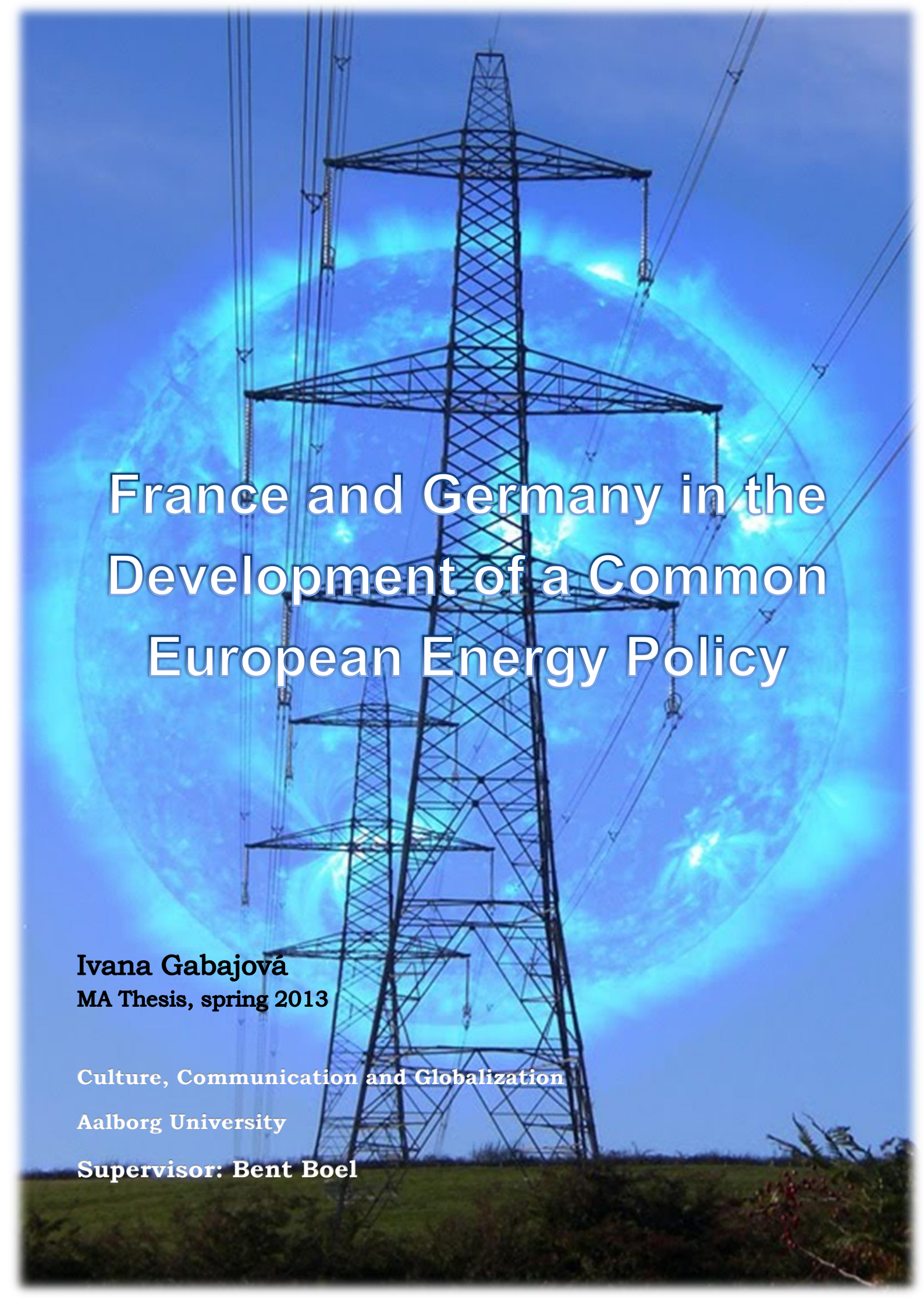

France and Germany in the Development of a Common European Energy Policy

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ABSTRACT

The goal of this thesis is to discuss the integration of a common energy policy in the European Union policy scoping the role played by the Member States of France and Germany in the process of development. Employing the theoretical framework of multilevel governance assists with elucidating the extent that these two states can actually lay some claim to the underdevelopment in the movement toward a truly common EU energy policy.

The first analytical chapter of this paper starts with the achievements and hurdles in the policy making of the European Union in the energy area with a focus on the last decade. The energy policy of the EU is still not fully integrated but remains fragmented in the multiple sectors, namely internal market and external relations; even though the EU has made a great effort in liberalizing the energy market and securing energy supplies.

The second analytical chapter clarifies the position of France in the development of a common energy policy. After illustrating the conditions of the French energy sector, the analysis examines French support and resistance in a common European energy policy development and drafts the challenges that France will face in the energy sector.

The third analytical chapter examines German influences in the development of a common EU energy policy. After introducing the German energy mix, the paper discusses Germany both in favor of the development in the EU energy sector as well as its resistance in this process. German future challenges regarding energy sector terminate this chapter.

The last chapter consists of the concluding remarks and a brief comparative analysis of French and German attitudes to the EU collective energy policy.

Overall, the focus of this thesis is on the decision and policy making processes in the energy policy of the EU. In addition, the paper examines the main happenings that gave a shape to the current appearance of a European energy policy.

Key words: *integration, energy policy, European Union, France, Germany*

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Abbreviations

ACER	the Agency for the Cooperation of Energy Regulators
CFSP	Common Foreign and Security Policy
COM	the European Commission
ECB	European Central Bank
EEAS	European External Action Service
EEC	European Economic Community
ECSC	European Coal and Steel Community
EdF	Electricité de France
EP	the European Parliament
ESS	European Security Strategy
ETS	Emission Trading System
EU	the European Union
EURATOM	European Atomic Energy Community
GDF Suez	Gaz de France – Suez Gulf Power Company
GHG	greenhouse gas
HR	High Representative of the Union for Foreign Affairs and Security Policy and the Commission
IEA	International Energy Agency
ISO	Independent System Operators
ITO	Independent Transmission Operator
MLG	multi-level governance
MoU	Memorandum of Understanding
OPEC	Organization of Petroleum Exporting Countries
PEC	primary energy consumption
RES	renewable energy sources
SEA	Single European Act
TFEU	Treaty on the Functioning of the European Union (the Lisbon Treaty)
TEN-T	Trans-European Transport Network
TPA	Third Party Access
UN	the United Nations

INTRODUCTION

The energy policy in the European Union was central to the institutions of which the European Union eventually evolved. One could even claim that the EU started with the energy policy. As time was passing, the energy policy lost its importance as the initial institutional arrangements stopped to be relevant for the needs and concerns of the Member States. The preferences of the Member States were shifted to other areas. The European integration development in other sectors, especially, the integration of the Single market stands in contrast to the marginalization of the energy policy. "Until and through much of the 1990s, energy policy remained an orphan of the integration process" (Duffield and Birchfield 2011: 2).

In fact, the European Union traces its origins to 1952 when the European Coal and Steel Community (ESCS) was established under the Paris Treaty signed in 1950. At the time when the Schuman Declaration was proposed, the Community counted on coal, because it had an 80 percent share of the consumed energy in the original six Member States. The Community did not place emphasis on the significance of oil, which then accounted for only 10 percent of the overall consumption. This led to the creation of a common coal market in a very short period of time, which required the immediate elimination of all restrictions on trade (import and export included), quotas, discriminatory prices and transportation rates, and state subsidies. The Community also created the High Authority which was in charge of facilitating the achievement of the common market and had unprecedented supranational powers. The Authority could administer fines, destroy cartels, guarantee loans, influence investments, or allocate supplies, fix prices and limit output (Duffield and Birchfield 2011: 2-3).

The second treaty devoted to energy sector was one of the two Rome treaties from 1957. It dealt with nuclear energy measures and was complemented by the creation of the European Atomic Energy Community, called EUROATOM. At that time, atom was estimated to become a major additional source of energy (Duffield and Birchfield 2011: 3). The further process in creating a common energy policy will be discussed in the chapter regarding the achievements and hurdles in a common EU energy sector.

Nowadays, the energy policy in the EU is codified in a special chapter "Energy" in the Lisbon Treaty (TFEU), the European primary law. Specifically, Article 194(1) of this chapter sets out four principal aims of the EU's energy policy: to ensure the functioning of the energy

market; the security of supply in the EU; to promote energy efficiency and energy saving, and develop new and renewable forms of energy; and to promote the interconnection of energy networks. Furthermore, the Article 194(2) and (3) TFEU avoids infringing on the Member States' right to decide on the conditions for exploiting their energy resources, their choices pertaining to different energy resources and the general structure of their energy supply allowing the energy taxation to be a subject of unanimity (TFEU 2008). In short, the chapter on energy in the TFEU and its legal basis formalizes the shared ownership of EU energy policy between the Member States and the EU institutions in terms of compromise between national sovereignty over domestic resources and energy taxation, and a shared competence for the rest (Braun 2011: 2).

The politics between the EU and the Member States could be affected by the Article 17(1) TFEU regarding external relations, because the Commission shall assure the external representation of the EU with an exemption of the common foreign and security policy (TFEU 2008). Besides that, energy remains a horizontal policy issue regarding other policy areas: *competition* in order to secure the international competitiveness of the EU industries in the access to affordable energy resources; *climate change* and *environment*, which aim to curb the CO2 emissions and support the investment in renewable resources; and *foreign policy*, which supports technological innovations and setting relationships with supply and transit countries. Moreover, attributing formally to the energy policy under the Article 194 TFEU, there is still a certain ambiguity about a legal use of the Treaty in the external actions and drawing the line between the competences of the Member States and the EU (Braun 2011: 3).

Notwithstanding the effort of the Commission to anchor the energy policy in the legal framework in order to secure the energy supplies, increase the cooperation, functioning of the internal market and speak with one voice in the external energy relations, the achievements are acknowledgeable but not desirable. The EU energy policy goals come from the emerging level of European energy dependency. The Union presently depends upon hydrocarbon imports to meet approximately 50 percent of its needs; an amount that is predicted to rise dramatically over the next 20-30 years. Under business-as-usual assumptions the figure for import dependence is foreseen to rise to 65 percent of total consumption in 2030. The equivalent growth for gas is estimated to rise from 57 to 84 percent and for oil from 82 to 93 percent (COM 2007: 3). The comparison between the initial and current enactment of a common energy policy in the EU leads to the assumption that this policy is not fully integrated yet. Therefore, this thesis seeks to investigate the following question:

"To what extent can France and Germany be held accountable for the shortcomings associated with the development of a more comprehensive energy policy in the EU?"

The involvement of France and Germany in the underdevelopment of a common energy policy is reasoned by different authors. For example, Urganci and Gumus (2010) argue that the lack of an effective European energy policy is caused, aside from other factors, mainly by the decisions of Member States on the national level, especially the bilateral agreements of the "bigger EU countries" about the energy supply, demonstrating a lack of solidarity among the Member States. In reference to Germany and France, the authors claim that the countries' attitudes prove that their "national interest have a priority over the EU's common interests" (2010: 3).

Moreover, Wood (2010) argues that Germany is the critical member state in a common EU's energy development. He says that if one looks at its transition from a government led by Gerhard Schröder, to a grand coalition with Angela Merkel as Chancellor in 2005, one can sum up that it resulted with a deterioration of EU-Russia relations. Moreover, Wood argues that no German government will jeopardize resource supplies and the lucrative distribution arrangements German companies have secured. German companies are not the only ones that aimed to secure bilateral deals that privilege national firms over the collective EU. French political and business leaders have similar interests. The response of the European Commission is rather negative. It tries to "achieve through litigation what it could not achieve through legislation", fining Germany's E.ON and France's GDF Suez each €553 million for anti-competition sharing of Russian gas (Wood 2010: 314).

Furthermore, Umbach says that "… in the light of bilateral energy deal between individual EU-Member States and Russia, short-sighted national special interests are threatening a unified approach to the EU´s external energy policy" (2008: 5). Moreover, the pipeline rivalry in Central and South Eastern Europe between the EU and Russia led to increased tensions between the recognized need for a common EU energy and gas market offset. These tensions are due to long term energy security interests stated by individual EU Member States and consequently brought more issues regarding Europe´s future energy supply security and the process of implementing a common foreign energy policy (2008: 6).

In addition, Pointvogl (2009) argues that today's European energy policy is characterized by national approaches portraying it as one of the least successful areas of integration despite its importance for everyday lives of European citizens (steadily rising gas and electric-

ity prices causing discontent). France gave clear indications that it prioritizes national interests over the European energy supply security. Moreover, French redistribution of natural resources, stabilized supply routes and secured production abroad and at home are the avenues to achieve this, despite undermining a common European energy strategy (Pointvogl 2009: 5709). Likewise, the French energy model, especially the deregulation process and development of renewable resources, does not fit into all aspects of emerging European energy policy (Méritet 2007: 4768).

Nevertheless, the lack of development of the European Union energy policy is justified with different approaches. First of all, there is a possible explanation based on the geopolitics of the Member States, mainly Germany. There have been debates among scholars who witnessed the re-birth of traditional "Geopolitik" in Germany. Particularly, the Russian-German strategic partnership in the energy sector emerged during the call for better cooperation among Member States in the energy sector. Such a partnership subordinates a broader process of economic globalization leading to an interdependence which forms a causal relation between a German geopolitical orientation and influence in a development of the energy policy in the EU. Moreover, the narrative applications of the German position are set as "confrontation instead of cooperation, autarky in place of interdependence and traditional alliance politics rather than a common European energy architecture" (Klinke 2011:711).

