrajinci platili o 100 percent viac než ako Nemecko. No, toto nemohlo dobre fungovať a jednoducho v plyne medzi Ruskom a Ukrajinou nedošlo k dohode. Čiže, tá situácia veľmi,... teda tie roky 2004 až 2009 bola taká, ako som ju zhruba popísal teraz. No a samozrejme, že teda už po tej kríze v Januári 2009, keď bolo jasné, že žiadna Ukrajinská vláda bez ohľadu na jej pro-Ruskosť alebo ne pro-Ruskosť, jednoducho nie je schopná sa s Ruskom štandardne rozhodnúť,

aby to boli štandardné dohody, vtedy vlastne EU prišla s tou svojou ideou Energetickej Únie, aby sme vedeli lepšie čeliť takýmto krízam. Čiže, preto došlo k tomu výpadku, to je prvá príčina. A druhá, a teda, prečo sa to, dnes sme v inej situácii, hej? Dnes, v podstate, tranzit cez územie Ukrajiny funguje. Ukrajinci sami prestali odoberať plyn pre svoju vlastnú potrebu od Ruska, ale jednoducho tranzitu Ruský plyn ďalej a bezproblémovo ide na územie EU. No, to je prvá vec. Druhá vec, prečo nepredpokladám, že by sme boli vystavení rovnakej situácii ako v roku 2009. Je to kvôli tomu, že veľa vecí sa urobilo na strane EU, ale aj v Slovensku a aj v tých krajinách, ktoré boli vtedy tou krízou postihnuté. Vtedy bol problém pre Slovensko v tom, že my sme neboli schopní vyťažiť plyn zo zásobníkov na území západného Slovenska. Dnes tie objemy zásobníkov sú na úrovni 3.6 miliárd kubíkov zemného plynu, s tým, že Slovenská spotreba minulý rok bola 4.8 miliárd kubíkov. To je skoro ročná spotreba, mínus jednu miliardu zhruba. Máme na vlastnom území po tej kríze v Januári 2009, vláda prijala zákon podľa ktorého v prípade, keď je situácia taká keď vo Veľkých Kapušianoch na hranici s Ukrajinou je nula, tak potom plyn ktorý je na území Slovenskej republiky, prepadá v prospech vlády a vláda ho môže využívať. Lebo to je plyn, ktorý je vlastne súkromnej spoločnosti, ho môže využívať vo verejnom záujme, aby zabezpečila zásobovanie Slovenských domácností ale aj firiem. A potom je tam aj zdefinovaný systém odškodnenia za to ak teda vláda by ten plyn súkromný vlastne, použila vo verejnom záujme. To je prvá vec, druhá vec je, že máme teraz vybudované spätné reverzné rezervoáre, prepojené s Českou republikou, s Rakúskom, s Maďarskom a v podstate, realizuje sa prepojenie s Poľskom. Stačí len povedať jednu vec, najvyššia denná spotreba plynu na Slovensku bola nameraná tuším, že v roku 2014, posledná, na úrovni 41 miliónov kubíkov plynu denne a to je v čase, keď je skutočne veľmi tuhá zima a len prepojenie s Českou republikou teraz cez toto prepojenie môžeme dostať 35 miliónov. Plus Rakúske prepojenie, Maďarské, čo sme nemali. Vtedy bol problém v tom, že my sme nemali kompresorovú kapacitu na vlastnom území a plyn zo zásobníkov sa nedal vytlačiť až do Veľkých Kapušian, len zhruba do polovice Slovenska. Toto už nie je problém, pretože už funguje nová kompresorová stanica a podobne. Čiže, dnes by sme už určite netrpeli tak a sme na tú krízu pripravený oveľa oveľa lepšie. V podstate by sme ju ani nepocítili v priebehu možno dvoch až troch rokov keby sa momentálne zastavili dodávky plynu z Ruska, Slovensko vie pokryť dodávky takmer dvoch rokov, je odhad môj, z iných zdrojov. Dva roky je dosť dlhá doba na to aby sa našlo nejaké riešenie. Čiže, neriešili by som to tak ako počas tých dvoch týždňov. A plus, treba si ešte uvedomiť jednu vec, že posledné roky bolo niekoľko po sebe teplých zím a v podstate Európske zásobníky plynu sú preplnené. Sú preplnené, čo malo aj má dosah na to, že vlastne plyn na Európskom trhu lacnie a predáva sa spotoch. Čiže, je výrazne lacnejší než sú predikty plynu a ten plyn je výrazne lacnejší než, potrubný plyn z Ruska. Čiže, existuje X plno ďalších faktorov, ktoré by som mohol uviesť vo odpovedi na vašu

