

Opening Remarks by

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- I am happy to welcome you to today's discussion on **energy security** and **state capture** risks in Europe. CSD has championed this topic, the **analysis of this nexus**, for almost a decade now. It was actually in Sofia back in 2004 at a CSD conference that General James Jones, then Supreme Allied Commander Europe, first spoke of the need that NATO pays greater attention to emerging soft security threats like energy security, corruption and organised crime. The Ukraine case has developed exactly along these lines.
- Despite the fact that the world is currently gripped by immediate conventional security threats in the form of civil wars tearing apart Syria, Iraq and the Ukraine, one of the more long-term security threats which still weaken Europe's potential for response is energy security. The topic has dominated the EU Council meetings since June this year. Although belatedly, the EU seems to finally be putting together an adequate response to its energy security vulnerabilities through the creation of the **Energy Union** and the development of an **integrated internal energy market**.
- Central and Eastern Europe, and in particular South Eastern Europe and the Black Sea countries, have been vulnerable to an assiduous dependence on energy imports, coupled with weak national energy governance, which has resulted in the **capturing of national energy decisions by third party interests**. Amidst the Crimean crisis, Russia demonstrated its capacity to increase its political and economic influence in Europe and the Black Sea region by leveraging its dominant position on energy markets. It has been able to effectively push its strategic projects in gas and nuclear energy despite mounting opposition from the European Commission and some member-states.
- **Institutional deficiencies, corruption and organized crime provide ample opportunities for state capture** – the possibility for a small circle of economically powerful individuals or companies (oligarchs) to change or control a country's laws, regulations or policies through providing illicit gains to public officials. The domestic political environment in many states of New Europe does not predispose the healthy development of mature democratic institutions that should safeguard against state capture, which opens the door for a wide-ranging influence of foreign countries in domestic policies.
- Also, we should not underestimate the involvement of **organized crime** in the energy sector, which is not only visible in the old EU members such as Italy and Spain, but also increasingly prevalent in the New Europe countries. The

very existence of entrenched organised crime in a certain region or country is another vehicle for undue influence.

- This influence has been translated in the capture of political parties, national institutions and, in general, the energy policy agenda. Recently, the state capture risks for the region have been most visible in the **management of large infrastructure energy projects**, no matter whether it is the South Stream pipeline or the nuclear power plants in Bulgaria and Hungary.
- The tools Russia has used in expanding its influence are not new to the region. **Political corruption, the whole range of soft power instruments, including acquiring critical energy sector companies, financing political parties, organizing massive media campaigns** (like the anti-shale-gas campaign two years ago) - all these are part of the current Russian government toolbox in Central and Eastern Europe and the Black Sea region. These efforts have swayed many governments in the region, including those of some NATO members, to adopt policies that are not consistent with their national energy and security interests.
- To safeguard the energy interests of the member countries the European Commission gave priority to the **establishment of an Energy Union** that would guarantee uninterrupted energy resource imports at reasonable prices. Currently, the countries in Central and Eastern Europe pay close to USD100 per 1,000 cubic meters more than the average gas price in Western Europe. An energy union will address such price discrepancies by insisting that the international market sets prices, rather than bilateral agreements. This will aim at limiting the use of energy leverage by large suppliers, such as Gazprom, for achieving political impact in Europe and the Black Sea region.
- Today's conference on *Energy Security and State Capture Risks in Europe* will deal extensively with this nexus between good governance and energy security, and we hope it will serve also as a **platform to discuss viable policy solutions** to the key problems identified. We are joined today by an array of top-level European and US experts on energy security and by a coalition of think-tanks and NGOs from the Western Balkans and Turkey called SELDI, the **South East European Leadership for Development and Integrity**. SELDI is a network of likeminded CSOs, which CSD spearheaded some 14 years ago in a belief that we can only find viable reform solutions in the region through building bridges between scholars and policy makers and **public-private partnerships as an indispensable social technology** to counter state capture and energy security risks.