

Pipe Dreams

Explaining the energy security policies of Poland, 1990-2007

Peter Zeniewski
Somerville College

Thesis submitted for the degree of Doctor of Philosophy, International Relations
Department of Politics and International Relations, University of Oxford
word count: 91,300

Hilary Term, 2011

To my family, for all the love and support

Pipe Dreams; explaining the energy security policies of Poland, 1990-2007

Peter Zeniewski
Somerville College, University of Oxford
D.Phil International Relations
Hilary term, 2011

Abstract

This thesis seeks to explain Poland's energy security policies towards Russia in the period from 1990-2007. It is inspired by the puzzle that Poland's commitments to reduce its dependence on imported oil and gas from Russia have varied considerably during this period. Numerous large-scale projects to enhance energy security have been proposed, abandoned and revisited, all in the absence of a significant change to Poland's level of dependence on Russia or its exposure to supply risks. This puzzle poses a challenge to conventional approaches to energy security, which tend to explain policies as a function of 'material' shifts in the price, supply or demand for fossil fuels. Though these factors are undoubtedly important it is argued that, in the case of Poland, energy security is more affected by domestic decision-making processes than by such material shifts. In particular, the degree and form of intervention in the energy sector by the political executive in Poland is highlighted as a key factor explaining energy security policy output. These interventions in Poland are classified and distinguished according to three types of 'policy network' – statist, corporatist and liberal, each of which represented a different outlook on the optimal means for ensuring energy security. These policy networks were embedded within different governments, and their preferences fashioned Poland's responses to energy security challenges occurring under similar material conditions.

ACKNOWLEDGEMENTS

PhD research is often associated with late and lonesome hours spent in dark and empty libraries. Fortunately, these occasions have been made bearable by the humbling support of family, friends and colleagues.

At a professional level, I am thankful to my supervisor, Dr. Alex Pravda, for bearing the burden of my frequent indecision with patience, professionalism and much-needed practical advice. Words can barely express my gratitude to Margaret Zeniewski-Scibor, for fulfilling the role of mother, academic mentor, and research assistant. She has pored over every written word with immeasurable perseverance and enthusiasm, inspiring me to do the same.

Others who have commented directly on the work deserve special mention, namely Gwen Sasse, Piotr Naimski, Alisha Siebold, Kalypso Nicolaidis, Krzysztof Bobinski and Jan Zielonka. I am also grateful to all interviewees in Poland that have taken the time to make sense of my questions to them.

Somerville College, besides having the best MCR in Oxford, is a wonderful place to be a student. I am thankful to all academic staff, particularly Lois McNay, Jennifer Welsh, and Christina Schneider. I am equally grateful to administrative staff in Oxford and beyond, especially Marga Lyall, Morag McCormick-Power, Pat Boreham, the administrators at the Centre for East European Language-based Area Studies (CEELBAS), secretaries at the Polish Ministry of Economy, the Sejm and at PGNiG. For Polish language tuition, I thank Daniel Kurowski, Gosha Daroch and Aneta Jurska. For helpful suggestions and lively conversations, I thank my colleagues and friends (in no particular order) Alessandro Iandolo, Nicolas Lees, Cetta Mainwaring, Janina Dill, Robin Markwica, Nina Silove, Clara Weinhardt, Stefan Szwed, and Damien Storey. For all the parties, drinks and laughs entirely unrelated to Polish energy policy, I'd like to thank all of my Oxford friends – in particular Johanna Gaiottino, Edouard Dequeker, Ben Sparks, Issy Gammer, Ian Robertson, Pete Walker, Matt Varughese, Sam Whitehead, Franki Harrington, Emily Paulin, Leonhard Huebner, Alisha, Hugh Wolgamot, Martin Gould, Zoe Sullivan, Hannah Field, Ginny Dillon, Harjit Bhogal and the band. I also thank my 'old' friends, too numerous to name but in particular Ollie Pressey and Tom Woerndl, for keeping things in perspective. I also thank friends and colleagues at the Joint Research Centre Institute for Energy, in particular Arne Eriksson for all his support during the last months of writing up, and beyond.

Finally, this thesis would not have been written without the generous financial support of CEELBAS, the Economic and Social Research Council, and the Department of Politics and International Relations at the University of Oxford

...and all the others who have helped along the way.

Peter Zeniewski April, 2011

Abbreviations

AWS	Akcja Wyborcza Solidarność (Solidarity Electoral Action)
bcm	billion cubic metres
BOT	Grupa elektrownie: Bełchatów, Opole, Turów (Electricity Group BOT)
Ciech	Centrala Importowo-Eksportowa Chemikaliów (Central Import-Export Chemical Group)
CIS	Commonwealth of Independent States
CPN	Centrala Produktów Naftowych (Central Petroleum Products)
DG-TREN	Directoire Générale for Energy and Transport
EU	European Union
KERM	Komitet Ekonomiczny Rady Ministrów (Economic Committee of the Council of Ministers)
KLD	Kongres Liberalno-Demokratyczny (Liberal Democratic Congress)
koe	kilogram oil equivalent
LPR	Liga Polskich Rodzin (League of Polish Families)
MOL	Magyar Olaj és Gázipari Részvénytársaság (Hungarian Oil and Gas Company)
mtoe	million tonnes equivalent
NATO	North Atlantic Treaty Organization
OECD	Organisation for Economic and Cooperation and Development
OMV	Österreichische Mineralöl Verwaltung (Austrian Oil Administration)
OPEC	Organisation of Petroleum Exporting Countries
PERN	Przedsiębiorstwo Eksploatacji Rurociągów Naftowych (Oil Pipeline Operation Company)
PGE	Polska Grupa Energetyczna (Polish Energy Group)
PGNiG	Polskie Górnictwo Naftowe i Gazownictwo (Polish Oil and Gas Company)
PiS	Prawo i Sprawiedliwość (Law and Justice)
PKE	Południowy Koncern Energetyczny (Southern Energy Concern)
PO	Platforma Obywatelska (Civic Platform)
PSE	Polskich Sieci Elektroenergetycznych (Polish Power Grid)
PSL	Polskie Stronnictwo Ludowe (Polish Peasant Party)
PZPR	Polska Zjednoczona Partia Robotnicza (Polish United Worker's Party)
RG	Rafiniera Gdanska (Gdansk Refinery)
SdRP	Socjaldemokracja Rzeczypospolitej Polskiej (Social Democratic Party of Poland)
SLD	Sojusz Lewicy Demokratycznej (Democratic Left Alliance)
UD	Unia Demokratyczna (Democratic Union)
URE	Urząd Regulacji Energetyki (Energy Regulatory Office)
UW	Unia Wolnośći (Freedom Union)

Introduction 1
Explaining Energy Security Policy in Poland

1.1 Different approaches to explaining energy security 4
1.1.1 Two approaches to Polish energy security policies 6
1.1.2 States and markets in energy security analysis 8
1.1.3 Material and social factors in energy security analysis 12
1.2 A critique of material approaches to Polish energy security policy 13
1.2.1 Conceptualising the energy policy-making process 19
1.2.2 Policy networks in Poland 23
1.3 Hypothesis 31
1.4 Methodology 32
1.4.1 Sources 36
1.4.2 Chapter overview 38

Chapter II 41
Energy security in transition; change and uncertainty in the post-Solidarity era, 1989-1993

2.1 Poland's post-Communist energy security; uncertainties and vulnerabilities 42
2.1.1 Poland's energy relations with Russia 43
2.1.2 Poland looks West 47
2.2 Ownership and management of the energy sector after communism 50
2.2.1 The Mazowiecki and Bielecki governments 53
2.2.1.1 The liberal embrace of the west 58
2.2.1.2 Pursuing commercialised energy relations with Russia 60
2.2.1.3 The commercial constraints on diversification 64
2.2.2 The Olszewski government; a short-lived attempt at economic and political revisionism 65
2.2.2.1 A statist strategy toward Russia 69
2.2.3 The Suchocka government and the 'rationalisation' of the energy sector 74
2.2.3.1 State and business interests in energy relations with Russia 78
2.3 Conclusion 83

Chapter III 86
Energy security and the Polish-Russian Yamal Contract; business and politics during socialist rule, 1993-1997

3.1 The exemption of the energy sector from market reform 86
3.2 Decision-making dynamics in the energy sector 91

3.3 Corporatist state-business relations 93
3.3.1 The impact of corporatism on energy relations with the west 96
3.3.2 The impact of corporatism on energy relations with the east 99
3.4 The Yamal Contract 100
3.4.1 The backlash 105
3.4.2 The corporatist undercurrent of decision-making 112
3.5 Conclusion 121

Chapter IV 124
Reassessing the risks of energy dependence; threats and vulnerabilities from the east and west, 1997-2001

4.1 Political cleavages in the AWS-UW coalition government 125
4.1.1 The coalition split and the rise of statist policy networks 131
4.2 The role of foreign relations in defining energy security 135
4.2.1 Statist policy networks and relations with Russia 139
4.2.1.1 The *Peremichka* controversy 142
4.2.2 Statist policy networks and relations with the European Union 145
4.2.3 Poland's diversification attempts 151
4.2.3.1 The Norwegian contract 155
4.3 The significance of material factors 162
4.3.1 Less gas, more problems 163
4.4 Conclusion 166

Chapter V 169
Energy security turns inwards; asset consolidation at home and abroad, 2001-2005

5.1 Domestic responses to EU reform pressures 169
5.2 Consolidation of the energy market 173
5.2.1 Decision-making in the Polish energy sector 177
5.2.2 Scandals in the energy sector 178
5.3 The impact of state-business relations on energy security policy 182
5.3.1 The politics of mergers, acquisitions and privatisation in the oil sector 183
5.3.2 A shift of focus in Poland's gas import policy 188
5.3.2.1 Renegotiating the Yamal Contract 197
5.3.2.2 The Belarus crisis 203
5.5 The caretaker government and the return to liberalism 206
5.5.1 External energy relations after EU membership 210
5.6 Conclusion 212

Chapter VI 215
Diversification at all costs; security and sovereignty after EU membership, 2005-2007

6.1 The rise of Law and Justice in Poland 215
6.1.1 East meets west: ideology and foreign policy of PiS 218
6.2 Energy security challenges during the PiS government 222
6.2.1 The Nord Stream pipeline 226
6.2.2 Wake-up Call; Poland's response to the energy crisis between Russia and Ukraine 231
6.2.3 All hands on deck; energy diplomacy in the PiS government 234
6.2.4 A reinvigorated agenda for energy diversification 237
6.3 Statism at home 241
6.3.1 Changes in government competencies 246
6.3.2 Pipe dreams and material realities 249
6.4 The Paradox of PiS 254

Conclusion 258
Waking up from pipe dreams?

7.1 Reviewing the case study and research question; the domestic sources of energy security policies 261
7.1.1 Political salience of energy security issues 262
7.1.2 Exceptionalism and continued state ownership of the energy sector 263
7.1.3 A blurry division between the state and the energy market 264
7.1.4 A high turnover of state and market actors 265
7.1.5 Lack of experience and subjective use of information 266
7.2 Drawing lessons from the Polish case 267
7.3 Reviewing the hypothesis 269

Bibliography 273
Appendix 307

Tables

1.1	Governments and policy networks in Poland, 1989-2007	30
2.1	Poland's Primary Energy Balance, 1990 (mtoe)	44
2.2	Coal Production and Demand, 1988-1991 (mtoe)	58
2.3	Poland's Yamal Negotiations, 1992-1993	82
4.1	PGNiG's Diversification Attempts, 1998-2001	159
5.1	PGNiG's Gas Sources, 2001- 2005 (bcm)	203
6.1	Timeline of Poland's International Energy Relations, 2005-2007	244

Figures

2.1	Total Primary Energy Consumption, 1990 (%)	44
2.2	Polish Energy Prices, 1989-1992	58
2.3	Poland's Gas Demand Projections, 1995-2010 (bcm)	61
3.1	Subsidies for the Coal Sector, 1990-1998	89
3.2	Poland's Gas Sources, 1998-2008	105
3.3	Natural Gas Prices in Poland, 1990-1998	109
3.4	Gas and Coal Prices for Polish Industry	109
3.5	The Yamal Contract's Contribution to Poland's Expected Gas Demand 1997-2010	118
4.1	Energy intensity in Poland, 1990-2002	163
4.2	Structure of Poland's Primary Energy Consumption, 1990-2002	165
5.1	Ownership of Major Oil and Gas Assets in Poland, 2005	176
5.2	Changes to PGNiG and PKN Orlen CEOs, 2000 - 2005	182
5.3	Poland's Natural Gas Demand Forecasts (bcm)	193
5.4	Revised gas import volumes for the Yamal Contract	201
6.1	Comparison of Poland's Primary Energy Balance	252

Maps

3.1	The Yamal Pipeline	103
4.1	Major existing and planned natural gas pipelines running through Poland, 2001	146
4.2	The Odessa-Brody-Płock Oil Pipeline Project	161
5.1	Gasification in Poland, 2001	191
6.1	Proposed Gas Pipelines, 2005-2007	228
6.2	Poland's Existing and Planned Gas Interconnections and Storage, 2007	253

Appendix

A.1	Main Energy Statistics for Poland, 1990-2006	308
A.2	Poland's Total Primary Energy Supply, 1990-2007	309
A.3	Gas imported in Poland in compliance with gas import contracts, 2007-2008	309
A.4	Origin of Polish Gas Supply, 1990 and 2007	310

A.5 Origin of Crude Oil Supply in Poland, 1990 and 2007 311
A.6 EU Energy Import Dependence, 2007 312
A.7 Herfindahl-Hirschman Index for Gas Imports, 2009 313
A.8 Herfindahl-Hirschman Index for Retail Gas Market, 2009 313
A.9 N-1 Indicator for EU-27 Member States, 2009 314
A.10 Original Text: *Agreement between the Government of the Republic of Poland and the Government of the Russian Federation on the Construction of a Gas Pipeline System for the Transit of Russian Gas through the Territory of the Republic of Poland and Supplies of Russian Gas to the Republic of Poland*. 315

Introduction

Explaining Energy Security Policy in Poland

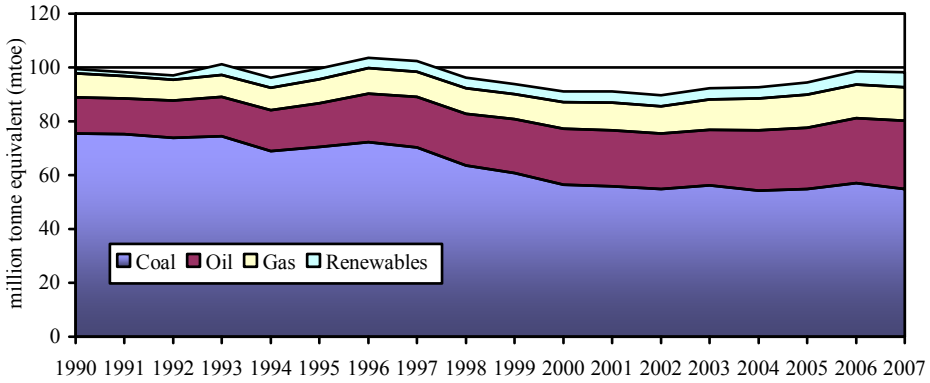
For the last two decades, Poland has had difficulty defining the role of Russia in its energy supply chain. At times, the dangers of depending on Russian oil and gas have topped the political agenda in Poland and informed much of the country's foreign policy conduct. On other occasions, Poland embraced closer energy links with Russia by approving joint ventures and signing intergovernmental agreements to ensure a continuous supply of Russian oil and gas. Poland's measures to enhance energy security, mainly by way of diversifying gas sources, have been variably proposed, abandoned, and revisited. In the process, energy security has been assigned different levels of priority in relation to other energy policy goals, such as improving energy efficiency or liberalising the energy market in accordance with the European Union's internal market rules. Although the state has retained ownership of most of the energy sector, there has been very little consistency in the extent to which successive Polish governments have actively intervened to enhance energy security.

At first glance, Poland's energy dependency appears high – 95% of Poland's oil and around 65% of its gas comes from Russia. These imports must first travel through Belarus and Ukraine, two transit states that have had perennial commercial disputes with Russian energy firms since the end of the Cold War. Should Poland suffer a loss of supply from the east, there are few physical interconnections with neighbouring markets in the west, north or south to make up shortfalls.

However, on closer inspection it appears that Poland's dependence on Russian fossil fuels has been far from critical. Thanks to sizeable indigenous coal reserves that provide most of the electricity and heat for households and industry, Poland's use of Russian oil and gas

has never risen above a quarter of its gross energy consumption.[1] This is the lowest figure of energy import dependence in Central and Eastern Europe, and one of the lowest in wider Europe. Although Poland's reliance on Russian oil is high, it has the ability to source crude from alternative markets due to existing transhipment and transportation capacities that exceed the current needs of Polish oil refineries. Thus, it is often the case that considerations of price, rather than a physical lack of alternative sources, explain the high percentage of Russian crude in Poland's total oil imports.[2] As for natural gas, which is more geopolitically-sensitive given its reliance on cross-border pipelines for transport, Poland's share of this fuel in the total primary energy supply is a modest 12.5% (up from 9% in 1990).[3] While imports from Russia make up around two-thirds of this figure, they have three main entry points – Wysokoje and Kondratki on the Polish-Belarusian border, and Drozdowice on the Polish-Ukrainian border.

Figure 1.1 Poland's Total Primary Energy Supply (TPES), 1990-2007



[1] The following statistics have been calculated using European Union, Directoire General for Transit and Energy Networks (DG-TREN), "EU Energy in Figures", *European Commission Pocketbook, Figures and Main Facts,* 2010, at http://ec.europa.eu/energy/publications/statistics/doc/2010_energy_transport_figures.pdf; for additional statistical information, see appendix

[2] Poland, Departament Energetyki Ministerstwo Gospodarki, *Information on the state of energy security of the state and measures undertaken by the government in that regard*, adopted by the Sejm, Warsaw, 29 January 2002

[3] this is a comparatively small increase relative to predictions made throughout the 1990s that gas demand would rise up to threefold: see International Energy Agency, *The Energy Policy of Poland,* Country Report, 1994; Poland, Rada Ministrów, *Założenia polityki energetycznej Polski do 2010 roku,* Warsaw, adopted 17 October, 1995; Polskie Górnictwo Naftowe i Gazownictwo - PGNiG, *Annual Report*, 1995

Overall, while Poland's import dependence has increased by about 30% for gas and 60% for oil since 1990, the share of these fuels in Poland's total primary energy supply (TPES) remains small given increases in energy efficiency that offset increases in energy demand (see figure 1.1). Moreover, the increase in dependence on Russia has been low compared with other states in the region (e.g. Hungary, Czech Republic, and Slovakia), as well as with the EU-27 average. Poland's ability to manage contingencies arising from energy import vulnerabilities through measures such as fuel switching, strategic storage, and diversification has remained relatively unchanged since the end of the Cold War.

In this context, the central research question of this thesis is - why have Poland's energy security policies, particularly towards Russia, varied so often and so much in the absence of a commensurate change to Poland's material energy vulnerability? This puzzle poses a challenge for prevailing approaches to energy security that account for policy variations largely by referring to material shifts, for example in a country's level of import dependence, degree of diversification, frequency of supply interruptions or price paid for fuels. In the case of Poland, however, these developments cannot fully account for the numerous shifts in energy security policies over the last two decades. One of the core aims of this thesis, therefore, is to identify which factors best explain Polish energy policies towards Russia. This challenge prompts several further questions - for example, have changes in government administrations affected Poland's responses to international energy-related constraints and opportunities? To what extent have domestic political differences relating to the nature of energy dependence on Russia impacted upon Poland's energy security policies? What effect do different forms of state intervention in the energy sector have on Poland's energy security policies? These domestic considerations are analytically significant not only for explaining Poland's energy security policies but also to shed light on the links between domestic and international energy politics.

1.1. Different approaches to explaining energy security

Most studies investigating the geopolitics and economics of energy security begin by pointing out that the concept is elusive and is interpreted differently depending on the actor's role and position in the energy supply chain.[4] The great deal of variation in the definition of energy security stems from differences between academic disciplines (economics and politics), historical contexts (the prevailing market/political conditions at the time), timeframes (short-term/long-term outlooks), market dimension (demand or supply), levels of analysis (individual, sectoral, national, regional, or international) and the primary fuel in question (oil, gas, coal, nuclear and renewables). The variable interaction of these factors lends an inordinate level of complexity to the issue. For an energy exporter, security is predominantly about maintaining the ability to serve foreign markets and to keep up a sufficient level of demand and revenue from energy production. For importing states, security is first and foremost a question of ensuring reliable and adequate sources of supply. But even within these categories a great deal of variation exists among different states and regions. Moreover, there is also differentiation at the transnational and sub-state level; for example, multinational energy firms may view security mainly in terms of a hospitable investment climate in the territories in which they operate, whereas household and industrial consumers assess security in terms of the price and efficiency of energy.

The way in which such factors shape the definition of energy security is not simply a semantic squabble - one's criteria in defining energy security often informs policy outlook. For example, market-based analyses that restrict the essence of energy security to quantifiable phenomena such as physical availability and price tend to posit minimal government

[4] Luft, Gal and Korin, Anne, eds., *Energy Security Challenges for the 21st Century; a Reference Handbook*, Santa Barbara, CA, Praeger Security International, 2009, p. 5; Yergin, Daniel "Ensuring Energy Security", *Foreign Affairs,* Vol. 85, No. 2, 2006, p. 71; Hadfield, Amelia "Energy and foreign policy: EU-Russia energy dynamics" in Smith, Steve; Hadfield, Amelia; Dunne, Tim; *Foreign Policy: Theories, Actors, Cases*, Oxford, Oxford University Press, 2007 pp. 321-338; Chester, Lyn "Conceptualising energy security and making explicit its polysemic nature," *Energy Policy*, Vol. 38, 2010, pp. 887-895

intervention as a desired state for energy markets.[5] Studies that incorporate wider qualitative conditions such as affordability, sustainability or the impact of a loss of supply on social welfare tend to favour greater regulatory oversight of energy markets.[6] On a practical level, the definition of energy security and its scope conditions will crucially affect how policy-makers identify, order and manage risks and vulnerabilities affecting the national energy supply chain.

The content of energy security *policies* are largely up to governments. As the intermediaries between the profit-oriented interests of the market and the welfare of society, governments can choose to enact energy policies located on "a continuum ranging from unlimited trust in the problem-solving capacity of the market to a preference for economic planning."[7] In the domestic sphere, this choice depends on the institutions and regulatory and legal frameworks that governments create for market players in the energy sector. Such organisational factors impact on the management of the country's indigenous resource base, its infrastructure (power plants, electricity grids, refineries, pipelines), the characteristics of the energy market (importers, producers, distributors, regulators, traders, system operators, and so forth), and the ways in which energy is exploited (indicated by primary fuel balance, net consumption, industrial output, energy intensity, and so on). In the external sphere, on the other hand, governments are preoccupied with the security of cross-border energy flows, the prospects for diversification of sources and supply routes, the state of relations with suppliers and transit countries, the obligations and conditions of import/export contracts, as well as regional and global energy-related developments.[8] In taking both the external and internal spheres into account, the state seeks, at a minimum, sufficient energy to survive and, at a maximum, energy independence.

---

[5] Noël, Pierre, "A market between us: reducing the political cost of Europe's dependence on Russian gas," *Cambridge University Electricity Policy Research Group*, Working Paper, 0916, June 2009

[6] Chester 2010, p. 892

[7] Hoogeveen, Femke and Perlot, Wilbur, "Tomorrow's Mores: the international system, geopolitical changes and energy", *Clingendael International Energy Programme*, Netherlands, December 2005, p. 25

[8] The differences between domestic and external energy policies are governed largely by the same ordering principle of hierarchy/anarchy that separates the domestic and international levels of analysis. For a general discussion of this analytical approach, see Waltz, Kenneth, *Theory of International Politics,* New York, McGraw-Hill, 1979

1.1.1 Two approaches to Polish energy security policies

Case studies of energy security policies are often context-specific. The majority of work on Polish energy security, for example, employs a very narrow understanding of the concept, framing it in terms of the country's dependence on external supplies of energy, particularly Russian natural gas.[9] Thus, Polish energy security policies are typically analysed as responses to the vulnerabilities and risks arising from dependence on Russia. However, from this common starting point two starkly opposing interpretations of Poland's energy security policies have been put forward – whereas some analysts have argued that Poland has followed an over-arching principle of resisting Russian energy influence, others contend that Poland has largely acquiesced to Russia's energy demands. The primary point of distinction between these positions is their different understandings of energy security and the means by which it can best be ensured.