otázku. Čiže, len to zhrniem. Dnes sme úplne v inej situácii a takáto situácia nám nehrozí. To je z nášho pohľadu. No a potom je tu samozrejme otázka Ruska a jeho motívov. Rusko si myslím, že nemá dôvod teraz pristúpiť k zastaveniu dodávok, pretože, Rusko potrebuje príjmy z exportu zemného plynu, z ropy, pretože jednoducho sa nachádza v dosť zlej hospodárskej situácii. Aj kvôli tomu, že dramaticky poklesli cenu na ropu a proste Ruský štátny rozpočet má obrovské výpadky z príjmov a Rusi nemajú dôvod trestať samých seba, aby tieto dodávky zastavili.

VL: Chápem. Teraz by som rada odbočila na plynovod Nord Stream Dva. Mám zopár otázok čo sa týka tohto plynovodu na vás. Verím, že Vám je tento projekt veľmi známy.

AD: Tak, sledujem.

VL: Tento nový plynovod obíde Ukrajinu, ktorá slúži ako prepravná krajina pre ostatné Európske štáty. A keďže už podobný plynovod vedie z Ruska do Nemecka, myslíte si, že je potrebná podobná výstavba tohto plynovodu?

AD: Hm, Nord Stream Dva je súčasťou vojny Ruska s Ukrajinou. Je to odpoveď za to, že Ukrajinci prestali pred rokom úplne odoberať plyn z Ruska a Rusko sa rozhodlo, že teda vytrestá Ukrajinu tak, že zastaví tranzit cez jej územie a presmeruje ho a rozšíri kapacitnosť cez Nord Stream Dva. Prvá vec, je potrebné povedať, že aj keby sa vystaval NS2, tak to neznamená, že sa úplne zastaví tranzit cez Ukrajinu. Pretože, keby sa vystaval tak stále Rusko bude chcieť naplniť svoje kontakty zo Západoeurópskymi klientmi, ktoré má uzavreté. Tak minimálne 15-20 miliónov kubíkov bude musieť tak či tak tranzitovať cez Ukrajinu. Čiže nedôjde k úplnému odstaveniu Ukrajiny. Tam je len otázka toho, že v roku 2019 končí tranzitný kontrakt medzi Ruskom a Ukrajinou a Rusi sa rozhodli, že ho už nepredĺžia. A preto chcú do vtedy vystavať NS2. Čiže, toto je Ruský záujem. Rusi sú vo vojne s Ukrajinou a proste chcú poškodiť Ukrajinu, čo by znamenalo výpadok príjmov štátneho rozpočtu Ukrajiny, teda spoločnosti Naftogaz, zhruba na úrovni 2.5 miliardy amerických dolárov za tranzit cez územie Ukrajiny. To je stále ale len hovoríme len v podmienovacom spôsobe, prečo? Pretože, za prvé, výstavba NS2, jej cena je zhruba 10 miliárd eur. Čiže je to veľká investícia. Rusko potrebuje partnerov na to, aby takúto investíciu zvládlo. To konzorcium, ktoré malo vzniknúť, aby realizovalo tento projekt, nebolo vytvorené. Nebolo vytvorené z toho dôvodu, že jednoducho existujú právne spochybnenia, hlavne pre Európske firmy, ktoré chcú pôsobiť na Európskom trhu. Sú tam pochybnosti. V čom? Vyplývajú z rozhodnutia z Poľského anti-monopolného úradu, ktorý hovorí o tom, že v prípade že dôjde k realizácii NS2, dôjde k deformácii s plynom v Poľsku a v takom