Approaching the neo-functionalist theory of Ernst Haas, the driving force to delegate the competencies from the national to supranational level was the battle between domestic interest groups, political parties and rival groups of elites. This battle is forming the integration in the EU (Hix and Goetz 2007: 1).

Mayer (2008) argues that the lack of development has been caused by Member States using an explanation of liberal intergovernmental (LI) theory written by Andrew Moravcsik. In short, this theory is based on state-centric and intergovernmental bargains based on the states' preferences determined by the cost-benefit estimation of international interdependence (2008: 254). Along with LI claims, Mayer argues that "utility maximization, strong vested economic interests of their energy business" and concerns about an energy market liberalization made France and Germany to stand against the energy policy communitarization (2008: 256).

In sum, Germany and France showed a lot of support to a better integration of a collective European energy policy in the internal market as well as in the external dimension.

However, their actions did not always prove their talks but rather contradicted them in many cases (Birchefield and Duffield 2011: 271). This ambiguities between political rhetoric and action, *inta alia*, constituted some sort of inspiration from which this paper has taken its point of departure.

1 METHODOLOGICAL CONSIDERATIONS

The goal of this section is to scope out the methodology of this thesis so that the reader is aware how this paper is structured and why it is done in that way. Firstly, the chapter discusses the choice of the subject. Secondly, the collection of the data, the sources and the design of the research are explained. Thirdly, a justification of the choice and use of theory is offered. Lastly, the limits of the paper are introduced.

Choice of Focus

This thesis "France and Germany in the development of a common European energy policy" deals primarily with the two biggest countries of the European Union, particularly with their positions in the development of a truly integrated common energy policy. The word "truly" indicates that the EU integration process in the energy field is still not yet completed. However, despite this, there has been a certain degree of success in the common development of the collective European energy policy within the past twenty years, even though the situation leaves space for further improvement. France and Germany are generally considered to be strong players in the international field, as well as in the European common space. The hypothesis is that these two countries can lay some claim to the failures made so far in the effort to formulate a common and more comprehensive energy policy. At the same time, these Member States' positions can be linked to obstacles that might have slowed down further movement toward a real common EU energy policy.

The main focus is on the extent of resistance from France and Germany, however; one cannot omit the achievements of the energy sector which France and Germany contributed to with their conducive standpoints towards policy progress. Additionally, it is inevitable to analyze the overall European achievements and hurdles, so one could comprehend how much or how little, respectively, has been done in this sector so far, and consequently, one should see the extent of development in the European Union as a whole in order to evaluate the

Member States' contribution to the development. In other words, the actions and happenings, as well as the national energy preferences of Germany and France, supposedly, were hindering the process from thorough development. Although this thesis analyzes the energy policy which initially began developing with the signing of the Treaties of Rome in the beginning of the 1960s, the main focus of this paper remains approximately on the last decade. With regard to the discussed situation, the paper will also briefly mention the earlier development of the energy policy as far as it is relevant to the discussion.

The topic was chosen because energy has been an emerging issue during recent periods of time. Moreover, the EU, respectively the Member States, are concerned with the lack of coordination of energy flows in the European internal market and performance as a single actor with non-European actors in the international scene. This leads to high energy supply dependency which the EU has to deal with. It would facilitate the EU's position if the Member States were in favor of such a development.

Chapter 2 will introduce the theoretical framework of this paper, namely the theory of multilevel governance. Although many researchers focused on the topic of energy supplies utilizing the international relations theory, multilevel governance theory was applied because Germany and France are an integral part of the EU and the energy policy is also in the process of the EU integration. The following chapter 3 will scope into the overall situation in the energy sector in the EU. It will be divided into three sub-chapters: the internal energy market and external energy relations and the conclusion of the progress, as the whole energy integration is not finished and consequently remains inter-sectoral and fragmented. After analyzing the achievements and hurdles of the energy policy in the EU, the thesis proceeds to the analysis of the individual Member States France (chapters 4) and Germany (chapter5).

To start analyzing the countries' degrees of influence on the EU energy policy, one has to bear in mind the domestic energy mix that shapes national priorities which result in the agenda-setting and decision-making. Agenda setting is consequently articulated on the supranational level. On the other side, the supranational institutions are trying to impose regulations on the Member States. The support and reluctance of these national governments (France and Germany) will be analyzed according to these regulations. The potential areas of improvement and future challenges which the countries have to deal with are discussed in the end of the respective chapters.

The Collection of Data and the Sources

In order to answer the research question, it is necessary to collect data. Most of the data this thesis intends to collect was accessed on the Internet. That is why this thesis makes use of e-journals withdrawn from the electronic databases in order to cover recently published literature on the topic of interest.

Because of lack of time and complexity of the topic, the thesis will primarily rely on secondary data. This paper will preferably use academic data written by renowned scholars published in periodical literature as well as in books. Choosing the relevant data based on the importance of the scholarly literature, on the frequency of citation, the authors' reputation and on the plausibility of the databases of the sources is preferable for the paper. According to Trachtenberg's suggestion, "the article-based method" is used at the first stage of data collection (2006: 51-52).

Moreover, as this thesis is dealing with the European Union, there is also the implementation of information provided from the EU institutions' official websites in the thesis in order to clarify seminal keywords related to the research. Specifically, the paper uses mostly the websites of the European Commission: http://ec.europa.eu/index_en.htm, [10/03/2013] and the Directorate General for Energy: http://ec.europa.eu/dgs/energy/index_en.htm, [10/03/2013].

Previously conducted and analyzed interviews with EU officials are another utilized source which contains a secondary character. The interviews were conducted with the officials of the EU Permanent Member States Representations and carried out by Jong and Schunz (2012). The interviews give an explanation of German and French reluctance towards integration in the field of study from inside of the EU. However, it is also important to know the intentions of the EU commissioner for energy, which are explained in his hearings in 2010.

Apart from the large proportion of secondary data, primary data will be also be used in this paper. Primary data is a particularly crucial source of literature as it covers the European laws and regulations as well as European treaties, mainly the Treaty of Lisbon. The Lisbon Treaty will be an important source of literature as it will provide the reader with comprehension about the decision-making procedures, anchoring of the energy sector and other aspects of the European law. All rules of the EU's governance can be found on the

official websites of the EU called "EUR-Lex": http://eur-lex.europa.eu/en/index.htm, [10/03/2013]. Apart from that, the paper makes use of the European Union Law. It also includes the Acquis communautaire in both primary and/or secondary character depending on the type or importance of the argument, for example the Green Paper published by the Commission in 2006.

Overall, this paper analyzes the energy policy but does not directly collect any quantitative data. However, some quantitative data is employed in order to express some of the measurements which would be hard to explain in a non-numerical manner, for example, the energy dependency of the EU on the energy supply or the energy mix of the investigated Member States. This quantitative data is taken from the reports available at the official website of the International Energy Agency (IEA): http://www.iea.org/ [11/03/201]. Moreover, if necessary, the paper will apply quantitative data from already published scholarly literature.

To better understand the concept of energy policy and to conclude the research, the thesis relies on the above mentioned various sources of literature which are combined in the framework of the qualitative analytical induction.

It is important to mention that the topic of the thesis has not been widely discussed, so that potential and need for further research can be identified. There is a lack of literature on the topic, especially in the case of France. Comparably, the German case is academically more explored.

Research Strategy and Research Design of the Paper

To conduct the research, one has to choose the research strategy. This paper will proceed according to an inductive approach in which "the researcher infers the implications of his or her findings for the theory that prompted the whole exercise" (Bryman 2008: 9)

The research strategy of this paper is based on a general strategy of qualitative data analysis, specifically the process of analytical induction. Firstly, this paper brings the formulation of the research question as the cornerstone of the research. Next, the paper will set the hypothetical explanation of the problem. The research will then continue on with the collection of data and further investigation of the problem. However, there are two problems related to the analytical induction (Bryman 2008: 538).

First, the conclusion that analytical induction comes up with is sufficient for the occurring phenomenon but rarely specifies the necessary conditions. This means, the thesis should be able to evaluate primarily the non-numerical extent of the influence of France and Germany on the development of the truly common energy policy in the European Union, but due to restrictive circumstances, this thesis cannot aim to specify broadly all the factors that could possibly lead to the underdevelopment of the examined European sectoral policy. Moreover, in spite of investigating the formulated problem, this paper reasons other factors that might influence the lack of the common energy policy in the EU. Furthermore, comparing the importance of the other factors with an actual role of Germany and France in the energy integration processes would be an unrealizable task (Bryman 2008: 538-539).

Second, the analytical induction is not perfect in providing desirable guidelines as to how many cases would necessarily have to be inquired about before discovering the absence of negative cases and to confirm the validity of the hypothetical explanation (Bryman 2008: 538-539). On the contrary, the thesis will essentially rely on the secondary sources, which means that the collection of qualitative data is going to be accumulated in a large volume of information. (Bryman 2008: 562) In addition, the secondary source data will provide a secondary analysis of qualitative data and according to Bryman, this should allow to refine the data that was not investigated by the primary investigators or that will possibly bring new interpretations of the problem. (Bryman 2008: 561)

Moreover, there will be a brief comparative analysis between the selected cases of France and Germany in the conclusion of this paper.

Choice and Use of Theory

The political development of the EU introduced more severe public scrutiny of European decision-making, and more thorough mobilization of the interest groups and less protective decision-making of the elites during the decade from 1985 to 1995. The conditions were positive for the group influence, initiating and creating political mobilization. These political settings enhanced the interconnection between the national and the EU level. This phenomenon is called multilevel governance (Hooghe and Marks 2001: 126). This development brought up two main strands of research on the EU, the European integration (bottom-up) and the Europeanization (top-down) perspective. There have been many efforts to describe this process. The idea of multilevel governance can be compared to “a kind of

cork-screw because it rotates continuously with top-down and bottom-up process of interaction between levels of governance" (Haverland and Holzacker 2006: 1-2) The approach of multilevel governance is also applied in this thesis.

Therefore, the first analytical chapter discusses the development of energy policy and deals with the Europeanization, thus a top-down perspective. It is important to mention that this analytical chapter provides the reader with understanding of the successes and failures that the EU faced during the integration process of the energy policy. Following, the two empirical chapters are focused more on the discussion of the bottom-up perspective of multilevel governance, as these countries supposedly affected the development of the energy policy to a certain degree, which is going to be a matter of the further investigations of this thesis. There are two key publications which will ground the theory of this paper: Hooghe and Marks (2001) and Enderlein, Wälti and Zürn (eds. 2010). Because the integration of the policies is happening through appropriate legal aspects, the theory chapter includes a brief explanation of the implementation processes in the EU.

Limits

One has to bear in mind that there is not a universal theoretical framework to be used in this thesis. Therefore, the utilization of a different theoretical concept could provide an alternative conclusion to the paper. More specifically, there is a range of different theories on the integration of the European Union. Some would argue that the Member States do not play decisive roles in shaping the collective energy policy (neofunctionalists and new institutionalist approach) and some would argue that the Member States are the most decisive actors of the EU integration process (intergovernmentalist approach) (Bache et al. 2011: 8-32).

Another limit is the proposal of secondary literature which does not widely discuss the topic, even though many publications have been written about the energy issues. Because of that, there is still space for future investigations and elaboration on the topic, e.g. solidarity among the Member States in the question of the energy supplies, the EU – Russia relation in the energy sector, the relationship between the EU internal market and external relations regarding the energy issues, and so on and so forth. The focus of the paper is narrowed to two countries and does not consider the influence of the other Member States. In addition, this paper does not cover the other possible factors of the development of a common energy

policy, e.g. the influence of non-state actors. The paper does not discuss the climate change policy even though it is an integral part of the common energy policy and concerns the EU a lot, since this issue is too broad.

2 THEORY

This chapter performs a theory on multilevel governance (MLG) in order to explain its distinguishing particularities and allow for its utilization in both empirical and normative terms. Scholarship on MLG has developed into one of the most innovative themes of research in political science, European integration, comparative politics, public politics, or international relations and other fields (Zürn et al 2010: 1).

Eventually, one could argue that there might be different theory which could be used in this thesis, for example intergovernmentalism. The broad characteristics made me think of complexity in which the European Union/the Member States and its policy-making are established in: Usually, the authors and the public debates are shaped by conventional understandings of national politics and international relations. Hence, the realistic understanding of institutional capacity and legitimacy of the EU policy is limited. It seems that there is a biased and overestimated importance of supranational and national characteristics of the Union in most of the models, as Scharpf explains (Scharpf 2010: 66-67).

To differentiate the contending views of the EU, there are two basic models. The first one called *state-centric model* was introduced by several scholars: Hoffmann 1966, 1982, Taylor 1991, 1997, Moravcsik 1991, 1993, 1998, Garrett 1992, 1995, Millward 1992. This model postures states (or national governments) as definitive decision-makers, delegating limited authority to supranational institutions to achieve specific policy goals. In order to make decisions on the supranational level, the national governments have to bargain with each other. This model does not maintain that policy-making is driven by national governments in every detail, but that general policy direction is homogeneous with state control. Moreover, states may be served by creating autonomous institutions, for example a judiciary which would allow them to enforce or/and implement collective arrangements. Such bodies do not have an attribute of supranational agent and do not have extensive powers to achieve state-oriented collective goods. According to this model, EU decisions mirror the lowest common denominator among national government standpoints; however, the national policies do not have to follow the European path if they decide so enabling_them to keep collective as well as individual control over outcomes. In other words, if some governments are not able to integrate or do not want to collaborate and they do not have to. The main argument of this model is that national governments act on the basis of realist perspective and

"… national decision-making responds to political pressures that are nested within each state." The policy-making in the EU is "… determined primarily by national governments constrained by political interests nested within autonomous national arenas" (Hooghe and Marks 2001: 3).

