

# Chapter I

## Introduction

### a. Background

Natural gas is a significant resource in contemporary society. Europe's developed nations devote the majority of their resources to addressing their requirements and to advancing industrial technologies. Gas-type fuels have consumption restrictions since they are scarce and cannot be replicated or refilled. Since the beginning of the industrial revolution, oil extraction has accelerated significantly. All industrial innovations and advancements need a substantial number of resources, hence non-renewable natural gas continues to be used extensively. After it became apparent that non-renewable resources were dwindling, several scientists made the decision to begin rerouting them to renewable energy sources. Fossil fuels, which account for 24 percent of Europe's energy consumption, are at the heart of this conundrum. Transporting gas is costly, hence pipelines are the most used method of transportation. Large investments are undertaken with a long-term, perhaps decades-long, perspective, and the expenditures are covered by contracts with lengthy terms. Europe's existing investment infrastructure is still impacted by the continent's past reliance on imports from Russia and North Africa. Russia is a very significant trade partner for the European Union, particularly in the energy supply sector, where 63% of the total value of EU imports in 2010 came from Russia.

Ukraine serves as the gateway for Russia's trade contacts with Europe. Russia's natural gas reserves are located in reservoirs in the Siberian region, where it is extracted from mines and transported to various European countries through gas pipelines traversing via eastern European states and subsea gas pipes flowing under the Baltic Sea. Gazprom is the state-owned Russian gas company that supplies and processes 69 percent of Europe's natural gas imports. Gas exports from Russia are performed through pipelines with a total length of up to 172,000 kilometers. Europe is Russia's most significant market since 67 percent of Russia's tax revenue is obtained from gas exports. In 2013, more than fifty percent of Russia's exports went to the EU, while almost fifty percent of Russia's imports originated in the EU. As a transit country, Ukraine is responsible for transporting Russian gas to Europe each year. Cooperation on gas pipelines with Ukraine is Russia's principal entry route into Europe. However, the relationship between the two countries is not always mutually beneficial.

On November 21, 2013, the Ukraine crisis began to strain the Russian and European partnership. The Ukrainian government abandoned its agreement with the European Union in favor of a closer partnership with Russia, according to President Viktor Yanukovich. Protesters took to the streets during the crisis, which peaked in 2014. Large demonstrations were held in Ukraine against former Ukrainian President Victor Yanukovich, who had canceled his cooperative partnership with the European Union. Victor Yanukovich was ousted by anti-Russian protesters, causing him to flee and seek refuge in Russia. To prevent a power struggle, Ukraine held elections to replace the previous president, and Petro Poroshenko was elected. Ukraine's new president, Petro Poroshenko, was more interested in forging ties with the European Union than with Russia. This prompted Russia, under the leadership of President Vladimir Putin, to send military troops to the Russian-Ukrainian border of the Crimean

Peninsula and join them with pro-Russian militias. The conflict on the Crimean Peninsula disrupted Russia's natural gas exports to Europe. If Russia is able to dominate the Ukrainian government, Russian gas energy companies will reap huge profits. The European Union did not approve of Russia's participation in the Ukrainian situation and banned Russian exports to its member countries, as well as omitted Russia from the Group of Eight (G8) developed nations.

The Crimean crisis ended on March 16, 2014, when the Crimean parliament held a referendum. Crimea voted to secede from Ukraine and join Russia, as the results of the referendum showed. The European Union and other gas-consuming countries were targeted by Russia's energy security plan. It is believed that the conflict prevented the expansion of Russian gas pipelines into Ukrainian territory. Most of the Russian gas market is dominated by state-owned energy companies. Russia's status as a supplier of natural gas to the European Union was hampered by the conflict between Russia and Ukraine.



Map of Russian gas pipelines to a number of European countries

This scenario escalates the threat to the natural gas supply in Europe. More than one-third of the continent's gas is supplied by Russia, and around one-third of this gas goes via Ukraine. Due to the lack of accessible sources, the supply of Russian gasoline has been curtailed since the second half of 2021, resulting in record-high prices.