prípade tie firmy nebudú môcť na Poľskom trhu pôsobiť. No a toto rozhodnutie dáva precedens pre budúce sťažnosti na Európskom súde. Čiže, je tu právna neistota pre investorov z Európskej strany, aby vôbec do takéhoto projektu šli. No a preto vlastne ani to konzorcium vytvorené nebolo. No a Rusko samotné aj Gazprom, teraz nie je v kondícii, aby vedel zainvestovať najbližšie dva tri roky, desať miliárd eur do výstavby nového plynovodu. Čiže je otázne, či a kedy sa tento plynovod vôbec bude stavať alebo nebude sa stavať. No a to je jedna stránka veci a ďalšia stránka veci je tá, že v podstate z pohľadu zákazníkov, my nepotrebujeme nový plynovod. Lebo tá investícia desať miliárd by bola nakoniec zaplatená odberateľmi. Teda klientami. Proste, každý investor si chce tú investíciu vrátiť a samozrejme že sa to premietne.. čiže, otázka je, načo by sme mali platiť za desať miliárd idúcich na plyn keď máme fungujúci systém tranzitu, fungujúci cez územie Ukrajiny. Čiže, nedáva to žiadnu logiku. Ďalšia vec, ktorá je, že v tej Asociačnej dohode, to by mohlo byť zaujímavé pre vás. EU sa zaviazala, že jednoducho bude sa snažiť o posilnenie energetickej bezpečnosti Ukrajiny a že bude koordinovať svoje kroky s Ukrajinu v otázke teda tranzitu dodávok plynu cez jej územie a podobne. Naftogaz napadol najnovšie rozhodnutie Európskej Komisie, ktoré sa týkalo výnimky plynovodu OPAL. Plynovod OPAL je ten ktorý spája pobrežie kam ústí Nord Stream Jedna momentálne a potenciálne Nord Stream Dva s Českým územím, s tým že, dal výnimku Gazpromu, alebo.. týka sa to Nord Streamu Jedna toto rozhodnutie, lebo budúci Nord Stream Dva, ak bude, že 50% OPAL-u môže využívať Gazprom. Je to výnimka z Európskej legislatívy, pretože podľa energetickej legislatívy Európskej Únie, akékoľvek potrubie na území EU, musí byť dostupné akémukoľvek operátorovi, respektíve obchodníkovi s plynom. Čiže, vzniká ako keby kvázi nejaký monopol na území EU. Čiže, toto rozhodnutie, alebo takáto výnimka bude predmetom rozhodovania Európskeho súdu. Čiže znovu, existuje tu veľká právna neistota v súvislosti s NS1 aj s NS2. Je tu ktokoľvek kto pôsobí na trhu s plynom v Európe, bude môcť podať súdnu žalobu na Európsky súd za využívanie celého systému Nord Stream Jedna alebo aj Dva a jeho dodávky na územie EU. Čiže, je tu skutočne veľa právnej neistoty na to, aby tí investori do toho išli. Čiže, tak by som odpovedal zatiaľ na túto vašu otázku Nord Streamu Dva.

VL: Ešte mám na vás dve otázky pán Duleba. Keďže moja téma sa týka tejto Asociačnej dohody, spýtam sa vás priamo. Vidíte podľa vás spojitost' projektu s NS2 projektu s Asociačnou zmluvou?

AD: Nie. To sú hrušky a jablká. Asociačná dohoda DCFTA, ktorú podpísala EU s Ukrajinou je svojím spôsobom kópiou prístupových zmlúv. De facto prístupových zmlúv, ktoré podpisujú s EU prístupujúce krajiny ale bez členstva. Je tam rozdiel medzi Asociačnou dohodou a prístupnými zmluvami spočíva v tom, že v podstate Ukrajina bude harmonizovať, stane sa súčasťou Európskeho

energetického trhu, ale nie len energetického trhu, ale proste trhu ako takého. Je to príklad Nórska. Ako EHP zmluva (EEA), medzi Nórskom a EU znamená, že vlastne Nórsko je súčasťou jednotného trhu ale nie členom. Asociačná dohoda, to čo má Ukrajina, Moldavsko a Gruzínsko, to čo podpísali z obsahu sa týka všetkých sektorov ich politik Európskej Únii a to je ich 30. Energetická Únia a vôbec dále projekty konkrétne v sektorových politikách s tým nemajú čo dočinenia. Pretože Asociačná dohoda je o harmonizácii legislatívy inštitúcií s právom EU, s právom fungovania jednotného trhu. To čo má Nórsko, Island a Lichtenštajnsko ako krajiny EaP. Iný príklad je Švajčiarsko, ktoré tiež nie je členom EU ale je súčasťou jednotného trhu na základe 120 bilaterálnych dohôd. Čiže, tu máte 120 bilaterálnych dohôd Švajčiarska znamená, že sú súčasťou jednotného trhu no nie sú členom. Týchto stodvadsať vecí je v jednej dohode EHP, to je model, Nórsko, Island, Lichtenštajnsko a to isté je model Ukrajina. Čiže, Ukrajinci podľa tej dohody idú harmonizovať s Európskou legislatívou všetky sektorové politiky EU, nemajú 120 dohôd, ale majú jednu Asociačnú dohodu. Jednoducho tá dohoda nerieši nejaké projekty, nejakých štátnych alebo komerčných firiem. S tým nemá absolútne nič dočinenia.

