

ENERGY SECURITY IN THE BLACK SEA REGION

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Global Europe Program

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According to Mr. Tsanov, the main energy security issues that Black Sea countries have to overcome can be outlined as high levels of energy poverty, low energy efficiency and self-perpetuating cycle of fossil fuel import dependence. While specifics vary from country to country, based on the report, the main destabilizing factors for most countries in the region stem from a variety of internal governance issues coupled with negative external developments. In an effort to counter these tendencies, and to foster deeper regional integration, CSD is pioneering the development of a Black Sea energy security regional initiative intended to bring together leading researchers, NGOs and policymakers from main stakeholders in the region to discuss issues of low energy security and bad governance. CSD has already spearheaded a good governance and anti-corruption regional initiative, called Southeast European Leadership for Development and Integrity (SELDI) that currently includes 19 organizations from 11 countries in the Balkans.

Mr. Tsanov presented results from the International Index of Energy Security Risks highlighting key trends for Black Sea countries. Analyzing the aggregated data, Mr. Tsanov concluded that higher ranking countries typically depend on higher indigenous fossil fuel reserves, since they prove more resistant to certain energy security vulnerabilities, including: fossil fuel import exposure and dependence, as well as fossil fuel import expenditure compared to GDP intensity. Mr. Tsanov, however, underlined that it is often the case of systematic bad governance in the energy sector that further exacerbates energy security deficiencies in most countries in the region. Based on the index results, Serbia, Uzbekistan, Ukraine and Bulgaria appear among the lowest ranking countries, whereas Romania and Turkey fare much better on the same scale. On a more positive note, Mr. Tsanov, added that the de-industrialization of most of the countries in the region in the post-Soviet era has led to lower carbon emissions – an overall positive indicator.

Discussing Bulgaria's case, Mr. Tsanov, pointed out that the country remains susceptible to external shocks for a number of reasons, among them being the high ratio of average household income vs. average household expenditure on energy. We speak of energy poverty, by definition, Mr. Tsanov said, when citizens of a country on average spend over 10% of their income on energy. In Bulgaria, according to data presented by Mr. Tsanov, that average has exceeded 10% for the past fifteen years, and has reached 14.5% in 2012. Additionally, high energy to GDP intensity exacerbates import dependence and external shocks vulnerabilities but also indicates low levels of energy efficiency. Last, but not least, the country's state-owned, heavily indebted energy enterprises present a financial liability.

Good governance or lack thereof, from Mr. Tsanov's perspective, could also influence a country's energy security index. In the case of Bulgaria, lack of transparency, especially with regard to governance of state-owned energy enterprises and public procurement has led to subpar policy making in the energy

area. In addition, inherent vulnerabilities and inconsistent policy making have undermined realization of national interests in the energy sector. According to Mr. Tsanov, certain trademark international energy projects have not stood up to standards of transparency and market competitiveness. Mr. Tsanov brought to the attention Russian involvement in Bulgaria's energy sector. He outlined the three facets of Russian corporate involvement as follows: ownership of assets, funding of energy infrastructure projects, and import dependence.

On the other hand, the EU has failed to fully deliver in regards to supporting supply diversification and sustainable energy development in the Black Sea region. The successful implementation of the common energy policy, defined by the following "three pillars": competitiveness, security of energy supply and sustainability, has been hampered by inconsistent involvement on the part of the EU, and has been overshadowed by doubt that all three pillars can be in place at the same time.

In terms of the role that the U.S. could potentially play in the Black Sea region, Mr. Tsanov suggested that the key approach towards strengthening U.S. influence should include: well-articulated official foreign policy, especially as it pertains to energy security, greater corporate involvement focused on higher levels of corporate and social responsibility, and technological leadership to explore existing natural resources.

Mr. Tsanov concluded his presentation with a brief overview of strategies for promoting energy security throughout the region. Mr. Tsanov stressed the importance of grass-roots initiatives geared towards raising public awareness regarding issues of low levels of energy security and unsustainability. He also pointed to deeper regional integration, and especially building regional gas interconnectors, as the most effective means for partially overcoming import dependency.