The first interpretation has assessed Polish energy security policy in terms of its effectiveness in countering Russia's attempts at monopolising the downstream energy market. This outlook is largely state-centric and draws attention to Poland's geopolitical motivations for curbing Russian energy preponderance in Central and Eastern Europe. Along with Latvia, Lithuania and the Czech Republic, Poland's responses to Russian energy interests have been categorized as 'strategic thinking' and contrasted with the 'commercial opportunism' in countries such as Hungary, Slovakia, and Bulgaria.[10]

Several analysts have corroborated this view. For example, Andreas Heinrich interprets Polish energy policies as attempts to balance power asymmetries towards Russia, essentially by using its leverage as a transit state for Russian gas destined for Western

---

[9] Kaczmarski, Marcin, *Bezpieczeństwo energetyczne unii europejskiej*, Warsaw, Wydawnictwo Akademickie i Profesionalne, 2010; Chmielewski, Adam, *Bezpieczeństwo energetyczne państwa geopolityczne uwarunkowania*, Warsaw, Marek Makuliński, 2009; Cziomer, Erhard, *Międzynarodowe bezpieczeństwo energetyczne w XXI wieku*, Warsaw, Oficyna Wydawnicza AFM, 2008; Wyciszkiewicz, Ernest, G*eopolityka rurociągów współzależność energetyczna a stosunki międzypaństwowe na obszarze postsowieckim*, Warsaw, Polski Instytut Spraw Międzynarodowych (PISM), 2008

[10] Miller, Ryan, "Central Europe's Energy Security Schism", *Center for European Policy Analysis* – CEPA, Washington DC, July 2008, p. 4

Europe.[11] Similarly, David Victor describes Poland's diversification policies as methods to increase bargaining power against Russia and to discipline Gazprom in negotiations over the Yamal pipeline transit route.[12] Analysing what he calls Russia's 'stealth' imperialism in Central and Eastern Europe, Keith Smith has argued that Warsaw "maintained control of its energy sector since 1990 [to] successfully counter several efforts by Russian companies to buy into Polish energy facilities."[13] Other studies focus on Poland's use of the European Union as well as other regional institutions to lobby for a musketeer's pact on energy solidarity that would draw an alliance-like boundary between Russia and the European consumer bloc.[14] Overall, Poland is argued to have pursued an energy policy reflecting its foreign policy orientations toward greater integration with the West, strategic partnership with the United States, political and economic independence from Russia and close bilateral contact with Ukraine.[15]

The second interpretation of Polish energy security policies argues that Poland has consistently yielded to Russian demands since the end of the Cold War. For all the political rhetoric about diversification from Russia, a number of scholars have drawn attention to Poland's continued reliance on Russian fuels. For example, Jonathan Stern has pointed out the futility of Poland's diversification attempts, highlighting the "endless discussions, negotiations and even signed [diversification] contracts but failure to dislodge the

---

[11] Heinrich, Andreas, "Poland as a Transit Country for Russian Natural Gas: Potential for Conflict" *KICES Working Paper Series*, no. 9-10, September 2007, p. 90

[12] Victor, David, "The Belarus connection: exporting Russian gas to Germany and Poland" *Geopolitics of Gas Working Paper Series,* James A. Baker Foundation, Washington, 2004 p. 3 / 30

[13] Smith, Keith, "Bringing energy security to East Central Europe; regional cooperation is the key", Washington DC, Centre for Strategic International Studies, April 2010, p. 8

[14] Wyciszkiewicz, Ernest, "'One for All – All for One'; the Polish perspective on external European energy policy", in Overhaus, Marco, ed., *Dealing with Dependency: The European Union's Quest for a Common Foreign Energy Policy*, Foreign Policy in Dialogue*,* Deutsche Aussenpolitik, Vol. 8, No. 20, 2007; Belkin, Paul, "The EU's energy security challenges" *CRS Report for U.S. Congress*, Congressional Research Service, Foreign Affairs Division*,* Washington DC, 2008, pps. 12, 28

[15] See Paszkowski, Michał, "Perspektywy zróżnicowania dostaw ropy naftowej do Polski w latach 2007-2011 (kluczowe obszary współpracy)", *paper presented at the 5th Krakówska Konferencja Młodych Uczonych, Kraków*, 13-16 September 2010, p. 1; Lang, Kai-Olaf, "Polens Energiepolitik: Interessen und Konfliktpotentiale in der EU und im Verhaeltnis zu Deutschland", *Stiftung Wissenschaft und Politik SWP Studie,* Berlin, July 2007, p. 1; Wyciszkiewicz 2008; Jankowski, Dominik, "Współpraca energetyczna Polski z państwami bałtyckimi," *Amicus Europae*, Biuletyn Opinie, No. 3, Warsaw, February 2008

commercial reality that… Russian gas is by far the cheapest supply alternative for Poland."[16] The commercial and infrastructural challenges posed by gas supply diversification, coupled with contractual deterrents embedded in Polish-Russian gas agreements (such as take-or-pay and re-export restrictions) has left Warsaw with little room for manoeuvre. Moreover, it has been argued that security pressures from Russia were relatively moderate in the 1990s which, coupled with Poland's increased autonomy in Europe after the collapse of communism, paved the way for closer Polish-Russian energy links.[17]

Indeed, Poland signed a long-term gas contract with Russia in 1996 that precluded alternative energy supplies from other countries such as Denmark or Norway. By doing so, Poland acquiesced to Russia's strategy of strengthening its hold on downstream oil and gas markets in Central and Eastern Europe, which has continued from the mid-1990s to the present day.[18] One study, therefore, concludes that "the Polish government pursued largely a cooperative energy policy towards Russia and did so mainly because of material power considerations."[19] More generally, analysts have argued that geographical proximity, existing infrastructure and relatively low prices have ensured that Russia would remain Poland's main supplier of imported fossil fuels.[20]

1.1.2. States and markets in energy security analysis

The competing explanations of Poland's energy security policies described above reflect the tension between market-based and state-centric approaches to energy security. Indeed, whereas some analysts have tended to focus on the diplomatic and strategic interests of the state to explain energy security policies, others have looked to the constraints and demands of

---

[16] Stern, Jonathan, *The Future of Russian Gas and Gazprom*, Oxford, Oxford University Press, 2005, p. 116
[17] Gorska, Joanna, "Dealing with Power; Poland's Energy Policy towards Russia, 1989-2004", *Working Paper,* Research Network 1989, Knowledge Base Social Sciences Eastern Europe, Vol. 23, 2009
[18] Orban, Anita, *Power, Energy and the New Russian Imperialism*, Connecticut, Praeger, 2008, p. 101
[19] Gorska 2009, p. 20
[20] Paszkowski 2010; Wieloński, Andrzej and Machowski, Janusz, "Bezpieczeństwo energetyczne Polski," in *Procesy transformacji wybranych przemysłów w Polsce i na świecie*, Prace Komisji Geografii Przemysłu, Nr 10, Warsaw–Kraków, 2008, pp. 86-92

the market. The resulting differences in approach are products of the competing logics of these two entities; as Gilpin writes, "whereas the logic of the market is to locate economic activities wherever they will be most efficient and profitable, the logic of the state is to capture and control the process of economic growth and capital accumulation in order to increase the power and economic welfare of the nation."[21] Given its conceptual ambiguity, the pursuit of energy security often gets caught somewhere between these two logics; therefore, many energy studies take an implicit (if not explicit) position on the age-old question occupying scholars of political economy, namely, does economics drive politics, or vice versa?[22]

On one end of the spectrum are political scientists who assume that the relative distribution of finite fossil fuels, being indispensable to the world's most powerful industrialised economies, are importantly affected by foreign policies and international political relations.[23] These studies identify the main actors formulating energy security policy as political executives and high-level state officials, backed by their predominantly state-owned or at least state-guided 'national champions.' For instance, one author points out that state involvement in the energy sector is far-reaching, arguing that, "far from being run along the lines of the free market, the energy sector has shown many similarities to a planned economy in many otherwise capitalist countries."[24] Indeed, commercial energy relations are usually preceded by intergovernmental agreements that are subject to approval by state institutions. At the external level, it is argued that interventions by governments are a

[21] Gilpin, Robert, *Global political economy: understanding the international economic order,* Princeton, Princeton University Press, 2000, p. 81; Susan Strange also points out the tension "between the principle of national self-determination and the principle of openness in the world economy which is the core problematic of international political economy." ("Wake up Krasner! The world *has* changed," *Review of International Political Economy*, Vol. 1, No. 2, 1994, pp. 209-219)

[22] Cohen, Benjamin, "The transatlantic divide: why are American and British IPE so different?", *Orfalea Center for Global and International Studies*, UC Santa Barbara, 2007

[23] Three recent edited volumes with a clear state-centric, political focus on energy security issues are Luft and Korin 2009; Pascual, Carlos and Elkind, Jonathan, *Energy Security; Economics, Politics, Strategies and Implications*, Washington DC, Brookings Institution Press, 2009; Shaffer, Brenda, *Energy politics*, Pennsylvania, University of Pennsylvania Press, 2009

[24] Gault, John "EU energy security and the periphery" in Dannreuther, Roland, ed., *European Union Foreign and Security Policy – Towards a Neighbourhood Strategy,* London, Routledge, 2004

prominent part of energy markets, often leading to instances where the smooth functioning of the energy supply chain is purposely interrupted to further political ends.[25] Therefore, activities such as pipeline placements, pricing disputes, supply cuts and down-/up-stream business acquisitions in the energy sector are often related to foreign policy goals.[26]

Economic approaches, on the other hand, tend to argue that the forces of supply and demand and the efficient allocation of resources are the main determinant of cross-border energy policies.[27] States do play an important role in setting the context for energy firms to interact, but their capacity to act in accordance with political goals or unilateral strategic interests is restrained by interdependencies and profit-oriented interests.[28] Even supplier states whose energy assets are under state control first and foremost pursue a strategy of wealth maximisation. Governments might be responsible for building the framework upon which cross-border supply contracts and joint ventures are based,[29] but the quantities and flows of energy supplies are principally determined by energy firms and investors responding to the demands of the market. Accordingly, it is argued that "national leaderships…have both little choice and marginal effect on complex energy markets, with state policies confined mostly to influencing the efficiency of domestic adjustment."[30] Moreover, energy economists tend to play down the political ambitions of supplier states, arguing instead that downstream business acquisitions, pricing disputes and supply cuts are part of the

[25] See Smith, Keith C., *Russian Energy Politics in the Baltics, Poland, and Ukraine – A new stealth imperialism,* Washington DC, Centre for Strategic International Studies, 2004

[26] Case studies of Russia's foreign energy policy are clear examples. See Orban 2008; Smith 2004; Milov, Vladimir, Coburn, Leonard and Danchenko, Igor, "Russia's energy policy, 1992-2005" *Eurasian Geography and Economics*, Vol. 47, No. 3, 2006, pp. 285-313, 2006

[27] See Egenhofer, Christian et al, "Market-based Options for Security of Energy Supply", *Fondazione Eni Enrico Mattei*, International Energy Markets Report, 2004; Bohi, Douglas and Toman, Michael, *The economics of energy security*, Massachusetts, Kluwer Academic Publishers, 1996

[28] Fredholm, Michael, "The Russian energy strategy & energy policy; pipeline diplomacy or mutual dependence?" *Conflict Studies Research Centre,* Russian Series, Vol. 5, No. 41, 2005, Finon, Dominique and Locatelli, Catherine, "Russian and European gas interdependence: could contractual trade channel geopolitics?", *Energy Policy*, Vol. 36, No. 1, 2008, pp. 423-442

[29] Stern 2005, p. 68

[30] Stulberg, Adam, *Well-oiled diplomacy: Strategic manipulation and Russia's energy statecraft in Eurasia,* New York, Suny Press, 2007, p. 2

competitive nature of international economic relations and are principally driven by profit margins and cost-benefit analysis.[31]

In practice, maintaining a clear-cut distinction between state-centric and market-based approaches to energy security is extremely difficult if not impossible, as is separating their different understandings of the concept. Preserving this distinction entails analytical ignorance of the close interaction between public and private actors (and capital) in explaining energy policy output. In fact, it is regularly acknowledged that responsibility for energy security is shared among governments, energy firms and customers.[32] Thus, in analysing domestic, regional or global aspects of energy security, most analysts must accommodate both political and economic factors as they inextricably overlap in the political economy.[33]

Some studies of energy security issues have explicitly problematised the boundary between the state and the market, arguing that "there is a variety of typically complex ways in which governments can address security of supply… the two simplistic ways forward – pure markets and planning – have given way to a mixture of both."[34] Because of this, the investigation of different forms and effects of cross-border energy interdependence and the relative distribution of resources requires the integration of political and economic perspectives. The same applies to the domestic level, since the degree of state intervention in the energy economy varies to the point where a number of different ownership types and regulatory arrangements between state institutions and market players can be distinguished.[35]

---

[31] Stern 2005; Helm, Dieter, "The Russian dimension and the EU's external energy policy", *Oxford Institute for Energy Studies*, Oxford, 2007

[32] Egenhofer, Christian et al, "Security of energy supply: a question for policy or the markets?", *Centre for European Policy Studies*, Working Party Report, Brussels, November 2001

[33] Hoogeveen and Perlot 2005, p. 20-21; Victor, David, Jaffe, Amy and Hayes, Mark, eds., *Natural gas and geopolitics*, Cambridge, Cambridge University Press, 2006; Chester 2010, 891-892

[34] Helm, Dieter, "Introduction: the return of energy policy" in Helm, Dieter, ed., *The new energy paradigm*, Oxford, Oxford University Press, 2007, p. 27

[35] Haney, Aoife and Pollitt, Michael, "New models of public ownership in energy", *Cambridge Electricity Research Group*, Working Paper in Economics, WP 1030, 1055, September 2010; this study identified four types of 'public' ownership in the power sector: mutual ownership, consumer trusts, state ownership and municipal ownership (p. 32). Similarly, Dieter Helm discusses different ways of intervening in a liberalized electricity market structure (2007, p. 24-28)

1.1.3 Material and social factors in energy security analysis

Distinguishing between 'political' and 'economic' approaches to energy security is of little analytical value. A more apt way of framing the issue is to analytically separate material and social factors and determine the relative weight given to each by studies seeking to explain energy security policies.[36]

The majority of energy security policy analysis relies on an epistemology that assigns explanatory prominence to material factors. In other words, scholars most often attribute differences in national energy policies to quantifiable phenomena such as resource endowments, supply/demand patterns and indicators of energy interdependence. [37] Developments affecting the energy system – such as market failures, demand fluctuations, price volatilities, increased import dependence, or external supply crises are of primary causal significance for explaining the energy security policies of states. These independent variables are grounded by material forces that explain the nature and degree of state intervention in the energy sector.[38] For example, one study observes that increased interdependence between producers and consumers stimulates market liberalisation and a concomitant change in the role of governments "away from builder, operator and financier of [energy] projects and toward a greater role as regulator and creator of the context for private investment."[39] This prompts the creation of a liberal energy market, in which the responsibility for security of supply shifts from governments to market participants. [40] Conversely, asymmetric interdependence – for example a shift from a buyer's to a seller's market – can stimulate a

[36] Another way of framing this distinction is to contrast 'absolute' from 'relative' dimensions of energy security (the former encompassing aspects such as physical availability, the latter factoring in more subjective elements such as affordability or sustainability); see Chester 2010
[37] See Helm 2007; see also Bohi and Toman's discussion of market externalities in the energy sector (1996, p. 5)
[38] Ibid.
[39] Victor et al. 2006
[40] Egenhofer et al 2001, p. 1

trend whereby security of supply rises to the top of the political agenda of consumer states, leading to more proactive policy measures on the part of governments.[41]

The problem, however, is that most studies do not disentangle the causal impact of social and material factors in their explanation of energy security policy. For example, the effect of a supply interruption (a material factor) on energy security policy is moderated by the degree of trust (a social factor) between two countries; most studies do not probe the effect of these variables separately, but rather observe their integrated effect on energy security policy. In fact, these should remain separate but related variables.[42]

1.2 A critique of material approaches to Polish energy security policy

In the case of Poland, the relationship between social and material considerations for explaining energy security policy has not been clearly spelled out. In fact, it is often assumed that Poland's policies (whether resisting or acquiescing to Russia) are primarily the result of the country's material capabilities and position in the regional energy supply chain. The primary factors used to explain policy output, therefore are (a) Poland's import dependence on oil and gas from the east, (b) its status as a transit state for Russian gas destined for Western Europe, (c) the price and availability of alternatives to Russian energy, and (d) the European Union's internal market rules.[43] But embedded in the assessment of these material factors are social considerations, such as the domestic political sensitivity accompanying dependence on Russia, the diplomatic tension between Warsaw and Moscow, or the ideological preference toward state protectionism. Rarely is it recognised that these factors have a moderating influence on the effect of the four 'material' factors noted above. Instead,

[41] Correlje, Aad and Van der Linde, Coby, "EU energy policy in a supply-constrained world", *Swedish Institute for European Policy Studies*, Issue 11, October 2008, p. 6; Helm 2007, ch. 1

[42] This point applies as much to academic analysis as it does to policy practitioners

[43] Several studies begin by drawing attention to the overwhelming reliance on Russian imports to cover Polish gas and oil consumption, and then use this 'high' level of dependence to explain Poland's overarching policy goal of diversification, see Lang 2007, p. 1; Paszkowski 2007 p. 1; Mazurkiewicz, Joanna, "Bezpieczeństwo energetyczne Polski" *Polityka Energetyczna,* Vol. 11, No. 1, 2008, pp. 313-322; Overhaus et al 2007, p. 5-6; Zaborowski, Marcin and Longhurst, Kerry, *The new Atlanticist; Poland's foreign and security policy priorities*, Oxford, Blackwell, 2007, p. 63

these exogenous constraints and opportunities are usually assumed to have a relatively direct causal influence on Poland's energy security policies.[44]

In an ideal world, such studies that have quantified Poland's material energy vulnerability using composite indices and energy system modelling techniques should be able to accurately explain and predict the policies adopted in pursuit of greater energy security. [45] A focus on indicators such as market concentration, the domestic energy balance, or the level of spare capacity in the national energy grid would determine what kind of investments would be necessary for providing additional security along the energy supply chain. However, in practice these technical reports provide an inaccurate measure of Poland's energy security policy output. Despite having a relatively high level of energy diversification and an above-average ability to cope with the failure of its single largest gas-supplying infrastructure,[46] neither of these considerations appear to have significantly shaped Poland's diversification agenda. What can account for this explanatory deficiency? It appears that a narrow focus on the material determinants of Poland's energy security fails to take into account three critical explanatory factors.

---

[44] Szlagowski, Piotr, "Bezpieczeństwo energetyczne Polski 2010" *Raport Otwarcia*, The Kosciuszko Institute of European Integration, Kraków-Brussels, 2010; Buras, Piotr, "Miedzy Europeizacja a Gazpromem: Niemcy, Rosja i bezpieczeństwo energetyczne" *Centrum Stosunkow Międzynarodowych,* Raporty i Analizy, Warsaw, No. 7, 2008; Mazurkiewicz 2008; Podolski, Antoni "Gaz narodowy czy europejski? Polityczne i historyczne uwarunkowania percepcji wybranych wyzwań dla bezpieczeństwa energetycznego RP 2007", *Centrum Stosunków Międzynarodowych*, Raport i Analizy, Vol. 2, No. 7, 2007**;** Kaliski, Maciej and Stasko, Dominik, "Zależność importowa polski w zakresie dostaw gazu ziemnego", *Rurociągi*, Nr 2-3, 36, 2004; Kochanek, Ewelina, "Bezpieczeństwo systemu przesyłu i dysrybucji gazu w polsce, *Bezpieczeństwo Narodowe,* I –IV, 5-6, 2007, pp. 386-396

[45] Many studies provide a comparison of EU-27 member states' energy security. In most cases, Poland's quantified energy security score is above average, see Gnansounou, Edgard, "Assessing the energy vulnerability: Case of industrialised countries" *Energy Policy*, Vol. 36, 2008, p. 3740; Scheepers, Martin et al, "EU standards for energy security of supply; updates on the Crisis Capability Index and the Supply/Demand Index" *ECN-CIEP Joint Report*, 07-004, April 2007, p. 94-5; European Union, 7th Framework Project, SECURE, "Natural gas dependency and analysis of economic, physical, and social impact of natural gas supply disruption" Deliverable 5.2.1, 11 June 2009, pp. 27-28; European Union, 7th Framework Project, REACCESS, "Quantification of socioeconomic risk & proposal for an index of security of energy supply", Deliverable TN 4.5-1, September 2007 – in this study Poland has a 'risk average' of 28, the same as France.

[46] Poland's 'Herfindahl-Hirschmann Index' (HHI), a measure of market concentration used as a proxy for energy diversification, is 4500, roughly in the middle of the EU-27 list. Poland's 'N-1 indicator,' a measure of the country's ability to supply gas in the event of a disruption of the single largest infrastructure, is above 100% (see appendix).

First, a material epistemology – preoccupied with using energy policies as inputs in a wider assessment of energy security – is not overly concerned with the policy-making *process*, e.g. the negotiation and compromise amongst decision-makers and stakeholders that represent the stuff of politics. There is a resulting gap in the existing literature, in which the impact of domestic politics on energy security policies is not explored in sufficient detail. Instead, material approaches assume that energy policies are the product of a unitary and autonomous decision-making structure, and that there is little contestation within states about the meaning of energy security, let alone the optimal strategies for ensuring it. Yet in practice there is a high level of divergence amongst both public and private stakeholders about the political, technical and economic determinants of energy security, as well as the appropriate policies to address them.[47]

Secondly, there is an implicit assumption made in material approaches to energy security that risks to national energy supply can be objectively determined in a value-free context, and that calculating the likelihood and impact of different energy security problems is unproblematic.[48] In practice, however, there is a large degree of subjectivity built into such assessments, given that many of the likelihoods and consequences of energy supply disruptions can only be inferred in a probabilistic manner.[49] Moreover, carrying out such risk assessments – which form the basis of energy security policies – depends on inputs from a wide range of state bureaucracies and institutions, each with their own set of goals and expectations about the most expedient route to achieving energy security. Much of the data upon which their conclusions are based may be exposed to bias or selective uses of indicators

---

[47] See Helm 2007, p. 27

[48] A point also made by Chester 2010, p. 890. see technical studies by Egenhofer et al 2004, pp. 4-7; Luciani, Giacomo, "Security of supply for natural gas markets; what is it and what is it not?" *Centre for European Policy Studies,* Indes Working Papers, No. 2, March 2004; Scheepers et al. 2007; SECURE Project 5.2.1; for a technical, 'objective' risk assessment in the case of Poland's energy sector, see Szlagowski, a report whose goal is to "assess Poland's energy security on the basis of quantitative data and objective criteria" (2010, p. 1); also see other 'dispassionate' analyses such as Kaliski 2007; Kochanek 2004; see Stańczak, Paweł, "Analiza Ryzyka w PGNiG", *Rurociągi,* No. 2-3, 36, 2004
w świetle bezpieczeństwa energetycznego Polski," *Praca magisterska, Szkoła Główna Handlowa*, Warsaw, Nr albumu 26134, 2006

[49] See European Union, *SECURE***,** p. 25

(such as expected future gas demand) to either justify or discredit different energy security policies.

Finally, material approaches have trouble explaining the choices made by states in dealing with energy vulnerabilities. Indeed, the pursuit of energy security typically involves making trade-offs with other energy policy goals, such as sustainability, competitiveness or environmental considerations.[50] For example, importing fuel from more expensive alternative sources essentially means paying a premium to achieve greater energy security. Conversely, a state might feel compelled to abandon "the inefficient security of self-reliance for the efficient insecurity of dependence on outside sources of supply."[51] In either case, the choice by an actor to follow a particular energy security policy "is an expression of the value that a society attaches to a certain property of energy policy and the efficiency of its instruments… for some countries, import dependencies set off alarm bells, while other countries have learned to live with much higher levels of dependency."[52] This difference is not adequately captured by an estimate of energy vulnerability based on a quantitative analysis of the likelihood and consequence of a supply interruption; some states that are less 'vulnerable' are willing to pay higher prices to ensure energy security. Moreover, a range of different choices is available to governments in pursuing energy security, such as diversifying imports of external supplies, increasing energy efficiency and decreasing domestic consumption, subsidising energy prices and investments, or mandating stronger internal networks and spare capacity. The process by which these various policy options are chosen is far from given and relies on more than a simple cost-benefit analysis.

How, then, can one account for Poland's energy security policies when they do not adequately reflect the material characteristics of the energy system? A possible solution is that, rather than debating about the extent to which energy security policies have been driven by different material constraints and opportunities, one could inquire into the different ways

[50] Helm 2007, p. 21
[51] Waever, Ole; Buzan, Barry; de Wilde, Jaap, *Security: a new framework for analysis,* Boulder, Lynn Rienner, 1998, p. 98
[52] Hoogeveen and Perlot 2005, p. 23

in which these material factors have been interpreted, and *by whom*. This accords a greater explanatory role to decision-makers in a given state, rather than simply its relative capabilities within the wider market structure. In this way, the political context of decision-making can be explored to account for variation in a country's energy security policy.[53] After all, the concept of energy security is commonly identified as highly ambiguous and subjective, relying on a range of political, social and economic factors that can be categorised, ordered and interpreted in a variety of different ways.[54] Because energy security issues transcend the boundaries between public-private and political-economic spheres, "various actors can perceive risks in very different ways…energy security can thus not only be understood as a rational, objective and material problem, but must also be seen as an issue that shapes its form and urgency according to the perception of the actor."[55]

In considering these analytical gaps in existing accounts of Poland's energy security policies, it becomes clear that supplementary work on the sociological dimensions of energy security should be carried out. This research agenda is prompted by the recognition that it is not simply quantifiable indicators for material vulnerability that determined Poland's energy security policies, but also the social and political context in which decisions were made. Indeed, explaining the different ways in which Poland went about dealing with its energy vulnerabilities in the post-Cold War era remains an open question that is not singularly determined by a 'rational' calculation of Poland's degree of dependence on Russian energy. Therefore, a conceptual framework needs to be introduced that explores not only material constraints and opportunities but also the impact of domestic politics and social factors on Poland's energy security policies.

---

[53] Mabey, Nick, "Beyond Zero-Sum politics: Frameworks for delivering global climate and energy security" in Austin, Greg & Schellekens-Gaiffe, Marie-Ange *Energy and Conflict Prevention,* EastWest Institute, Madariaga European Foundation, 2007, p. 24

[54] Luft and Korin 2009, p. 336; Loschel, Andreas, Moslener, Ulf, and Rubbelke, Dirk, eds., "Energy security—concepts and indicators," *Energy Policy*, Editorial Issue, Vol. 38, 2010, pp. 1607–2074; This point applies as much to academia as it does to different states' interpretations of energy security (see Chester 2010)

[55] Gullner, Lutz, "Threat or risk? the debate about energy security and Russia: five steps for a scientific research programme", *Journal of Contemporary European research*, Vol. 4, No. 2, 2008, p. 151

The emphasis on the decision-making process behind energy security policy finds affinity with 'critical' approaches to International Relations that stress the variable meanings that actors with different identities and shared knowledge assign to material capabilities.[56] It is in opposition to public choice theory and other rational choice models which argue that political decision-making (including the ideas and perceptions underpinning it) can be understood using exogenous assumptions about individual utility maximisation and ends-means calculation.[57] Instead, the focus will turn to how ideas and perceptions *moderate* Poland's material energy vulnerabilities; this line of inquiry takes its cues from various works in the social sciences that are critical of behavioural/positivist approaches to foreign policy strategies,[58] risk assessments,[59] and public policy choices. To sufficiently explain Poland's various energy security policies, it is therefore necessary to take stock of the sociological contributions to political economy, which explore the complex and dynamic relationship between states and markets.[60]

---

[56] One of the most comprehensive statements of the constructivist-critical argument can be found in Wendt, Alexander, *Social Theory of International Politics,* Cambridge, Cambridge University Press, 1999; for the purposes of this thesis, the central line of thinking derived from this approach is that "material forces are not constituted solely by social meanings, and social meanings are not immune to material effects" (p. 111)

[57] The seminal text offering this perspective is Downs, Anthony, "An economic theory of political action in a democracy," *The Journal of Political Economy*, Vol. 65, No. 2, 1957, pp. 135-150; a critical appraisal of the use of rational choice beyond economics can be found in Green, Donald and Shapiro, Ian, *Pathologies of rational choice theory: a critique of applications in political science*, Yale, Yale University Press, 1996

[58] Jervis, Robert. *Perception and Misperception in International Politics,* Princeton, Princeton University Press, 1976; Goldstein, Judith, and Robert O. Keohane, eds., *Ideas and Foreign Policy: Beliefs, Institutions and Political Change*, Ithaca, Cornell University Press, 1993; George 1993; Stein 1994; Lebow, Richard Ned, "Beyond Parsimony; rethinking theories of coercive bargaining", *European Journal of International Relations*, Vol. 4, No. 1, 1998, pp. 31-66; Stein, Janice-Gross, "An agenda for political psychology: Alexander George as architect, engineer and community builder" *Political Psychology*, Vol. 15, No. 1, March 1994, pp. 1-15

[59] Slovic, Paul, 'Trust, emotion, sex, politics, and science; surveying the risk-assessment battlefield', *Risk Analysis*, Vol. 19, No 4, pp. 689–701; Clarke, Lee, "Politics and bias in risk assessment, *Social Science* Journal, Vol. 25, No. 2, pp. 155-165; Short, J.F., "The social fabric at risk: toward the social transformation of risk analysis" *American Sociological Review*, Vol. 49, 1984, pp. 711-725

[60] Laux, Jean-Kirk, review of Wilks, Stephen and Wright, Maurice 'Comparative Government-Industry Relations: Western Europe, the United States, and Japan', *Canadian Journal of Political Science*, Vol. 21, 1988, pp. 63-631

1.2.1 Conceptualising the energy policy-making process

To enable a full account of Poland's energy security policies, the analytical ladder must be descended to the domestic level. This is necessary in order to provide a more satisfactory conceptual mapping of different types of state-market dynamics, which can then be exported onto the international level to explain Polish energy security policies towards Russia.