VL: Teda moja posledná otázka, ešte sa vás spýtam, keby ste mali predpovedať najbližší vývoj bezpečnosti energetiky v EU. Aká je vaša prognóza na Európsku bezpečnosť energetiky?

AD: No, pokiaľ sa podarí zrealizovať tie opatrenia, ktoré sú navrhnuté Európskou Komisiou, ... Mám teraz na mysli hlavne vytváranie trhu. Lebo trh, funkčný trh je najlepšou odpoveďou na hrozby. Na vonkajšie hrozby. V rátane čo sa týka dodávok, to znamená, je trh ktorý umožní prístup viacerým dodávateľom, bude väčšia konkurencia, lepšie ceny, stabilnejšie prostredie. No a v podstate sme svedkami toho, že sa nám takýto trh postupne formuje. Nie je to jednoduché. Ale minulú stredú, Komisia schválila takzvaný Zimný Legislatívny Balíček, ktorý ak sa teda naplní, teda samozrejme ešte ho musí schváliť Európsky Parlament, Rada Európskej Únie, čiže členské krajiny. Ak sa naplní tak 90 percent čo sa týka legislatívy EU bude realitou. Je to samozrejme zásluha officu Šefčoviča aj celého toho generálneho riaditeľstva pre energetiku. Ale samozrejme je tam veľa iných vecí, aj sporných vecí, ktoré ešte budú predmetom ťažkých debát. Ale to sa týka skôr klimatických, týka sa to vlastne vzťahom, teda ako tá legislatíva bude podporovať obnoviteľné zdroje, komerčné trhy a podobne. To sú Európske debaty na Európske témy, to už má vzťah medzi Zelenou a konvenčnou nejakou energetickou politikou. Ale dôležité je to, že tu sa formuje jeden funkčný trh, a hlavne od roku 2009, ja som už spomenul, že my máme ak keď len prípad Slovenska. Máme tri nové funkčné plynovodné prepojenia, čo sme nikdy pred tým nemali, To znamená že vlastne teraz sa zvyšuje možnosť napríklad na Slovenskom trhu máme momentálne asi 23 firiem, ktoré môžu dodávať plyn

konečným odberateľom. A nie je to len Ruský plyn. Nie je to len Ruský plyn, pretože ho nakupujú teraz na spotoch. A je výhodnejší ako povedzme SPP, ktorý vlastne svojím spôsobom trpí tým dlhodobým kontraktom Gazpromom, pretože jednoducho má tam nejaké fixné ceny dohodnuté a nie je tá zmluva tak flexibilná, aby ten SPP ako dodávateľ mohol konkurovať na domácom trhu. Ale to je už problém SPP. To nie je problém Slovenského odberateľa, ktorý vďaka tomu, že ten trh sa rozvíja má väčšiu ponuku. A toto sa deje v posledných rokoch dramatickým spôsobom po celej Európe. Ale hlavne je to podporené výstavbou tých prepojení sever-juh. To znamená, keď vlastne západná Európa je celkom dobre prepojená, sever-juh-východ-západ, problém bol stredná Európa, bývala RVHP časť, kde sme mali len východ-západ. A celé tie dodávky boli len z Ruska a išli prose k nám, a cez nás ďalej. Tak teraz, čo je absolútne kľúčové, funguje už Swinoujscie, čo je terminál v Poľsku, čo je veľká vec. Budujú sa prepojký medzi Poľskom cez Slovensko až dole na Balkán a vo výstavbe sú veľmi ďalšie plynovody. Čiže EU je dnes z hľadiska energetickej bezpečnosti podobne ako Slovensko, oveľa ďalej, než tomu bolo v Januári 2009. Čiže Rusko stráca monopolné postavenie na dodávky aj do nášho regiónu, a to je veľmi dôležité. Takže jednoducho nemá možnosť nás svojím spôsobom dostať do takej situácie ako v Januári 2009, že zastaví, vypne a máme problém. Dnes si vieme tie dodávky nahrádzať z iných zdrojov. Hlavne, čo je nová vec, absolútne kľúčová je, tak ako sme mali revolúciu v plyne, to je ten shale gas, tak teraz máme ďalšiu revolúciu a to je skvapalnený plyn. Ukazuje sa, že vlastne možno o rok o dva, Austrália bude hlavným dodávateľom skvapalneného plynu a hovoríme už o takých objemoch toho plynu, ktoré sú konkurenčne schopné aj v našom regióne. Napríklad aj v porovnaní s Ruským plynom. A to bude už iná technológia. Viete ako, celý problém je, takto poviem. Ropa bola problém v 70-tych rokoch keď sme tu mali ropnú krízu. A problém bol hlavne v tom že boli závislí na dodávky na tých hlavných ropovodoch a celá tá doprava bola neflexibilná. Lenže dnes ropa už nie je problém, pretože ropu vieme prepravovať rôznym spôsobom. A tak ako sa vyvíjajú technológie skvapalňovania plynu, tak vlastne plyn sa začína podobať na ropu. A to je otázka možno ešte piatich, šiestich rokoch keď už ani plyn nebude problémom bezpečnostným, pretože on je len preto bezpečnostným, pretože závisí od potrubných dodávok tak ako ropa v 70-tych rokoch. Čiže, ak chcete vedieť, čo bude s cenovou bezpečnosťou Európy o desať rokov, pozrite sa čo sa stalo s ropnou bezpečnosťou Európy od ropnej príhody v 70-tych rokoch. Dnes ropu neriešime. Nikto sa tomu nevenuje, pretože stratila štruktúru obchodovania aj dodávok ktoré mohli spôsobiť bezpečnostné problémy. Toto isté sa stane s plynom.