Scharpf says that even Moravcsik, a scholar on intergovernmentalism, acknowledges that supranational perspective is not able to represent a European polity in which member countries carry on an endowment with a complete extent of governing power. Moreover, supranational actors have only as many competencies as the member governments agreed to delegate them. Additionally, the European regulations are implemented and administrated under the full control of the Member States (Scharpf 2010: 67).

Contrary to the state-centric model, many scholars (for example, Hooghe and Marks 2001, Bernard 2002, Scharpf 2010, Mayer 2010, Benz 2010) see Europe in multi-level conditions. The interaction among the levels of governance, as well as among the actors itself, results in policy responses. In most of the cases, these policy responses reflect the Europeanization mode. The "default mode" of Europeanization is mutual adjustment of national governments who continue to develop their own preferences according to other governments. In other words, the national governments play a non-cooperative game. Another mode can be seen as intergovernmental negotiations when national policies are standardized by agreements on the European level, but national governments remain in full control of the decision process; in other words, the implementation of these policies remains in the hands of national governments. This applies to policies which require treaty revision and unanimity of all Member States. A third alternative mode is about hierarchical direction when the competencies are completely centralized in the hands of European institutions and exercised by supranational actors without the participation of Member state's governments. This case applies only in the Court and the Commission whilst adopting the rules to the internal market enforcement of "negative integration"[1] and controlling the currency by the ECB. Last mode is "joint decision mode" that connects aspects of intergovernmental negotiations and supranational centralization. It is not unambiguous to determine the policy areas in which this mode is applied, but policy choices depend, at the same time, on the institutional resources and strategies of supranational actors, and on the convergence of preferences among national

[1] This type of integration refers to "measures increasing market integration by eliminating national restraints on trade and distortions on competition." On the other hand, positive integration refers to "common European policies to shape the conditions under which markets operate" (Scharpf 1996: 15-39).

governments. Yet, these have a tendency to vary from one policy area to another. From a legitimacy point of view, the Union can deal only with problems through joint decision only where European action is supported by a wide consensus involving democratically liable national governments, a directly elected European Parliament and those who can influence the Commission's agenda setting (Scharpf 2010: 69-75).

Schmitter defines multilevel governance in the complex way as: "an arrangement for making binding decisions which engages a multiplicity of politically independent but otherwise interdependent actors – private and public – at different levels of territorial aggregation in more-or-less continuous negotiation/deliberation/implementation, and that does not assign exclusive policy competence or assert a stable hierarchy of political authority to any of these levels" (2004: 49).

Implementing European Policies

The question of how to make the actors on the national and subnational levels implement the results of the supranational level decision making is the core principle of the EU governance. It is important to distinguish between two types of national implementation procedures, namely "legal implementation" and "final implementation". Firstly, the EU legislation is incorporated into national law after the administrative operations take place at the practical level. The Commission monitors the implementation of the European Law. The unimplemented directives are the main obstacles to efficient enforcement of the EU Law (Lampinen and Uusikylä 1998: 233).

The term "implementation" is according to Hill and Hupe (2002), clearly defined in conditions of relationship to policy as laid down in official documents: "A verb like 'implement' must have an object like 'policy' … policies normally contain both goals and the means for achieving them" (2002: 44).

It is necessary for the reader to understand the decision-making in the EU. In the European Union, there are three types of the EU laws: decisions, regulations and directives. Decisions are generally administrative, made for a specific individual, company, or government. These acts have only limited impact. Regulations are legal acts. Their effect comes with a specific date, but unlike the directives, they do not have to become an integrated part of the national law, which means that they are less formative than directives. Directives are the most powerful tool, because Member States have an obligation to first, translate them into national law and then apply them. As follows, directives harmonize the national legal

system of a member country before harmonizing the other areas: social, economic and political (Duina 1997: 156).

Multilevel Governance

Before proceeding to explaining the concept of MLG in further detail, it is necessary to clarify what the term "governance" represents. First, the governance covers the aggregate of regulations, including policies, programs and decisions planned to remedy a public problem via a collective course of action. Second, a problem becomes public when the participating actors need to claim that they intend to solve it in the wider collective interest or the common good; at the same time, the public good does not need to have the arrangements or actors that pursue only this aim. As such, the actors argue that the public good is what distinguishes them from pure market orientation. Third, governance encompasses the actors and processes that compose a collective advance of action, including the political negotiations, coalition building, lobbying, persuasion and threats that conduct the policy making and implementation practice. Any collective actor (public or private) can partake; however the public ones are expected to be "commonly present, and indeed often dominant". Lastly, governance includes comparatively stable institutional, socio-economic structures along with the historically fortified actor constellations that form the policy process in the particular circumstances (Zürn et al 2010: 2-3).

Trnski argues that the central government still has a very important influence in policy-making process, but does not have a monopoly over the power to make the decisions. Instead, there is a share of power among a range of actors at European, national and subnational levels. Furthermore, each of these actors shares a responsibility (2008: 23). In addition, Conzelman highlights the subsidiarity as the "normative backbone of this approach" (Conzelman 2008: 3).

According to Piattoni (2010), multilevel governance is seen as a three dimensional concept that meets three different analytical distinctions: that one is between center and its periphery; one is between state and society; and another one is between the domestic and the international level. Through the combination of these dimensions, a three-dimensional theoretical space is generated, within which; empirically falsifiable propositions can be placed. (2010: 18)

Hooghe and Marks give a comprehensive overview of MLG. They argue that the MLG model does not reject the view that national governments and national arenas are important, neither that these do not combine the most important pieces of European policies. In any case, if one claims that the state does not play a decisive role in European-level policy making or in aggregating domestic interests, another possibility comes up. First, according to MLG, the decision-making competencies are shared by actors at different levels rather than monopolized by domestic affairs. European institutions have independent influence so that one has to analyze this role of European-level actors in order to explain European policy making. Second, collective decision making among countries involves a significant "loss of control" for individual national administrations. Overall, it remains a zero-sum game; there is equal loss or gain of control for individual countries. Third, political arenas are not "nested", as in intergovernmentalism, but are interconnected. Subnational actors operate in both national and supranational arenas and create transnational arenas associations in the process. National governments do not monopolize links between domestic and European actors; they set complex interrelations at national level which are extended to European level: "National governments are integral and powerful part of the EU, but they no longer provide the sole interface between supranational and subnational arenas …" (Hooghe and Marks 2001: 2-4).

Historically, the roots of MLG could be found in the theories of functionalism, alternatively a more recent developed theory of neo-functionalism in the writings of Ernst De Haas (1958) and Leon Lindberg (1963) (Trnski 2008: 23). Practically, the concept of multi-level governance has its origins in the early 1990s. Many authors considered the EU to be an international organization; however, this trend was changed due to the deeper integration processes which started in 1990s and even more significantly after signing Maastricht Treaty in 1992. This shifted the authority in several key areas of policy-making from state to the European level (Gowland 2006). Concerning the EU, the concept had been discussed with the greater role of the EU in the policy-making and implementation as shown by the 1988 reform of the structural funds. In addition, an increased direct interaction between the subnational authorities and the Commission was detected. This indicated the increased importance of subnational governments in the implementation of European politics (Conzelmann 2008: 1). Against this climate, Marks initially characterized MLG as the result of a "centrifugal process in which decision-making is spun away from Member States in two directions": supranational and subnational entries (Conzelmann 2008: 1).

Therefore, the authors were seeking new approaches on how to apply the theories of

their studies; they were trying to look at it from a different, rather than traditional, international relations theory perspective. One of the reasons was also the view on the EU as a distinctive political system, having more in common with national political systems rather than with international organizations. In other words, the consequences of these developments were the transformation of the EU into a multi-level policy where state-level bodies no longer have a monopoly on political authority (Gowland 2006: 351-353).

MLG was suitable for describing the emerging changes in conceptualizing the EU, the boundaries between national and international respectively, domestic and international, between state and society: "... (MLG) crosses the traditionally separate domains of domestic and international politics: it highlights the increasingly fading distinction between these domains in the context of European integration and supranational, national, regional, and local governments are interrelated in territorially overarching policy networks …" (Milio 2010: 13) In sum, MLG is a model that emerged from the integration processes studied as an alternative to the state-centric approach – intergovernmentalism. The main difference between these two concepts is that while intergovernmentalism considers the role of the national governments to be the most important in the EU system, the debate around MLG is about the decision-making process. In spite of the fact that MLG could be viewed as a descriptive model, there are many who use it as an implementation model and as a theoretical background for the analysis. (Milio 2010)

It is argued that the Member States' capacities and interests are different as well and various requirements at national, regional and local levels, could be easily reflected in the demands of the national states in the formation of common European policies (Milio 2010). Certainly, one of the basic principles of ruling in the EU is "subsidiarity". This principle indicates how the authorities should perform only those activities which cannot be carried out with a better effectiveness at a more local level. MLG represents this kind of policy-making architecture and implements this arrangement. This system transmits the responsibility for policy design and implementation between levels of government and special-purpose local institutions. Moreover, the principle of subsidiarity is surely more consistent with bottom-up bargaining approach, where interdependence prevails in hierarchical regulation (Milio 2010: 11-12).

MLG can be explained as the "outcome of the simultaneous process of European integration and regionalization, both which led to a diffusion of powers away from the

national state" (Conzelmann 2008: 31). Another possible reasoning for MLG is that it resembles state building, because it is largely a by-product: "It is the outcome of political pressures that, in most cases, do not have multi-level governance as their objective" (Hooghe and Marks 2001: 75).

The integration process, or the implementation process within the European Union can be based on two perspectives. The first perspective of the integration path way is described as top-down. This means that the supranational power (in our case this power is the institutions of the European Union) triggers the implementation and pushes it towards the national level, which are the Member States. The second perspective is the contrary of the first, because the trigger of the integration comes from the national actors which offer the space for the move. Multilevel governance belongs more to the second perspective: "The MLG theory is consistent with a bottom-up policy perspective, where actors from the subnational level have an important role to play and wide space for maneuver" (Milio 2010: 12).

Implementation of the rules implies complex interactions between public and private actors and organizations on the all level, with potentially diverging interests, beliefs and perceptions with regard to the essential policy problem. From this perspective, the implementation is viewed more like a bargaining process between administrative agencies and organizations rather than being based on a hierarchy (Milio 2010: 12).

In the development of the MLG approach, Hooghe and Marks (2010) introduced a twofold typology of MLG to capture the EU. In the following table, the reader can find the brief comparison of Type I and Type II MLG. The first two attributes of the table generalize variations among individual jurisdictions. The following three attributes describe systemic properties.

Figure 1: Types of multi-level governance

Type I	**Type II**
general-purpose jurisdictions	*task-specific* jurisdiction
non-intersecting memberships	*intersecting* memberships
jurisdictions organized on a *limited number of levels*	*no limit* to the number of jurisdictional levels
system-wide architecture	*flexible design*

Source: Hooghe and Marks (2010: 18)

Type I MLG effectively describes the formal governmental institutions at diverse territorial levels (supranational, national, subnational). These different institutions have multiple responsibilities and tasks. They also operate within different jurisdictions that are distinct from each other. According to Hooge and Marks, the core belief of Type I MLG is that governance operates at multiple scales in order to capture variations of territorial reach of policy externalities. This is because externalities vary enormously from increasing of the provision of public goods and that is why the scale of governance should also respond: "Multi-level governance is necessary to internalize spill overs across jurisdictions while tailoring policy to local circumstances" (Hooghe and Marks 2010: 17).

Type II MLG is coexisting with the Type I. Type II describes the numerous smaller bodies of governance that are set up with a specific purpose, in general or just for a limited period of time. These smaller government bodies are deliberately flexible in membership and organization to deal with public policy challenges (Bache et al. 2011: 35). Hooghe and Marks (2001) emphasize that both of the types coexist and overlap.

Varieties of Coordination in MLG

When the European Union is to be characterized as a multi-level system, which is the result of its federal nature in the areas of supranational policy-making and con-federal character in intergovernmental cooperation on one hand and engagement of European, national and subnational levels on the other hand. A multi-level system covers relations between both territorially and functionally defined units. One cannot omit the importance of non-governmental/private actors involved in the policy-making as well. Benz (2010) proposes a picture of "loosely coupled" multi-level system (Benz 2010: 214-218).

Vertical intergovernmental coordination

In the EU, the multi-level governance is usually opposed by subnational or by-passed national executives, parliaments or civil society associations. Thus, the Member States have motivation to recognize rules of other states as equivalent to their own law when the admission of goods and services to markets is under dispute, while the EU Council decides on minimal standards (Benz 2010: 218-219).

The coordination between the various levels of European rule is demanded by a strong power-sharing. The policy-making in the EU targets on flexible combination of cooperation, competition and control rather than putting into practice strictly binding rules of hierarchical coordination or compulsory negotiation system. These mechanisms emerged in multi-level complex which allow the actors to have sufficient acknowledgeable power in order to react to forceful effects of intra-governmental policy-making or horizontal intergovernmental relations (Benz 2010: 219-220).

Horizontal intergovernmental coordination

There can be three features in horizontal dimension which make it a loosely coupled system. First, the European treaties accept the institutional autonomy of the Member States and of their subnational governments. Horizontal relations have occurred between specific groups of the member state governments, their parliaments, or their regions and local governments. Benz emphasizes that the horizontal relations exist as loosely linked networks rather than as institutions or procedures set out in treaties. Second, consultations between member state governments are not very intense, but the Council of Ministers provides them

with a platform for communication, which might form ties among member state governments. There are two mechanisms permitting for considerable flexibility: procedure of enhanced cooperation[2] and opting out.[3] Third, the Common Market fosters rivalries between Member States and its regions (Benz 2010: 220-221).