In Amsterdam, Dutch gas futures traded 53% higher at 135.725 euros per megawatt-hour. Coal prices in Europe jumped by as much as 23%, while oil prices reached \$105 a barrel for the first time since 2014. This condition pushed the European Union to investigate alternative energy sources to replace natural gas as an emergency solution.

In addition to the crises in Russia and Ukraine, climate change is a major driver of the European gas crisis strategy. Small-scale climate change is a result of the use of natural gas in industrial operations that depend on natural gas, as well as the massive

use of natural gas.

### **b. Research Question**

Based on the description and explanation of the context, the main research question can be formulated: "How European Countries manage the natural gas crisis?"

### **c. Theoretical Framework**

In this paper, the writer requires a framework of thinking to make it simpler to convey the research analysis of the examples to be presented so that the writing stays consistent. In this paper, the writer employs:

#### 1. Neoliberal Institutionalism

The neoliberal institutionalism flow is distinctive in that it attempts to bridge the gap between neoliberalism and liberalism. Robert Keohane outlines in his book "After Hegemony" the dilemma of neorealists who recognize that collaboration is impossible under an anarchy. Institutionalists do not contradict the neorealist premise that the international system is anarchy. Furthermore, they did not dispute that collaboration is difficult to achieve since every nation is filled with skepticism. However, institutionalists are more hopeful since collaboration may be achieved even under anarchic circumstances. A significant term, international regime is described as a system of principles, rules, conventions, and decision-making processes upon which the expectations of players are based.

Institutions may include official institutions such as international organizations and formal or informal laws, agreements between nations, and other loosely enforceable arrangements. The purpose of institutions is to disseminate knowledge in order for actors to be familiar with one another. Neoliberal institutionalism attempts to remove the potential of conflict by employing institutions and the state as its primary instruments and actors, respectively. Norms and conventions that define roles, conduct, and expectations are often used to describe institutions. Young (2011) asserts that the efficiency of an international system is determined by the degree to which a cooperative objective is attained. This objective has two types of outcomes (output): and (outcome). The outcomes of a cooperative effort are the results that are produced.

The existence of international organizations may also aid nations undergoing hardships, suffering, crises, or natural catastrophes. The significant expense required is one of the reasons why the state cannot assist. Neoliberals are thus here to give a solution, particularly through fostering collaboration. Citing Keohane and Nye (1977), the anticipated cooperation is a totally interdependent international scenario (complex interdependence) in which all players, state and non-state, are interconnected so that the policies and acts of one actor will have an effect on other actors. Keohane (1982) also demonstrates that in order for actors to cooperate together, they must collectively address all existing obstacles, and by working together, each actor must be able to avoid traps that endanger the stability of cooperation. In this situation, it is crucial that organizations and other institutional forms be able to control and reduce alliance acts

that jeopardize the stability of current collaboration.

This institutional liberalism appears in international organizations founded on liberal principles, especially collaboration, such as the United Nations, the European Union, and the World Trade Organization. The strongest liberal institutional focus on collaboration is seen in international law and international organizations' forms and processes. Keohane observed that after World War I, interactions evolved into collaboration, leading to the emergence of dependency. Thus, Keohane concludes that ties between Western nations are marked by complex interdependence, in the sense that they have begun to work together to solve hitherto under-discussed international topics, such as environmental challenges. Interdependence will lead to the formation of international institutions or multinational organizations to address global challenges. This institution will promote international collaboration.

Keohane classifies institutions into two categories: official institutions and informal institutions. Formal institutions are those created by nations such as the United Nations, the World Trade Organization, and the European Union. This group will monitor operations and give answers or establish regulations about a problem that member nations confront. States employ regimes to address challenges in international relations. In addition to discussing regimes, there are also informal agreements between nations with more implicit regulations and a knowledge of the parties' expectations. Liberal institutions assert that institutions may create laws and regulations that advance environmental protection, human rights, and economic growth.

This study is relevant to neoliberal institutional theory since it will explain European non-state actors, including the European Union as an institution that aids afflicted nations. The European Union, which administers international rules and regulations, is involved in the emergency strategy adopted by European nations in response to this crisis. The European Union is an international organization that facilitates decision-making by providing a forum for collaboration among European nations during times of crisis.