VL: Zaujímavé. Tak teda to boli všetky moje otázky, ktoré som sa Vás chcela spýtať pán Duleba.

AD: V poriadku. Bolo mi potešením.

VL: Bolo to veľmi zaujímavé a všetky informácie a fakty budú veľmi dôležité pre moju bakalársku prácu.

AD: Tak, držím palce.

VL: Ďakujem veľmi pekne. Prajem pekný deň

AD: Dovidenia.

End of Interview

Transcript of Interview number 4

Date: 08.12.2016

Interviewer: Veronika Leitmanova

Interviewee: Antto Vihma

Veronika Leitmanova (VL): Good afternoon Mr. Vihma. (... unrelated random talk about the internet connection, and clarifying of pronouncing his surname correctly).

VL: Thank you for your time today to help me to finish my research on The Deep and Comprehensive Free Trade Agreement of Ukraine and its influence on European Energy Security. I must say that your professional background is very impressive and I believe that your input will definitely enrich my research. Therefore, as from your expertise, you work as a Senior Research Fellow in the Global Security Research Programme at the Finnish Institute of International Affairs in Helsinki. Among others, you are specialized in questions of legitimacy and effectiveness of international agreements, energy issues in external relations.

Antto Vihma (AV): Yes.

VL: Therefore, regarding to your specialization in international agreements, I am sure that you are well aware of the DCFTA Agreement of Ukraine, which came into force this January 1st, 2016. This Agreement will soon reach one year of its validity. However, Russia was strongly opposing this Agreement to come into force. Therefore, my first question to you is, what is your opinion about the overall Agreement in sense of energy security development in the EU and for the Ukraine as well?

AV: Well, first of all, that's a very good question. I mean, when I was doing interviews as well, for my PhD. and so forth, I noticed that the best way to ask the questions is to ask general questions. General questions are good, you can throw them to the respondent and see how smart you are. And I think, you obviously, you contacted me because you are familiar with our latest paper that came out in Global Affairs.

VL: Yes.

AV: The main argument there or I think what is relevant in that paper is that when you frame your question in terms of energy security. And I believe that energy security should be addressed as a very broad issue. That energy security is especially among people who have an energy background. It is often thought as something that has to do with security of supply only. That it is about whether gas pipelines through Ukraine is dependable or whether somebody will cut it at some point. Or whether there will be a conflict or whether there will be a contract disagreement or whatever. And that is the picture of energy security. What I argue with my colleague, and perhaps I would like to suggest that you mention in your research, that energy security is not about these kinds of security of supplies issues, it is not only about the sticks. It is also about the carrots, its about use of economic power and economic instruments.

When it comes to your question about this specific Agreement, (pause), I think that it is very important that the EU has institutionalized its relations with Ukraine and its very important that EU is a party in this trilateral negotiation with Ukraine and Russia. But these are kind of general objectives. I am not well aware of the actual affects of the Treaty on natural gas flows. This is something that probably your other respondents that you are interviewing are better to comment. However, I do believe that institutionalization of the gas trade to this extend, is possible, its important and that the EU is there in the trilateral negotiations, when there will be another, if you wanna call it gas crisis or some kind of dispute with Russia and Ukraine. And there will be, as you know. There will be several of those in the making.