Linking inter & intra governmental policy-making

The most serious difficulties of MLG are initiated by the close connection between intergovernmental relations and intra-governmental decision-making. Interest groups can put a strong pressure on a jurisdiction if the executive of the country is relatively independent from the will of a parliament. Private interest groups network within the EU institutions as well as with domestic governments. Their strength is that they are represented by experts with vital interests and therefore have strong arguing skills. Apart from the interest groups, one has to bear in mind that the representatives of the European Parliament come from different Member States and political parties so that they feel a certain attachment to their home countries or have different political preferences. Some empirical studies showed that they also regard themselves as representatives of European public interests. This multiple orientation is positive as it favors deliberation instead of confrontation. The representatives' multiple orientation increases the probability of decisions corresponding more with the required majority. The same is applicable with the members of the Council. However, the more national parliaments have accomplished impact in European matters, the more their members have developed an awareness of the pitfalls affected by multi-level governance. In sum, several Member States have developed transnational contacts to the Commission, the EP and other national parliaments in order to gain information on potential compromises. Additionally, there is an emphasis on rules of fairness concerning proceedings and results at the supranational level which would prevent the distributive conflicts among actors following national interest and self-interest interaction orientation (Benz 2010: 221-223).

[2] "Enhanced cooperation allows those countries of the Union that wish to continue to work more closely together to do so, while respecting the legal framework of the Union" (europa.eu, online).

[3] "Opting out is an exemption granted to a country that does not wish to join the other Member States in a particular area of Community cooperation as a way of avoiding a general stalemate" (europa.eu, online).

In the following analytical chapters, this paper will analyze the energy policy in the European Union, France and Germany. This thesis will look into the most important happenings and policy-making which formed the character of the energy policy in the EU. To do so, this thesis will employ the theory of multilevel governance. This approach is used due to the increasing power of the EU institutions in this field as well as due to the role of energy supply. Energy supply has a decisive security asset and is commonly regulated by national governments as well as sub-level policy administration. Other essentials of MLG on the energy policy are the genuine independence of supranational institutions from Member State governments; the pluralist comprehension of the policy-making and the remarkable influence of non-governmental agents. All these factors are influential towards the creation of the energy policy (Eikeland 2011: 245-246). The reader will get to know the achievements and hurdles in the energy policy development. More specifically, this paper will focus on the role of the largest EU states (France and Germany) in the energy policy development process.

3 THE EUROPEAN ENERGY POLICY: ACHIEVEMENTS AND HURDLES

In this chapter of the analysis, this paper will talk about the characteristic of the EU energy policy, particularly the accomplishments the European Union has achieved so far in the development of the common energy policy. Apart from that, this paper will analyze how come that notwithstanding the huge effort that the EU has made within the long history of the integration of energy policy, the accomplishments are not sufficient enough and consequently, there is still not a truly developed common energy policy, yet. Following, this paper will illustrate two main concepts which form the European energy policy in order to expose the key issues that the EU faces. Nowadays, the energy policy is fragmented into two main areas which are: internal market and external relations. The former is tight to the implementation of the European laws, mutual cooperation of the Member States in the energy supplies, unbundling[4] and the deliberalization processes. The later is connected to dependency on energy security, bilateral/multilateral agreements and other issues which will be discussed below.

The European Commission was concerned about the amount of dependency on the energy imports already in 1968. The Commission found the lack of integration in the energy sector to be a "dangerous trend". This flow could be changed only through a fully integrated "Community energy policy" in the common energy market which compensates "risks arising from the great dependence of the Member States on imports and from insufficient diversification of the sources of supply" (cited in Maltby 2013: 437).

The Member States were underestimating the oil supplies because the oil did not cost much and was easy to supply. That means that there was no need to develop a common or even national policy. This mistaken attitude changed with the 1973 crisis[5]. The lack of authority limited the ability of the Community to deal collectively with the oil shock and they subsequently decided to adopt the requirements to mitigate the impact of it. Although the Community adopted the mechanisms to prevent such a situation (long-term goals for energy

[4] The process of separating the transmission and distribution functions of a utility from the functions of generation/production and/or supply. (COM 2007b: 2)

[5] The Arab countries placed the embargo on exports of the oil to the „enemies of Arab cause" – especially the western European countries – while eliminating their oil output level during the Kippur war between Israel and the Arab countries from October 6 to 16, 1973 and several months after. (OPEC, online)

production, consumption, and imports), it was never able to specify the measures and achieve them (Duffield and Birchfield 2011: 3-4).

Neither of the following two decades were favorable for creating a common energy policy. The Commission proposed several communications that indicated the need for more joint action in this area in the 1980s, but these proposals were not acted upon. In addition, the Commission prepared the White Paper on energy policy in 1995 that contained many detailed guidelines. Once again, the Member States opposed it or hesitated to take the initiative in the face of indifference (Duffield and Birchfield 2011: 4-5).

The development of recent EU energy policies has been made according to several factors. Firstly, energy import dependence increased from 50 percent in 2007 to 65 percent in 2030 of overall European energy consumption and continues to increase. Secondly, apart from growing dependence, one could not overlook the accumulative prices of energies, mainly oil and gas. The next factor was the enlargement of the EU from 15 to 27 Member States within 4 years which very likely worsened the dependence on the import of (mainly Russian) gas. The last factor is the historical relations with former USSR/Russia and as a result, also gas supply disruption. All these factors led the Commission to recalculate the ongoing situation, which undermined the EU energy security, and to set arrangements for change (Maltby 2013: 435).

Maltby observed the actions of the Commission in the framework of energy policy from 1968 till 2012. There was a constant repetition in policy recommendations since the beginning of the Community when this policy was still a sovereign issue of each member state and the Community was facing the problem of import dependency and supply diversification. The Commission was proposing since then to solute this difficulty through the integration of the energetic sector and following supranational governance. According to Maltby's research there was not a great change in this period of time and the proposals of the Commission were broadly similar in 1968 to those in 2012. In short, the proposals were about the importance to build a common energy market and establish a general framework for action and measures in case of supply disruption (2013: 437-438). Due to the fact that the energy policy is fragmented apart, the others also in the areas of internal market and external relations, this thesis will analyze the successes and failures of development mainly in these areas in the following subchapters.

The European Internal market

Firstly, I will introduce the development of the internal market within the last decade. Looking at the primary objective of the EU for the electricity and gas market, Moussis (2007) assumes that there is an effort to liberalize and integrate it. However, this process faces also several obstacles. The first one is the challenge to apply the monopoly rules of the Treaty to the monopolies for transmission and distribution of gas and electricity, even though these are entrusted with the cooperation of services of general economic interest. The second one is the reconciliation of the objectives of the prevention of trade barriers and of energy efficiency.

Moussis (2007) says that the establishment of a real internal market for energy also depends on the development of Trans-European Transport Network (TEN). This is crucial particularly for the regions, which have no or limited access to such a source of energy, respectively do not have networks for gas and electricity. However, the energy market does not fully benefit from the integration because the Member States still use the security of supply and the energy diversity management as an excuse to preserve their national energy monopolies.

The EU introduced the competition in the electricity and natural gas sectors and there is a visible regionalization of the energy sector in Europe. Recent developments have enhanced awareness in Member States that security of supply is seriously becoming a regional issue (IEA 2009: 7). Consequently, the Energy Council meeting in June 2007 agreed to create a new European Agency for the Cooperation of Energy Regulators (ACER). ACER's tasks are to oversee and enhance cross-border cooperation of gas and electricity transmission between the Member States. ACER does not have any direct regulatory authority, but it can intervene when the Member States fail to cooperate in the cross-border energy flows (Eikeland 2011: 25).

The Commission proposed to unbundle the generation and distribution of power in 2007. Falkner defines unbundling as "the separation of ownership or management of networks from other activities like production and supply, as vital for establishing the European energy market" (Eikeland 2011: 14). Youngs argues that liberalization of the EU market had proven persistently slow and difficult regardless of the opening of the internal market. The Commission explained it as a key strategy to internal efficiency and external security. The idea was that large non-EU companies (as Gazprom) would be also obligated to unbundle

within the European market and it would protect the European from these third country firms to gain a dominant position (2009: 34-35). If Europe breaks down the national energy champions, it would be much harder for large third country firms to bargain their course to a dominant position in European market through a small number of bilateral deals. This was also one of the reasons why the debate about the need to regulate the internal market intensified by 2008 (Youngs 2009: 31). One diplomat elucidated that "as a result of internal market integration a common EU energy policy is a train already in progress; Member States will decide when they are ready to board" (Youngs 2009: 32).

The regulatory changes of the EU energy market are nowadays based on third party access (TPA), unbundling and strong regulators, complemented by other sectoral rules focusing on public service, security of supply or investment incentives. TPA represents a trend in the regulatory regimes to shorten term capacity reservations and to set up a more comprehensive regulation. This is linked with the idea that an already existing shipper with a long-term gas contract must have an opportunity to prolong access to transit capacities when their transit contract expires. Gazprom can lose a TPA access and there is not a provision that would prevent such a situation. The absence of this kind of agreement means that long-term supply contracts a new threat. Likewise, the unbundling acquis in the EU have moved progressively towards the ultimate option: "separation of network activities from all other activities relating to the natural gas business through ownership unbundling" (Talus 2012: 233).

In 2009, the European Commission attempted to impose ownership unbundling with the Directive 2009/73/EC. The Directive obligates the vertically integrated company[6] to dispossess its assets in favor of third parties which are not themselves involved in generation of supply. However, as Pielow (et al. 2009) note, France and Germany showed a strong political resistance on the compatibility of ownership unbundling with general EU law. The result was new provisions on ownership unbundling and were guided with less interfering options. French and German resistance towards the ownership unbundling is analyzed in the following chapters.

Talus argues that this new regime enables the Member States to opt either for full ownership unbundling, an independent system operator or an independent transmission

[6] A company that undertakes activities at more than one level of the supply chain, for example production, imports, transmission, distribution and/or supply (COM 2007b: 2)

operator model. All these options command that one company cannot be involved in both supply and transmission. If one compares the way the natural gas industry was run before, one assumes that the new developments changed the tradition of the vertically integrated business model. TPA, congestion management, and the new rules also impact upon the traditional contractual model for natural gas trade in the EU (Talus 2012: 234). Thus, Eikeland says that asymmetrical implementation of the directives between Member States had shaped different market conditions across Europe, affecting both energy companies and energy consumers (2011: 34).

Talus ([2010] 2012: 235) explains the change of both national and supranational levels. At the national level, a number of public bodies share the competence to regulate energy markets. The primary body is the national energy market authority. Some regulatory and judicial institutions (such as law authorities, administrative courts, consumer protection …) play residual roles. At the European level the European institutions the EP, the Council, the EC and the Agency for the Cooperation of Energy Regulators divide among themselves various regulatory functions. The key actor is the Commission with its dual role to mandatory initiate legislative action where it is necessary and enforce EU competition rules. The competition law authority has a considerable impact on the energy markets and their structure. Above mentioned measures in the regulation of the energy market have changed the traditional vertically integrated industry structure to a market structure where competition is possible: "While these changes have created the preconditions for a more competitive market structure, they failed to create competition" (Talus 2012: 236). Not creating a competition led to a failure in the regulatory scheme. Apart from that, conflicting national interests played a significant role. The national states (mainly Germany and France) decided to single out their market protection and established their inclination towards their own industry (Talus 2012: 236-237). In other words, while states with a distinguishable pro-market attitude, guided by United Kingdom, have frequently supported the Commission´s internal market suggestions, other states such as Germany and above all France, which have strong vertically integrated national champions, have traditionally taken a less willing approach towards liberalization (Termini 2009: 106). More about these two countries will be served in the next chapters.

Finally, there is a positive evaluation of almost 20-year history of efforts to complete the internal energy market policy in the EU. There has been considerable progress in institutional reforms, regulation of competition and cooperation in the energy field. Yes, the reforms was not sufficient enough, especially the problem to secure independently run grids.

Other barriers which remain to fully integrate the internal market include the intense deliberation processes which are not applicable in the same way in all the Member States. Moreover, the implementation of the ownership unbundling directive was asymmetrical which led to the different market conditions across the EU. Additionally to the market dominance problem in many Member States, there is also lack of infrastructure capacity across the borders combined with the domestic markets' protecting from and others quite exposed to the pressure of competition (Eikeland 2011: 33-35). One of the aspects of MLG is a spillover across jurisdictions but, at the same time, the policy has to be tailored according to regional circumstances. The energy policy was tailored in the internal market (Hooghe and Marks 2010: 17). For example, the suggestions of the COM about the ownership unbundling and ISO were opposed by the Member States. The EU countries gave suggestions to change the regulations which led to TPA. That explains how the MLG functions in both ways: bottom-up as well as top-down simultaneously. The Member States' reluctance resulted in the correction of the Commission's proposal, but the COM can, in certain conditions, force the Member States to implement the regulations, e.g. within the framework of an infringement procedure[7] (Millio 2012: 12-13). Infringement procedure is discussed further later in the paper.

The internal market and external dimensions of energy security are according to many authors compatible and mutually reinforcing, as Youngs (2009: 48) says. Moreover, the external dimension tends to be implicated from the internal energy policy (Birchefield and Duffield 2011: 267). The following subchapter therefore examines the energy security in the term of the European external energy policy.

[7] An infringement is an action or omission of the COM to ensure the correct implementation of the EU law, if the individual Member State is detected to fail fulfilling the obligations. (COM 2013)

External dependency of the European Union

In fact, one cannot really separate the external aspects of the energy policy from the conditions in the European internal market. These two aspects of fragmented energy policy are closely related and influence each other. Hence the following subchapter does not completely omit the characteristics of the development of internal market. This supports the argument for MLG because as Millio (2010: 13) argues, the traditionally separate domains of domestic and international relations are crossed. Further, it is necessary to adopt the rules within the energy field that would allow the Member States to secure their energy supplies as a concern of their domestic markets through the international cooperation.