In the period from 1990-2007, the core executive was ultimately responsible for energy security policies.[61] The prime minister and the cabinet had a considerable amount of discretion when reacting to commercial and political pressures emanating from the energy sector – both externally when conducting relations with Russia and the European Union and domestically when taking into account the interests of policy stakeholders such as the coal mining lobby. In the case of the latter, there was a notable absence of formally institutionalised channels of interaction between the state and the economy.[62] Indeed, many authors have noted that whilst organised interest groups such as business associations and trade unions existed in Poland, these stakeholders were too weak to have a decisive influence on public policy.[63] This was part of a wider problem concerning the *purpose* of economic

[61] The core executives is defined as 'a complex web of institutions, networks and practices surrounding the prime minister, cabinet, cabinet committees and their official ocunterparts, less formalised ministerial clubs or meetings, bilateral negotiations and inter-departmental committees', Rhodes, R.A.W, Dunleavy, P, eds. *Prime minister, cabinet and core executive*, New York, St. Martin's Press, 1995, p. 12; for a discussion of the roles, responsibilities and powers of the executive in Poland in a wider political context, see Zubek, Radosław "A core in check: the transformation of the Polish core executive", *Journal of European Public Policy*, Vol. 8, No. 6, 2001, pp. 911-932

[62] Majcherkiewicz, Tatiana and Gadowska, Kaja, "Political clientelism in public administration; a case study of institutional changes in the post-communist state of Poland", paper presented at the 13th NISPA Annual Conference, *Democratic Governance for the XXI Century: Challenges and Responses in CEE Countries*, Moscow, 19-21 May 2005

[63] Jasiecki, Krzysztof, "Lobbing w USA, Europie Zachodniej i Polsce: podobieństwa i różnice" *Studia Europejskie*, Nr 4, Warsaw, 2002, pp. 117-134; McMenamin, Iain, "Polish business associations: flattened civil society or super lobbies?" *Business and Politics*, Vol. 4, No. 3, 2002, pp. 301-317; Schoenman, Roger, "Captains or Pirates? State-Business Relations in Post-Socialist Poland," *East European Politics & Societies,* Vol. 19, No. 1, 2005, p. 55; Gadowska, Kaja, 'Violence in the area of clientelistic and cronyistic networks' in Juzniar, Julia, ed., "Informal networks and corruption in post-socialist societies," Koszalin Institute of Comparative European Studies, Working Paper, No. 6, September 2006; Gardawski, Juliusz and Meardi, Guglielmo, "Keep trying? Polish failures and half-successes in social pacting", *Warsaw Forum of Economic Sociology*, Vol.1, No. 2, 2010, pp. 69-91; Ost, David, "Illusory corporatism in Eastern Europe: neoliberal tripartism and Postcommunist class identities," *Warsaw Forum of Economic Sociology*, Vol.1, No. 2, 2010, pp. 91-122

activity in the first place. As one author points out, "the purpose of economic activity in a particular country largely determines the role of the state in that economy. In those liberal societies where the welfare of the consumer and the autonomy of the market are emphasised, the role of the state tends to be minimal…. On the other hand, in those societies where more communal or collective purposes prevail, the role of the state is much more intrusive and interventionist in the economy."[64] As it developed from a planned to a market economy, Poland found itself caught between these two spectrums. After all, Polish capitalism and democracy were new and in flux; state-society relations and the institutions upon which they were harnessed had yet to take a definitive shape.

In the absence of established patterns of interaction between private and public actors, it appeared that the latter drew on informal and ad-hoc support from different sets of policy stakeholders on a case-by-case basis.[65] Indeed, in some cases the executive enacted policies that appeared to reflect the interests of managers and supervisory boards at state-owned energy enterprises. On other occasions, it seemed that policy outputs stemmed from the guidance of Western institutional actors, such as the European Union or the World Bank. Conversely, there were also instances where the political executive was inherently distrustful of any interests operating outside state institutions, and therefore relied principally on 'in-house' policy-making capabilities.

Attempts at mapping out the impact of these different approaches on Polish energy security policies are few and far between. On a general level, policy analysts are usually content to apply a dichotomous 'free market versus protectionism' categorisation to different governmental approaches to Poland's economy.[66] The handful of studies that go deeper into state-business relationships in the Polish energy sector describe a system akin to clientelism, in which members of the "managerial elite pursue increased gas supplies from Russia in light

[64] Gilpin 2000, p. 150
[65] Dobroczyńska, Agnieszka and Juchniewicz, Leszek, "Regulacja jako substytut rynku w polskiej energetyce", in Kaja, Jan, ed., *Polityka Gospodarka*, No. 3, Szkoła Główna Handlowa, Warsaw, August 2000, p. 10
[66] Grabowska, Miroslawa "System partyjny w budowie," *Krytyka*, No. 37, Warsaw, 1991; Jasiewicz, Krzysztof "Polish Politics on the eve of the 1993 elections: towards fragmentation or pluralism", *Communist and Post-Communist Studies*, Vol. 26, No. 4, December 1993, pp. 397-400

of their personal interests." [67] Here, decisions revolving around import contracts, diversification projects or privatisation plans are contingent on informal ties between politicians, public officials and businesspeople. Others, however, contend that the state has remained sovereign over energy supplies and impervious to private interests, even in its transition to a liberal economy. In an administrative context, the state's intervention is argued to have been maintained "as an instrument of public supervision over the activities of special importance for the national economy."[68]

These opposing strands of thought draw much needed attention to the great deal of energy policy variation in Poland and the "arbitrary interference of politics in the sphere of administrative decisions."[69] To account for the different approaches adopted by Polish government executives in the making of energy security policy, 'policy network' analysis will be employed. In political science literature, this conceptual tool is used to explain, in the broadest sense, the nature of relations between the state and society.[70] The idea of a 'network' is used to suggest that policy-making "involves a large number and wide variety of public and private actors from the different levels and functional areas of government and society."[71] In part, policy network analysis is driven by the desire to transcend over-simplified approaches to state-society relations (such as those assuming hierarchical policy-making structures) and

[67] Strzelczyk, Joanna, *Ucieczka Ze Wschodu. Rosja W Polskiej Polityce, 1989-1993,* Warsaw, Oficyna Wydawnicza RYTM, 2002. Other authors sharing this idea are Jasiecki, Krzysztof, *Elita biznesu w Polsce: drugie narodziny kapitalizmu*, Warsaw, IFIS-PAN, 2001; Schoenman 2005; Staniszkis, Jadwiga, *Postkomunizm*, Gdańsk, Slowo Obraz Terrytoria, 2005. The latter uses the term 'political capitalism' to describe this type of public-private interface.

[68] Waligórski, Michał, "Polityka energetyczna państwa jako sektorowa polityka administracyjna", *Biuletyn Urzędu Regulacji Energetyki*, Nr. 4, 2008; This debate can be connected to the one above about Poland's energy relations with Russia (e.g. independence from or acquiescence to Russia is correlated with the preference for maintaining state ownership as opposed to allowing the market to determine the source of energy imports).

[69] Gadowska 2006, p. 10; see also Zubek 2010 on the fluid institutional boundaries characterising post-communist states

[70] Key review articles of the policy network literature – including concepts and objectives – can be found in Rhodes, R.A.W, "Policy networks: a British perspective" *Journal of Theoretical Politics*, Vol. 2, No. 3, 1990, pp. 293-317; Dowding, Keith, "Model or metaphor? a critical review of the policy network approach" *Political Studies*, Vol. 43, 1995, pp. 136-158; Thatcher, Mark, "The development of policy network analyses: from modest origins to overarching frameworks" *Journal of Theoretical Politics,* Vol. 10, No. 4 1998, pp. 389-416

[71] Hanf, Kenneth and Scharpf, Fritz Wilhelm, eds. *Interorganizational policy making, limits to coordination and central control*, London, Sage, 1978, p. 12; this outlook was a contrast to other classifications of state-society relations, e.g. hierarchical and market-based.

to provide a more refined conceptual analysis of the myriad different ways in which such relations affect policy output.

Peter Katzenstein used the concept of policy networks to explore the impact of different types of domestic structures on the foreign economic policies of advanced industrialised states.[72] Distinguishing between 'strong' and 'weak' states in terms of their intervention in the economy, he argued that policy networks were the result of the degree of centralisation in society and in the state, as well as the degree of differentiation between the public and private sectors.[73] Katzenstein's analysis concluded that "the similarity in the policy networks linking state and society will determine the degree of similarity in government responses to problems of the international economy. The joint impact of international effects and domestic structures thus condition government policy."[74]

Several different types of policy networks have been put forward and distinguished, *inter alia*, in terms of their membership, function, structure, resources and strategies.[75] Notwithstanding the debates about the utility of categorising network types along these lines,[76] one of the most commonly employed means of distinguishing them has been by observing the degree of state intervention in a given sector or issue area.[77] Applied to the energy sector in particular, the degree and form of state intervention appears to vary from country to country, as does the purpose of this intervention. It is often pointed out that "intervention in the energy market to reduce imperfections by way of regulation or

[72] See Katzenstein, Peter, "International relations and domestic structures: foreign economic policies of advanced industrial states", *International Organization,* Vol. 30, No. 1, 1976, pp. 1-45; Katzenstein, Peter, ed., *Between power and plenty: foreign economic policies of advanced industrial states*, Madison, University of Wisconsin Press, 1978

[73] Atkinson, Michael and Coleman, William, "Strong states and weak states: sectoral policy networks in advanced capitalist economies" *British Journal of Political Science*, Vol. 19, No. 1, 1989, pp. 47-67

[74] Katzenstein 1976, p. 19

[75] van Waarden, Frans, "Dimensions and types of policy networks", *European Journal of Political Research*, Vol. 21, 1992, pp. 29-52

[76] See Thatcher 1998, pp. 394-398 for a critical appraisal of policy network typologies.

[77] Van Waarden 1992, pp. 38-41; see also Kriesi, Hanspeter, Adam, Silke and Jochum, Margit, "Comparative analysis of policy networks in Western Europe" *Journal of European Public Policy*, Vol. 13, No. 3, 2006, p. 342

ownership… is different from state intervention for national security reasons."[78] Even within the European Union, which is committed to a single energy market, it has been recognised that "different members espouse different approaches to energy, some, such as the UK, supporting a more liberal and competitive approach, others favouring a more national approach, providing support for national energy champions."[79]

In most energy policy analyses, these differences are either taken as a given or attributed to 'externalities' and shifts in market structure.[80] Rarely is it acknowledged that state intervention can vary in spite of these factors, and can also depend on the political orientations of the government executive. This analytical omission occurs despite scattered acknowledgments in the literature that the ambiguous nature of energy security "results in contested analysis between the bureaucratic cultures advising political leaders, especially over the ability of markets to deliver security and on the need for direct state control of resources. These differences lead countries to adopt markedly different strategies when faced with similar external circumstances."[81] In order to account for this omission, it is necessary to introduce a conceptual framework that can explain energy security policies not only as a result of externalities or material shifts in energy vulnerability but also to different 'networks' of policy-makers.

1.2.2 Policy networks in Poland

To explain Polish energy security policy-making at the domestic level, a typology will be introduced that distinguishes three types of energy policy networks – *statist, liberal* and

[78] van der Linde, Coby, "External energy policy: old fears and new dilemma's in a larger Union," in Sapir, Andre, *Fragmented power: Europe and the global economy*, Brussels, Bruegel Books, 2007, p. 275
[79] Monaghan, Andrew, "Russia and the Security of Europe's Energy Supply: Security in Diversity?", *Conflict Studies Research Centre,* Defence Academy of the UK, Special Series, 2007, p. 14
[80] For a behavioral-economic approach to energy market 'externalities', see Bohi and Toman 1996, pp. 2-3 and Helm 2007, pp. 23-28. The latter study discusses the implications of different forms of state intervention. For example, when security of supply climbs atop the agenda, policies are centred on building spare capacity. When liberalisation is on the agenda, policies are enacted to foster competitive markets.
[81] Godzimirski, Jakub, "Pipelines and identities: current european debate on energy security - the Shtokman and NEGP Case" in Austin and Schellekens-Gaiffe 2007, p. 167

corporatist.[82] The idea that three different kinds of state-market relations are required to explain Poland's energy security policies stems from the observation that the country's democratic and capitalist institutions were far less stable and well-established than in Western Europe; this enabled a high level of variation in the degree and form of state intervention in the economy after communism. As one author notes, in Poland as well as many other former communist states "there is still great confusion as to which form of society (liberal-pluralist, corporatist, authoritarian, revived communism, various mixed forms) will prevail."[83] This is particularly salient at the level of industry, which has always sat uncomfortably at the crossroads between Poland's economically-liberal future and its socialist past. Probing the impact of these domestic characteristics by distinguishing different types of networks in each government will help account for the variation in energy security policies towards Russia since the end of the Cold War.

For statist policy networks in post-communist Poland, public ownership of the energy sector equalled a *de facto* right by political executives to decide energy firms' import strategies and investment decisions. On the whole, the government was inherently distrustful of business interests; the issue of energy security was considered the *domaine reserve* of state institutions, and tended to be associated with diplomacy and geopolitics. As such, the core executive in the government was at the focal point of decision-making, wielding considerable powers of delegation and oversight. Moreover, cabinet ministers and deputies were aware that the interests of enterprise managers in the energy sector often transcended party politics; in the context of frequent changes of government, a business executive's degree of loyalty to any one political party or administration was understandably minimal.[84] The core executive's

---

[82] See van Waarden 1992 and Katzenstein 1985, pp 23-33 for a discussion of these three dominant political forms of capitalism. A caveat is that the existence of corporatist, liberal or statist policy networks apply as an ordering principle for the energy sector, not necessarily the whole economy. A similar categorisation has been applied by David Ost to explain the relative strength of civil society in post-communist countries, arguing that during their development these countries would display either bourgeois-liberal, populist, or social democratic/corporatist tendencies; see Ost, David, "The politics of interest in post-Communist East Europe" *Theory & Society*, Vol. 22, 1993, pp. 475-480

[83] Wiarda, Howard, *Comparative politics; issues and approaches*, Maryland, Rowman & Littlefield, 2007, p. 92

[84] McMenamin, Iain, "Parties, promiscuity and politicisation: business-political networks in Poland", *European Journal of Political Research,* Vol. 43, No. 4, 2004, p. 657–676

preferred approach, therefore, was to make policies without the input of private interests whilst at the same time assuming responsibility for corporate strategies that were felt to have a bearing on the strategic interests of the state.

Liberal policy networks, on the other hand, were associated with the devolution of the state's role in the energy sector altogether, through privatisation and liberalisation policies, in order to allow the forces of the market shape the energy sector. The goal was to liberalise energy prices, de-monopolise individual fuel sectors (particularly gas and oil), privatise or at least restructure publicly-owned energy firms and induce hard budget constraints in order to foster greater commercial efficiency. These free market reforms required state withdrawal from the centrally-planned, hierarchical management structures built up by socialism. Reformers in Poland backed these goals whilst suppressing domestic interest groups which had an interest in maintaining the status quo. Thus, the primary points of reference for their policy-making agenda were not domestic groups such as the coal mining lobby or management at state-owned firms. Rather, these policy-makers took cues from Western institutional actors such as the European Union and the World Bank, as well as private foreign entities possessing much needed investment capital.

Corporatist policy networks require a more nuanced explanation, with a deeper analytical foray into state-market dynamics. Though it has been defined in many different ways,[85] corporatism essentially entails the state's delegation of authority to one or more organised interest groups (usually some combination of capital and labour groups).[86] However, as noted above, in Poland institutionalised lobbying through formal business associations and trade unions was relatively ineffective. This gap in organised state-society relations after the collapse of communism led one author to claim that any 'corporatist'

[85] Corporatism has been studied in great depth and there are many types that have been identified in the literature – oft-cited works in discussions of corporatism include Schmitter, Philippe, "Still *the* Century of Corporatism?" *The Review of Politics*, Vol. 36, 1974, pp 85-131; Lehmbruch, Gerhard and Schmitter, Phillipe, eds., *Patterns of corporatist policy-making*, Beverly Hills CA, Sage, 1982; Katzenstein, Peter, *Small states in world markets: industrial policy in Europe*, Cornell, Cornell University Press, 1985; Wiarda, Howard, *Comparative politics*, Maryland, Rowman & Littlefield, 2007, ch. 5;

[86] Atkinson and Copeland 1989, p. 57; Cawson, Alan, *Corporatism and Political Theory*, Oxford, Basil/Blackwell, 1986, p. 38; van Waarden 1992, p. 47

arrangements that sprouted up in Central and Eastern Europe after the 1990s were largely illusory.[87]

In the Polish energy sector, however, there was a different arena in which an organised form of public-private interaction took place – namely, the supervisory boards of state-owned energy firms.[88] Indeed, these boards served as a proxy for the formal interest associations entailed by the term 'corporatism.' Their purpose was "to create a level of oversight in the operations of firms… [and in] the decisions of the boards of directors, which supervisory boards could nominate and dismiss."[89] Hence, in predominantly state-owned sectors of the economy, supervisory boards acted as surrogates for institutionalised state-society relations, given that they housed state representatives, employers and employees in a closely-knit horizontal network.

In dealing with issues of Polish energy security, supervisory boards fulfilled the role of intermediary between political executives (particularly in the State Treasury but also others ministries) and enterprise management. Therefore, they displayed many of the same features characteristic of conventionally-labelled 'corporatist' arrangements – they were created by the state but were composed of public and private actors, had monopoly access to the state's decision-making structures, were non-competitive arenas of interest representation and had a mandate for influencing public policy.[90] Because of these traits, management at state-owned energy firms did not *need* separate institutions for interest representation, as they were already functionally embedded in the decision-making structures of the state.

In the existing literature, this kind of corporatism most closely resembles that of 'sectoral' corporatism, which recognises that the level of state intervention varies according to the type of industrial sector in question and the pattern of relationships that prevail within

---

[87] Ost 2010; see alsoDuvanova, Dinissa, "Questioning institutionalism: business representation in Eastern Europe and the failure of Corporatism," paper presented at the *American Political Science Association Conference*, Chicago, USA, 30 August- 2 September 2007

[88] Schoenman, 2005, pp. 57-60

[89] Ibid, p. 58

[90] These are some of the scope conditions identified in the literature for corporatist systems to arise, see Schmitter 1974, pp. 93-4; for how these boards display such characteristics, see Vagliasindi, Maria, "Governance arrangements for state-owned enterprises", World Bank Sustainable Development Network, Policy Research Working Paper, No. 4542, March 2008

it.[91] This type is also somewhat ambivalent towards labour interests, which fits the Polish case given the weakness of civil society and the marginalisation of labour unions after neoliberal shock therapy reforms.[92] One set of authors uses another word – 'concertation' – to describe this approach, wherein "labour is involved in only a marginal way, if at all, in negotiations about the investment decisions of individual firms."[93] This also fits in the case of energy security policy, given that labour unions were not as interested in drawing up supply-side import contracts or external investment strategies as they were acquiring social benefits such as wage increases, pensions or employee shares. Thus, the role of labour interests in corporatist energy policy networks, while occasionally deserving of mention, will not be taken up in great depth.

Instead of being characterised by centralised state dominance of the policy-making process (statism) or withdrawal altogether (liberalism), corporatist policy networks functioned through consultation between state agencies and business interests. In this context, the executive did not delegate strategies to state-owned energy firms (as per statism), but equally did not adopt the liberal call for removing the state from economic decision-making. Rather, the core executive played a *supporting* role that accommodated the interests of managers whilst freely intervening in the economy to protect state-owned monopoly energy firms. As a consequence, these firms were given greater authority to lead negotiations with external energy suppliers (e.g. as PGNiG with Gazprom) and provide input into national energy policy objectives. In this decision-making process, the boundaries between public and private actors were less well defined than in liberal or statist networks. Moreover, by virtue of the informal channels of access between business and politics, private interests in the former were occasionally able to shape the latter's public policy preferences. This bore

[91] This is also called meso-corporatism, and is distinguished from 'macro-corporatism' in that it does not assume that a state's entire system of interest representation necessarily follows corporatist patterns; rather, certain sectors of the economy may simply be islands in which corporatist arrangements prevail. For a discussion see Wright, Maurice, "Policy Community, Policy Network and Comparative Industrial Policies," *Political Studies,* Vol. 36, 1988, p. 594; Atkinson & Copeland 1989

[92] See Ost, David, *The defeat of Solidarity: anger and politics in postcommunist Europe*, Ithaca, Cornell University Press, 2005

[93] Atkinson & Copeland 1989, p. 58

resemblance to clientelism, given the 'personalism' identified in such relations.[94] But the term corporatist policy network is used here to avoid implying that personal interests, financial exchange or patron-client relations were the primary determinants of energy security policy output. Rather, governance arrangements in state-owned firms provided an institutionalised interface (if somewhat weaker than formal associations) between public and private actors.

The three types of policy networks described above arose in minority and majority governments in Poland – all of which were quite weak with short life-spans. The temporary nature of their existence encouraged "incremental, short-term decision making that [was] based on lowest common denominator criteria and always vulnerable to the introduction of a partisan political calculus."[95] Indeed, the high turnover of government officials and weakly-institutionalised channels of interaction between state and market actors precluded a consistent national energy policy. Ultimately it was up to the political executive to decide what policies to enact, but its degree of receptivity to private actor input was crucial for explaining policy outputs. Moreover, at the cabinet level, energy policy agendas were informed by political ideology, bureaucratic position and party affiliation. These characteristics led to a rotation of statist, corporatist or liberal policy networks in Poland. This domestic phenomenon was crucial for understanding the high level of energy security policy variation towards Russia.

Each of these policy networks was inclined towards a different method for ensuring energy security. Statist policy networks were overwhelmingly focused on dismantling Russia's monopoly over Poland's gas and oil imports through various diversification projects and intergovernmental initiatives, regardless of their associated costs. Corporatist policy networks, on the other hand, were more inclined to seek conditions favourable to the interests of national energy firms, which were given some form of remit to pursue energy security policies (even if this required political concessions in the form of increasing energy

[94] Jasiecki, Krzysztof, *Lobbing w USA, Europie Zachodniej i Polsce: Podobieństwa i różnice*, Studia Europejskie, Warsaw, 2002, pp. 117-134
[95] Atkinson & Coleman, 1989, p. 51

dependence on Russia). Liberal policy networks were preoccupied with creating a competitive market structure for the energy sector, and as such desired conditions favourable to foreign direct investments and integration with EU markets. For liberals, energy security, including issues such as dependence on Russia, were assessed in relation to supply, demand and price dynamics.

Any account of Polish energy security policy is incomplete without consideration of these domestic decision-making dynamics, which crucially influenced not only the country's import policies towards Russia, but also its adoption of the European Union's internal energy market rules, its subsidisation of coal production and its general responses to shifts in the supply, demand and price of energy. In fact, by analysing Poland's energy security policies since the end of the Cold War, it appears that most government administrations displayed strong affinities for one of these three types of policy networks. Table 1.1 classifies each government based on the nature and degree of its intervention in the energy sector. It will be argued that the differences among these types of energy policy networks can help account for the variation in Poland's energy security policies under similar material conditions.

The typology set out above is based on ideal types, and the extent to which different coalitions and administrations in Poland strictly adhered to such characteristics should not be over-stated. This is particularly important given that Poland's energy security policies were not necessarily the product of a uniform, autonomous decision-making structure. In fact, it has been argued that in the post-socialist states, "no single agent has uniform influence or authority across all state sectors, and state action is neither centralized nor coherent. The emerging states in the post-communist world, therefore, are best characterized as having multiple centers of authority-building, each with different sectoral capabilities and degrees of influence."[96] This idea challenges state-centric accounts of public policy that implicitly portray decision-making as institutionally structured and autonomous across

[96] Grzymala-Busse, Anna and Jones-Luong, Pauline, "Reconceptualizing the State: Lessons from Post-Communism", *Politics Society*, Vol. 30, 2002, p. 533

sectors and issue areas.[97] As will be shown, this assumption is quite problematic in the case of Poland, given the ambiguous state-market relationship and the dispersal of authority within government over energy policy formulation. The great deal of overturned decisions, a consistent swing from left to right sides of the political spectrum and the high turnover of ministers *within* governments bears testament to the importance of analysing the decision-making *process*, rather than simply outputs.