VL: So, do you believe that there will be several new disputes between the EU, Russia in Ukraine?

AV: I believe so. Yes. I believe that Russia has very clearly signaled that they would like to end all gas transit through Ukraine when the current deals run out of effect, but I don't think that's possible or perhaps not even desirable for Russia. So, there will be at least temporarily transit deals that has to be made after 2020 or 2019. Also, in the context of the military conflict, which I am sure we will see another escalation and the escalation and escalation and escalation before it is over. I am pretty sure that gas issues, will be there as well.

VL: Do you think that this Agreement can cause or has influenced the energy security in Europe? Just this Agreement itself.

AV: Well, maybe, let's say that this is, I am trying to think of it politically, because this is all you know.. you are a lawyer I believe...

VL: I study European Studies. But maybe one day.

AV: Then it's easy to talk to you on these matters because I believe that there is more confidence in many circles about sort of idea of restraint in the gas relations that although there is a geopolitical conflict and there is lots of continuous military aggression as we know, there are people dying on constant rate in Ukraine. In this context, I think many experts have been surprised or had a kind of feeling that the gas is still flowing to Ukraine and the gas has not become the kind of lightning rod of this conflict. But many argue that there has been restraint and you know, Ukraine can nowadays enjoy the reverse flows without much threats from Russia to cut the gas or to hinder it. Its flowing. So, I do think it probably places a part in this. That there is this general feeling of restraint in using the so-called energy weapon by Russia.

VL: From your personal opinion, how do you perceive the Ukrainian political atmosphere after the Agreement came into force. Has there been any stress after it came into force? Because there are several sources saying that after the Agreement came into force the energy security of the EU is secure, the other ones are saying the opposite. So, maybe you can clear that up.

AV: Yes. My broad view of the energy security to answer your latter question first. My broad view of the energy security highlights the carrot side, the effects that Russian energy policies have on the EU on its unity and especially Germany. And it's now focused on the Nord Stream Two. And I think that the Nord Stream Two is by far the most significant issue probably in your question of European energy security and also for Ukraine. You mention the mood in the Ukraine and this is something that I do not speak Russian and I have never been to Ukraine, so my perspective is really international relations guide, not the Ukrainian expert. I am not the best to comment on that, but generally, there might had been greater expectations, you know on the immediate effects of the Treaty such as this, but I am sure that there is also the moderate feeling of the achievement because it was so contested at some point.

VL: I am sorry, I asked you this question because you have expertise in energy and external relations, so that is why I was asking for your point of view, maybe.

AV: Sure! I mean, you can ask me anything, I just don't answer on everything. That's it. Feel free to ask.

VL: Thank you. Thank you also that you have mentioned the NS2 project because that is my second point of this interview, today. Well, as I see you are well informed about the NS2 project, which will bypass Ukraine. And Ukraine is a very important country for transiting gas to the EU. However, this NS2 project will be built just right next to the same pipeline, which is Nord Stream One. What is your stance on the NS2 project in regards to Ukraine as a transit country?

AV: (Pause) Well, currently I think that it's recognized pretty well in Europe, in the EU that it's a political issue. I am sure that there is going to be a seasonal variation and if I am not mistaken, not everything of the that is has to do with the Ukrainian status as in between country. When the NS2 project was launched, there were many voices in the EU which argued, especially Germans, but also here in Scandinavia, who said that this is a technical and commercial issue. That this is not a political question. But I find that argument very objectional and I am very happy that it is recognized as a political issue. And it is also a strategic issue for the European Union. And its strategic in a sense that EU is currently supporting Ukraine, both financially. You can argue that is EU doing enough or not. But EU is definitely supporting Ukraine, and politically in for example this trilateral talks on natural gas. So, the among of transit that goes via Ukraine is a strategic issue for EU. And if the EU weakens the gas flows by supporting and actively cooperating another pipeline, it creates policy incoherence. It is not a coherent policy. And I think that this is more recognized now than it was a year ago and that is happy. Even the high level German politicians are saying that we have to take in mind that we do not worsen the Ukrainian position. That is very vague of course but that is still something. The other thing is of course, what was our main point in that article you mentioned, is that Germany has played a key role in response to the Russian aggression in Ukraine. The whole sanctions policy could not have happened without active and constructive role of Germany. And Germany is not used to being a leader in EU foreign policy. Germany has used to more passive background, player. And this new role of Germany will definitely suffer. It will be seen in a different light if the Nord Stream is built.