This section compares the coherence of external energy policy pre- and post-Lisbon Treaty by depicting the previous status quo and the consequence on EU external gas policy after signing it. In spite of efforts by the Commission to successfully place the energy sector in the internal single market, energy policy was not formally incorporated within the Common Foreign and Security Policy (CFSP) and there was no legal base for development of a common external policy. Recent development of this sector in the 2000s shows that energy was not a primary objective in the EU. Although the Commission published a Green Paper: "Towards a European strategy for the security of energy supply" in November 2000, there was no concrete policy response and no particular interest from the Member States in this issue. Neither European Security Strategy from 2003 nor the new paper on the topic to implement the Security Strategy in 2004 persuaded the Brussels officials and national leaders that there was an important relationship between energy security and the legitimate scope of CFSP (Youngs 2009: 22).

The EU was gradually establishing the set of initiatives on a low-profile and ad hoc basis within the European international partnership. The first partner was Russia. The dialog with this country was launched in 2000. The next step was to include the region of the Black Sea and Caspian Sea into European energy market, which was successful in October 2005 when signing the Energy Community South East Europe Treaty with the aim of also including the Balkans. Balkans were due to fully enable their gas power markets to the EU in 2008. Next treaty to improve the EU energy situation was signed with Ukraine in 2005 and was called Memorandum of Understanding on energy cooperation (MoU). Similar bilateral energy partnerships were also established_with Azerbaijan and Kazakhstan in 2006. Another sub-regional cooperation was set with the Maghreb and Mashreq under the Euro-Mediterranean

Partnership from 1990s. The EU started energy dialogue with Libya in 2003 and later on, from 2005, bilateral political dialogue with OPEC. These initiatives developed in a fragmented fashion and the UK presidency pushed the discussion in October 2005 EU summit at Hampton Court. Member States agreed on a formal commitment to move towards the characteristic of a common European energy policy (Youngs 2009: 23).

First set of proposals was specified in March 2006, in the Commissions' Green Paper: "Acting together, has the weight to protect and assert its interests" (COM 2006: 4). This paper recognized a number of practical and technical priorities in relation to the internal dimensions of energy policy. Some of the key goals of the paper are "a clear policy on securing and diversifying energy supplies", "a better integration of energy objectives into broader relations with third countries and the policies which support them" (COM 2006: 16). The EU also needs to complete the internal gas and electricity markets, including also, for example, improved interconnections, more effective unbundling inter alia. Another EU requirement is to ensure that its internal energy market guarantees security of supply and solidarity between Member States and a wide debate on the different energy sources and climate change (COM 2006: 18-19). An important argument of the Commission was the necessity of the EU to set a coherent external energy policy: "The effectiveness and coherence of the EU's external energy policy is dependent upon the progress with internal policies and, in particular, the creation of the internal market for energy" (COM 2006: 14). Youngs says that market liberalization was widely considered to be the most effective negotiating tool in international energy negotiations by many authorities. The Commission hoped to gain foreign direct investment access to countries such as Russia by opening up its own markets (Youngs 2009: 32).

Gault argues using officials' words that the officials are good at bureaucratizing the problem through rules and regulations. Moreover, the flexible switching of supplies between Member States as their respective levels of demand fluctuated was seen as a contribution to better energy security (Gault 2004: 177).

As mentioned above, the Commission made a lot of attempts to avoid a non-pleasant situation in the EU when it had to face the gas disruption in 2006 and 2009. The Commission called for the better cooperation and common action. Based on Article 122 of the TFEU: "... the Council, on a proposal from the Commission, may decide, in spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply ... notably in the area of energy" (TFEU 2008).

However, the coherence of EU external natural gas policy prior to the Lisbon Treaty was not ideal, at all. The Member States, especially Germany, chose to cope with the situation on their own. Jong and Schunz argue that on one hand, the Commission and Parliament determinedly advocated for diversifying natural gas supplies and transfer routes away from Gazprom, (from Russia). On the other hand, the Member States favored opting out favoring short-term solutions. The Member States compounded already existing arrangements and fortified their energy ties instead. On the contrary to the Treaty, the states that preferred to set the bilateral cooperation with Gazprom which left out the Central and Eastern European Member States. The Commission states that these states lack any kind of solidarity with bypassed countries (Jong and Schunz 2012: 172-173).

Umbach argues that the EU governments set an agreement to act according to a common strategy, but in spite of that, there is not a coherence to block Russia, the most important energy supplier. Moreover, Russia can keep on successful "bilateralization" of energy partnerships with other countries. Except Germany, Austria, Italy, Hungary, Greece and Bulgaria also do not support the CFSP enough (Umbach [2007] 2010: 1237).

Another reason why the Eastern and Central EU states might be worried is that they do not have neither enough resources nor finance to construct new routes as well as they maintain only few interconnections elsewhere than Eastwards. The EU did not claim many competences on energy outside of the internal market during the period preceding the Lisbon Treaty's entry into force. There was very limited vertical coherence and all decisions regarding energy mix belonged exclusively to the competencies of the Member States. The Commission has claimed that energy policy should rather gain its own legal basis with a condition that this policy should be connected with other related policies on the environment and the EU internal market (Jong and Schunz 2012: 174). Based on the Article 192(2) TFEU, The Council acts unanimously in accordance with a special legislative procedure shall adopt: "… measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply" (TFEU 2008). But, these measurements should not be based on the provisions in the treaties made later on (Jong and Schunz 2012: 174). The Treaty fulfilled it with Article 194 TFEU (2008), which places the Union's energy policy specifically in the context of the endowment and operating of the internal market and to an importance to protect and improve the environment.

Fischer points out that some people supposed the new title could strengthen the Union's self-perception as an energy actor and bit by bit change European energy politics into

a more natural endeavor, as Member States usually wary of increased Europeanization in this filed could become more convinced of the probable added value of energy policy at supranational level (cited in Jong and Schunz 2012: 175). Birchfield's assumption of multilevel governance applies because the consequence of decision making at supranational level is loosing of control at the national level (2011: 243).

The Treaty introduced also a new position and a new organ, High Representative of the Union for Foreign Affairs and Security Policy and the Commission (HR) and European External Action Service (EEAS), which practically include the external perspective of energy policy agenda into their competences as well. Jong and Schunz note that if there is a disruption situation with which the EU has to deal with again, there are not ultimately economic consequences and therefore, the EU induces political and security concerns also. They also explain that establishment of a specific legal basis for energy with detailed objectives and new actors such as the HR and EEAs had given high expectations for a more coherent EU external energy policy (Jong and Schunz 2012: 175). As Birchfield claims in the framework of MLG, actors do not necessarily operate within one national arena, but rather create transnational associations (2011: 243).

Günther Oettinger, European Commissioner for Energy, suggested at his Parliamentary hearing in 2010 to move on from bilateral agreements (i.e. Nord Stream) and that work towards a greater Europeanization of energy policy. He said that his term priorities are the "decarbonization of the energy supplies" of the EU and better energy security (COM 2010). This vision was echoed by a majority in the EP and Central and Eastern EU Member States, but not fully accepted mostly because of the skepticism which remained from the "Europe's energy big boys (notably Germany and France)" (Jong and Schunz 2012: 178). As one can see, there was an attribute of coherent vertical cooperation between the institutions and majority of the Member States, however, it did not influence the process in the way that one would wish, because some of the larger states point out the lack of competencies and coordination and highlight responsibility for the foreign affairs of the Member State in this issue. To sum it up, according to the interview with official form EU Member State Permanent Representation in 2010 some Central and Eastern Member States are open-minded to offer larger space to make the decisions to the Commission, other countries like Germany, France, the UK are not too anxious to limit their sovereignty (Jong and Schunz 2012: 178).

Kirchner and Berk reason that these large countries can see the size of their market and power of their energy sector as an adequate defense against any threat posed by external

dependency (2010: 868).

Another of the interviews with EU Member State Permanent Representations made in 2010 concludes that it is expected that Member States who possess strong multinational energy companies are more likely to dismiss the proposals of the Commission than the Member States which do not have this kind of energetic companies. Another important difference is that, thanks to these strong companies, these countries have resources to put these big projects such as Nord Stream or South Stream into practice. If one would look at the coherence: "the belief that such projects should preferably be industry driven, rather than discussed at Council level, clearly undermines the potential for synergies to trickle down and raise the impact of EU energy security initiatives beyond their immediate region of implementation." (Jong and Schunz 2012: 179)

Buchan gives another justification of why the EU has failed in providing the energy security for its Member States. He argues that the countries do not want to be questioned about kind of energy they use or where they got it from, determined at the supranational level. That is the reason why the EU countries always emphasized to keep the issues of energy supply and energy mix in their own hands. As long as energy mix remains a national prerogative, Russia will continue to address the agreements bilaterally. Russia just reflects the weaknesses of the EU (Buchan 2009: 80).

Birchfield and Duffield conclude that policy making in the energy field at the European level turns around a standard push and pull depending on how individual Member States and how the European institutions are bargaining this issue what is forming the multilevel governance in energy policy, which remains fragmented and incomplete (2011: 273). Article 4, TFEU (2008) states that the Union applies shared competencies in the areas such as internal market, economic, territorial cohesion, environment, TEN-T, energy and many others which lead to negotiating and multilevel decision making. According to Schmitter, MLG does not assign exclusive competencies in ruling the energy sector, but rather shared competencies (2004: 49).

Summary of the Status of Progress

To sum up the achievements and the failures of the European energy policy, this paper argues that in spite of the commonly known truth that many can do more together, the Member States did not follow this pattern. At the same time, it is remarkable that the EU was driving energy policy development without formal competence of the EU institutions until the Treaty of Lisbon was accepted. Trnski's justification of MLG is due to the shared competencies in the external energy field as well as internal market that are also settled in the Treaty of Lisbon. In practice, neither the government nor the Member States have a monopoly of decision-making processes (2008: 23).

Summarizing the Third legislative package in internal gas and electricity market in the EU, the Commission´s initial proposal in 2007 would have let Member States to pick one of the two options: firstly, ownership unbundling (single company cannot have the transport network and be a producer) or independent system operator (ISO – vertical integration in the company allows it to own the network, as long as the company was managed by an independent body). France and Germany as well as their powerful vertically integrated companies stood against the Commission´s preferred idea of ownership unbundling which blocked the proposal. It resulted in an alternative form of unbundling called Independent Transmission System Operator model (ITO) presented in January 2008, what meant in a simplified way the maintenance ownership of transmission networks supplied with an independent transmission system operator (Falkner 2011: 104).

The positive outcome is the signing of the TFEU, which gave a real legislative basis for many aspects of the energy policy. However, there is still a strong potential for the EU to develop other aspects of the policy. On one hand, the EU has made substantial efforts to establish a common energy market with a successful outcome; especially the liberalization and unbundling were top priorities for a long period of time. As shown, the blame could be addressed to the opposition of the Member States as well as the lack of cooperation. On the other hand, the desire of the EU to speak with one voice in the external energy relations is not accomplished, yet. The obstacles which can be identified are the bilateral treaties and the desire of the Member States to secure their own energy supplies in the first place. Russia remains the most important partner to secure the energy supply, therefore the EU has partially failed in its goal to diversify the sources of energy. As Buchan argues, the European Union does not become one unless it has networks linked with national markets commercially as

well as psychically (Buchan 2009: 206). Generally speaking, there is a potential in development towards a better integrated and more competitive energy market, more efficient and more stable energy security.

In fact, there are two main arguments why the European Union should enhance the integration process in the field of energies. Firstly, as long as the EU imports half of its oil and gas already now, and the trend is going to rise up till seventy per cent by 2030, the solution is that the EU Member States must act collectively in order not to block the necessary supply. Secondly, tight cooperation of the Member States can have an important impact on climate change, which nowadays is one of the global concerns. On the contrary, there are also those voices who speak against the further integration. The first reason is the crucial role of energy supply to national security in the future that should therefore stay in the free decision of the nation states. Another argument against is that the Member States are too different from each other and a common policy would hence not make any sense (Gubb 2007: n. pag.).

For example, Youngs (2009) identifies among Member States three strands of attitudes towards the energy security. The leading proponent of the first strand was Germany because it was still reluctant to abandon national independence over external energy security and was trying to set the best bargain with the producer states just on a bilateral basis. The UK was said to stand for the second strand, which argues that the free market was more or less sufficient to ameliorating energy insecurity. The third strand, which is opposing to the previous two strands, could be said to be represented by France. France is said to claim that geopolitical factors have to be heeded, and because of this strong European coordination was required. Even diplomats admitted that the EU was just wandering around with a lot of doubts while trying to bridge these three non-compatible strands into one rational (Youngs 2009: 34).

4 FRANCE IN THE DEVELOPMENT OF A COMMON EUROPEAN ENERGY POLICY

Following chapter discusses the French position during the process of development a common energy policy with a focus on the past decade. The French preferences in the energy field are particularly important because it seems that in this case France is shaping the European energy policy from the bottom-up perspective as well as the European supranational power takes action to achieve the goal-setting. Therefore, this chapter draws attention to the causal relationship between France and the EU within the collective energy policy development.

International Energy Policy (IEA: 2009) published an Energy Policy Report for France in 2009. Comparing the last IEA in-depth review from 2004, one can assume the French government has implemented several laws and measures which would increase energy security, fight against energy consumption and combat climate change. France, like the other Member States, has always had its own energy policy which was ruled by the government in the name of the nation's interests. Yet, this has been changed with the integration process. And the sovereignty that the French government had for 30 years regarding their decision-making has been relinquished. Nowadays, France is still seeking for establishment of new energy policy which would not threaten its interests but correspond with European regulations (Méritet 2007: 4767).