Table 1.1 Governments and Policy Networks in Poland, 1989-2007

Policy network	Tenure	Major governing party	Prime Minister
Liberal	1989-1991	Non-party/Solidarność	Tadeusz Mazowiecki
	1991	Kongres Liberalno-Demokratyczny (KLD)	Jan Bielecki
Statist	1991-1992	Porozumienie Centrum (PC)	Jan Olszewski
Corporatist	1992-1993	Unia Demokratyczna (UD) coalition	Hanna Suchocka
	1993-1995	Sojusz Lewicy Demokratycznej (SLD) Polskie Stronnictwo Ludowe (PSL) coalition	Waldemar Pawlak
	1995-1996	SLD-PSL	Józef Oleksy
	1996-1997	SLD-PSL	Włodzimierz Cimoszewicz
Statist	1997-2000	Akcja Wyborcza Solidarność (AWS), Unia Wolności (UW) coalition	Jerzy Buzek
	2000-2001	AWS	Jerzy Buzek
Corporatist	2001-2004	SLD- Unia Pracy (UP)	Leszek Miller
Liberal	2004-2005	SLD-non-party	Marek Belka
Statist	2005-2006	Prawo i Sprawiedliwość (PiS)	Kazimierz Marcinkiewicz
	2006-2007	PiS- Liga Polskich Rodzin (LPR), Samoobrona coalition	Jarosław Kaczyński

[97] This epistemological outlook is a by-product of variable selection bias in favour of advanced industrialised states that have stable and unchallenged administrative structures. In the case of Central and Eastern Europe after communism, the instability and formative nature of institutional arrangements "discouraged academic analysis from shifting attention from patterns of institutionalisation to patterns of effects" (Zubek 2010, p. 3)

1.3 Hypothesis

The main hypothesis of this thesis is that *Poland's energy security policies were largely determined by the preferences of domestic energy policy networks.* Statist, corporatist and liberal policy networks, which were distinguishable by the nature and degree of political executive involvement in the energy sector, were associated with different perceptions of energy security risks. *And as types of policy networks varied with government administrations, energy security policies varied according to the kind of government in power*. Indeed, different political outlooks over what counted as energy security crucially affected whether or not diversification projects were pursued, whether or not foreign energy firms were allowed to enter Poland's domestic energy market, and whether or not imported Russian energy was seen in positive or negative terms.

It is important to note that the external 'material' factors that conditioned Poland's energy vulnerabilities, principally oil and gas dependence on Russia, will be taken into account in the analysis. After all, Poland's concern with energy security did not arise from within the state but rather was conditioned by the increasingly assertive foreign energy policies of Russia under Vladimir Putin as well as steady increases in the price of oil and gas on the world market.[98] But the point here is that, rather than searching for the determinants of Poland's energy security policies solely in Russia's energy behaviour or the prevailing forces of the market, one should focus on how responses to external factors were conditioned by different configurations of policy-makers.

The goal of this thesis, therefore, is to demonstrate how differences at the domestic political level impacted on Poland's energy security policies towards Russia. *If statist policy networks were in power, then the main goal of Poland's energy security policy was to lower dependence on Russia*. Energy security was not considered in relation to commercial competitiveness or price, but rather the degree to which geopolitical vulnerabilities arising from energy dependence on Russia could be mitigated. Conversely, *if corporatist policy*

[98] Wyciszkiewicz 2007

networks were in power, then the main goal of Poland's energy security policy was to strengthen or continue Polish-Russian energy links. Responsive to the interests of state-owned energy firms, Poland's strategy was to ensure favourable long-term contracts of affordable energy supplies from Russia, which would ensure not only against a loss of supply but would also maintain the monopoly position of national energy champions. Finally, *if liberal policy networks were in power, then the main goal of Poland's energy security policy was adherence to the European Union's internal market rules*. State involvement was considered a source of energy insecurity which prevented the matching of supplies with demand through an open, competitive, and liberalised market that would attract foreign direct investments.

Taking into account these differences in outlook, it is apparent that explaining Poland's energy security policies requires close attention to the variable meanings assigned to energy security by domestic decision-makers. By designating different types of policy networks as the intervening variables between Poland's material energy vulnerability (the main independent variable) and its energy security policies (the dependent variable), one can more fully capture the essence of the country's international energy relations since the end of the Cold War.

1.4 Methodology

To avoid the criticism that single case studies lack inferential power because they involve more variables than cases, it must be made clear that neither formal theory-testing nor generalisation is the goal. Rather, this thesis employs process-tracing methods that focused on narrative over statistical inferences, given that the primary domain of study is the decision-making *process*.[99] The impact of policy networks is observed using what Charles

[99] Formal quantitative methods may have been more appropriate had the subject matter been focussed on energy market dynamics or large-N statistical analysis.

Tilly calls "relevant, verifiable causal stories resting in different chains of cause-effect relations whose efficacy can be demonstrated independently of those stories."[100]

Largely derived from work carried out in the subfield of political psychology, the general method of process tracing permits a researcher to carry out within-case studies that observe "the steps through which actors' ideas and motivations become expressed in their behaviors within institutional constraints."[101] By doing so it is possible to determine the existence as well as impact of the intervening process between the independent and dependent variables.[102] Paying deference to the Bayesian logic of inference, this approach observes decision-making in the context of various stimuli affecting appraisal, processing and behaviour, seeking to "establish the ways in which the actor's beliefs influenced his receptivity to and assessment of incoming information about the situation, his definition of the situation, his identification and evaluation of options, as well as, finally, his choice of a course of action."[103] This thesis employs process-tracing to demonstrate that Poland's external energy policies derived in part from decision-making processes at the domestic level. In this way, an explanatory link is established between ideas and policies through a descriptively useful and causally suggestive narrative of energy policy-making in Poland.[104]

It is important to point out that the emphasis on process-tracing does not preclude taking account of material factors such as new gas and oil infrastructure or changing levels of dependence; in fact, these factors are built into the conceptual framework as independent variables. Policy networks come into play as *intervening* variables underpinning the decision-

---

[100] Tilly, Charles, "Means and ends of comparison in macrosociology," *Comparative Social Research*, Vol. 16, 1997, p. 48

[101] Bennett, Andrew, "Building communities, bridging gaps: Alexander George's contributions to research methods", *Political Psychology*, Vol. 29, No. 4, 2008, p. 494

[102] George, Alexander L., and Bennett, Andrew, *Case Studies and Theory Development in the Social Sciences*, Cambridge M.A, MIT Press, 2005 - "the process-tracing method attempts to identify the intervening causal process – the causal chain and causal mechanism – between an independent variable (or variables) and the outcome of the dependent variable" (p. 206).

[103] George, Alexander and McKeown, Timothy, "Case studies and theories of organizational decision making" in Coulam, Richard and Smith, Robert, eds. *Advances in information processing in organizations*, Volume 2, Greenwich, JAI Press, 1985, p. 35

[104] See Yee, Albert, "The causal effects of ideas on policies", *International Organization*, Vol. 50, No. 1, 1996, pp. 69-108

making process which affect the relative salience of these independent variables. As such, the causal *mechanisms* at work (rather than their effects) in the process of decision-making confer on the case study a powerful source of inference previously neglected by much existing analysis of Polish energy security policy.[105]

A key methodological task for this thesis is to order and interpret the causal chain of events leading to Polish energy security policy output. To this end, Poland's energy security policies have been broken down by successive government administrations, each of which displayed strong tendencies toward one of the three identified policy network types. In dividing the historical period in this way, the research acknowledges Keohane, King and Verba's idea of employing "the same explanatory and dependent variables and apply them to new instances…using this approach, it may be possible within even a single conventionally labelled 'case study' to observe many separate implications of [a] theory. Indeed, a single case often involves multiple measures of the key variables; hence, by our definition, it contains multiple observations."[106] In the case of Poland, the main 'material' factors under scrutiny are the Yamal gas contract between Warsaw and Moscow, the Nord Stream pipeline connecting Russia directly to Germany (thus bypassing Poland), the Odessa-Brody-Płock oil project with Ukraine, the long-standing negotiations with Norway and Denmark on a Baltic pipe to Poland, and the three major disruptions to Poland's energy supply resulting from Russia's disputes with the transit states of Belarus and Ukraine. These key cases, which predominantly affected Poland's oil and gas sector, had the largest impact on the country's energy security policies.[107] Such within-case observations address the indeterminacy problem by tracing a number of policy variations in a single state to the causes and processes that

[105] See Bennett 2008, p. 499; the dominant methods employed in studies of energy policies in Europe tend to be deductive comparative case studies (e.g. Orban 2008; Aalto 2008; Miller 2008; Smith 2004)

[106] King, Gary; Keohane, Robert; Verba, Sidney, *Designing social inquiry*, Princeton, Princeton University Press, 1994, p. 218

[107] The focus on these cases will be supplemented by other developments that indirectly affected Polish energy security, such as EU market liberalisation or the debate about coal sector subsidisation. In so doing, this thesis will attempt to minimise omissions in case study selection that could be potentially significant for explaining energy security policies. However, as factors such as transit fees or price paid for imported gas and oil are industry secrets, some of the more market-based indicators for energy supply security unfortunately cannot be fully taken into account.

brought them about.[108] In other words, tracking the process of decision-making in response to each case enables an identification of the major factors driving Polish energy security policy. For example, the main focus in observing the Yamal case is how the construction of the pipeline and the associated contracts were stalled, re-negotiated, and reconfigured over time (to determine whether these developments correlated with changes in governments and/or policy networks). Equally, the variable commitments to the Baltic Pipe interconnector between Poland and Norway are compared over time, as are Poland's different responses to the three major supply interruptions from the east. The method of process-tracing, which can uncover many such within-case comparisons, provides multiple observations for considering the impact of different domestic policy networks as they formulate energy security policies in response to these developments.[109]

Still, a few qualifications are in order. At the outset it is worth noting that the divides between liberal, corporatist and statist policy networks may not have been as neat as portrayed. In some cases statist policy networks made decisions that equalled a loss of state control over energy assets, whereas in other cases supposedly liberal camps succumbed to protectionist pressures. Moreover, no one 'network' had a complete monopoly on the decision-making process or the final say in policy output. In most cases decision-makers were obliged to respond to domestic and external pressures in an ad-hoc and unstructured manner. Thus the institutionalised consistency, consensus and coherence assumed by the label 'network' belie the porous, occasionally opaque and inherently conflictual nature of domestic political decision-making in Poland – particulary over energy security issues.

Beyond potential conceptual travails thrown up by the use of 'policy networks', it is challenging to trace the process of negotiation and to attribute concrete policy outputs to individuals or institutions. This difficulty has been compounded by the high number of stakeholders involving themselves with the issue of energy security and the lack of transparency or formal procedures in their dealings with one another. Thus, caution is

[108] See Bennet 2008, pp. 489-507
[109] Bennett 2008, p. 498

exercised not to assume too strong a correlation between administrative context and policy output when in fact this link may in some cases have been spurious. Moreover, in applying the typology of 'policy networks' to future administrations in Poland or elsewhere, it is prudent to rigorously assess the different exogenous circumstances under which decision-making takes place. Only by holding material factors constant is it possible to determine the relative impact of different sets of decision-makers on policy output. Doing so requires, *inter alia*, an adequate technical knowledge of the energy market and the various constraints and opportunities affecting supply, demand and price.

1.4.1 Sources

The evidence base for this thesis was drawn from primary sources such as Poland's energy-related policies and documents, speeches and debates in the Sejm amongst key ministers and policy-makers, as well as empirical data published by Polish energy firms, the European Union, and the Polish government.[110] Most of these documents are publicly available in Poland in relevant archives (in the Chancellery, Council of Ministers, Economic Ministry, and the Central Statistical Office of Poland), as well as in the databases of key state-owned energy firms (e.g. PGNiG, PKN Orlen). These have been complemented with secondary sources such as academic assessments, technical reviews and newspaper articles. In the case of the latter, the contemporary relevance and persistent coverage of energy issues in Polish media warrants the use of such sources to complement in-depth analyses and primary sources on energy security in Poland. But their journalistic pedigree and the fact that "the media

[110] As an aside, the author notes that energy data – even simple calculations such as total energy consumption – are highly unsystematic and variable across sources. The discrepancy between two sources citing the same statistic is often as high as 10% (e.g. one study quoted Polish gas consumption at 14.7bcm in 2007, whereas another claimed it was only 12.5bcm) Moreover, the units of measurement aren't standardised – Terajoules, Mtoe, BCM, and so on are used interchangeably and often without indication of their equivalence. In the author's opinion, the most reliable sources are IEA and Eurostat; a recent IEA report on Poland mentions the different methodologies that lead to such differences in total energy figures (2011, p. 97).

often participate in the political fight"[111] necessitates a cross-examination of these pieces in order to attain rigid empirical validity.

The information gathered from the sources above has been corroborated and substantiated by elite interviewing of politicans and public officials who were directly involved in the policy-making process. These included high-level officials (deputies and cabinet ministers) in the Foreign and Economic Ministries, executives at Poland's largest state-owned energy firm PGNiG, as well as members of parliament in committees dealing with energy. The central purpose of such elite interviewing was to capture their "political attitudes, values and beliefs" by using semi-structured techniques that "give the respondents latitude to articulate fully their response."[112] The concomitant advantage of 'conversational flow and depth of response' was such that underlying motives for policy actions were more easily inferred, if not teased out explicitly, than structured Q&A. The overall aim was to get a sense of prevailing perceptions about energy security in general and what this perception was based on (i.e. economic, political, or technical considerations). Framing questions about specific policy decisions required careful articulation in order to allow, for the interviewee, a maximum freedom of response and, for the interviewer, an easier path towards coding the end product.

Despite this eclectic evidence base, one potential gap has been a lack of access to industry-standard technical and market-based analysis of various gas and oil import arrangements of the Polish state. Such reports, which provide very useful empirical data on price dynamics, opportunity costs and supply-demand ratios are very costly and beyond the purchasing power of a single researcher. Therefore, this thesis does not probe in any great depth the effect of material factors, for example the effect of prices increases on security strategies. Another problem concerning access has been confidential documentation. For example, the feasibility studies for Polish gas diversification projects into Norway, Denmark

[111] Gniazdowski, Mateusz, "Polish Foreign Policy in the Domestic Press", *Yearbook of Polish Foreign Policy,* Issue 01, Central and Eastern European Online Library, 2007, pp. 305-332
[112] Aberbach, Joel; Rockman, Bert, "Conducting and Coding Elite Interviews", *PS Political Science & Politics,* Vol. 35, No. 4, 2002, p. 674

and Britain were not publicised by PGNiG (despite the author's requests); similarly, the exact quantities and prices paid for imported gas from Russia under the Yamal contract are considered industry secrets. Reasons for dismissals at state-owned energy firms' management boards can only be inferred, since internal personnel audits of these firms are also out of public reach.

Unfortunately such omissions are inevitable in as sensitive an industry as energy; thus, it is necessary to point out potential variable selection bias, in that some of the 'hidden' organisational, financial and political factors bearing on Polish energy security policies have not been authoritatively explored. Nonetheless, in the absence of these primary sources, secondary data on energy production, import and usage in Poland were drawn from relevant databases such as the Polish Office for Statistics, the Ministry of Economy, the Polish energy regulator, the International Energy Agency and several energy industry journals. Numerous think tanks and institutes, most conveniently the Oxford Institute for Energy Studies, provided invaluable statistical as well as substantive coverage of energy policies and trends.

1.4.2 Chapter overview

Each chapter deals with a different period (1989-1993; 1993-1997; 1997-2001; 2001-2005; 2005-2007), in which the main challenges and developments that affected Poland's energy security are identified. The analysis of Poland's external energy relations are divided in terms of the material constraints and opportunities emanating from the 'east' (principally from Russia, but also Belarus and Ukraine) and the 'west' (via international organisations such as the European Union and NATO, as well as individual states such as Germany and Norway). The principal focus is on developments such as supply contracts, pipelines and disruptions, diversification projects and EU directives affecting the organisation of Poland's domestic energy sector.

In addition to setting out this external context, Poland's policy responses are explored with particular reference to the domestic political environment. Therefore, in each period all

the major actors and institutions dealing with Polish energy security are identified, and their relationship with one another as well as their degree of input into the policy-making process will be explored. This analysis enables an identification of the type of policy network most closely resembling the preferences of the government in power (e.g. statist, corporatist, or liberal). This is followed by an analysis of the different ways in which energy security challenges were perceived by the identified policy network. It will also be demonstrated that, in each period, the Polish government remained closely involved in the activities of its major energy firms. Consequently, decisions involving Poland's energy supply were crucially informed by the political orientations and threat assessments of the political executive in power at the time.

In substantive terms, this thesis first considers the changes and uncertainties in the Polish energy sector brought about by the collapse of the Soviet Union. It then details how each short-lived government in the post-Solidarity era (1989-1993) coped with these challenges in the context of democratic flux and rapid market reform. In the period of communist successor rule that followed (1993-1997), the primary focus is on explaining the origin and rationale for the long-term Yamal natural gas contract with Russia. After post-Solidarity political forces entered the government in 1997, attention shifts to Poland's attempts at diversification and its increasingly strained relationship with Russia in the run up to NATO membership. From 2001-2005, the democratic socialist government's preparation for EU membership is analysed, along with the controversies surrounding market liberalisation and energy asset privatisation. Finally, Poland's energy security in the post-EU membership period, which was affected by the Nord Stream pipeline and the Russia-Ukraine gas supply crisis, is scrutinised in the context of the PiS government's right-wing nationalist orientations.

During each of these periods, Poland's energy security policies were predominantly responses to external developments, such as the prospects of integrating with western energy markets; the rise of Russia as Europe's primary energy supplier; increasing world energy prices; the threat and actual interruption to energy supplies due to Russia's conflicts with

Belarus and Ukraine; and the threat of bypass pipelines that would exclude Poland and other Eastern European states from east-west energy transport infrastructure. But Poland's responses to these external challenges were crucially affected by different domestic policy networks, each with their own perceptions of energy security. The following chapters will, therefore, integrate both domestic and external considerations in order to adequately capture both the realities as well as perceptions informing Poland's energy security policies.

Chapter II

Poland's energy security in transition; change and uncertainty in the post-Solidarity era, 1989-1993

The goal of this chapter is to explain Poland's energy security policies in the first years after the collapse of communism. The analysis begins by unpacking the external developments that created uncertainties and vulnerabilities in Poland's energy supply. Of particular interest will be the impact on Poland's energy security of the collapse of the Council for Mutual Economic Assistance (Comecon), the dismantling of the Soviet Union and the possibilities of forging new relations with the West. These changes in the geopolitical contours of Europe will then be considered in the context of the transformation of Poland's political, social and economic structures. In amalgamating these domestic and external strands, it will be shown that the external factors informing Poland's energy security policies could not be explained in isolation from the individuals and groups of domestic actors interpreting them.

During the post-Solidarity era, there were three types of policy networks that could be distinguished in terms of their economic outlook as well as their energy security strategy. Neoliberals in the first two post-communist governments of Tadeusz Mazowiecki and Jan Bielecki (1989-1991) tended to emphasise price reform and market competition as a way of ensuring energy security; in this context, Poland's policies were centred on 'commercialising' energy relations with Russia while attracting capital and expertise from the West. By contrast, the more economically-interventionist Olszewski government (1991-1992) adopted a statist approach that viewed Poland's energy security in the context of Russia's leverage over Poland's new-found sovereignty. Finally, the broad coalition under Hanna Suchocka (1992-1993) produced a corporatist policy network that blurred the line between public and private actor roles in the transition economy; politics and business became intertwined during the negotiating process for a major Polish-Russian gas agreement. By exploring the composition, interests and strategies of these liberal, statist and corporatist

policy networks, this chapter will analyse Poland's responses to the material uncertainties characterising its energy security in the post-Solidarity period.

2.1 Poland's post-Communist energy security; uncertainties and vulnerabilities

When the Solidarity movement took power from the communists in the autumn of 1989, Poland was flanked by geopolitical uncertainties. The edifice of communism was being dismantled as *perestroika* and the definitive end of the Brezhnev doctrine opened the floodgates for political and economic reform in Central and Eastern Europe. But this did not make Russia any less of a liability in Poland's foreign policy calculations, not least since Soviet troops were still stationed within Poland's borders. Moreover, Western Europe and the United States greeted the peaceful transition of power in Poland with cautious optimism, eschewing an outpouring of financial, political or military support. It was in this context that the Solidarity-led government, itself shocked by the rapid pace of change, had to forge new political and economic contacts with Poland's neighbours. The interdependencies built up by more than forty years of close political and economic cooperation with the Soviet Union were being disassembled, with severe effects for trade turnover in both Russia and Poland. Energy was a lynchpin in this regard, representing a substantial chunk of Poland's total imports from Russia that could not easily be replaced by trade with the West. Thus, balancing Poland's existing dependence on Russian oil and gas against the desire for Poland to assert its political independence was no small challenge for the first post-communist government.

2.1.1 Poland's energy relations with Russia

During Soviet times, the distribution of energy was a way for Moscow to exert influence over Central and East European countries, essentially as a strategy of 'alliance management.'[1] The subsidisation of energy imports for the Soviet bloc as a whole helped to consolidate Moscow's sphere of influence in the region, creating a web of interdependence through "trade in fuels, transfers of electricity, joint construction of pipelines and power plants, jointly owned enterprises, and a variety of less formal exchanges of information and assistance."[2] In the case of Poland, however, dependence on Russian oil and gas in absolute terms was never particularly high. This was so because the country maintained a flexible oil import structure based around a refining capacity that exceeded its modest oil requirements. Moreover, the Soviet Union's gasification programme of the 1960s and 1970s had not been applied to Poland given the large indigenous deposits of coal, concentrated in the region of Silesia, which satisfied most of the country's heat and electricity needs.[3] As the dominant resource in the energy balance, coal accounted for over 95% of Poland's primary energy production and nearly 80% of consumption in 1990 (see table 2.1).[4] The remaining needs – mainly required by the transportation and petrochemical industries – were satisfied largely through annual contracted volumes of Russian crude oil and natural gas.

Yet despite relatively low levels of dependence, energy had formed a core element in Polish-Russian trade relations throughout the era of communism. The former had been receiving natural gas from Russia via the Yamburg and Orenburg agreements, which obliged Poland to invest in Soviet gas transmission facilities in return for gas deliveries.[5] Despite the low proportion of oil use in Poland's overall energy mix – around 11% – by 1989 oil

[1] Reisinger, William, *Energy and the Soviet Bloc; Alliance Politics after Stalin*, Ithaca, Cornell University Press, 1992, p. 20
[2] Reisinger 1992, p. 2
[3] Victor 2004, p. 1
[4] International Energy Agency, *The Energy Policy of Poland,* Country Report, 1990, p. 9-10
[5] Walewska, Danuta, "Future Oil and Gas Imports Outside Russia Considered", *Rzeczpospolita*, 22 January 1991 [English translation] Foreign Broadcast Information Service, JPRS-EER-92-021, 25 February 1992

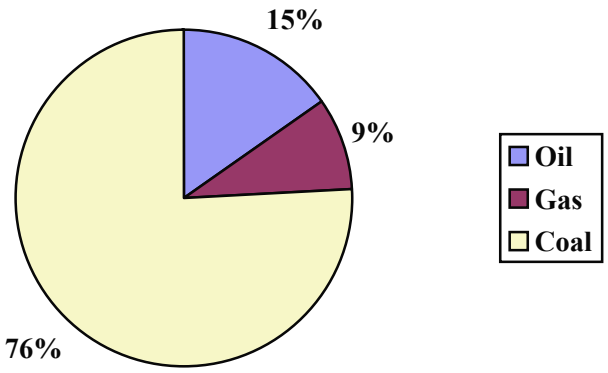
accounted for 40% of Polish imports from the Soviet Union.[6] Moreover, the so-called 'Bucharest Formula' that determined the price of crude oil imports from Russia's Druzhba pipeline created an incentive structure wherein Poland benefited from below-world market prices.[7]

Table 2.1 Poland's Primary Energy Balance, 1990 (mtoe)

	Coal	Oil	Gas	Electricity	Total
Domestic	93.9	0.2	2.2	-	98.5
Imports	0.4	16.9	6.7	0.9	25.0
Exports	-19.0	-1.5	-	-1.0	-21.5
Total	75.2	15.6	8.9	-0.1	101.2

Source: IEA, 1990

Figure 2.1 Total Primary Energy Consumption, 1990 (%)



[6] Coleman, Wendy and Potempa, Witold, "Prospects for Polish Foreign Trade," *Carl Beck Papers in Russian and East European Studies*, No. 903, University of Pittsburgh Centre for Russian and East European Studies, 1991, p. 11

[7] Urge-Vorsatz, Diana et al., "Energy in Transition: From the iron curtain to the European Union", *Energy Policy*, Vol. 34, 2006, p. 2283

The geopolitical and economic changes brought about by the collapse of communism led to several important developments in Poland's energy relations. When Comecon was dismantled in 1991, the economic basis for Poland's energy imports changed. Russia began charging world prices denominated in hard currencies instead of transferable roubles for oil and gas.[8] This effectively ended the period of Soviet centrally-mandated and subsidised energy exports for countries in the Eastern bloc. For Poland as for other post-socialist states, new supply contracts and pricing arrangements would have to be created from scratch in order to continue receiving Russian energy resources.[9] At the same time, the costs of Soviet oil and gas exports to Poland were predicted to rise exponentially in light of the Soviet Union's need for hard currencies as well as its fast-waning commitment to sustain an East European trading bloc.[10] Such a situation created a sense of uncertainty over future deliveries of oil and gas to Poland, which became more acute given Solidarity leaders' desire for a 'break with the past' and an assertion of Poland's independence. Nevertheless, even after communism energy would continue to serve as a cornerstone of Poland's economic relationship with Russia. Indeed, while Poland managed to reorient much of its trade towards the West in the aftermath of communist rule, "Russia remained Poland's main source of oil and gas and a substantial buyer of Polish textiles, coal, grain, and pharmaceuticals – sectors of the Polish economy that [did] not appear to be capable of competition with the West."[11]

An additional consideration brought about by the break up of the Soviet Union was the fact that energy deliveries to Poland now had to cross newly-independent republics, the stability of which (and their relations with Moscow) figured prominently as a new geopolitical calculation for ensuring a reliable source of energy imports.[12] What had previously been internal Soviet transfers of energy were now classified as external trade; as a

[8] Belka, Marek et al, "Transforming State Enterprises in Poland: Evidence on Adjustment by Manufacturing Firms," *Brookings Papers on Economic Activity*, Vol. 1993, No. 1, 1993, pp. 217; see also IEA, *Poland*, 1990 p. 9
[9] International Energy Agency Report, *The Energy Policy of Poland,* Country Report, 1994, p. 135
[10] Walewska, "Future Oil and Gas"
[11] Prizel, Illya, *National Identity and Foreign Policy; Nationalism and Leadership in Poland, Russia and Ukraine*, Cambridge, Cambridge University Press, 1998, p. 105
[12] Victor 2004, p. 12

result, Ukraine and Belarus were forced to purchase gas from the Russian Federation at semi-hard export prices, which set the stage for balance of payment crises that unsettled energy transit arrangements.[13] Although it was not in the interests of Central and East European countries to disrupt the supply lines to Western Europe, disputes between Gazprom and Belarus and Ukraine over repayment of accumulated debts led to shortfalls in contracted gas supplies. While Belarus eventually managed to swap its share of former Soviet assets abroad for the cancellation of energy debts via Russia's 'zero option' offer,[14] Ukraine was less willing to give up such stakes, particularly its newly-acquired jurisdiction over Soviet navy assets in the Black Sea. In fact, a week before the September 1993 Russia-Ukraine bilateral summit addressing questions of nuclear weapons and Ukraine's control over the Black Sea Fleet, Gazprom reduced gas deliveries to Ukraine by a quarter.[15] To Poland as well as the rest of Europe, it was becoming clear that the arteries of the Soviet Union – oil and gas pipelines – were being entangled in geopolitical relations between Russia and the post-Soviet republics. This was acknowledged by Poland's Finance Minister Andrzej Olechowski in April 1992, when he warned of threats to Poland brought about by "the prospect of an economic conflict between Russia and Ukraine that could stop energy supplies."[16]

Although dependence was not necessarily high, Poland did have to contend with several debt issues with Russia. After the collapse of Comecon in June 1991, Russia's energy giant Gazprom – formerly the Ministry of Gas Industry – calculated Poland's unpaid energy bills at around $280 million. At the same time, sagging domestic production and the resulting decline in crude oil export revenue decreased Russia's ability to pay for Polish imports.[17] The resulting balance of payments crisis and Russia's lack of hard currency led to the return of barter arrangements (exchanging Russian energy for Polish goods) that had

---

[13] Ibid. p. 13

[14] see Bruce, Chloe, "Fraternal Friction or Fraternal Fiction? The Gas Factor in Russian-Belarusian Relations", *Oxford Institute for Energy Studies*, NG 8, March, 2005, pp. 7-8

[15] Balmaceda, Margarita, *Energy dependency, politics and corruption in the former Soviet Union : Russia's power, oligarchs' profits and Ukraine's missing energy policy, 1995-2006*, New York, Routledge, 2008, p. 26

[16] Minkiewicz, Wladyslaw, "Poland wants share of CIS trade," *RFE/RL Daily Report*, 3 April 11, 1992

[17] Melton, Robert E., "Beyond the Warsaw Pact: Russian Foreign Policy in East Central Europe in the 1990's", Naval Postgraduate School Thesis, Monterey, California, June 1992, p. 102

characterised Polish-Russian trade during the Comecon years. Aleksander Gudzowaty, the Polish business entrepreneur, brokered the first post-communist barter arrangement in early 1991, exporting Polish food and pharmaceuticals in exchange for Russian gas.[18] A year later, the Andrzej Olechowski and his Russian counterpart Vladimir Rabotiyazov continued this trend, agreeing to an exchange of five million tonnes of oil and eight billion cubic metres of gas for $400 million worth of Polish coal, pharmaceuticals, and foodstuffs.[19] These arrangements were seen as beneficial because they reduced Poland's foreign trade deficit (as many of its goods were unwanted in recession-addled Western Europe).[20] Still, the barter contracts did not guarantee a reliable supply of Russian energy – this was made starkly evident when deliveries of gas to Poland were sharply reduced in January 1992, a mere month after Olechowski and Rabotiyazov signed the intergovernmental agreement. In large part, this disruption stemmed from the reorganisation of the energy market in Russia and the divestment of assets in the gas market to private interests through the creation of a joint stock company, OAO Gazprom.[21] The resulting confusion over Poland's gas deliveries unsettled the prospect of achieving reliable energy supplies from Russia in the post-communist period.