VL: I am sorry to interrupt. May I ask you why?

AV: Because German legitimacy as the voice of Europe is not a stable one. I mean, Germany has not played this role for a long time. And when you talk about sanctions, they affect different countries in very different way. My country, we share border with Russia and we have lots trade in agricultural products for example. And when the sanctions and contra-sanctions have hit that

trade so there is lots of voices in the Finnish discussion that say sanctions are unfair in Finland, why should we take this burden? Let's say, countries like the Netherlands do not have that much agricultural trade probably. How do I know that? I am pretty sure they do not as Finland to Russia. Portugal does not have that. But when these kind of voices come from sectors in different member states, if the leader of the EU, which is Angela Merkel in the case of sanctions, does a favorable bilateral cooperation such as Nord Stream Two, that will make the argument very easy in other countries. It will make the argument in Finland very easy. Why should we take the burden of sanctions when Germany wants to impose these sanctions but is actively cooperating in the issues that are important to them? And then from a more narrow perspective of course, many EU countries such as Poland, and Visegrad countries, are very much opposed to Nord Stream Two and it will also in this very narrow sense, it will cause a rift to win this. Was that a good example? Did I kind of, I was a bit worried there, but the thing is in Germany shows example of this kind of bilateral cooperation. Smaller member states like Finland, like the Visegrad countries will also try to act bilaterally and not think about the EU interests.

VL: It is a good example, so thank you. What do you think to what extend will the Nord Stream Two project affect the gas transit from Russia through Ukraine to the EU? Since this Nord Stream Two project will be operating, to what extend will the transit via Ukraine be affected?

AV: I am sure that there will be seasonal variation and if I'm not mistaken, not everything of the projected demand, we are talking about projections. The thing is, that it's of course the whole of the EU demand of Gasprom gas is dependable on the competitiveness of natural gas. Especially versus the coal power. If coal becomes very cheap again or if EU strengthens its planet policy. These are kind of things that cannot be easily predicted. Anyway, according to mainstream analysis, the two Nord Stream pipelines could cover a lot of the alliance share of the EU demand, but perhaps not everything. So, even if the NS2 project is built, maybe there could be a small, small thing slice coming via Ukraine. Especially to the Southern-Eastern Europe. But, certainly, it is in a way as a zero sum game. If there is more pipeline options, of course Russia will shift them away from Ukraine. It is Russian strategic goal for a long time since 2000 or 2001, has been to go around Ukraine. And if there are options to go around Ukraine, Russia will use them.

VL: Do you see any connection the Agreement and the NS2 project. In other words, do you think that the construction of the NS2 project might be a result of the Agreement coming into force?

AV: I've never thought of it that way. I thought that plan had been probably off the shelf in Kremlin for a longer time because they had already some European partners on board. So it had been probably discussed for a while. And, well, South Stream was abandoned in December in 2014 I believe. So, I think that shows that Russia is very determined in going around Ukraine and South Stream was a bitter disappointment. We have a paper on South Stream by the way, which I can share with you.

VL: Perfect!

AV: It might be a nice footnote and if you are speculating on what will happen to NS2, it's, I think, the case of South Stream shows that nothing is certain until the pipeline is actually built. Because also in the case of South Stream, Gazprom was already shipping pipes to Ukraine and there were constructions in Serbia but then the pipeline did not materialize. So, everything is in that way still in the air. But, no, I never thought that it was a reaction to the Treaty itself.

VL: But, the paper you have mentioned, would be very helpful for me.

AV: Alright! I will definitely share it with you. It is a one euro. I wrote it with my Turkish colleague Umut Turksen. He is very smart.

VL: Okay, thank you. Well, regarding to the future of European energy security, what is your prediction of the development of the European energy security in Europe. Do you see any prediction?

AV: You know, you are asking this again from a international relations guide. I am going to be a bit vague and I have a very broad view here. But I think that European energy security is dependent on how the EU-Russia strategic relations will develop. So, if the EU is able to act in a strategic matter, if the EU is able to hold on its sanctions and not give them up unilaterally next year, which I think is very possible. And if the EU is able to continue with its necessary infrastructure project, which has improved, its security of supply and resilience in many ways as you know. There are lots of inter connectors being built on a situation, is in technical terms very different than it was in 2006 in the first Ukrainian crisis. However, I think that if we lose the German leadership, if we lose sanctions policy and a possibility to use sanctions against Russia, if we use the EU kind of common front, then Russia will be still able to influence many EU countries with energy deals. And that

influence does not have to be, you know, I will cut off your energy supplies if you don't do what I say, but it can be just a stronghold, an economic for instance. We can make better deals if you cooperate, or we can make a little less better deals and so forth. So, we use the word geo-economics in that article and I think is the key issue in the future of energy security of Europe.