The main principles of French energy policy are four: security of energy supply, competitive energy supply, sustainable energy development and equal level of energy service to all territories and citizens. France is also adapting to global energy and climate challenges. (IEA 2009: 7) Therefore, France is also a country which produces the least greenhouse gases among the Member States (Méritet 2011: 146).

French energy policy makers find energy security to be a prominent concert. The main concerns, alerted by the oil shocks, followed a plan to reduce dependence on the external supply with producing half of French energy needs at French domestic market. European and international commitments, like opening of markets and the Kyoto Protocol, improved energy security and assisted France to reach its self-sufficiency in energy supply. IEA states the plans of France in the report: "France aims to enhance energy security through improving energy efficiency, increasing support for renewable energy sources, further diversifying gas suppliers,

increase interconnection capacity gas and electricity markets and building two new European pressurized water reactors" (IEA 2009: 27).

France has defined its energy policy in 2005. Certain aspects of France's energy policy, like the deregulation process or development of renewables, do not totally correspond with the intentions of the EU in the energy field. Méritet assumes that France is also confronted with the same international challenges and developments with the same chances and insecurities as other European states and suggests that France has to diversify its sources of supply and to decrease its energy dependency (Méritet 2011: 146).

However, the main challenge in France while defining the energy policy was to defend domestic interests and meanwhile bear in mind the priorities of the EU. The French energy situation in the EU had always been constructed by state interventions. The State controlled public firms and these enabled the development of French energy sector, its novelty, recession of dependency and security of supply. Moreover, France does not have large energy resources especially comparing to Germany, Spain or Netherlands (Méritet 2007: 4768).

In sum, Méritet (2011: 146) describes France as "a black sheep" in the European community, as its domestic energy model is built on strong state intervention and two energy champions which are owned by a state: EdF and GDF-Suez. Additionally, France relies primarily on nuclear energy as the principal source of electricity. Deutray et al. confirm that the development in French electro-nuclear park with a significant homogeneity has given energetic independence and has brought a deeper defense policy for the country (2013: 481).

French energy mix

IEA reports note that France continues to fulfill its emergency stockholding obligations and has a fairly diversified import portfolio. In the electricity sector, France and Spain agreed on a bilateral cooperation (IEA 2009: 27). These two countries enhanced their gas facilities. This mutual assistance in cross-border transmission system leads to positive integration in the energy field and is a partial solution to a more secure, competitive and sustainable energy development (2009: 11). Moreover, France took a lesson after the 2008/9 gas crisis and decided to improve its transparency and expand infrastructure in gas supply (2009: 27). Méritet (2011: 157) states that France has been in attempts to vary its energy mix and to secure energy reserves for a couple of decades. Finally, the Government chose the

nuclear power as a mean to energy stability and national independence. Méritet continues that "As a founding member and a very significant player in the EU, the role and position of France is critical to the development of a common policy" (2011: 157). Notwithstanding, there is an inevitable adaptation of French mind-setting and approach to the policy within the European framework.

Nowadays, French energy policy is specified in the Energy Act which was adopted in 2005. This act highlights the French interests particularly in four priority axes. Firstly, the interest is: "contributing to national fuel independence and secure supply" (emds 2007: 17-1). France has restricted resources of energy and this objective is planned for long as well as short terms depending on quantity and price. France wants to minimize the influence of fluctuation of the energy prices on the French economy via cultivating its own energy production. Another aim is to manage the capacity of the storages to deal with energy shortages (Méritet 2011: 154). The second objective is: "improving environmental protection and, especially, taking further action to tackle the greenhouse effect" (emds 2007: 17-1). One of the main elements of French energy policy is to keep the emissions of CO2 under the control in order to protect the environment. Another important issue in French energy policy is security management tied to the nuclear energy production (Méritet 2011: 154). The third one is: "guaranteeing competitive energy prices" (edms 2007: 17-1); this objective plans on the cheap electricity production from nuclear power for households and industries. France prefers to maintain the economic advantage in production cost and the "public service" mission (Méritet 2011: 155). And the last objective is: "contributing to social and territorial cohesion by guaranteeing access to energy for the entire nation" (edms 2007: 17-1). The fourth objective aims to provide everyone with the access to the energy. That is an important aspect of energy policy in each country including the obligation of supply, taxation, regulated tariffs and so on (Méritet 2011: 155).

These days, as the final report on French energy policies and actions concludes, the Energy Act sets the energy policies in France. The main activity involves management of energy demand, diverging energy sources, improving energy research and securing transporting and stocking of energy. The French government is highly engaged in energy market regulations in order to guarantee the long-term security of energy supplies. At the same time, the Government emphasizes the importance of energy independence, savings and assessment in production of electricity from nuclear sources and renewable energies (edms 2007: 17-5).

Moreover, the French presidency in the European Council held from July to December, 2008 placed the energy at the first place in the agenda. According to the prospects about this presidency, the EU had prepared a package as a political strategy on climate change and transition in the energy sector during the German presidency and the French presidency had to make this strategy happen (COM 2012: 8).

France Supporting the Development of a Common European Energy Policy

The European policy makers agreed on the fact that completing internal market is an important step before starting the process of completing the external dimensions of energy security. The head of the French foreign ministry's energy unit said that Europe has to proceed away from a "producers-consumers dichotomy" to follow up in the energy market integration. This diplomat was mainly concerned that the EU is not supportive enough to overcome the problem when France was blocking the interconnection with Spain and the rest of Europe (Youngs 2009: 32-33).

Legislative framework for energy policy in France consists of national as well as supranational regulations and rules, which have to be followed. The policy of energy efficiency is guided by EU directives and non-binding goals. At the national level, the Energy Law (2005-781) proposed the system of white certificates [8] which were included in to Directive 2006/32/EC. At the European level, there is an effort to increase energy efficiency by building codes over the longer term, which is mandatory energy labeling and energy building requirement in France. Moreover, national legislation in the terms of energy efficiency is not only compatible with the European level, but goes beyond the disclosure requirement imposed at the EU level (IEA 2009: 44).

Méritet (2008: 4769-4770) states that France shares the vision of the EU in the framework of protection of the environment, removing energy dependence and securing energy supply, fight against the climate change, and help to provide every member of the society, especially the most disadvantaged ones, to reach the quality energy source at a competitive price.

[8] White certificates are given to energy suppliers once they achieve the required energy savings. These certificates can be traded but if the obligations are not met, the suppliers have to pay a penalty of EUR 0,02/kWh. (IEA 2009: 46)

France's Resistance towards the Development of a Common European Energy Policy

The Member States had different energy exposures against a uniform degree of commitment to empower the external dimensions of energy policies. The debates about foreign policy issues in the energy sector led to deliberation of the EU's internal energy mix, especially the nuclear power. European officials noted quite often that the French investment in nuclear power was a major factor limiting the commitment of one of the EU's large actors in foreign policy to "a genuinely common energy security strategy" (Youngs 2009: 34).

It is known that European regulations go beyond the nation state as well as the need to create the internal European market through the competition. French culture of *dirigisme*[9] is not quite compatible with the European demand of complete separation between competitive activities as production, buy, or provide of gas and electricity and regulated activities as transmission (Méritet 2011: 156). Networks are seen as opened "essential facilities" with TPA controlled by an independent authority of regulation. The deregulation processes started with the directives in 1996 (electricity) and 1998 (natural gas), and continued in 2003 with the total bringing up the competition. Moreover, since July 2007, all costumers have a free selection of their energy suppliers (Falkner 2011: 6).

Méritet (2011: 158) argues that the French parliament stood against the deregulation process and asked for the new conditions of the deregulation which meant an initiative against the free market, competition and Europe, itself. She also advocates that it is not the easiest task to explain to the French electorate that GDF-Suez will be provider of the electricity, EdF will be a gas supplier, and despite the nuclear park, there is still a payment for CO2 expenses. Moreover, there will not be any change in the electricity price as that one generated from the German coal stays the same.

The Commission was blaming France for its determination to make Enel's purchase of Suez Gas difficult in 2006. While the Commission was promoting achievement of the common internal market and trying to avoid establishment of the national energy domination (Vos 2006: 133-137), in 2007 President Sarkozy shamelessly forced the merging of two energy companies Suez and Gaz de France by which the national champion was created. French Europe minister Jean-Pierre Jouyet said that such preferential strategic arrangement

[9] "colberto-jacobine" state interventionism (Méritet 2011: 156)

contradictory to the proposal of the Commission to open the market showed the vision of what could be the European energy policy (Youngs 2009:36).

The Commission initiated two procedures against France. One was because of the non-transportation of whole directives and the second one was because of state aid. As EDF is still owned by a state, the regulated electricity tariffs are regarded to be subsidies. According to the Commission, these subsidies undermine the European single market competition. The Commission demanded the termination of regulated tariffs. For example, it is almost impossible to compete with EDF's production cost built on nuclear power plants and there are no opportunities for new actors. Competitors cannot battle the economic advantage of EDF (Méritet 2011: 159-161).

These infringement procedures against France were opened in 2011. In sum, France has notified the full transposition of the Third Package Directives. However, one infringement procedure is still ongoing under the Second Package Directive, because France did not regulate the gas prices as it is demanded on the European level, yet. Concretely, it is the Directive 2003/55/EC concerning common rules for the internal market in natural gas (COM 2012: 90).

Recently, the Commission proposed a new regulation for 2010, which included the need for shared objectives, improve network capacity to reverse flows, security of supply standards, subsidiarity, need for emergency plans, and more cooperation at the regional level. (COM 2009) France only considers this new regulation to be an important issue, so far (IEA 2009: 27).

Both the lack of physical interconnections and a system of energetic concessions have proven that the EU could not react sufficiently as a single entity to external energy breakdown, or expectations of coherent external energy policy; a result of a resistance to internal market coordination. Internal market deliberalization and external dimension of energy security were separated with the battle-line. The French memorandum for revitalizing European energy policy with a view to sustainable development highlighted the importance and desirability of politically negotiated long term contracts. This memorandum was fed into the Commission's 2006 Green Paper. The interest of the French government was to prevent the Commission from market-opening in spite of the Commission's lobby for formal positions that saw the importance of the long-term agreements as the foundation of the external

dimension to European energy security. Market opening [10] was about to be used as a conditional, political tool and it was not agreed within the EU how far it should be used. France, Italy and Germany stood behind the decision that any market liberalization needs to be matched by negotiated reciprocity in producer states. The character of reciprocity was also included in the Commission's proposal package in 2007; however, the EU was using its competition policy to tackle its deteriorating geopolitics, according to some experts. (Youngs 2009: 38)

Future Challenges of the French Energy Sector

The critique of French energy policy is based on the fact that France places energy efficiency at the center of its energy policy. There is a plan to reduce energy consumption, which is also a target of the EU. It is known that energy efficiency depends on well-built transport which is the next important thing to improve for France. Another challenge is to put the white certificates into practice with a good administration of the system because there will be more market players which enter the current monopoly condition of Electricité de France (EdF), which has about 55 percent market share of total obligations before fully competitive market for certificates evolves (IEA 2009: 51-52).

The French government was reluctant to finish the monopoly of EdF over the electricity distribution in France. The justification was the protection of the French rural consumers. The resistance was called "the public service argument". Eventually, electricity liberalization was agreed in 1996 to last six years, but applicable uniquely for the large industrial companies. Later on, the whole process had to be repeated in order to liberalize the gas sector. France was fighting even harder to protect GdF as it had to defend the position of EdF. The compromise was eventually made in December, 1997. Thus, France was not supportive toward the liberalization and tried to keep the national monopolies, which is not a compatible action with the development of the mutual energy space in the EU and there is still room for improvement (Bache et al. 2011: 3920).

Therefore, the IEA gives few recommendations for the French government. Firstly, France should continue the efforts in energy efficiency improvement. Secondly, the country should make sure that energy efficiency policy measures are adapted to other energy policies. Third, France should estimate the cost-effectiveness of white certificates and their real influence on energy use (IEA 2009: 51-52).

[10] The degree to which customers have the ability to choose alternative suppliers (COM 2007b: 2).

Méritet suggests that France needs to find a balance between the national interests and European policy implementation. France has to reconsider how to deal with the long history of state interventions in energy sectors in order to abolish the obstacles of further European integration in the energy sector (2011: 164).

To conclude this chapter about French contribution to the underdevelopment of the collective energy policy, one can say that France has been reluctant as well as supportive in the integration process. France influenced the overall vision of the single EU energy policy when the French memorandum was included in the Commission's Green Paper in 2006. France struggled in changing the regulations of national energy policy, which are based on the domestic interests according to the EU standard regulations in this sector, especially when these did not primarily uphold the French domestic agenda. France fulfills the expectation to decrease the CO2 emissions, but in the question of the nuclear powers chooses an opposing way comparing to Germany. The French energy sector is driven by the nuclear power plants, which provides the country with energy independence. France aims to improve the security of the power plants before improving other concerns. The national interest stands before the European interest. French commitment in nuclear power weakened the common external energy security strategy.

Despite that the Commission made a great effort to prevent any establishment of national domination within the Single market, France did not act in accordance when two French national champions EdF and GDF-Suez were merged. Besides the electricity sector, France is also protecting monopolies in the gas sector. The French public energy companies controlled by the state and anti-liberalization hinder the development of free internal European market, and consequently European energy policy development.

The energy efficiency depends also on the well-built energy infrastructure, which is an area for improvement in France. Not only insufficient infrastructure foundation but France was also not in favor of the cross-border cooperation, in the first place. Fortunately, there is a positive progress in this area nowadays.