2.1.2 Poland looks West

The uncertainties that beleaguered Poland's energy imports in the immediate aftermath of communism translated into a compelling case for diversification. In terms of oil, Poland's

[18] Zielenski, Zdzislaw, "Trade with Post-Soviet Countries Examined', *Wroclaw Slowo Polski*, 27 January, 1992 [English Translation] Foreign Broadcast Information Service, JPRS-EER-92-027, 6 March 1992
[19] *Warsaw PAP*, "Deputy Minister Signs Russian Trade Agreement", 24 December 1991, Foreign Broadcast Information Service JPRS-EER-91-026, 12 January 1992
[20] Cylwik, Andrzej et al, "Analysis of factors contributing to the adoption of competition law in Poland", paper presented at the *International Research and Policy Symposium on Competition Policy for International Development, Growth and Trade*, Centre for Economic Policy Studies, Brussels, December 9 - 10, 2005, p. 63; moreover, Western countries were reluctant to open their markets to Polish exports in the European Union's 'sensitive' areas of steel, textiles, and agriculture, see Terry, Sarah, "Poland's foreign policy since 1989: the challenges of independence" *Communist and Post-Communist Studies*, Vol. 33, 2000, p. 14
[21] see Victor 2004; Walewska, "Future Oil and Gas"

flexible import structure and its refining capacity allowed Ciech, the state-run chemicals and oil purchasing company, to make up for Russian shortfalls in 1990 by importing crude from the North Sea and OPEC countries.[22] The situation for gas, however, was more complicated. Poland was tied to the east-to-west transit infrastructures that precluded alternative supplies without substantial investments and new intergovernmental agreements. As a result, Russia was the only viable supplier of natural gas until Poland could build the necessary energy interconnections with western markets (e.g. Germany) and/or connect itself to supplies from the north (e.g. Denmark, Norway and Britain). Until then, the stalemate between Poland and Russia over outstanding gas debts made post-Solidarity government officials aware of the extent of their energy vulnerability and dependence.[23] Thus, besides seeking long-term guarantees of stable Russian energy supplies through existing energy networks, Poland also explored options to diversify the country's sources of oil and gas by forging energy links with Western countries.[24]

For its part, Western Europe was not oblivious to the impact of post-communist geopolitics on regional energy security. Recognising East Europe and Eurasia's importance as a vital energy hub for Western Europe's growing demand for oil and natural gas imports, the EC launched the Energy Charter Treaty initiative in June 1991 – around the time of the formal dismantling of Comecon. The Treaty was an early attempt to bring the Soviet Union's energy sector into the institutional architecture of the European community. It was designed to guarantee political stability in the emerging states of Central and Eastern Europe (CEE) and the former USSR by creating economic stability.[25] East-west energy integration and interdependence was to come about as a result of mutual investments and the marriage of Western technology and expertise with the East's abundance of natural resources. Such was the context in which Poland welcomed foreign direct investment in its energy sector,

[22] Engelberg, Stephen, "Gas lines form in Poland to beat rising price" *New York Times*, September 2, 1990
[23] Zbigniew Pełczynski, author's interview, Warsaw, March 2009
[24] Poland, Komitet Ekonomiczny Rady Ministrów (KERM), *Raport w sprawie dostaw gazu ziemnego do 2010 r.,* dokument Ministerstwa Przemysłu i Handlu, nr 2, 20/II/93
[25] Axelrod, Regina, "The European Energy Charter Treaty; reality or illusion?" *Energy Policy*, Vol. 24, No. 6, 1996, p. 497

accepting World Bank loans to expand its domestic gas extraction capabilities.[26] These energy-related investments not only encouraged a greater degree of energy self-sufficiency but also anchored Poland's energy market to Western commercial codes and investment practices, reflecting the the country's geopolitically cautious ambition to 'return to Europe.'

However, Poland's early attempts to integrate with Western energy markets were stymied by internal weaknesses. The lack of efficiency, commercial stability and competitiveness of Poland's energy market constituted major stumbling blocks towards effective partnership with Western energy firms. Despite the presence of Exxon, Amoco, Shell and other external entities in the first round of licensing for gas extraction, "foreign investors [were] concerned about increases in taxes and customs duties, anticompetitive behaviour, and the bureaucracy surrounding the acquisition of land."[27] Thus, Poland could not make up for the uncertainties surrounding the stability of Russian oil and gas supplies by attracting foreign investment that would have tied Poland's energy market to the commercial fortunes of Western firms. Moreover, the prospects of importing alternative supplies from the west required financial guarantees and long-term investments underpinned by stable gas demand and a clear framework of rules in which energy markets could function (in terms of licensing, ownership, and price setting). This was something that a commercially embryonic and unpredictable Polish energy sector could not ensure.

Poland had several energy vulnerabilities in the period after communism. Uncertainties to the east emanated from the collapse of Comecon and the concomitant transition to new pricing arrangements, unresolved energy debts carried over from the central planning period, and the administrative ambiguities surrounding the management of Soviet energy infrastructure in newly-independent republics. Together, these factors lent a high degree of uncertainty over whether Poland's energy market would be reliably served by its former communist bedfellows. However, the country's energy security policies during this period could not be adequately deduced by an analysis of the impact of material factors such as

[26] *Oil and Gas Journal,* "Natural Gas to gain market share in Poland", Vol. 96, No. 2, January 12 1998, p. 27
[27] IEA, 1994, p. 132

energy production, price, supply or demand. Although important, it must be made clear that both external and internal material developments were assessed and managed differently in each successive post-Solidarity government. Analysis must explore the social and political context in which Poland's energy security policies were formulated. With the material environment apt to explain the source of Poland's energy vulnerabilities, the *means* by which Poland went about ensuring its energy security could best be explained by reference to the policy networks operating in the domestic sphere.

2.2 Ownership and management of the energy sector after communism

During the Solidarity era, Poland's industrial policy and its sector-specific restructuring plans were in disarray.[28] Large raw material and extractive industries such as copper, steel, coal and chemicals had far greater difficulties moving towards the private sector than small and medium-sized enterprises. In fact, most of Poland's early reform packages specifically exempted energy firms and assets, despite the neoliberal push for rapid and comprehensive privatisation.[29]

There were many reasons for this. First, large state-owned enterprises often served a wider public interest, particularly in the case of utilities such as heat and electricity. It was therefore neither politically expedient nor economically wise to transfer ownership functions to private interests before, at a minimum, a framework for state regulation of these strategic firms had been clarified. Second, privatisation was a sensitive issue for industries that were incapable of competition with the west and that had been subjected to heavy downsizing as a result of the dismantling of central planning.[30] The commercialisation of energy firms was blocked by the tenacious power of workers' councils, which could veto government

[28] For deeper analysis of Poland's industrial policies in the context of the liberal transformation, see Slay, Ben, "The dilemmas of economic liberalism in Poland", *Europe-Asia Studies*, Vol. 45, No. 2, pp. 237-257

[29] see Kant, A.D and Kaan, H. "Strengthening the Polish energy administration; conditions for establishment of an efficient and effective energy department" *Task Force on integrated Energy and Environmental Planning Report*, ECN-C-97-011, February 1998, p. 23

[30] Socha, Mieczyslaw and Sztanderska, Urszula, "Restructuring and industrial policy in Poland", *MOCT-MOST Economic Policy in Transition Economies*, Vol. 4, 1994, pp. 71-106

restructuring proposals by keeping an administrative hold on company supervisory boards. The impetus for governments to protect local interests and continue state subsidies in such sectors was therefore greater than in those, such as finance or services, which flourished under capitalist conditions. Finally, many large state-owned enterprises operated in the context of 'natural monopolies' where entry costs were high and competition unlikely to manifest; this, in turn, reduced the incentive to privatise such firms for the purposes of greater commercial efficiency.[31]

As a result of the constraints bearing on the privatisation of larger enterprises, much of the energy market remained bound to the state. Rather than being rolled back by the forces of market reform, the government's institutional and administrative control of the energy sector was merely legitimised by new capitalist organisational forms. Indeed, the transformation of state-owned energy enterprises into joint stock companies by virtue of the new Commercial Code, drafted in 1993, did little to change the government's role in managing them. Although commercialisation was considered the first step in a three-phased process of privatisation, in reality this practice consolidated Poland's energy assets and enabled them to be more easily governed by the state.[32] For example, the transformation of Polskie Górnictwo Naftowe i Gazownictwo (Polish Oil and Gas Company - PGNiG) into a joint stock company in October 1996 did not affect its ownership by the Ministry of Industry and Trade (MoIT) nor its status as a vertically-integrated monopolist over Poland's entire gas supply, from exploration and production down to retail distribution and marketing. Other instances of commercialisation in the electricity, coal and oil sectors similarly did not extricate the state's involvement in the energy market, since the MoIT remained the sole stockholder in each respective enterprise.[33] At best, the process of commercialisation obliged state-owned energy firms to be more attentive to the logic of

[31] Zemplinerová, Alena "Privatisation of Network Industries: the Case of the Czech Energy Sector", 14th plenary session '*Managing Commercial Assets under State Ownership*', Advisory Group on Privatisation, OECD, Budapest, 19-20 September 2000, p. 3

[32] Lipowski, Adam and Kulig, Jan, "Structural change and its motivation in Polish industry" in Jackson, Marvin and Biesbrouck, Wouter, eds*., Marketization, Restructuring and Competition in Transition Industries of Central and Eastern Europe*, Avebury Ashgate, Aldershot UK, 1995, pp. 230-234

[33] Kant and Kaan 1998, p. 19-20

supply and demand (instead of production quotas). But in terms of governance and strategic decisions regarding the import, distribution and price of energy, the initiative remained in the hands of government institutions.

The practice of maintaining state ownership of energy assets was not uncommon in the rest of the post-communist states or in fact Western Europe.[34] Almost all states in Europe held a controlling interest in strategic national utility firms in the gas, oil, coal and electricity markets. However, differences between east and west were apparent in the degree to which state ownership equalled management and regulatory oversight over the energy sector by state officials. In Western Europe, governments tended to "exert a much more limited degree of control over their nationalised petroleum companies [than in Eastern Europe], allowing them to operate as autonomously as some of the world's privately-held petroleum companies."[35] In post-communist states this was not necessarily the case. Despite privatisation programmes and foreign capital gradually penetrating energy sectors in Central and Eastern Europe throughout the 1990s, much of the activities of major energy firms remained subject to government approval.

For Poland as well as other reforming post-socialist states, the legacy of central planning encouraged a tandem between business and government interests before crucial decisions regarding the management of energy assets could proceed. But the high turn-over of government officials and state-owned enterprise managers in the early period of transition made it difficult to clarify their respective roles in the new and evolving democratic capitalist system. Moreover, the ministerial structure for energy policy-making was weak; under the previous regime, the Hard Coal, Power & Lignite, and District Heating Boards played a dominant role in energy policy formulation as mixed enterprise managers/subsector policy

[34] See Energy Information Administration (EIA), "Privatization and the Globalization of Energy Markets," *U.S. Department of Energy Report*, Washington D.C., October 1996; see also Energia XXXIII, "Problemy strukturalne w energetyce," *Supplement Rzeczpospolita*, No. 295, 6372, 19 December 2002
[35] EIA, 1996, v

makers.[36] But these boards were abolished in 1990, leaving a crucial administrative gap behind.

The weaknesses of the energy policy-making process impacted on external strategies for managing energy vulnerabilities, as Poland struggled to reconcile the competing policy goals of securing a long-term supply of energy from Russia whilst simultaneously pursuing various diversification projects. It also affected the domestic process of restructuring and privatisation of the energy sector, which was slow and erratic, subject to political complications as successive governments stalled, reformulated or outright reneged on the commitments of their predecessors.

Thus, the experience of the energy sector in Poland in the post-Solidarity transition can be considered somewhat unique. Although it was affected by macroeconomic reforms, in many ways state-owned energy firms followed a trajectory quite apart from the liberal reform programmes of the post-Solidarity era. In this case, the success or failure of Poland's post-socialist energy policy did not only depend on imported supply conditions, but also hinged on the domestic reform of the energy sector and the ability of successive Solidarity governments to follow a coherent energy strategy. Although it has been argued that "Solidarity governments shared essentially a common approach to economic issues and that over the period 1990-1993 continuity rather than change was the dominant feature of economic policy-making,"[37] it is apparent that some level of differentiation did exist between each short-lived government when it came to industrial policies and energy security strategy. Contrary to approaches highlighting Poland's consistently liberal economic policies during the early period of transition, there were in fact several substantive differences between post-Solidarity governments over the management of the energy sector.

[36] Wolfgang Mostert Associates, "ERG Energy Restructuring Group, an Evaluation", *Final Report for PHARE and Polish Ministry of Industry and Trade*, May 1995, p. 9

[37] Blazyca, George and Rapacki, Ryszard, "Continuity and change in Polish economic policy: the impact of the 1993 election", *Europe-Asia Studies*, Vol. 48, No. 1, January 1996, pp. 85-100

2.2.1 The Mazowiecki and Bielecki governments

The government of Tadeusz Mazowiecki wholeheartedly adopted the tenets of neoliberal market capitalism. Within six months of its surprising landslide victory in the partially-free elections of June 1989, the first non-communist government in over forty years initiated fundamental economic and political reforms, with the aim of pulling Poland back from the brink of economic collapse. Poland was the first post-socialist state to attempt a rapid break from its socialist past via a wholesale, 'Schumpeterian' destruction of existing economic structures, which were replaced with a dogmatic faith in the 'invisible hand' of the market.

The dominant policy network enabling such a rapid and decisive departure from central planning was, in effect, a community of experts advising Poland to adopt the tenets of liberal market capitalism. This network was aided by external elites such as David Lipton, Jeffrey Sachs and George Soros, with support from institutions such as the IMF, European Community and the World Bank. These actors converged with, and thereby legitimised, like-minded liberal reformers in Poland's pool of Solidarity elites; collectively, they advanced what became known as the Balcerowicz Plan.[38] This reform package rested on three pillars – macroeconomic stabilisation, liberalisation, and privatisation – that would lift Poland out of endemic recession and create the conditions for a capitalist market economy. *Inter alia*, the plan provided measures such as an end to price controls, a convertible currency, hard budget constraints on state enterprises, a legal architecture for decentralisation (e.g. a commercial code, company and contract law), and the creation of institutions necessary for finance and capital markets.[39] These far-reaching reforms were introduced all together on January 1st, 1990, marking the point at which free market economics became central to the mandate of the Mazowiecki government, anchoring Poland's economic and political trajectory to a neoliberal logic.

---

[38] Hunter, Richard and Ryan, Leo, "The legacy and prospects of Polish privatisation", *International Research Journal of Finance and Economics*, Vol. 21, 2008, p. 124

[39] Balcerowicz, Leszek, "Transition to the Market Economy: Poland, 1989-1993 in Comparative Perspective", *Economic Policy*, Vol. 19, No. 19, December 1994, pp. 72-92

Energy played a crucial role in Poland's economic output, and reform in this sector was not to be taken lightly. Indeed, in 1990 Poland's energy sector was the largest in Central and Eastern Europe, accounting for 10% of the country's GDP and providing employment for 850,000 people (or 5% of the total work force). Vital to Poland's balance of trade, coal was the biggest export product, where 27 million tonnes of output in 1990 provided 10% of annual export earnings (whereas imported oil and natural gas were 15% of total import expenditure).[40]

In this context, the challenges facing the Mazowiecki and Bielecki governments were monumental; the energy industry was characterised by prices unrelated to costs, by investment decisions unrelated to competitiveness, and by management structures that severely restricted innovation and commercial efficiency.[41] The government set out its strategy for the energy sector in a letter addressed to the World Bank dated 17 June 1991. In it, the Polish government committed itself to launching "a special programme for restructuring, privatization and regulatory reform in the energy sector", wherein "the government has two overriding objectives in the energy sector: to improve economic efficiency in the supply and use of energy, and to mobilize additional domestic and foreign private capital for investment."[42] The aim was to remove the state from enterprise decision-making by commercialising the major energy firms and liberalising prices to reflect both the costs of energy production and the supply/demand balance of the market.[43] Subsidies would be eliminated and wages and employment would be downsized, which would have the heaviest impact on the coal mining sector (see table 2.2). These measures, it was predicted, would diversify Poland's energy balance by virtue of enabling gradual increases in gas and oil

[40] World Bank, "Poland Energy Restructuring Program, Main Report", *Joint UNDP/World Bank Energy Sector Management Assistance Programme (ESMAP)*, Vol. 1, No. 153/93, January 1993
[41] World Bank, "Poland Energy Restructuring Program, the Natural Gas Sector", *Joint UNDP/World Bank Energy Sector Management Assistance Programme (ESMAP)*, Vol. 3, No. 153/93, January 1993
[42] Wolfgang Mostert Associates, "ERG Energy Restructuring Group, an Evaluation", *Final Report for PHARE and Polish Ministry of Industry and Trade*, May 1995, Annex II – The Energy Policy Letter
[43] Pasierb, Slavomir, "Strategies for Industrial Energy Efficiency and Conversation", in McGarity, Arthur, ed., *Poland's Transition to a Market Economy: Prospects for Energy Efficiency and Conservation*, National Research Council, Washington, 1994, pp. 16-17; see also IEA, *Poland*, 1990, p. 20

use.[44] At the same time, the market distortions and inefficiencies caused by central planning would be further removed by introducing hard budget constraints and foreign competition.

Much of this programme took cues from the Law on Privatization of State-Owned Enterprises passed by the Sejm in July 1990, which provided for the transformation of SOEs into state-owned joint-stock and limited liability companies, with provisions for the eventual liquidation or sale of their assets.[45] That these reform packages had hefty socioeconomic consequences, particularly for the coal mines, was anticipated but deemed inevitable for the effective transition to a competitive market economy.[46] Some officials in the Mazowiecki government went so far as to attempt to introduce competition in transmission and distribution of electricity, two activities in the energy supply chain which were considered, even by Western standards, to be natural monopolies.[47]

The government of Jan Bielecki carried forward plans to create a commercially-viable coal market when it took over in early 1991. The slashing of subsidies was the main instrument to curtail the production and workforce of the coal sector. The process of reform necessitated the abolition of the central administrations for coal mining and for electricity generation that had ensured a state monopoly in those industries. The 1991 economic restructuring program of the Bielecki government envisaged the establishment of ten independent and competing coal mining companies, several wholesalers, and one export agency. Thus, the Bielecki government led the way in further divesting the state's involvement in Poland's coal mining activities, leading to sharp reductions in the demand and production of coal as mines shed their workforce to remain competitive; in the process,

---

[44] World Bank, *Main Report*, 1993

[45] Meaney, Connie, "Foreign Experts, Capitalists and Competing Agendas: Privatisation in Poland, the Czech Republic, and Hungary", *Comparative Political Studies*, Vol. 28, No. 2, 1995, p. 281

[46] Poland, *The Republic of Poland Energy Policy Principles for 1990–2010,* document approved by Ministry of Industry, Poland, October 1990, p. 57; see also Ost, David, *The defeat of Solidarity: anger and politics in postcommunist Europe*, Ithaca, Cornell University Press, 2005, p. 98

[47] Poland, Sejm Debate, 23.01.1993, Minister Przemysłu i Handlu Wacław Niewiarowski, *Pierwsze czytanie rządowego projektu ustawy o przekształceniach własnościowych niektórych przedsiębiorstw państwowych o szczególnym znaczeniu dla gospodarki państwa*, 1 kadencja, 35 posiedzenie, 3 dzień

the bloated and subsidised industry contracted (see table 2) and the price of coal rose by an additional 50% in 1991.[48]

The liberals' plans for energy sector restructuring were largely ambivalent about labour interests. The goal was to eliminate workers' councils, which had retained a right granted under communism to control decisions about the disposition, transfer, or sale of firm assets.[49] In contrast to the continental European brand of corporatism in which workers' councils enjoyed consultation rights, the Mazowiecki and Bielecki governments envisioned a pluralist system whereby political contestation would inform public policy. Prior to this, however, the liberals advocated top-down structural reforms to create the conditions for a capitalist market economy. Reversing the legacy of Solidarity's bottom-up approach to social, political and economic change, the liberal outlook associated labour participation with a socialist planned economy. Reformers reasoned that maintaining worker's councils would lead to excessive allocation of funding for employee salaries at the cost of curtailing the enterprise's ability to respond appropriately to market signals or foster the accumulation of investment capital.[50] Thus, despite the fact that "a sentimental attachment to workers' management was a fundamental part of Solidarity's ethos…the plan of the radical reformers [ended up] repudiating this stance. Privatization was to be massive, quick, and removed from the workers' control."[51]

[48] Meyers, Stephen; Salayf, Jurgen; Schipper, Lee, "Energy use in a transitional economy; the case of Poland" *Energy Policy*, Vol. 22, 1994, p. 700

[49] Federowicz, Michał, "Poland: councils under communism and neoliberalism", in Rogers, Joel and Streeck, Wolfgang, eds., *Works councils: consultation, representation and cooperation in industrial relations*, Chicago, University of Chicago Press, 1995

[50] see Belka et al, 1993

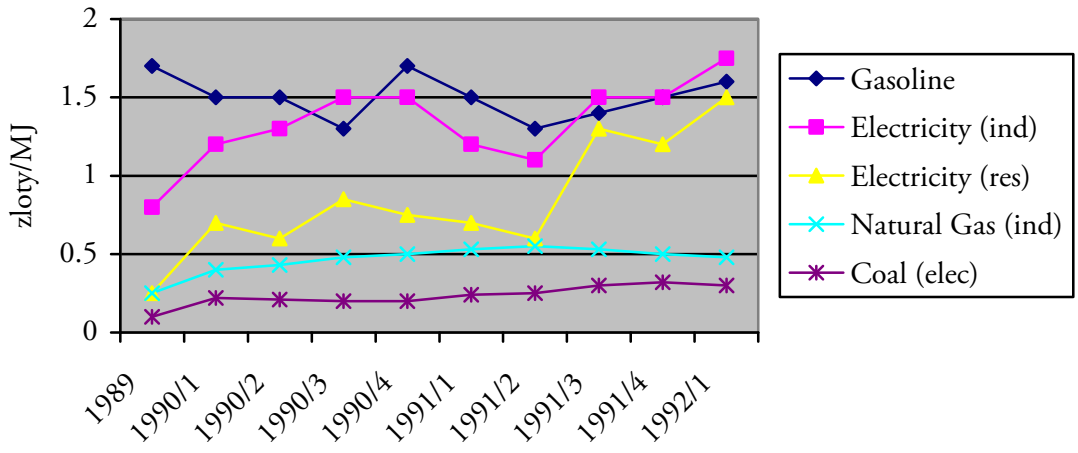
[51] Murrell, Peter "What is Shock Therapy? What did it do in Poland and Russia?" *Post-Soviet Affairs*, Vol. 9, No. 2, 1993, pp. 111-140

Table 2.2 Coal Production and Demand, 1988-1991 (mtoe)

	1988	*1989*	*1990*	*1991*
Domestic Consumption	161.6	150.3	119.4	112.5
Exports	32.2	28.9	28.1	22.5
Total Production	193.8	179.2	147.5	135.0

Source: World Bank 1993

Figure 2.2: Polish Energy Prices, 1989-1992



Source: Meyers et al 1994

2.2.1.1 The liberal embrace of the West

The domestic reforms pursued by the Mazowiecki and Bielecki governments created expectations of a diversified fuel mix, raised energy prices, a competitive market, and large inflows of foreign investments.[52] Such expectations, rooted as they were to lofty ideals about the benefits of market capitalism, would provide a crucial context for Poland's external energy strategies towards Russia and the West. After all, the Mazowiecki and Bielecki governments mainly sought to lure in Western foreign investment to promote energy

[52] See IEA, *Poland*, 1990

efficiency and modernise Poland's poorly-developed energy infrastructure. The radical opening up of the energy sector to foreign trade in 1990 carried with it the expectation that the energy sector would absorb the necessary foreign capital and expertise to become commercially profitable.[53]

Accordingly, the first two post-communist Polish governments sought advice and assistance from Western actors. Individual consulting groups assessed the reform needs of Poland's energy market,[54] while the World Bank provided a great deal of assistance through the creation of an Energy Restructuring Group. Consultants from the US, UK, Netherlands, Denmark and Belgium assisted in Poland's energy strategies, focussing above all on building the foundations for a market economy. The policy recommendations of the World Bank, IEA, EC and other 'western' institutional actors were fed into Poland's energy policy assumptions to 2010.[55] As a result of this cooperation, Poland managed to secure World Bank loans in aid of restructuring its key energy-producing assets. A loan of $250 million was extended to PGNiG, along with several lines of credit to district heating enterprises in Gdańsk, Gdynia, Katowice, Cracow, and Warsaw. At the request of the Bielecki government, the World Bank initiated a $75 million Energy Sector Adjustment Loan (ESAL). This programme was designed to facilitate de-monopolization of the coal sector, break up PGNiG into viable divisions, raise electricity and gas prices to full parity with commercial costs, and establish regulatory agencies for all energy sectors.