VL: That is very interesting because you are bridging to my next question again, like with the NS2. Regarding to your article, called "Unclear and present danger: Russia's geoeconomics and the Nord Stream 2 pipeline", which was published on a Journal of Global Affairs this November 2016, you refer to the concept of geo-economics which was originally coined by Edward Luttwak who "emphasized how competition for relative power continues to drive state behavior in international relations, albeit with states increasingly using economic means instead of military ones. Despite the means being different, the motivation is still geostrategic – broadening and deepening the sphere of political influence"(source). That was from your article, and therefore my question is, are Russians using any economic means against Ukraine in a response for signing the DCFTA Agreement?

AV: This is a very good question and I have to give this answer to my some of my colleagues, who are more in the known of Ukraine-Russia trade. I do not know enough of this. But it certainly has been, you know, a Russian practice. Even, we can take natural gas as well in the history of Ukraine-Russia relations. I do not know how much trade there is currently going on between Russia and Ukraine. I am sure there is some. But, I am not sure of the quantities and the economic instruments therefore available for Russia for this kind of influence. But, the history of Ukraine and Russia relations, shows clearly that when there is, there has been a government that has been to Western-oriented, it has affected the gas negotiations and vice-versa, when there has been a change for the better in the Russian opinion, there has been a considerable discount usually in the gas prices. Of course, the gas prices in Ukraine haven't been really low in all cases, but still it has been a clear geo-economic component like gas in exchange of political concessions.

VL: Could we also call the construction of NS2 pipeline as one of the economic means used by Russians against Ukraine?

AV: In a broad way, yes, because it has the implication that Russia can then export gas around Ukraine, but of course one could also argue that Russia has the sovereign right to chose its exporting roots. You could say that there is nothing normatively that would say that Russia can't

do it. But its of course, it is up to European counterpart, the EU to see if that is strategic, if that is in the EU's interest. And currently, when there is considerable military aggression, and the state of Ukraine is in a very tough spot, it might not be strategic for EU to cooperate on that. But there is nothing like that it would make it universally a bad thing that Russia builds more pipelines. That's kind of my point. What make NS2 more geo-economic in our analysis, is that it is targeted as a carrot to Germany. It is causing this kind of centrifugal powers in Germany, with other especially, the FDP, the Social Democratic Party in favor of it and the more conservative and green, many green party members are against it. So, it is a geo-economic project, that splits Germany and then also the EU.

VL: Interesting. That was actually all of my questions because, while you were answering to my questions, you also answered to the questions I prepared, of course. So, thank you very much for your time, if you have anything else to add, you can share it with me right now or maybe later.

AV: Yeah, I know that you are doing a Master thesis and..

VL: This is.. I am sorry, it is a Bachelor thesis.

AV: Even it is a Bachelor degree. Sorry, and even more so, I know your scope must be limited you know. You can't ramble all about the things that are interesting but you have to be strict. But within those limits, I think you know, it would be a good thing to mention the geo-economic perspective that has been discussed. Because, it's not only me or my colleague that talk about geo-economics, there are like several quite recent books, this is from Harvard University Press, 'War By Other Means', it was published this year. There is a book from European Council of Relations that just discussed geo-economics as well. There are many examples, and I think it is very relevant perspective to your study. But I know it probably can't be a central theme, but you might want to mention it at some point and this is one angle.

VL: I will. Thanks to your comment actually because soon I will focus on Recommendations and basically I will put everything what is related to my thesis but not really related to the research question and the sub-questions. And I have come with so many interesting facts and information and unfortunately, I cannot just put into my thesis as into my main body. So it will all go to the Recommendations and thanks to your comment right now, it will be more supported.

AV: That's very nice to hear and I will send you, share you the article that we wrote with Umut on the South Stream. You know it's a light policy article, it might be a fun for you to read, although you are concentrating on NS2 and it was also a project that was motivated by Ukraine. So, it has to do with Ukraine as well.

VL: Perfect. Well, thank you very much.

AV: Thank you. Nice chatting with you.

End of Interview

10.2 Letters of Consent