Additionally, France inhibited the deregulation process when it acted against the free market. France still did not fully implement the Directive from the second internal energy market package in 2003 into French national legislation. The Third internal energy policy package was successfully transposed even though it was designed a few years later than the Second package.

In sum, France has few issues concerning the energy market. France's failures are in the liberalization process of the wholesale market, particularly, the country should enable alternative operators to access generation capacity. The country should decrease the level of TPA of operators' discrimination. In spite of these measures, there is still high concentration[11], which could be improved. Another hinder to development of the common energy policy are the regulatory interventions, limited interconnections with the neighboring countries, high degree of the gas concentration with limited competition. The last issue why the Commission blames France is the poorly developed energy infrastructure, not only within the country, but also with other countries in order to alleviate congestion (COM 2012: 90).

[11] The degree to which a small number of firms account for a large proportion of total production/supply. (COM 2007a: 2)

5 GERMANY IN THE DEVELOPMENT OF A COMMON EUROPEAN ENERGY POLICY

Germany is critical to the development of a common EU energy policy. Germany's energy consumption is the largest among the 27 Member States and approximates to 18 percent of total energy use in the EU. Germany is also a significant energy producer as it is second in coal production (after Poland) and second in nuclear energy generation (after France). The importance of Germany is not only in its resources, but also in the geographical location. Its central position explains the regional gas and electricity power distribution networks. Germany is as well as France often viewed as "the motor of European integration" and always belonged to one of the most consistent proponents of the integration process. Although, Germany was traditionally supportive and assistive towards the deeper integration, the recent developments in the energy sectors exhibited much more ambivalence (Duffield and Westphal 2011: 169).

The German energy sector has rapidly changed within a decade, which led to the change of priorities in the field what mirrors in the EU as a common space of internal market. Therefore, this chapter focuses on the role that Germany played in the construction of collective energy policy in the EU.

German energy mix in 2000s

Duffield and Westphal (2011) note that since the 2000s, Germany has almost completely changed its energy mix which was primarily set after the first oil shock in 1973. Before, during the 1970s, West Germany had very high share of oil in its primary energy consumption (PEC). The peak oil consumption was 57 percent and even later on, after unifying the country, the share of oil in energy was quite high – 40 percent. Virtually, every barrel of oil was imported and the most alarming fact was that one third of it was coming from Russia. As petroleum products and petroleum itself can be substituted quite easily from one supplier to another, it raised a concern in the country (2011: 170).

Another source of energy in Germany is coal. The coal consumption accounted just a quarter of German PEC and total of this share has not been in a process of a radical change since 1990s. Germany generated almost half of its electricity from lignite (brown coal). On the other hand, hard coal was used in the steel production. Germany did not have to rely on

the imports that much, because it had its own resources which sufficiently covered almost two thirds of German coal consumption, although domestic coal production was decreasing and many coal mines were closed, mainly in the East Germany (Duffield and Westphal 2011: 170).

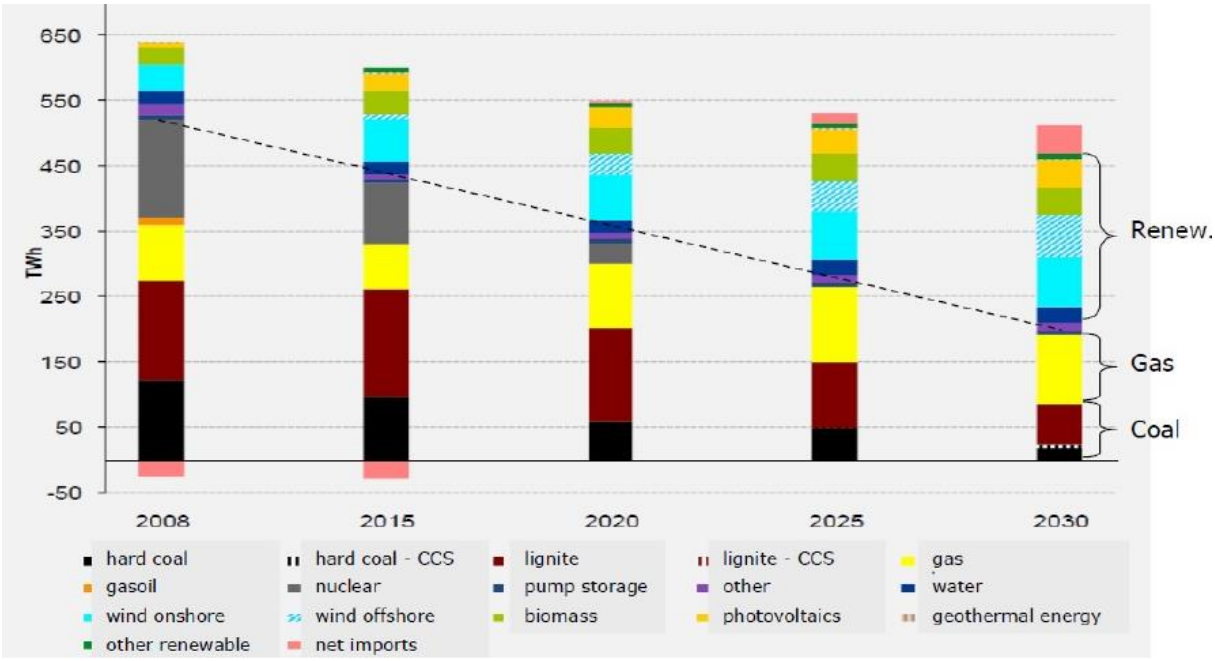
Another important source of energy is natural gas. Germany was not entirely dependent on the gas imports because its overall need (share in the energy mix) was 22 percent since 1990s and Germany could produce 20 percent from its domestic resources. But, the gas which was imported arrived via fixed countries only from 3 countries: Russia (45 percent in 2002), Norway (27 percent), and the Netherlands (22 percent). The main concern for Germany was that its supply could not be easily replaced in the case of disruption. At that time, very important share in the German energy mix had the nuclear power plants. They accounted for 30 percent of electricity production in 2000. Then, none of their 19 operating commercial nuclear reactors had come online since 1988. Former East German reactors had been a safety threat and therefore all of them were shut down (IEA 2002: 111).

In the 2000s, the renewable energies did not have a significant share in the energy mix as they accounted only for 3, 4 percent of PEC and 7, 3 percent of electric power generation. On the other hand, the contribution of the renewables started increasing rapidly. It was doubled since 1990 and in 2000; Germany was the leader in wind power production and had the highest installed solar electric capacity in Europe (IEA 2002: 91-92).

Following the nuclear catastrophe in Fukushima in 2011, the German parliament decided to phase-out nuclear power by 2022. This was not the first decision to abdicate from nuclear power, because the former Government already agreed on it in 2002. This decision has been changed in 2010, when the new conservative government claimed life-time extension of nuclear power up to 2038 in order to facilitate the energy transition. Although this decision was unilateral, it has a future impact on the EU as well, especially on the electricity prices and CO2 emissions/prices (Knopf et al. 2012: 1-3). Buchan (2012) calls Germany to be “rather cavalier about the consequences for its EU neighbors and partners”, because of accepting the unilateral decision (2012: 34). On the contrary, Germany might still need the help of its neighbors to keep the strategy of *Energiewende*. The strategy *Energiewende* as well as the plan of the future German energy mix is well pictured in the following figure. It shows the attempt of the German government the plan of partially replacing coal and gas energy with renewables. This figure shows the amount of consumption

and change of electrical energy measurement TWh (terawatt-hour) in a long term perspective, from 2008 to 2030 (Buchan 2012: 6-8).

Figure 2: Germany's changing electricity mix after nuclear phase out



Source: Buchan (2012: 8)

Oettinger, the current Commissioner for Energy from Germany expects that during the phase out of the nuclear energy, "… the German government will closely coordinate its actions with the European Union and its neighboring countries. It must not go it alone" (Spiegel, online).

German energy policy has been generally guided by three primary goals: economic efficiency (Wirtschaftelichkeit), with an emphasis on the affordable energy prices; environmental protection and sustainability (Umweltverträglichkeit); and security of supply (Versorgungssicherheit). Duffield and Westphal (2011) note that perhaps the most persistent goal of postwar German energy policy was economic efficiency. Germany did not have particular difficulties to achieve it during 1980s and 1990s as energy/oil prices were low. It became more difficult with the increasing energy prices in the late 1990s and 2000s. However, the increased attention of the public went to the climate change after the UN published the report in 2007 which became the main agenda of German energy policy in recent years (2011: 171-172).

As a result, the government has adopted a series of ambitious goals and programs to cut CO2 emissions by 25 percent over the period 1995-2005, and even more greenhouse

emissions reduction by 21 percent was agreed at the end of 1990s within the Kyoto Protocol. (IEA 2002: 38) In 2000, the Government adopted a comprehensive National Climate Protection Program, and the Integrated Energy and Climate Program approved by the government in 2007 was largely, if not entirely, focused on the addressing the climate change problem (Duffield 2010: 4287).

In 2000, Germany was increasingly relying on the energy imports that already reached 60 percent of total consumption. The officials underlined the high reliability of their oil and gas supplying countries, mainly Russia. Apart from that, Germany possessed large petroleum stockpiles and gas storage facilities that it could rely on during the emergency situations. In this manner, energy security did not achieve such an importance as a policy issue until the beginning of 2006 due to the gas disruption between Russia and Ukraine (Duffield and Westphal 2011: 172).

Buchan (2012) explains the situation within German decentralized energy system. There is a significant grow in decentralization of ownership and operation. As Buchan argues, this phenomenon disturbs the implementation of the *Energiewende* transition. Administration on the federal level is divided between the ministers of economics and of environment, but the bottom-up actions of municipal energy companies and cooperatives of citizens have a lot in common with the goals of the federal government. This way of policy coordinating represents the MLG approach (2012: 9). Buchan continues that there is a constant tension between these two ministries, because they are "ruled" by different political parties and have different priorities. In the end, there might be more regulation needed in order to save energy which is also called "sweet poison" of renewable subsidies (2012: 34).

Germany Supporting the Development of a Common European Energy Policy

Germany is the second largest European natural gas market, after the UK. Only these two European countries have fully liberalized their gas markets (IEA 2002: 9).

Harmonization of national law after the introduction of the legal unbundling and network distribution operators in the Energy Directives with the deadline of 1 July 2007 was in the end also successful in Germany. The regulatory agencies of the federal state (BNetzA) and Länder responsible for the ex-ante regulation of network access had only then become operational. Moreover, German implementation normally takes longer time looking at the vast number of German electricity and gas networks to be regulated. Nevertheless, there was a

significant progress in charges both for electricity and gas during a short time (Pielow at al. 2009: 103).

Early in the 2000s, the government rapidly implemented EU directives on energy labeling of appliances and the energy performance of buildings, and it set a financial support for energy renovations of the buildings so that it would improve energy efficiency and reduce CO2 emissions. Another attempt to promote renewable energy sources was when Germany adopted Renewable Energy Act in 2000 which added the renewable sources such as landfill gas and geothermal energy. This act even extended the promotion of renewable electricity sources written in the Electricity Feed Law in 1991 so that the companies have to buy electricity power from solar energy, biomass, hydropower, wind (IEA 2002: 93-94).

These initiatives resulted in the great output – an annual rate of 12 percent between 2000 -2006 (IEA 2007: 65). The fast progress in achieving the initial goals to generate 12.5 percent of its electricity and 4.2 percent of total energy consumption from the renewable energy encouraged the grand coalition to increase its ambitions. Germany's target to introduce biofuel obligation till 6.75 percent of the fuel supply in 2010 even exceeded the corresponding EU target of 5.57 percent (IEA 2007: 72).

However, while Germany was taking care of energy efficiency and renewables, a recent German energy policy has been less consistent in other areas. One has been the problem of energy market issue (Duffield and Westphal 2011: 173). Additionally, Buchan argues that possible contradiction between competition and security of supply can be clarified because of the effort from bigger Member States: France and Germany are heavy oil and gas importers and a need to hold back the big national companies. Buchan sees certain logic in deliberately creating national champions in the energy sector, if the country attempts to offset the market power of non-domestic supplier. Nevertheless, such a strategy can distort the formation of a coherent internal energy market. Consequently, such national champions cultivate a strong affinity with non-EU national champions (Gazprom) in opposing structural reform inside the EU what prevents smaller states from building up national campaigners of any external consequences (Buchan 2009: 16-17).

The government also had political and social reasons to keep the subsidies for hard coal production, in spite of an agreement in 2007 to phase them out over the following decade. The government also decided to phase out all nuclear power plants by limiting their effective lifetimes, grounded in a 2002 law. Moreover, no other power plants were allowed to be constructed and the last operating one would be terminated around 2022. On the contrary,

the 2009 elections created a new opportunity to revisit the phase-out what led to a contemporary extension of the remaining 17 power plants for 12 years on average (Duffield and Westphal 2011:174).

Privatization and liberalization of gas market started already in the 1990s. It gave the national monopolies and suppliers some new possibilities. The companies could enter the markets of other countries as well as the other companies could enter their market. Thus, companies were trying hard to keep the dominant position and extend their field of activities to other countries. Grätz argues that that was the reason why the Member States decided to foster the agenda of "national champions" along with substantial vertical and horizontal integration (2011: 69).

The companies argued that their power in the area was necessary in order to counterbalance the external suppliers. The strategy of Germany was to integrate Russian and "German-cum-European" capital which would after all impose peace, political rapprochement and integration (Whist 2009: 179).

Bhadrakumar observed that "Germany has asserted that it deserves the right to work out its long-term energy security with Russia on bilateral, mutually beneficial, pragmatic footing-and that it brooks no outside or third-party intervention." The bilateral agreement between Germany and Russia is called Nord Stream (cited in Duffield and Westphal 2011: 175).