However it was later concluded that these loans, and their associated reform initiatives, proved overly-optimistic for their purpose; they required not only sustained commitment to liberal market reform, but also ambivalence toward the socio-economic impact of restructuring. The World Bank admitted as much in its concluding report on the

[53] Oyrzanowski, Bronisław and Paleczny-Zapp, "From one economic ideology to another: Poland's transition from socialism to capitalism", *International Journal of Politics, Culture and Society,* Vol. 7, No. 1, p. 53
[54] See, for example, Coopers and Lybrand, "*Energy in Eastern Europe*," Consultants Report, Butterworth-Heineman, 1991; Wolfgang Mostert Associates, "ERG Energy Restructuring Group, an Evaluation", *Final Report for PHARE and Polish Ministry of Industry and Trade*, May 1995
[55] see World Bank, Main Report, 1993; IEA 1994; Kant and Kaan 1998

lack of success of these financial endeavours.[56] More generally, it turned out that Poland had great difficulty attracting investments from the West, given the uncertainties of the domestic political and economic situation. For one, the legal and commercial framework through which foreign entities could operate in the Polish energy market was not yet fully developed; a lack of sector-specific guidelines on investment returns, ownership, and licensing laws dissuaded potential investment from abroad.[57] Moreover, the recession that the Solidarity government inherited from the abandoned socialist economic system in late 1989 aggravated an already high management turnover and intra-enterprise tension, exemplified by serious labour disputes, a situation which made foreign purchases of public assets even more difficult.[58] Although it welcomed FDI inflows in its upstream exploration activities (with energy firms such as Amoco, Exxon, and Shell buying up exploitation licenses[59]), Poland failed to attract foreign interest in its commercialised oil and gas firms or downstream markets, since these were very much wedged in the socialist pricing system and could not yet disentangle themselves from the tutelage of the state.

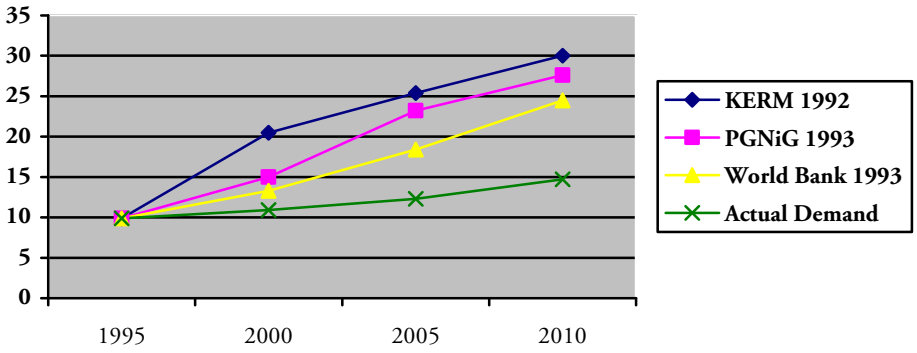
2.2.1.2 Pursuing commercialised energy relations with Russia

The anticipated cuts to the coal mining work force and the concomitant reduction in production and exports led Polish policy-makers to attempt an *increase* in the share of natural gas and oil in the energy mix.[60] Drawing on expertise and assistance from the IEA and World Bank, the Polish authorities in the Mazowiecki government envisioned a switch to gas-based heat and power facilities to offset changes in the coal industry, welcoming foreign investment to spur growth in Poland's nascent domestic gas extraction sector.[61] As a

[56] World Bank, "Poland: Country Assistance Review", Volume 1 - Main Report, 14 April 1997, p. 69 at http://www.worldbank.org/ieg/transitioneconomies/caes/poland_cae.pdf
[57] World Bank, *Gas Report*, 1993, pp.119-130
[58] Poznański, Kazimierz, "Privatisation of the Polish economy; problems of transition" *Soviet Studies*, Vol. 44, No. 4, 1992, pp. 641-664
[59] IEA, 1994, p. 28
[60] IEA, 1990, p. 34
[61] Parker, David, "Poland - Regulatory Reform in the Postal and Energy Sectors", *OECD Country Studies*, 2002

result of these early commitments, official forecasts published by PGNiG, the Ministry of Industry, and the Polish Academy of Sciences each predicted a growth in gas demand anywhere from 25-30 billion cubic metres (bcm) by 2010, or up to a four-fold increase from 1990.

Figure 2.3 Poland's Gas Demand Projections, 1995-2010 (bcm)



The predictions of greater gas demand compelled liberal policy networks in the Mazowiecki and Bielecki governments to assess the trade-off between commercial and security pressures in favour of the former; in other words, choosing to pursue the most commercially advantageous supply conditions in exchange for dependence on a politically uncertain supplier, the Soviet Union. Marcin Swiecicki, the Minister of Foreign Economic Cooperation argued that "dependence on Former Soviet Union energy will be a rational economic choice even in the absence of political bonds and pricing favours, given the geographical proximity of the energy sources, the abundance and reasonable reliability of long-term supply, and the costly infrastructure that is already in place."[62]

Poland's dependence on Russian oil and gas was not considered in an overtly geopolitical context by the key decision-makers in the liberal reform governments, particularly since energy was swept into wider structural programmes for the fundamental transition to capitalism. In fact, imported energy from the east would ease the burdens of

[62] Dienes, Leslie, Dobozi, Istvan and Radetzki, Marian, *Energy and Economic Reform in the Former Soviet Union*, London, St. Martin's Press, 1994, p. 219

energy price liberalisation at home. Bogdan Łukasiewicz, an MP from Poland's Peasant Party, even argued that it was desirable to continue the barter agreements with Russia in order to prevent Poland from settling accounts with Russia in hard currencies (leading to higher levels of state debt).[63] The Deputy Minister for Foreign Affairs, Czesław Nowak stated that "we must remember that although Comecon collapsed, its legacy will live on in Polish-Russian economic relations. We need to be reminded that without Russian gas, our steel mills will stop running."[64] Even Foreign Minister Skubiszewski advocated the continuation of dependence on Russian oil and gas, as he argued that "an essential task is to conclude a long-term economic agreement… to guarantee the supply of oil and gas from Russia."[65]

Thus, the bottom line in Poland's energy import strategy was a reliable, commercially viable source of supply – which was lacking in current arrangements. The prospect of building additional Russian gas and oil pipelines into Poland was seen as potential energy 'diversification,' since these projects equalled new, more reliable supply routes for Russian energy than the temporary barter arrangements or the communist era Yamburg and Orenburg agreements. Tadeusz Syryjczyk, the Minister of Industry in the Mazowiecki government, urged Poland's energy import strategy to be based strictly on such commercial considerations, arguing that "it is important to 'marketise' energy… it is not appropriate to dress up energy issues by tying them to concepts such as security and sovereignty."[66]

In seeking a reliable source of Russian gas and oil, both the Mazowiecki and Bielecki governments set out to transform energy relations with Russia on the basis of the free market and the rule of law. Underpinned by Mazowiecki's drawing of a 'thick line'

---

[63] Poland, Sejm Debate, 04.06.1992, MP Bogdan Łukasiewicz, *Sprawozdanie Komisji Polityki Gospodarczej*, 1 kadencja, 17 posiedzenie, 1 dzień

[64] Nowak, Czesław, "Poland Energy Policy; present state and future outlook", *Annual Review of Energy Environment*, Vol. 16, 1991, pp. 365-77

[65] Poland, Sejm Debate, 29.04.1993, *Informacja rządu o polityce zagranicznej Polski*, 1 kadencja, 43 posiedzenie, 1 dzień

[66] Poland, Sejm Debate, 11.04.1997, *Informacja premiera rządu pana Włodzimierza Cimoszewicza o stanie zagrożeń strategicznych interesów Polski i jej bezpieczeństwa w sektorze energetycznym*, 2 kadencja, 104 posiedzenie, 4 dzień

between the past and the present, Poland lobbied in 1990 for the abolition of the system of politically-derived export subsidies and the practice of 'coordinating economic plans' through Comecon.[67] By introducing market relations into the trade protocols between Russia and Poland, the latter's provision of oil and gas and its exports of coal would slowly be based on commercial, not political, considerations.

However, the switch to hard currency payments was made difficult given past debts in the form of losses in prior trade exchange due to the maintenance of the artificial system of intra-CMEA pricing and settlements.[68] There was also a balance of payments problem; by the end of March 1991, Poland had paid $300 million for Soviet imports, but had received only $20 million for its exports to the Soviet Union. The irony was that Russia's inability to pay for Polish goods stemmed from its own initiative to base import and export transactions with Comecon countries on hard currencies. The increase in the price of oil and gas imports for Central and East European countries from the equivalent of $0.80 a barrel to nearly $2.00 over a three year period could not offset losses from Russia's sagging output, which in 1991 hovered around 40% of the 1988 total.[69]

In early 1990, Poland's undersecretary of state argued that the settlement of accounts for Russian natural resources needed to be conducted on the basis of an objectively fixed rate of exchange, rather than on the principle of investments reciprocated by gas and oil deliveries. This reasoning was underpinned by his statement that "the Soviet Union is our great supplier and client. The objective is to jointly create a situation in which both sides do business with each other and make large profits."[70] Reflecting on Poland's post-communist energy strategy, a former minister in the Mazowiecki government recalled how "in the early 1990s concerns about energy supplies from Russia were not related to political issues, but rather to the condition of its energy industry. Russia's energy output was in decline, its

[67] Gwiazda, Adam, "Disintegration of Comecon; new perspectives for the Central European countries", *Global Economic Review*, Vol. 20, No. 2, 1991, p. 85, 88
[68] Ibid. p. 82
[69] see Melton 1992, p. 104
[70] Zagrodzka, Danuta "Premier's Adviser on Trade and Fuel Discussions with Soviets; interview with undersecretary of state Waldemar Kuczynski", *Gazeta Wyborcza,* 3 December, 1989 [English Translation] *Foreign Broadcast and Information Service*, JPRS-EER-90-017, 8 February 1990

administration was in disarray, energy technologies were obsolete, and supply line interruptions were frequent."[71] In other words, the main threats to Poland's energy security were the instability of Russia's oil and gas exports brought about by the collapse of communism[72] and not, as it would later come to be perceived, Russia's deliberate use of energy as a foreign policy tool.

2.2.1.3 The commercial constraints on diversification

Because of their neoliberal proclivities, the Mazowiecki and Bielecki government deferred to market logic in the formulation of Poland's energy security policies. As a result, the criteria for diversification was not to seek surrogates for natural gas from Russia but rather to acquire additional sources of supply to cover what was predicted to be strong growth in demand for natural gas. Having secured bartered gas and oil from Russia in October 1991, an advisor at the Ministry of Industry and Trade, Maciej Szczawnicki argued that "diversification of energy supplies needs to be assessed in the context of market reforms and energy consumption… security needs to be assessed in relation to price."[73]

Because of the difficulty associated with attracting viable partners to supply Poland's uncertain energy market, all of the diversification attempts made during the Mazowiecki and Bielecki governments collapsed even before entering the negotiation phase. An example was the 1990 policy goal of building an LNG terminal to import gas by sea by the mid-1990s. This was considered by the Ministry of Industry and Trade to be the most politically desirable option, since Poland would not be dependent on any one supplier. However, the project quickly sobered up to prohibitive investment costs and the limited technical capacity of suppliers to serve Poland's market, and was subsequently abandoned.[74] The possibility of

[71] Wojciech Jasinski, former Minister of Treasury, author's interview, Warsaw, March 2009
[72] see Melton 1992, pp. 95-115
[73]" *Chemical Industry News and Intelligence,* "Chemicals at forefront of Polish/Soviet barter deal", 7 October, 1991, at http://www.icis.com/Articles/1991/10/07/14462/chemicals-at-forefront-of-polishsoviet-barter-deal.html
[74] World Bank, Main Report, 1993

importing Algerian or Iranian energy, moreover, was mooted by virtue of a risk assessment that highlighted the long distance from the deposits, the high costs of investment, price uncertainties and the political instability of the respective supplier states.[75] As for importing supplies from the West, these were more expensive and required heavy investment in transmission infrastructure, as well as the requisite gas-fired power plants to make use of the imported fuel. Thus, Poland assessed the commercial benefits of diversification unfavourably; as a result, no natural gas was imported from the West in 1991, nor did plans for 1992 call for such imports.[76]

2.2.2 The Olszewski government; a short-lived attempt at economic and political revisionism

By the end of the Bielecki government, it became increasingly unclear about the extent to which shock therapy market reforms had been applied to strategic state-owned energy enterprises. Indeed, privatisation had been contentious and liberalisation progressed much more slowly than initially anticipated by neoliberal reformers. Moreover, newly emerging domestic interests both within and outside of the government began to stake out positions over whether to embrace liberal market reforms or apply a policy of exceptionalism to state-owned energy firms and assets that were considered of strategic public interest. For example, the lobby groups in the coal sector sought to protect the subsidies and state sponsorship through investment and employee privileges that had characterised its communist past.[77] Tadeusz Syryjczyk, the first post-communist Minister of Industry and Trade, lamented the negative effects of the mining lobby on Poland's diversification agenda. Discussing the possibility of connecting to energy systems in the north, he noted that "the influence of the

---

[75] Strzelczyk, Joanna, *Ucieczka Ze Wschodu. Rosja W Polskiej Polityce, 1989-1993,* Warsaw, Oficyna Wydawnicza RYTM, 2002

[76] Curtis, Glenn E., ed. *Poland: A Country Study*, Washington, GPO for the Library of Congress, 1992 at http://countrystudies.us/poland/55.htm

[77] World Bank, "Poland Energy Restructuring Program, the Coal Mining Sector", *Joint UNDP/World Bank Energy Sector Management Assistance Programme (ESMAP)*, Vol. 2, No. 153/93, January 1993, p. 27

coal mining lobby blocked and delayed work on connecting Poland to northern energy supplies. This has decreased our security and reduced rationalisation." [78]

It was in this context that the government of Jan Olszewski, briefly in power from December 1991 to June 1992, offered a different economic policy outlook to the previous neoliberal Solidarity governments, one that pledged to attenuate the negative effects of what was seen as too hasty a transition to capitalism.[79] By ousting post-Solidarity liberal reformers from key economic posts in the Finance Ministry, Anti-Monopoly Office and the Office of Ownership Transformation, the Olszewski government advanced an interventionist approach to market reform rather than the previous strategy of rolling back the involvement of the state in the economy. Policy-making elites, the majority of which belonged to the Christian nationalist wing of the Solidarity camp, were inclined to adjust market reforms in the context of Poland's immediate socio-economic needs. Many were purveyors of a nationalist brand of economic reform that had a paternalist, rather than egalitarian, inspiration.[80] This was reflected in its approach to fiscal policy, which became re-focussed from lowering Poland's high level of inflation (as per earlier agreements made with the IMF) to cushioning the negative impact of reforms by increasing state spending. Indeed, it was noted that several of Olszewski's coalition partners favoured "renegotiating Poland's agreements with the IMF and increasing government aid to state-owned industries and farmers." [81] This laid the conditions for a 'statist' approach to the economy with a concomitant re-assertion of the importance of making politically-conscious decisions on the economy.

With these ideological proclivities in place, the energy policy network in the Olszewski government was composed primarily of political executives who were inclined towards

[78] Poland, Sejm Debate, 11.04.1997; for a more general discussion of the role of lobbies and domestic interests in a state's energy policy see Cowhey, Peter F, *The problems of plenty; energy policy and international politics*, California, California University Press, 1985, pp. 38-40

[79] Hunter, Richard J and Ryan, Leo V, *From Autarchy to Market; Polish Economics and Politics, 1945-1995*, Praeger, Connecticut, 1998, p. 170

[80] Millard, Frances, "Nationalist themes in Polish politics, 1989-1993", *Journal of Contemporary European Studies*, Vol. 2, No. 4, 1994, p. 50

[81] Stone, Randall, *Lending credibility: the International Monetary Fund and the post-Communist transition*, Princeton, Princeton University Press, 2002, p. 104

nationalism, wary of 'nomenklatura' privatisation and suspicious of business interests. Its members were less enthusiastic about allowing Western institutional actors dictate the course of Polish reform, and therefore looked upon existing initiatives, such as de-monopolising the energy market, with suspicion. Andrzej Lipko, the Minister of Industry and Trade who would go on to become CEO of PGNiG during Jerzy Buzek's administration, justified the preservation of 'natural' monopolies in the energy sector by appealing to the distribution of energy as a public good that needed to be managed by the state.[82] Similar sentiments emanated from the new Minister of Ownership Transformation, Tomasz Gruszecki, causing rebuke from the neoliberal Council of Ownership Transformation, which became "troubled by the attitude of the new heads of the Ministry of Ownership Transformation towards the transactions already concluded with the participation of foreign capital."[83] Despite operating under a broader consensus that commercialisation was desirable because it increased efficiency, growth and innovation,[84] the Olszewski government reasoned that, "in the case of public utilities such as gas, coal or oil there are strong reasons not to transfer all stages of the industry to private ownership."[85] Concomitantly, Leszek Balcerowicz lamented that during this period "privatization of larger state enterprises was practically brought to a halt."[86]

Other liberal provisions enacted by the Mazowiecki and Bielecki governments were either rolled back or scrapped altogether. For example, Poland's reputation as having one of Europe's most open foreign trade regimes became tarnished by "tariffs [and] some quota arrangements [that] have been reactivated to support domestic industries (the oil sector is an example.)"[87] Moreover, the Olszewski government hindered the Anti-Monopoly Office's progress in breaking up PGNiG, the vertically-integrated state-owned monopoly responsible

[82] Poland, Sejm Debate, 04.01.1992, *Informacja ministra finansów oraz ministra pracy i polityki socjalnej o skutkach ostatnich podwyżek cen energii elektrycznej, gazu i centralnego ogrzewania,* 1 kadencja, 5 posiedzenie, 2 dzień
[83] *Rzeczpospolita*, "Drawbacks of Stock Sales Pointed Out," 10 February, 1992 [English Translation] *Foreign Broadcast and Information Service*, JPRS-EER-92-027, 6 March 1992
[84] Rider, Christine and Zajicek, Edward, "Mass privatization in Poland; processes, problems and prospects", *International Journal of Politics, Culture and Society*, Vol. 9, No. 1, 1995, p. 135
[85] World Bank, *Gas Report*, 1993, xiv
[86] Balcerowicz 1994, p. 80
[87] IEA 1994, p. 41

for exploration, production, and distribution of natural gas. Previously optimistic about its market-oriented policy support, the World Bank now adopted a more sober tone, releasing a report in 1993 that lamented the lack of progress in the commercialisation of Poland's energy firms; the report noted the Olszewski government's proclivities for maintaining strong vertically-integrated state holding companies in the energy sector even though, according to the report, "economic efficiency would be better served by breaking up the vertically integrated monopoly and allowing more competition in the sector."[88]

Privatisation programmes during the Olszewski government did not include any enterprises in the energy sector.[89] This meant that Poland's restructuring plans remained suspended in a state which did not essentially alter the government's role as centralised management. By incorporating state-owned enterprises and turning them into joint stock companies under commercial law, ownership functions were transferred from worker's councils to the Ministry of Ownership Transformation (later a constituent part of the Ministry of Treasury).[90] In this way, under the guise of new institutional arrangements, state-owned energy firms effectively continued to operate as they had done prior to market reform since, in practical terms, SOEs and commercialized firms did not widely differ in terms of governance.[91] Taken together, these statist policies in the energy sector represented a departure from the liberal proclivities of the Mazowiecki and Bielecki governments. The World Bank provided a critical assessment of the impact of administrative change, stating that "discontinuities associated with government changes after 1992 led to a bumpy ride for sector reforms and a postponement of formerly agreed institutional and policy actions."[92]

However, the Olszewski administration could not completely over-rule the liberal KLD and UD parties in parliament, which repeatedly blocked the government's attempts to temper rapid reforms. As the architects of liberal market reform, these parties drew support

[88] World Bank, *Gas Report*, 1993
[89] Perkins, Stephen, "Energy Policies for Poland", *The OECD Observer*, No. 170, June/July 1991
[90] IEA 1994, p. 43; for a discussion of the clash between worker's councils and the process of commercialisation favoured by neoliberal reformers, see Federowicz, Michał, Corporate Governance and Industrial Relations in Poland, *UCL SSEES Working Paper,* No. 28, 2003, p. 5
[91] Belka et al 1993, 216
[92] World Bank, 1997, p. 69

from the IMF which made further lending to Poland conditional on anti-inflationary measures.[93] Thus, a high degree of external pressure meant that the Olszewski government was compelled to continue market reforms in spite of its condemnation of the previous governments for the deep recession and budget crisis. Nonetheless, in the energy sector, the Olszewski government did manage to stall neoliberal pressures to privatise and liberalise the industry. Indeed, the closing of the period of 'extraordinary politics',[94] the slow emergence of entrepreneurial interests and increasing public animosity towards privatisation compelled the centre-right coalition to alter the market reform programmes of the previous government to better incorporate societal interests.[95] Thanks to the salience of nationalist and protectionist sentiments in the Olszewski government's statist policy network, a high degree of exceptionalism was applied to the energy industry. Moreover, continued state ownership and oversight of Poland's energy sector was seen as desirable for making politically-conscious decisions regarding future supply arrangements.

2.2.2.1 A statist strategy toward Russia

Olszewski's government came to power apprehensive about Eastern instability and Russia's resurgence, vowing to 'decommunise' the ministries that were under its control.[96] Whereas Mazowiecki and Bielecki both advocated a clean 'break with the past' and the drawing of a 'thick line' between Poland's communist past and its democratic present, as Prime Minister Olszewski was far more pro-active in his attempts to purge the domestic political scene of

[93] Stone, 2002, p. 105

[94] a term used by Leszek Balcerowicz to describe the unusual period where 'normal politics' – the interplay of interest groups – are suspended. see Rose, Amanda, "Extraordinary politics in the Polish transition", *Communist and Post-Communist Studies*, No. 32, 1999, pp. 195-210

[95] Swiatkowski, Lucja, "Polish Mass Privatisation; the debate goes on" *Beyond Transition Newsletter about Emerging Economies*, The World Bank Group, April, 1995, at http://www.worldbank.org/html/prddr/trans/apr95/p.s7-8.htm

[96] Spero, Joshua, *Bridging the European divide; middle power politics and regional security dilemmas,* Maryland, Rowman & Littlefield Publishers, 2004, p. 80

the former *nomenklatura*.[97] One of the many purposes of 'dekomunizacja', as it was known, was to prevent what the Olszewski administration perceived to be the penetration of Russian business interests into Poland's economic decision-making structures.

Because of its inclination towards economic nationalism, the Olszewski government distinguished itself from the Mazowiecki and Bielecki governments in terms of how state-owned energy firms were managed. Energy security was no longer associated with the need to create a viable, commercially functional energy market with the help of foreign investment, but rather was best ensured by managing excessive energy dependence on Russia and mitigating its impact on Poland's newly-acquired sovereignty. Existing and future energy relations were, as Olszewski himself stated, "symbols of the old system of servility toward Soviet, and now Russian, interests."[98] In setting out to protect Poland's new-found sovereignty, Olszewski surrounded himself with anti-Moscow advisors such as the first civilian defence minister, Jan Parys, and the conservative Kaczyński brothers.[99] For these individuals, procuring sources of gas and oil *outside* of Russia was seen as the most politically desirable route towards energy security.

Of course, the shift in policy emphasis was not occurring in an international vacuum. External developments did in fact warrant a more cautious approach towards energy security, particularly since Poland's energy relations now had to be conducted with the Russian Federation and the former Soviet Republics, rather than the Soviet Union. This added a new geopolitical dimension to Poland's import strategy. Moreover, the confusion over ownership and enterprise management generated by Russia's own market reforms contributed to sagging production of oil and gas, thereby affecting Russia's ability to maintain exports to former Comecon countries.

Poland's responses to these external developments were conditioned by the Olszewski government's preference for political executive decision-making in matters of energy

---

[97] Misztal, Barbara, "Understanding political change in Eastern Europe: a sociological perspective", *Sociology*, No. 27, 1993, pp. 451-470

[98] "Interview with Jan Olszewski", *The Sarmatian Review*, No. 3, 1997, pp. 477-480

[99] Spero 2004, p. 81

security. Finance Minister Andrzej Olechowski, who had been undersecretary in the Ministry of Foreign Economic Cooperation in the Bielecki government, played an instrumental role in returning Poland to barter arrangements for Russian oil and gas in December 1991. In many ways, this reflected Olechowski's shifting of emphasis in the Ministry towards a more state-oriented energy relationship with Russia which was no longer premised on the search for a long-term energy agreement between Polish and Russian energy firms.[100] This attitude was reinforced by events in January 1992, less than a month after the barter deal was signed, when Russian gas deliveries to Poland were unexpectedly reduced by half.[101] The eleven day shortfall not only distressed Poland's energy-intensive industries but also deepened popular resentment over steep hikes in energy prices imposed by the government earlier that month. In fact, at the time of the disruption energy had become a highly salient domestic political issue, wherein protests over the doubling of central heating costs led to the first strikes by the Solidarity trade union since the end of communism.[102]

Given this domestic political backdrop, the Olszewski government reacted to Russian supply cuts in early 1992 by exploring possibilities to diversify its gas sources, rather than ensure a steady supply from Russia.[103] Accordingly, executive officials in the Olszewski government obliged PGNiG to explore diversification options with Britain, Norway, Germany and even Nigeria, Algeria, Iran and Qatar.[104] This process eventually narrowed down to two serious attempts to loosen Poland's dependence on energy supplies from the east, namely the Polpipe and Norwegian projects. These would allow Poland to import natural gas reserves from the North Sea 'Britannia' deposit and Norway's continental shelf,

---

[100] Vinton, Luisa, "Domestic Politics and Foreign Policy" in Prizel, Ilya and Michta, Andrew, ed., *Polish foreign policy reconsidered; challenges of independence,* Basingstoke, Macmillan, 1995, p. 162

[101] *New York Times*, "Russian Gas Shortfalls Idle Polish Industry", January 30th, 1992, at http://www.nytimes.com/1992/01/30/world/russia-s-gas-cut-off-idles-poland-s-industry.html accessed 19 June 2009

[102] Ibid.