## 2. Crisis Management Theory

The notion of crisis management may be applied to almost any sector, although it is most prevalent in international relations, politics, business, and management. Many businesses now have guides for crisis preparedness and crisis management. This is crucial for identifying potential emergencies, such as fires, natural catastrophes, bomb threats, acts of violence, and potential loss of life due to product faults. Crisis management may also refer to management whose responses span from crisis management to corporate image rehabilitation. According to Fearn Banks, a crisis is a serious incident having negative repercussions that may affect an organization, corporation, or industry, or the general public, its goods, or its reputation. Typically, crises disturb routine transactions and sometimes endanger the existence or survival of institutions. When all managers participate in crisis management, it is simpler to avoid, control, and manage crises.

The main tenets of crisis management theory include how to handle crises (also known as seizure), how to make choices during crises, and how to monitor crisis developments. Destruction may occur in four phases and in a short period of time, but it can also occur as a continuous and protracted catastrophe.

According to Devlin, the efforts of actors to overcome crises are referred to as crisis management. "Crisis management consists of particular activities performed to alleviate difficulties produced by crises," he says. systematically) and via a sequence of actions. In the early phases, the company must restrict the issue area or crisis in order to reduce its negative influence. The objective of crisis management is to mitigate the negative effects of an occurrence via the development and use of different strategies and methods.

There are several ways used to resolve seizures as follows forecasting is performed on the pre-crisis scenario by detecting and analyzing emerging possibilities and dangers. Prevention is taken out in pre-crisis scenarios in an attempt to avert the actual occurrence of the crisis. This strategy entails searching for symptoms of a crisis and then executing the liquidation phase. Intervention in a crisis works to terminate the situation. Identification, isolation/exclusion, restriction, suppression/reduction, and recovery/restoration are the first steps of damage control.

Based on the explanation above, this theory is relevant for this study because European countries carried out preventive actions and emergency policies by forecasting, prevention, and intervention the natural gas crisis. The steps taken by European countries include seeking renewable resources to reduce dependence on Russian natural gas and implementing emergency policies to conserve natural gas.

#### **d. Hypothesis**

European countries manage the natural gas crisis through:

1. Renewable Energy Directive Policies
2. Utilizing another of alternative energy
3. Lowering reliance on natural gas

#### **e. Research Objectives**

What the author wants to achieve in this thesis is an outline of the history of European and Russian natural gas development and cooperation. Describes the European Union and European countries addressing the problem of the natural gas crisis in accordance with the Renewable Energy Directive Policy. In connection with the Russia-Ukraine conflict and climate changes, it provides an overview of alternative energy and reduced natural gas resistance to Russia used by European countries to overcome these problems.

#### **f. Research Limitations**

This research will discuss the events during the 2013–2020 period based on the case of the European natural gas crisis.

#### **g. Research Methodology**

The approach that the writer will use to conduct this study is a qualitative method in which the writer conducts research that focuses on facts and reality as well as analyzed data. The writer gathered his data from reliable sources and secondary data, such as books, periodicals, journals, newspapers, and other primary materials. Aside from that, it also comes from online media such as official sites, news sites, and other source sites associated with the study item and may assist the writer throughout the research process.

#### **h. Writing System**

In order to get regular and systematic research results in its completion, the writer will divide this paper into 4 chapters as follows:

- a. Chapter 1, in this chapter the writer provides an explanation of the background of the problem, the formulation of the problem, the theoretical framework used, hypotheses, research objectives, research limitations, research methodology and ends with the writing system.
- b. Chapter 2, in this chapter the writer discusses the historical context of the European natural gas problem and the public's support for the renewable energy movement.
- c. Chapter 3, in this chapter the writer explains the Renewable Energy Directive policy in dealing with European countries during the natural gas crisis and renewable energy systems in European countries such as Germany, the Netherlands, Denmark and Efforts to minimize natural gas dependency in the face of a natural gas crisis.
- d. Chapter 4, In this chapter the writer makes a conclusion from the explanation that has been explained in the previous chapter.