Grätz (2011) concludes that Nord Stream is a good example on how the national strategies are undermining other Member States effort to achieve the same thing. Yet, one cannot forget that transit avoidance is more costly than onshore pipelines. Moreover, the project does not include several Member States that could profit from more supplies and does not fully follow European competition regulators (2011: 71).

In 2007, Germany held presidency of the EU and its special focus was on energy policy. These recent applications in the area have had a mixed implication for the formation of a common EU energy policy. In general, one could argue that Germany has been at best ambivalent about developments at the EU level. Germany did make an energy policy a priority to some degree, especially fighting against climate change or energy security. Germany set also these goals during its presidency: boosting energy efficiency; foster the use of renewable energies; finishing the internal markets for gas and electricity; and making the EU more noticeable as an international player and putting its corporation with key producer, transit and consumer countries on a compact and consistent pillar (Duffield and Westphal 2011: 175-6). However, Germany has demonstrated opposition towards a collective EU

energy policy. Despite Germany's political rhetoric during their presidency, they maintain the same stance toward integrative energy policy as they held one decade ago. In fact, Germany preferred to retain independence in the search of supply security (Duffield and Westphal 2011: 176).

In 2000, there was a proposal to establish European constitution. In the end, the idea to form European constitution was discarded by a majority of the Member States. Yet, Germany was trying to keep its autonomy in the energy sector that it even refused to include a chapter about energy, when "ill-fated project" was still being analyzed (Müller 2005: 178). Later on, the chapter on energy was included in the Lisbon Treaty, but Germany remained reluctant to enhanced energy cooperation and claimed that each member state should stay free to determine its own energy mix. This position became more rigid following the arrangement to phase out nuclear power plants (Duffield and Westphal 2011: 176).

Germany's Resistance towards the Development of a Common European Energy Policy

Germany had an ambivalent attitude toward the EU's project to create a unique energy market. The German government supported this goal during its presidency, as it is already described above, when it was its highest priority. In essence, Germany put a certain resistance to the proposals from Brussels, for example TPA concept to the electricity grids. Germany decided to set energy rules through private negotiation rather than public law (what was the case of the most of Member States). Also, Germany was the last country to set up an energy regulator in 2005. The result was the effective closing of the German market to the foreign suppliers who could not negotiate their way in (Buchan 2009: 21-22).

Again in the 2000s, the Commission proposed second package of internal market directives, which Germany unsuccessfully opposed the organizational separation of energy companies' transmission activities from their generation and supply activities (Eikeland 2011: 20-21). The government has tried to limit this influence through legal unbundling of network assets from the competitive parts of business. This is the weakest means of complying with the terms of the EU's energy directives (IEA 2007: 10).

The Commission decided to develop a third energy package in the late 2000s when there were further delays in the establishment of open energy markets. Germany once again, diluted the provisions to the greatest extent possible. This time the Commission asked for full ownership unbundling as a way to suppress the powerful, vertically integrated gas and

electricity companies in the member state as Germany and France. The German and French governments expressed a strong disagreement with this proposal, because there is a domination of just one or small number of gas and electricity market. Consequently, the Commission had to make use of independent system operators (ISO). ISO manage and operate "transmission system assets without influence from transmission owners", but do not own the assets themselves (IEA 2007: 38). Even this compromise was not sufficient for Germany and other states. They insisted on the additional option in the third package which was an independent system transmission operator (ITO) in order to limit the barriers between the network owners and operators (Buchan 2009: 72).

Germany criticized the Commissions' proposal of the Third Package and the "ownership" unbundling in 2008, as it would force its vertically integrated companies to sell off their transportation networks. Secondly, the cooperation with Russia would be more difficult. Russia would not control the transmission networks within the EU anymore. This argument is valid for Germany as well as for France (van Hoorn 2009: 57-59).

So called "reciprocity clause" was another aspect of the original Commission's proposal which Germany did not accept. This clause was a safeguard towards the first problem of increased domination by a consolidated supplier, but the clause was met with a fierce resistance led by Germany, where Gazprom already held significant infrastructure commodities (Grätz 2011: 76-77). This provision would have prevented third country's companies from controlling gas and electricity networks unless a TPA to the transmission assets in the potential investor's home country had been agreed. As this requirement was primarily seen to be aimed at Russia, it started to be informally called the "Gazprom clause" (Duffield and Westphal 2011: 179).

Youngs (2011) argues the standpoint of Russia to reciprocity clause. Russia had made the fair point that the clause would have imposed a degree of liberalization and market discipline on Russian suppliers to which the EU did not want to subject its own energy companies. Russia argued that this clause was not legally compatible with EU-Russia partnership and non-discrimination agreement. Vladimir Putin even threatened to let Nord Stream go. His condition was that the EU had to guarantee a high demand of energy supply for following years. The EU refrained from the argument that the best protection against a dominant position of Gazprom in the internal market is full unbundling and liberalization (2011:50).

Now, non-European investors face the same restrictions on vertical integration as domestic

companies. That is why since 2011, Gazprom has to prove its conformity with the unbundling regulations to the national regulator (van Hoorn 2009: 58).

As already mentioned, this last part of German policy towards the liberalization of the EU energy market is connected with the external relations in the late 1990s and 2000s: "The government's effort to help German energy companies become internationally competitive and expand their activities abroad … had negative implications for the EU's attempts promoting multilateral governance and common institutions in relations with Russia" (Duffield and Westphal 2011:179).

In sum, the improvement of external relationships was a priority of German's EU presidency in 2007. "To the contrary, Germany never relinquished its prerogatives to act unilaterally in this area." (Duffield and Westphal 2011:180)

A number of states like Germany for example, rejected even the notion of transparency and the idea to share information between EU states on the bilateral deals each established. Alternatively said, the other Member States just followed German example (Youngs 2009: 39).

The Energy Strategy of Russia from 2003, which was declared by the Government of Russian Federation, highlighted the use of great energy resources and a mean to carry out internal and external energy policies. Russia has exploited the separation between the Member States as individual entities and the EU (Maltby 2013: 440). The most important and controversial bilateral agreement was the one signed between German and Russian companies to build a new gas pipeline called Nord Stream during the term of Chancellor Gerhard Schröder. The construction underneath the North Sea connects Germany directly to Russian gas (Duffield 2009: 4258). This bilateral treaty undermined the development of a common EU external security policy (Maltby 2013: 440).

In sum, Germany's decision to phase out the nuclear plants and increase the renewable energy sources set the barriers for the neighboring markets' integration. Therefore, Germany should improve its transparency provisions and similarly to France, ameliorate the cross-border exchange. Furthermore, Germany undermined the development of the common energy policy also with other obstacles: the lack of infrastructure, preventing cross-border trade and limiting north-south gas flows (COM 2012: 70).

Future Challenges of the German Energy Sector

Jan Keil (2012) compares the energy policy orientation just before Fukushima catastrophe in 2011 and after. Just one year before the accident, Germany wanted to extend the operation period of German nuclear power plants. However, the plan has changed and Germany "committed to the most radical and ambitious electric energy plan of any major industrial country" The decision was to free the country from the nuclear energy by 2022 (2012: 1).

Buchan argues that Germany has chosen a more challenging energy policy than it can accomplish. The plan is to "move away from fossil fuels and simultaneously to abandon nuclear power, while remaining and growing as a major industrial economy" (2012: 1-2). Federal Ministry for Environment, Nature conservation and Nuclear Safety states: "Our country is a pioneer on the path towards the energy supply of the future" (cited in Buchan: 2012:3). The neighboring countries did not show a lot of comprehension when Germany decided to phase out its power plants, especially France, Poland and Czech Republic. These countries were expecting greater import of power to Germany at first place. Nevertheless, this has been changed and that is why not only these countries are concerned with an accumulation of German political agitation against reactors in its neighboring countries in the long term, specifically after 2022 final plant closure (Buchan 2012: 4-5).

Buchan's vision of the European future complements with German long term perspective. He says "[Germany] is a large microcosm of the European Union, and all the issues tackled in the *Energiewende*[12] are those that its EU partners will, sooner or later, have to tackle. Hence Europe's wider interest is that its pioneering member state finds an effective and affordable energy path for others to follow" (2012: 5). Regarding more specific aspects of EU energy policy, Germany has resisted many of the Commissions' initiatives for liberalizing the market of electricity and gas. "…, the external aspects of German energy policy have often had the effect, whether intentionally or not, of making it difficult for the EU to speak with one voice on energy issues" (Duffield and Westphal 2011: 176).

To conclude German responsibility for insufficient development of a collective energy policy, one has to bear in mind that though Germany is called "a motor" of the European

[12] This term means the transformation of the electricity industry from coal and nuclear power to clean and renewable sources of energy. (Keil 2012: 2)

integration, it showed a certain resistance to integrate. German unilateral decision to phase out the nuclear reactors because of the security threats negatively influenced the electricity prices and costs of CO2 emissions which proves that the markets are closely related. Germany affected the energy market indicating the will of the Member States to cooperate and act in accordance.

Germany supported unbundling and network distribution, however; used the concept of multilevel governance as an apology of German delay of legal implementation. Apart from that, Germany also supported the Directives about renewable energy sources and even more, decided to introduce even more strict measurements as the EU required.

It seems that Germany was not in favor of the EU competition regulation and energy supply. Despite early privatization and liberalization of the German market, which gave freedom to the non-German companies to enter the market, the domestic companies were trying hard to maintain their position and Germany was backing up its national champions. This action threatened the coherence of the Single market. Furthermore, German government signed a bilateral agreement with a non-EU company, Gazprom, which was not correct behavior towards smaller states, which are also part of the common EU trade zone. The agreement between Russia and Germany undermined both external energy relations and freedom of the European single market. Surprisingly, Germany was trying to prevent Russia from strengthening its already significant position in the German energy market which resulted in the closure of the market before third parties. Again, this action did not correspond with the Commission's proposal of TPA and was discrimination not only against Russian company but also against other European companies, which meant against the freedom of the Single market.

Other resistance against the EU was the German claim to keep the freedom to determine each country's energy mix, however; phasing out of the nuclear energy made Germany more dependent on the electricity from the other EU countries.

To summarize, Germany has shown a dispute between rhetoric and actions. The German presidency of the EU stated something else as it was actually performing. Especially, the goals to make the EU as an international player and did not meet the expectations when the pipeline Nord Stream bypasses other EU countries. Moreover, Germany did not arrange a sufficient cross-border cooperation which shows a lack of solidarity with the other countries and does not help the EU to terminate the final construction of collective energy market.

CONCLUSION

The goal of this thesis was to investigate: "To what extent could be argued that France and Germany could be held accountable for shortcomings associated with the development of a common energy policy in the European Union."

The thesis has focused on the obstacles of the development in the areas of the internal market and external energy relations respecting the fragmented character of the EU energy sector. After that, the paper proceeds to the analysis of the Member States France and Germany and their respective in formation of a collective energy policy in the EU.

This paper has shown, among other things, that France and Germany had similar attitudes in the energy sphere of the Single market. Specifically, France and Germany failed in preparing the competition measurements which led to the failure in the regulatory schemes. Both, France and Germany, have used economic reasoning in terms of pro-market attitude showing their less willing approach to liberalization processes. Instead, they preferred to strengthen their "national energy champions".

Furthermore, the shortcomings in the integration of the internal market occurred with asymmetrical implementation of the ownership unbundling directive in Germany, France and other EU Members because of different market conditions of the individual Member States as well as the prioritizing of national over European interests.

Employing a premise that the internal market of the European Union is convergent in the external dimension of energy security policy, practical outcome played by the Member States' pursuit of energy security made a different story. Some Member States did not even conform to principles of transparency and information sharing with other members.

Comparing the external dimension of France and Germany, one can assume that France's external dependency is not very high, weakening its commitments to the unity of external policy. Germany was undermining the common energy development more through bilateral relations with Russia.

Summarizing the case of France one could assume that France was a supporter of a European integration, especially orally. Therefore, when it comes to the energy sector, French actions are surprisingly not corresponding. Despite, France is an energy sufficient country, it does not support other countries in a desired way because of not developed energy transport

routes. Moreover, French high degree of energy independence did not motivate the country to help the EU to speak with one voice in the external energy dimension. France inhibited the development of a collective energy policy in the area of the Single market. The country followed rather a protective approach in its internal market because of the refusal to unbundle the energy sector and the unfinished implementation of the Second package legislation. Moreover, French government did not respect the European rules for competition by merging two electricity companies (EdF and GDF Suez) into a domestic monopoly and maintaining this position. On the other hand, France fully respects the curb of the CO2 emissions and development of the renewable energy sources.

Germany, in general, played the role of a more consistent champion of EU integration. Yet, speaking of energy policy, the German case shows a significant ambivalence. On one hand, Germany tended to back up the policy initiatives in climate change, renewables, and energy conservation. On the other hand, it has opposed many others, such as the creation of a common external energy policy and the liberalization of the gas and electricity markets. German energy policy has been substantially determined by the preferences of national energy companies dominating the market and by an engagement with Russian suppliers. Surprisingly, German rhetoric was supportive of energy market's integration and a common external energy policy, but the country's unwilling attitude was proved by its actions.

Based on the evidence, this paper shows that German and French attitudes can be held accountable for the shortcomings associated with the development of a comprehensive common EU energy policy. The extent of their influence was rather small considering the complexity of the issue that the EU had to deal with during the process of integration in the energy sector. Additionally, apart from the Member States' influence on the fully integrated EU energy policy, there have also been other factors which played certain roles in the process but due to their large thematic dimensions and time restrictions were not covered in the paper.

The integration process is not terminated yet and there is a necessity for additional integration in external relations as well as in the integration of the internal market in order to reach the future goals of the European Union.

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