[103] Poland, Sejm Debate, 26.09.2002, MP Jan Olszewski, *Wniosek o wyrażenie wotum nieufności ministrowi infrastruktury Markowi Polowi*, 4 kadencja, 30 posiedzenie, 2 dzień

[104] Walewska, "Future Oil and Gas"

respectively.[105] The plan was to receive up to 10 billion cubic metres of natural gas via a new Baltic Sea pipe into Denmark and onwards to Poland. The negotiations were undertaken under the advisement of the Economic Committee of the Council of Ministers (KERM), which published a report in 1992 on Poland's gas sector stating that "in order to avoid disaster it is necessary to bring gas from a second source – in the North Sea."[106]

However, managers at PGNiG expressed doubts about the commercial viability of these respective diversification attempts. A letter addressed to the Council of Ministers by a board member at PGNiG, Andrzej Brach, argued that, "on the basis of a more realistic lower forecast of consumption, implementation of the Polpipe would not be necessary because the demand for imported gas would be sufficiently covered by both the existing pipelines from Russia and by the planned transit pipe from Russia to Germany. Both solutions are economically more beneficial than participation in Polpipe."[107] However, the Olszewski government – particularly officials at the Ministry of Industry and Trade – ignored the pleas of PGNiG managers, who were in favour of a long-term gas agreement with Russia, and instead continued attempts at diversification from Russia.[108]

The short term of the Olszewski government proved to be a tenacious obstacle for its diversification agenda; most projects did not progress very far beyond the negotiation phase. In fact, by the time feasibility studies for Polpipe had been concluded in late 1993, Waldemar Pawlak's left-wing PSL-SdRP coalition was in power (with the Suchocka government having come and gone). Given the advanced stages at which a new Russia-Poland natural gas contract had progressed and the volumes of gas that had been agreed upon, there was little incentive to use diversification from the north as a way to mitigate structural dependence on Russia. Moreover, the British option was suspended after Poland could not provide Britannia's owners with financial guarantees nor ensure the commercial

[105] Czarnecki, Jacek, "Gaz tylko Rosji. Upadł projekt Britania, Norwegowie zawiesili negocjacje", *Rzeczpospolita*, 24 November 1994
[106] Poland, Komitet Ekonomiczny Rady Ministrów (KERM), *Raport w sprawie dostaw gazu ziemnego do 2010 r.,* dokument Ministerstwa Przemysłu i Handlu, nr 2, 20/II/93, 1992
[107] Strzelczyk 2002, p. 433
[108] Wojciech Jasinski, author's interview, Warsaw, March 2009

viability of PGNiG, Poland's vertically-integrated, state-owned gas monopoly.[109] With North Sea reserves beginning to dwindle, the Britannia deposit was deemed better suited to serve the UK's gas market instead. In talks with Norway's Gas Negotiating Committee, the Ministry of Industry and Trade during the Pawlak government decided that the amounts offered were negligible and could not justify the costs of constructing a new gas link connecting Poland with North Sea deposits.[110]

Despite the constraints involved in gaining an additional *source* of natural gas, the Olszewski government did manage to secure the construction of two energy links with Germany in the areas of Świnoujście and Zgorzelec. The link near Świnoujście enabled the transmission of around 60 million cubic metres (mcm) of gas per year to Germany, making it possible for Germany to switch from low-calorie gas produced from coal into high-methane natural gas. The Zgorzelec link made it possible to switch coke-oven gas-users in Lower Silesia to high-methane natural gas supplied from Germany. By advancing interconnectors with Germany, Poland could count on an import capacity of around one bcm of natural gas per year.[111] Although this did not satisfy the grand designs to mitigate Poland's dependence on Russia, it did convey the impression that the Olszewski government was committed to reducing its energy vulnerabilities at a time when energy security issues did not command widespread attention.

The Olszewski government was decidedly more nationalist than its predecessors, seeking to stem the tide of neoliberal reform whilst purging the political establishment of its communist pedigree. In this context, the desire to diversify gas supplies "appeared to be as much connected with an assertion of economic independence, national sovereignty and a demonstrative break with the Communist era, as with gas supply security i.e. the risk that Russia would force adverse policies on [post-socialist] countries by threatening to cut off gas supplies."[112] Olszewski later confirmed this sentiment by arguing that the suspension of

[109] Czarnecki, "Gaz tylko Rosji"
[110] Gwiazda 1997, p. 141
[111] Ibid.
[112] Stern 2005, p. 117

efforts that his government initiated in 1992 to import natural gas from Norway in favour of the 'Yamal' deal with Russia undermined Poland's economic sovereignty. In fact, Olszewski went so far as to call the Yamal contract a "threatening piece of economic blackmail."[113] This perception provided a stark contrast to Olszewski's liberal predecessors, who above all sought a commercially viable supply of imported natural gas and oil to satisfy Poland's transition to capitalism.

2.2.3 The Suchocka government and the 'rationalisation' of the energy sector

The effort of post-Solidarity forces to oust the Olszewski government after controversies over lustration and President Lech Wałęsa's vote of no confidence paved the way for the creation of a seven party parliamentary coalition to support the new government of Hanna Suchocka.[114] This broad coalition, an assembly of 'post-Solidarity' political forces, attained a majority in parliament that enabled the passage of the 'Little Constitution' clarifying executive and legislative competencies. This new legislative act eased the tension between the post of Prime Minister and that of the Presidency, enabling a more predictable and less fractious external policy.[115] Domestically, the government still enjoyed the support of the Solidarity trade union, which compelled the coalition parties to include labour interests in their restructuring and privatisation plans. In this way, the Suchocka government offered a departure from the top-down contractual reform agenda of the Mazowiecki and Bielecki administrations without straying too far towards the nationalist proclivities of the Olszewski period.[116]

---

[113] Poland, Sejm Debate, 20.02.2004, MP Jan Olszewski, *Informacja rządu w sprawie możliwych zagrożeń i działań zapobiegających destabilizacji bilansu energetycznego kraju*, 4 kadencja, 68 posiedzenie, 4 dzień

[114] See Zubek, Voytek, "The phoenix out of the ashes; the rise to power of Poland's post-communist SdRP", *Communist and Post-Communist Studies*, Vol. 28, No. 3, 1995; Jasiewicz, Krzysztof "Polish Politics on the eve of the 1993 elections: towards fragmentation or pluralism", *Communist and Post-Communist Studies*, Vol. 26, No. 4, December 1993

[115] Spero 2004, p. 83-88

[116] Sanford, George, "Overcoming the burden of history in Polish foreign policy", *Journal of Communist Studies and Transition Politics,* Vol. 19, No. 3, 2003, p. 193

The seven parties comprising the Suchocka government came from all sides of the political spectrum - no one ideology was dominant. In formulating economic policies, the government had to reconcile the liberal preferences emanating from the Liberal Democratic Congress (*Kongres Liberalno-Demokratyczny* - KLD) and the Democratic Union (*Unia Demokratyczna* – UD) with interventionist pressures applied by the Christian National Union (*Zjednoczenie Chrześcijańsko-Narodowe* - ZChN) and the Christian People's Party (*Stronnictwo Ludowo-Chrześcijańskie* – SL-Ch). Cabinet ministers belonging to the latter two parties were critical of the Balcerowicz Plan and desired a 'negotiated' transition to a market economy; this view had been expressed by Henryk Goryszewski (Deputy Prime Minister), Waclaw Niewiarowski (Minister of Industry and Trade), and Jerzy Kropiwnicki (Head of the Central Planning Office). Key officials on the liberal side, however, displayed a preference for integration with the European Union and were in favour of the Mass Privatisation Programme that would transfer a considerable amount of state assets to the private sector. Adherents to this view included Minister of Privatization Janusz Lewandowski, Finance Minister Jerzy Osiatyński and Minister for Foreign Economic Cooperation Andrzej Arendarski. Suchocka was herself a liberal democrat and her government initially "aimed to re-establish the threads of continuity with Balcerowicz through accelerated privatisation…[with] Janusz Lewandowski returning to the privatisation ministry with his mass privatisation brief intact."[117] However, popular discontent with neoliberal market reforms and the challenges arising from managing a broad coalition base forced her government into a centrist position.

Under these conditions, neither a liberal nor an overtly statist approach to the economy gained the upper hand. Rather, policy-makers in charge of economic affairs were compelled to embrace a much wider set of stakeholders than the Mazowiecki and Bielecki governments. In this context, it was no longer tenable to introduce new top-down shock therapy reforms, but it was equally impermissible to revert to the old central planning structures. Moreover, it was becoming clear that large-scale privatisation – which was

[117] Millard 1999, p. 151

endorsed by the neoliberals as a necessary condition for successful transition – could actually be circumvented as long as stable macroeconomic and regulatory conditions were in place.[118]

It was in this context that the Suchocka government amalgamated state and business interests into the policy-making process through the so-called 'enterprise pact', a policy initiative that served as "a means of bringing government, trade unions and managers together, ostensibly to speed up privatisation but also opening the way to a more widespread 'negotiation' over economic matters."[119] However, because the Mazowiecki and Bielecki government had marginalised the input of employee councils, the Suchocka government eventually propagated a management-dominated approach to corporate governance.[120] In the process, a corporatist system of interest representation was created from "a unique industrial framework of internal structures representing both a quasi-command economy and privatization, each with a market orientation."[121]

The network mainly comprised politicians, public officials and enterprise managers who represented the interests of state-owned energy firms. The latter were not necessarily organised in formal business associations, but the coalition's plan to 'rationalise' the energy market by pushing forward restructuring and privatisation programmes for individual sub-sectors was done in close consultation with the firms it was attempting to transform. To this end, 'coordinating groups' were established in the spring of 1993 which were directly responsible for energy sector restructuring. However, these 'groups' were essentially the dominant firms in each sector; the monolithic electricity transmission operator Polski Sieci Elektroenergetyczne (PSE) was in charge of power restructuring, the Hard Coal Agency (inheriting the functions of the communist-era Hard Coal Board) in charge of coal restructuring, and the vertically-integrated monopolist PGNiG took charge of gas

[118] Stone, 2002, p. 108
[119] Blazyca 1993
[120] Haviovic, Stephen and Moore, William, "Worker's councils, trade unions and industrial democracy in Poland", *Economic and Industrial Democracy*, Vol. 18, 1997, pp. 262
[121] Ibid., p. 263

restructuring.[122] A new legal provision also enabled the Economic Committee of the Council of Ministers to appoint "external experts to develop analysis, forecasts, opinions and concepts," and several such experts were drawn from the pool of enterprise managers which were responsible for restructuring state-owned energy firms.[123] As a consequence, a bigger role was accorded to these entities in helping state institutions carry out administrative functions. For example, the Anti-Monopoly Office, which had previously vied for the break-up of PGNiG, now allowed the company to independently formulate a commercial strategy.[124]

The liberals longing for the creation of a competitive and privatised energy market also pushed legislation through the Sejm and the Council of Ministers - the first serious plans for the oil industry were put forward in July 1993, recommending the sale of the filling stations of the retailer *Centrala Produktów Naftowych* (CPN) to foreign investors as an inducement for them to take a corresponding share in refineries.[125] But overall, the core executive kept a tight watch over the state's ownership of energy assets. In terms of privatisation, the government initiated a draft law in 1993 on the "transformation of ownership of some state-owned enterprises that are of particular importance for the economy."[126] Under the pretext of rationalisation, the Minister of Industry and Trade, Wacław Niewiarowski, argued that "the July 1990 act on the privatisation of state enterprises does not provide for an efficient restructuring of the energy sector. This [1993] law therefore proposes to empower the MoIT to consolidate energy assets and to regulate import and distribution companies."[127] This gave the Ministry of Industry an administrative

[122] Wolfgang Mostert Associates, "ERG Energy Restructuring Group, an Evaluation", *Final Report for PHARE and Polish Ministry of Industry and Trade*, May 1995, p. 79
[123] Poland, Rada Ministrów, *w sprawie Komitetu Ekonomicznego Rady Ministrów*, Monitor Polski, Nr 18, poz. 222, 12 April 1995
[124] Kant and Kaan 1998, p. 26
[125] Poland, Sejm Debate, 15.05.1993, MP Jerzy Strzelecki, *Informacja rządu na temat koncepcji przekształceń własnościowych w sektorze paliwowym*, 1 kadencja, 44 posiedzenie, 3 dzień
[126] Poland, Sejm Debate, 23.01.1993, *Pierwsze czytanie rządowego projektu ustawy o przekształceniach własnościowych niektórych przedsiębiorstw państwowych o szczególnym znaczeniu dla gospodarki państwa,* 1 kadencja, 35 posiedzenie, 3 dzień
[127] Ibid.

remit over state-owned enterprises, particularly in the extractive industries of coal and gas, as well as firms operating transmission and distribution networks.[128] In effect, this law transferred some of the oversight duties of the Ministry of Privatisation over to the MoIT in the name of energy security. According to an MP in the Sejm, the provisions of this law "gave ministers new responsibilities and a great amount of leeway in interpreting the functions of the state in regulating the activities of strategic companies."[129]

2.2.3.1 State and business interests in energy relations with Russia

The Suchocka government's emphasis on greater negotiation with managers of state-owned energy firms proved instrumental in determining the outcome of Polish-Russian energy negotiations. With enterprise managers at the helm, Polish representatives of the Suchocka government signed the lengthily-titled "*Agreement between the Government of the Republic of Poland and the Government of the Russian Federation on the Construction of a Gas Pipeline System for the Transit of Russian Gas through the Territory of the Republic of Poland and Supplies of Russian Gas to the Republic of Poland*."[130] The primary players involved in the agreement were Deputy Prime Minister Henryk Goryszewski, MoIT Minister Wacław Niewiarowski, undersecretary in the MoIT Kazimierz Adamczyk, Bartimpex CEO Aleksander Gudzowaty, PGNiG CEO Aleksander Findziński and key board members such as Janusz Tokarzewski and Andrzej Brach. Together, these individuals negotiated a new structural gas link with Russia and an associated contract with Gazprom setting out the volumes to be drawn from this pipeline over the next twenty five years. This deal became a milestone in Polish-Russian economic relations after the end of the Cold War.

[128] Ibid.
[129] Ibid.
[130] for the full text of the agreement, see Poland, Yamal Contract, *Porozumienie miedzy rzadem rzeczpospolitej Polskiej a rzadem federacji Rosyjskiej o budowie systemu gazociagow dla tranzytu gazu Rosyjskiego przez terytorium rzeczpospolitej Polskiej i dostawach gazu rosyjskiego do rzeczpospolitej Polskiej*, Warsaw, 25 August 1993, at http://www.europolgaz.com.pl/1.htm

The Yamal agreement's genesis was the signing in May 1992, by Russian president Boris Yeltsin and Polish president Lech Wałęsa, of the bilateral *"treaty on friendly and good-neighbourly cooperation."*[131] With both countries in the throes of transition, the document set out to affirm a mutual respect for one another's sovereignty and a commitment to political and economic cooperation. It also contained a provision for building energy links between the two countries. Subsequently, the Economic Committee of the Council of Ministers (KERM) appointed an inter-departmental working group to assess the conditions for the construction of a Russia-Western Europe transit gas pipeline. In keeping with the Suchocka government's 'enterprise pact' initiative, the group consisted of management representatives and officials at the ministries of Trade and Industry, Foreign Affairs, Finance, Foreign Economic Co-operation, as well as Bank Handlowy and PGNiG.[132] The resulting 'Report on Gas Deliveries to 2010' of December 1992 assumed that by 2010 natural gas consumption would gradually increase to 27–35 billion cubic metres per year.[133]

Based on these assumptions of high gas demand, the report recommended the construction of a natural gas pipeline from Russia to Western Europe that would supply Poland with gas from newly-discovered and not yet exploited Siberian deposits in the Yamal peninsula. According to the study, Russia had the biggest gas deposits in the world with the lowest costs of supply, making it an attractive energy partner. Moreover, the Yamal pipeline itself would increase Poland's energy security because it would shift the end point of supply further westwards, thereby mitigating the risk of potential cuts of supply to Poland.[134] However, despite these geopolitical and economic benefits, the document advised the executive that a pipeline from Russia should form but *one part* of a more far-reaching external strategy envisioning several different sources of imported energy. Thus by 2010 the

[131] "Traktacie o przyjaznej i dobrosąsiedzkiej współpracy," at www.vilp.de/Plpdf/p045.pdf; although signed during the Olszewski period, Olszewski himself was perturbed by Walesa's concessions to Russia in obtaining this new treaty, see Spero 2004, pp. 80-83
[132] Europolgaz, *O firmie*, http://www.europolgaz.com.pl/firma_geneza.htm, accessed March 11, 2009
[133] Poland, KERM, *Raport w sprawie dostaw gazu ziemnego do 2010 r;* see also Strzelczyk 2002, pp. 430-440
[134] Ibid.

KERM report predicted an annual natural gas supply balance of 13% from domestic extraction, 30% from the North Sea, and 57% from Russia.

Business contacts preceded the signing of an intergovernmental agreement between Poland and Russia. In March 1993, a letter of intent to construct the pipeline was signed by PGNiG CEO Aleksander Findziński and his Russian counterpart, Rem Vyakhirev.[135] The Council of Ministers subsequently set up a working group to prepare a draft agreement between Poland and Russia on the construction of the pipeline system.[136] This was followed by a visit to Moscow by Goryszewski and Findziński in August 1993 to sign the lengthily-titled intergovernmental agreement, which set out the conditions for the creation of a joint stock company equally owned by Poland and Russia.[137] EuroPolGaz, as the company became known, would be responsible for the construction and operation of the Polish section of the Yamal pipeline.

A month later, however, Gazprom proposed to integrate a third party into the ownership structure of EuroPolGaz, citing Poland's Commercial Code that required at least three founding partners as a legal requirement for forming joint stock companies. Hence, Kazimierz Adamczyk and Wacław Niewiarowski led the negotiations for 4% of EuroPolGaz to be allocated to a company called Gas-Trading, whose ownership structure was made up of PGNiG (30%), Gazexport (35%), Bartimpex (25%), Węglokoks and Wintershall Erdgas (5% each).[138] One of the central outcomes of this development was that Bartimpex would be an intermediary between Gazprom and PGNiG, buying gas from the former and selling it on to the latter.[139]

The outcome of the negotiations demonstrated the blurred roles and responsibilities of ministers and managers. Adamczyk became president of EuroPolGaz and Andrzej Arendarski, the Minister of Foreign Economic Cooperation, became Vice President

---

[135] Heinrich 2007, p. 29

[136] Poland, Sejm Debate, 27.09.1996, Podsekretarz Stanu w Ministerstwie Przemysłu i Handlu Roman Czerwinski, *Informacja rządu o polityce zaopatrzenia Polski w paliwa płynne i gazowe*, 2 kadencja, 89 posiedzenie, 3 dzień

[137] Poland, *Yamal Agreement*, 1993

[138] Orban 2008, p. 42

[139] Zalewska, Luiza, "Kto zarabia na gazowych kontraktach z Rosją", *Rzeszpospolita*, 20 March 1998

of Gas-Trading's supervisory board.[140] Moreover, with the inclusion of Gas-Trading in EuroPolGaz's ownership structure, Aleksander Gudzowaty managed to assure his company's monopoly position on the Polish gas market, at the same time becoming an influential stakeholder in an intergovernmental trade agreement. In the meantime, one of the consulting firms providing gas demand projections for the Ministry of Foreign Economic Cooperation was partly owned by a board member at PGNiG – Andrzej Brach.[141] Based on these and the KERM report's estimates for gas demand, the 1993 agreement with Russia set out an annual delivery of 14 bcm to Poland through the Yamal pipeline by 2010 (or roughly double the total consumption of gas in Poland in 1992).[142] These negotiating outcomes demonstrated the increasingly close relationship between state and business actors in the formulation of energy security policy.

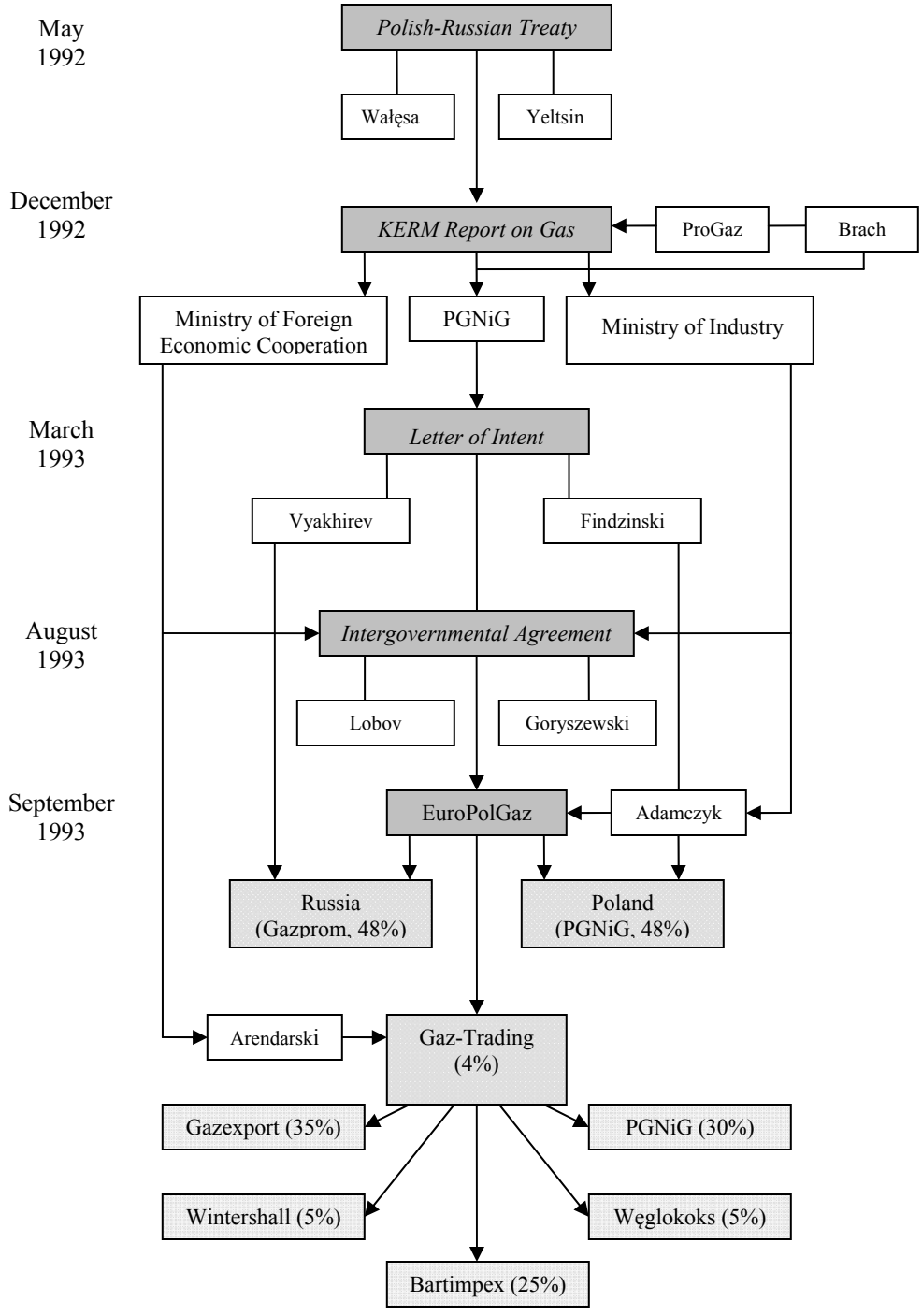
The Suchocka government made the first real steps towards a post-communist energy relationship with Russia, marginalising the efforts made by the Olszewski government to undertake diversification in the name of national, rather than business, interests. This policy outlook was enabled by the rationalisation of the energy market and the blurring of institutional divisions in the state-market relationship (see table 2.3). With negotiating roles and commercial competencies ill-defined, it was left up to loose coalitions of policy-makers to take the initiative for setting out the terms of the Polish-Russian gas agreement. The large centrist coalition that spawned a corporatist energy policy network reversed the principal-agent dynamic that had been prevalent in both the Olszewski government's state-oriented economic nationalism and Mazowiecki and Bielecki's top-down liberal reform programmes.

[140] Zalewska, "kontrakt gazu z Rosją"

[141] The company, ProGaz undertook assessments such as the 'Study of the development of gasification of towns and villages' or 'Study to increase natural gas production from domestic deposits,' see Miecik, Igor, "Kim jest pan Rusiecki, Polska droga do rosyjskich posiadłości – ciąg dalszy", *Polityka*, nr. 10 (2235), 4 March 2000

[142] For a critique of these projections see Bojarski, Wlodimierz, "Wątpliwa strategia zaopatrzenia kraju w gaz", *Rczeszpospolita*, April 11, 1996; this point will be taken up in the next chapter

Table 2.3 Poland's Yamal Negotiations, 1992-1993



The emergence of an 'enterprise pact' that incorporated enterprises, high-level managers and private companies into the government's decision-making architecture (symbolised in the case of energy by Gudzowaty's instrumental role in maintaining gas deliveries between Poland and Russia) resulted in a strategic tandem that could politically and economically justify increased structural energy dependence on Russia. Although it would take an additional three years before the final gas contract was signed and the construction of the pipeline would begin, the Suchocka government laid the foundations for a Russia-oriented energy import strategy that would inform debate on Poland's energy security until the present day.

2.3 Conclusion

The governments of the Solidarity era faced monumental challenges about how to reorganise Poland after communism. Each short-lived administration had to grapple with the effects of poor economic conditions, unpopular and uncertain austerity measures, weak institutions, and collapsed social safety nets. These challenges were faced in the context of democratic flux, in which multiple parties coalesced, fought, collapsed and reassembled themselves in a constant tug-of-war over the methods and paths chosen for Poland's social, political, and economic transformation.

Many studies of this period are content to assume, for the purpose of analytical convenience, the existence of a wide consensus in Poland over the transition to capitalism and the unequivocal desire to 'return to Europe.'[143] There is also a tendency to pigeonhole Central and East European states as being characteristic of one type of regime or polity, e.g. liberal democratic or authoritarian, which was on display throughout the transition from communism. However, these conclusions may prove too stark. Indeed, making such broad analytical strokes carries the risk of marginalising the contestation over the methods by

[143] see Sachs, Jeffrey, *Poland's jump to the market economy*, Cambridge, Cambridge University Press, 1993; Balcerowicz 1994; Zaborowski and Longhurst 2007

which transition goals were pursued and the disparate interests and convictions of the actors endorsing them. This, in turn, may in fact carry substantial explanatory weight regarding not only Poland's energy security policies but its economic and political transformation as a whole. Thus, it is necessary to recognise that Poland, along with the rest of the post-communist states, was to "be neither a liberal democracy nor an authoritarian dictatorship but a 'hybrid' that [owed] much to the particular pattern of state-society relations from which it emerged."[144]

Considering these domestic factors, it becomes clear that Poland's energy security policies during the Solidarity era cannot be deduced simply by referring to the external material vulnerabilities brought about by the collapse of Comecon, the uncertainty of energy debts, or the reliability of Russia as a post-communist energy supplier. In order to carry explanatory weight, these factors needed to be studied in conjunction with the composition, interests and strategies of domestic policy networks in Poland. The early transition to capitalism and the concomitant changes to state-market relationships made a great deal of difference to Poland's energy security policies. Indeed, given the ambiguity of the concept of energy security, different domestic outlooks over what counted as energy security and the means by which it was best ensured informed Poland's policy output. Certainly, these decisions were both constrained and enabled by the external factors mentioned and the expected impact they would have on Poland's demand, supply, production and price of energy. But the composition and orientations of different energy policy networks determined the variable weight and importance assigned to energy relations with Russia, as well as other factors such as enterprise privatisation, diversification projects, and interconnections with the West.

However, in the context of fundamental sector reform and restructuring and in the absence of a clear division of labour between state and market actors, it was difficult to attribute Poland's energy security policies to a coherent set of decision-makers. In fact the

[144] Ost, David, "The politics of interest in post-Communist East Europe," *Theory & Society*, Vol. 22, 1993, p. 480

term 'policy network' can barely be justified to describe the heterogeneous groupings of political executives, business elites and external advisors operating in coalitions, parties and governments with short life-spans. Each of these actors vied for decision-making power in a *de facto* administrative and institutional vacuum. Nevertheless, by virtue of the lack of consensus over energy market reform, decision-makers within government were forced to clarify their positions over whether the state should remain the primary guarantor of energy security. Thus, energy policies towards Russia often reflected the ideological preferences and convictions of the administration in power. In this way, it was easier to identify whether government officials were predominantly liberal, statist or corporatist in formulating energy security policy.

Thus, liberals in the Mazowiecki and Bielecki policy networks tended to emphasise a commercialised, market-based energy relationship with Russia as the optimal means of ensuring energy security, whereas the Olszewski government adopted a more state-oriented, interventionist approach that viewed dependence on Russia as a potential risk to Poland's newly-acquired sovereignty. Through its corporatist 'enterprise pact', the Suchocka government blurred the line between the state and market and enabled the input of business interests to guide Poland's intergovernmental trade agreements with Russia. Each of these respective policy networks was responsive to different interests and agendas, thereby crucially informing the energy security strategies pursued by Poland in the early period of transition.

Chapter III

Energy security and the Polish-Russian Yamal Contract; business and politics during socialist rule, 1993-1997

The aim of this chapter is to explain energy security policies in Poland during the period of communist successor rule (1993-1997). During this time, Poland concluded negotiations with Russia on the construction of a large-scale natural gas pipeline through its territory, and also agreed to import substantial volumes of natural gas over a twenty five year period. It will be argued that government officials who were responsible for this decision displayed a preference for a corporatist system of interest representation. Largely exempting the energy sector from reform and restructuring, the democratic socialist governments preferred that decisions be made through consultation between politicians, public officials and managers of state-owned energy firms. This preference went some way towards explaining not only the Yamal gas contract with Russia but also Poland's lack of integration with Western energy markets. The aim of this chapter, therefore, is to investigate the impact of the domestic management of the energy sector on Poland's external energy security policies.

3.1 The exemption of the energy sector from market reform

By the mid-1990s, the turbulence and uncertainties of the post-Solidarity era had subsided and given way to a somewhat more predictable political scene. The second free and fully competitive election in the Third Republic in September 1993 "marked the end of the first Solidarity era and the first real transfer of power to a different set of political elites."[1] Waldemar Pawlak's left-wing agrarian Peasant Party merged with the heirs of the communist PZPR (*Polska Zjednoczona Partia Robotnicza*) – the *Socjaldemokracja Rzeczypospolitej Polskiej*, or SdRP – to create a socialist coalition. Although parliamentary votes of no confidence led to a quick succession of Prime Ministers, the composition of the coalition as a whole changed very little during this period. As for the presidency, the victory of Aleksander

[1] Millard 1999, p. 23

Kwaśniewski in the 1995 presidential elections not only ended the meddlesome and divisive tenure of Lech Wałęsa, but also ensured that the communist successors controlled both the Sejm and the Presidency, which allowed a greater degree of predictability to permeate the policy-making sphere.

The 'democratic socialist' governments were voted in on the strength of popular dissatisfaction with the negative socio-economic effects of rapid economic reforms, as well as the fragmentation and internal collapse of post-Solidarity political forces.[2] However, these administrations did not alter the macroeconomic reforms that had been initiated by the previous Solidarity-led governments. Neither Pawlak's peasant party-led coalition nor the succeeding governments of Józef Oleksy (March 1995 – February 1996) and Włodzimierz Cimoszewicz (February 1996 – October 1997) undertook any major revisions to the basic tenets of capitalist reform programmes.[3] In fact, SdRP economic policies were praised for steering a return to growth and continuing what former Solidarity Finance Minister Janusz Lewandowski admitted were "responsible macroeconomic policies."[4]

By 1995 Poland was the most privatised of the central European economies, with the private sector surpassing the public sector's contribution to GDP.[5] Overall, economic indices signalled a recovery from the turbulent transition, as industrial output gradually began to increase and a pattern of sustained economic growth appeared.[6] Much of this positive economic development stemmed from the tough austerity measures imposed by neoliberal reform and the favourable conditions for private sector growth, which together allowed the communist successors to cut taxes and increase state spending.[7] Foreign direct investment was also on the rise as the benefits of low labour costs, a large domestic market and the prospect of continued economic growth were being recognised abroad, particularly by the

[2] Zubek 1995, pp. 275-306
[3] Millard 1999, p. 153; Stone, 2002, p. 110
[4] Lewandowski, Janusz, "Pytanie o program," *Rzeczpospolita*, No. 133, 10 June 1997
[5] Hunter and Ryan, 1998, p. 165
[6] Millard, 1999, p. 154
[7] Stone, 2002, p. 112-13

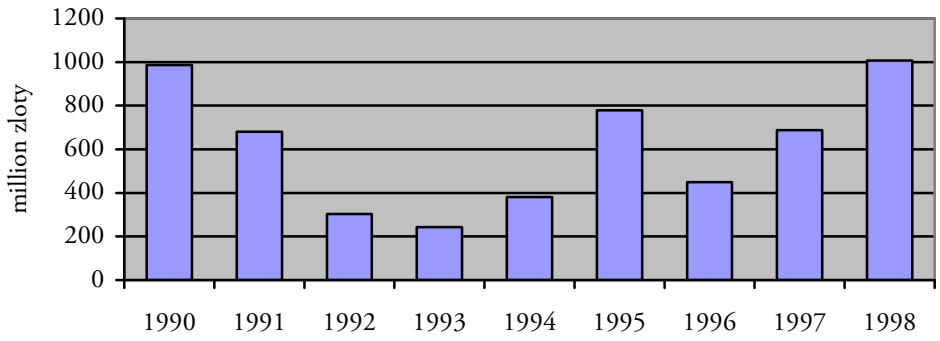
West.[8] Consequently, Poland's trade with Western Europe grew threefold since the beginning of the decade, to 75% of total exports and 70% of imports. A recently unified Germany was the lynchpin in this ratio, supplying a quarter of Polish import needs and providing a market for around 35% of Polish exports.[9] In addition to strengthening bilateral economic ties with western states – particularly Germany and France – Poland joined the OECD in late 1996. This provided a "major psychological boost for Poland's increasingly healthy economy. OECD experts asserted that Poland scored the greatest success of any nation in the region in fundamental restructuring of its economy."[10]

Poland's energy sector, however, was largely oblivious to these developments. State-owned energy firms were insulated from competition and restructuring, largely as result of the communist successor governments' preference for interventionist industrial policies.[11] The Polish mining industry was a particularly prickly political problem, mainly because the inefficient production of low-grade coal at a cost well above its price required closure – rather than reform – of most producing mines. The lingering influence of the huge mining lobby was also an important deterrent to reform. The earlier liberal plans to introduce hard budget constraints and allow inefficient collieries to fail were stymied by the fierce resistance from coal lobby groups (particularly representatives in Węglokoks, Poland's largest coal exporting company[12]). As a consequence, most of Poland's mines continued to operate inefficiently, recording huge financial losses that perennially burdened the state coffers.[13] More broadly, the continued salience of coal in Poland's energy mix despite its commercial

[8] Hunter and Ryan 1998, p. 205
[9] United Nations, "International Trade Statistics for 1998", *Department of Economic and Social Development*, Statistics Division, New York, 1999
[10] Hunter and Ryan, 1998, p. 204
[11] Socha & Sztanderska, 1994, p. 91
[12] Nykiel, Henryk, "Future of coal mining, export issues discussed; interview with Henryk Pyszny, director of Węglokoks Foreign Trade Agency", *Foreign Broadcast Information Service*, JPRS-EER-92-023, 2 March 1992
[13] One author wrote that "Poland's mining industry, like its British counterpart, for years generated – except for brief periods of profitability – huge financial losses. According to one estimate (Rogowski, 2003, p. B4), the total public assistance – including debt write-offs, direct subsidies and early-retirement schemes – for the coal sector in 1990–2003 (in 2002 prices and after factoring in inflation) amounted to 64 billion złotys" Zientara, Piotr, "Polish Government policy for coal, 1989-2006", *International Journal of Energy Sector Management*, Vol. 1, No. 3, 2007, p. 273

and environmental inefficiency was attributed to the government's unwillingness "to confront the miners' unions, to introduce market mechanisms into the sector, to ensure competent management and, crucially, to press on with nationwide economic liberalisation."[14] Subsidies for the coal sector also discouraged the diversification of Poland's fuel mix, thereby precluding an expansion of natural gas use (see figure 3.1).

Figure 3.1 Subsidies for the Coal Sector, 1990-1998



Source: Główny Urząd Statystyczny 2008

The oil and natural gas sectors were also shielded from restructuring. The SdRP-PSL coalition government exempted most of Poland's major energy assets from the Mass Privatisation Programme, which was finally initiated in 1995 after considerable delays and heavy resistance from the agrarian-backed Pawlak government.[15] Ironically, the MPP was specifically designed for large state-owned enterprises of Polish industry, precisely the category into which most energy firms fell. [16] In fact, along with weaponry, telecommunications and airports, energy was one of the subsectors of the economy identified by the 1996 "Act on Privatisation and Commercialisation of State-owned Enterprises" that

[14] Ibid., p. 1
[15] Slay, Benjamin "Mass Privatisation: better late than never?", *Transition*, Vol. 1, No. 14, 1995, p. 19
[16] Hunter and Ryan 1998, p. 155

required the approval of both the Sejm and the Council of Ministers before privatisation could take place.[17]

Poland's vertically-integrated monopoly gas company, PGNiG, provided a particularly poignant example of the energy sector's resistance to reform. The Anti-Monopoly Office issued a directive in March 1993 regarding splitting up the company, separating its transmission activities from other functions and commercialising its organisational structure. As recalled by a former Vice President of the Anti-Monopoly Office, this proposal was accepted by the management at PGNiG after much internal debate and consultation (a primary incentive being favourable employee shareholding packages).[18] However, a change of government accompanied a change in PGNiG's preferences. The Anti-Monopoly Office's plan was subsequently replaced in July 1995 with a draft restructuring strategy approved by the Ministry of Industry and Trade entitled the "Programme for Organisational Restructuring of Polish Oil and Gas Company." This plan made restructuring contingent on the State Treasury's sole proprietorship of the company. As a result, even after PGNiG was finally commercialised in October 1996 (less than a month after the Yamal contract was signed), the State Treasury ended up holding all of the shares in the resulting joint stock company.[19] Continued state ownership was also ensured in the oil sector, when the SdRP-PSL parliamentary majority granted the Ministry of Industry a mandate to consolidate Poland's oil refining, distribution and retail assets into a holding company, Nafta Polska, which would be managed by the State Treasury.[20]

---

[17] Poland, Rada Ministrów, *Ustawa o komercjalizacji i prywatyzacji*, Dziennik Ustaw, Nr 118 poz. 561, adopted 30 August 1996

[18] Cylwik, Andrzej, "Charakterystyka rozwoju gazownictwa polskiego w latach 1970-1998" in Cylwik, Andrzej and Blaszczyk, Barbara, *Charakterystyka wybranych sektorow infrastrukturalnych i wrazliwych w gospodarce polskiej oraz mozliwosci ich prywatyzacji*, CASE Reports, Nr. 27, Centrum Analiz Spoleczno-Ekonomiczynch, Warsaw, 1999, pp. 39-50

[19] Poland, Rada Ministrów, *Rozporządzenie w sprawie przekształcenia państwowego przedsiębiorstwa użyteczności publicznej "Polskie Górnictwo Naftowe i Gazownictwo" z siedzibą w Warszawie w jednoosobową spółkę Skarbu Państwa*, Dziennik Ustaw, Nr. 116, poz. 553, adopted 30 September 1996

[20] Poland, Rada Ministrów, *Programu restrukturyzacji i prywatyzacji sektora naftowego*, Warsaw, adopted 15 July 1995; Poland, Rada Ministrów, *w sprawie szczególnego trybu zbycia należących do Skarbu Państwa akcji niektórych spółek powstałych z przekształcenia przedsiębiorstw państwowych*, Dziennik Ustaw, Nr. 12, poz. 66, adopted 6 February 1996

Overall, the SdRP-PSL coalition's tenure in power was accompanied by delays in industrial restructuring and tax favours to large, inefficient state-owned enterprises more reminiscent of patronage rather than industrial policy."[21] In this situation, it was noted by the IEA that "real energy price adjustments [had] slowed, energy restructuring plans met with resistance from employees and little happened in the area of privatisation."[22]

3.2 Decision-making dynamics in the energy sector

Because the energy sector remained in the hands of the state, decision-making structures were strongly reminiscent of the 'old ways of doing things.' It was noted that the overall preference of the socialist coalition was to strengthen the position of management during the process of enterprise commercialisation.[23] The communist successors' 'negotiated' approach to economic policy encouraged the maintenance of the bureaucratic nexus between politicians and enterprise managers that had been prevalent during central planning. One of the main effects of this development was that management in these enterprises were able to exercise a representational monopoly on the interests of the energy industry as a whole.[24]

The approach to commercialisation adopted by the communist successors transferred ownership of state firms into the hands of a powerful new State Treasury. In this process, workers' councils ceased to exist and new supervisory boards hand-picked by the Treasury began serving as intermediaries between shareholding ministers and enterprise managers. Although this stage of commercialisation was supposed to be followed by privatisation, in practical terms it served as a means of keeping central planning structures intact under the guise of a market economy. Indeed, commercialisation did not necessarily address the need to "free state enterprises from the paternalistic tutelage and political control of the state and

[21] Stone, 2002, p. 113
[22] IEA, 1994
[23] Blazyca & Rapacki, 1996, p. 91
[24] This point refers principally to company strategies (e.g. import policies and major investments), rather than the tripartite negotiations carried out with the involvement of employee groups

to force managers to respond to market signals, not government officials."[25] Until the government decided to make its shares publicly available to third parties, supervision of the companies was carried out from within the state bureaucracy.

The SdRP's managerially-focussed approach to corporate governance of large state-owned firms was characterised by a form of 'interventionist' thinking. The government's programme of commercialisation did not contradict the desire to exercise control over sectors regarded as strategically significant or politically sensitive. More generally, the SdRP-PSL coalition "opted for prolonging the life – at least for the immediate future – of certain branches of the socialised economy that the post-Solidarity governments had slated for liquidation… [arguing] that it was preferable to prop up and subsidise such branches of the economy, rather than allow them to fail and hence increase unemployment."[26]

During communist successor rule, therefore, the number of firms listed by the Council of Ministers as having special importance to the economy of Poland was significantly expanded.[27] Many of these firms were part of the energy sector, which accounted for approximately 8% of Poland's GDP and directly employed 4% of the working population.[28] By virtue of their inclusion on this list, firms such as PGNiG, Węglokoks or Ciech (the oil foreign trading concern) were largely exempt from restructuring. Rather than allowing competition to foster greater commercial efficiency in the sector, the 'democratic socialists' in power under the Pawlak, Oleksy and Cimoszewicz governments advanced the vertical integration and monopoly position of these key state-owned energy enterprises.

The communist successors were neither averse to maintaining state ownership, nor to keeping centralised decision-making structures intact; the Treasury's status as 'sole stockholder' implied the necessity for the state's interaction with business interests regarding

[25] Slay 1995

[26] Zubek 1995, p. 294

[27] Comparing two annual lists released by the Council of Ministers of firms of special importance to the economy is indicative. In October 1991, this list had 31 entries. By September 1997 the number had grown to a total of 264. see Poland, Rada Ministrów, *Rozporządzenie w sprawie określenia przedsiębiorstw państwowych oraz jednoosobowych spółek Skarbu Państwa o szczególnym znaczeniu dla gospodarki państwa*, Dziennik Ustaw, Nr 126 poz. 806, adopted 25 September 1997

[28] Leblanc-Wohrer, Marion, "Poland" in Pannier, Dominique, ed., *Corporate governance of public enterprises in transitional economies*, Washington DC, World Bank-IBRD, 1996, p. 42

matters of enterprise restructuring or important commercial decisions. This approach represented quite a departure from the emphasis on privatisation and the rollback of the state that had underpinned the economic doctrines of liberal post-Solidarity governments.

3.3 Corporatist state-business relations

Cumulatively, the government's exemption of the energy sector from market reform and its preference for close ties with enterprise management amounted to the creation of a corporatist energy policy network. This network was characterised by informal consultation, in which the interests of management in state-owned firms, along with additional input from private business firms, were represented in the framework of national energy security policy. In return for this monopoly on interest representation, the governance arrangements in these firms, which accorded oversight functions to state-appointed supervisory boards, obliged enterprise managers "to pursue non-commercial objectives… [and] answer to numerous government departments."[29]

By ensuring consultation between supervisory and management boards in state-owned energy firms, the communist successors incorporated private interests into the decision-making process, which became characterised principally by the informal access of businesses to the executive, allowing the former to shape policy preferences. Such 'clientelistic' features were on display given "the convergence of individuals of unequal status occupying differing positions in the social hierarchy in relatively firm personalized mutual relations."[30] The absence of formal business associations and the porous public-private distinction in supervisory boards lent an informal character to the state's management of the energy sector which, in turn, enabled the representation of particularistic interests. This was demonstrated by the overlap between public and private interests. For example, the key energy policy advisor in the Oleksy government - Roman Czerwiński - had also chaired

[29] Leblanc-Wohrer, 2000, p. 40
[30] Gadowska, 2006, p. 6

PolGaz Telekom, a company partly owned by Bartimpex.[31] In other cases, the material interests of the political parties informed personnel choices at state-owned enterprises. The managing director of Ciech was ousted to make room for a nominee chosen by the governing Peasant's Party (PSL).[32] The same happened to the president of Węglokoks, Henryk Pyszny, who was replaced with Sebastian Czypionka, a Polish Peasant Party candidate for Governor of Katowice.[33] These shifts in management personnel were not necessarily carried out in a transparent fashion – in fact in the case of Węglokoks, the firm's financial performance was unquestionably positive.[34]

In this context, it became apparent that commercialisation did not remedy the regulatory deficit hampering institutionalised cooperation between state-owned firms and shareholding ministries. The scandal known as *Trójkąt Buchacza* was a particularly illustrative case of the problems associated with cultivating informal state-business links. It involved the two back-to-back Ministers of Foreign Economic Cooperation (Jacek Buchacz and Lesław Podkański), both of whom funnelled half a billion złoty worth of Treasury-owned shares into three large state firms – Polski Fundusz Gwarancyjny, Międzynarodowa Korporacja Gwarancyjna and Chemia Polska. The supervisory boards of these firms were subsequently chosen by Buchacz, Podkański and their associates at the ministry in the period 1994-1995; some of these members, which earned substantial sums of money despite poor firm performance, had previously been state officials responsible for regulating these firms.[35] Through artificial capital links and unregulated asset management, the Treasury eventually lost its control over these firms.[36] When the mismanagement became public, Buchacz was dismissed; the post of Minister of Foreign Economic Cooperation was therefore vacant

[31] Gorska 2009, p. 11
[32] *Rzecezspospolita* "Prezes Ciechu odwołany", 3 August 1994
[33] *Rzeszpospolita*, "Węglowa roszada", 30 May 1995, at http://archiwum.rp.pl/artykul/55618_Weglowa_roszada.html
[34] *Rzeczpospolita*, "Wyniki były dobre, więc prezes odwołany," 31 May 1995 at http://archiwum.rp.pl/artykul/55710_Wyniki_byly_dobre_wiec_prezes_odwolany.html
[35] Zawadka, Grazyna, "Trójkąt Buchacza wciąż traci", *Rzeczpospolita,* 23 August 2008, at http://www.rp.pl/artykul/180524.html, accessed 5 February 2011
[36] Afeltowicz, Łukasz, "Zawłaszczone państwa, sieci społeczne i wyobraźnia socjologiczna: krytyczna analiza koncepcji", *Studia Socjologiczne*, Vol. 1 (196), 2010, pp. 69 - 105

during the signing of the intergovernmental Yamal gas agreement between Poland and Russia in September 1996.

The examples above illustrate the type of corporatism in the Polish energy sector during the period of communist successor rule. Indeed, this system was not necessarily predicated upon the conventional Western model of compulsory interest associations with legally-prescribed rights to consultation with government actors in the formation of public policy. In fact, this particular type of interface between business and politics, premised upon formal association, was decidedly weak in post-communist Poland as a result of the flattening of civil society.[37] The existence of such groups in the energy sector, moreover, was precluded largely by virtue of firms being centrally organised as state-owned 'natural monopolies' that provided public goods; thus, collective action in this sector was the product of top-down influences emanating from the state and political system, rather than via bottom-up influences from the businesses themselves.[38]

The corporatist organisational structure was primarily concentrated on two overlapping spheres of interest, e.g. between political executives and enterprise managers. There was a peripheral place reserved for social policies and the interaction between trade unions and formal employee associations (though it is worth noting that the communist successors were the first in Poland to formally institute a Tripartite Commission on Socio-Economic Issues in March 1994, in response to pressure from strikes in the energy sector).[39] However, this relationship was not overtly concerned with national energy security. Rather, labour union interests were concentrated largely on the domestic social context of the energy sector, e.g. issues such as employment, wages, pensions and employee shares in public firms. This kind of social dialogue was rarely focussed on national energy security strategies or major investment decisions abroad. In these domains, it was principally enterprise managers who had the greatest stake in policy output (e.g. import/export contracts, relationships with

[37] McMenamin, Iain, "Polish business associations: flattened civil society or super lobbies?" *Business and Politics*, Vol. 4, No. 3, 2002, pp. 301-317

[38] This top-down/bottom-up distinction is made by McMenamin, 2002

[39] Gardawski & Meardi, 2010, p. 74

Russia and the EU, and so on). Thus, although it is undeniable that the domestic social policies for the energy sector (principally for coal) had knock-on effects on Polish energy security policy (specifically in terms of subsidies and state support for miners which precluded the commercial viability of imported gas), this analytical line of inquiry will not be taken up in great depth.

3.3.1 The impact of corporatism on energy relations with the west

Because decision-making in the energy sector was based on an informal variant of corporatist interest representation, political executives were hesitant to pursue integration with Western energy markets. Instead of attracting foreign direct investments to boost growth and productivity and encourage a more flexible energy import structure, the communist successor governments continued to insulate major state-owned energy assets from the competitive pressures of the market through various protective measures.[40] In fact, one of the primary deterrents to FDI inflows was the government's control of energy prices, in addition to tariff and quota protection applied to petrol and fuel oil imports from the EU. This proved quite the contrast to the experience of Hungary and Czech Republic, both of which began opening up their oil and gas companies to private sector acquisition and investment in the mid-1990s.[41] The ensuing access to foreign capital helped to modernise and make more efficient their respective energy markets. The IEA, for example, commended Hungary for "the diversified ownership structure of generating capacities achieved by privatisation in the 1990s… [which formed] a solid basis for a future diversified market structure."[42]

Poland also had difficulty conceiving an investment-friendly regulatory framework, despite assistance from the EC and World Bank. During the Bielecki government, these Western institutional actors supported the Ministry of Industry and Trade with the design of

---

[40] See Smith, Alan H, "Eastern European Economies" in Europa Publications Limited, *Eastern Europe and the Commonwealth of Independent States, a Political and Economic Survey*, 3rd Edition, 1999, p. 68

[41] the Czech Republic would later sell the majority of its main natural gas company, Transgas, to RWE in 2002, see EIA 1996, p. 29

[42] International Energy Agency, "Energy Policy Review of Hungary 2006", OECD, Paris, 2007

a new energy law and the establishment of an Energy Regulatory Authority (Urząd Regulacji Energetyki – URE).[43] This work culminated in the adoption in April 1997 of the Energy Law, which was designed "to introduce competition into the gas and electricity industries by opening transmission to third parties."[44] Key provisions of the law included a legal framework which defined the rights and duties of producers, distributors and users of energy, as well as making URE responsible for issuing licenses for production, transmission, and distribution of electricity, gas, and heat. However, some policies ended up being more responsive to the interests of state-owned incumbents; the principle of third party access, for example, was tempered by restricting the use of transmission and distribution grids to fuels "exploited or produced inside the country."[45] Although in conflict with the EU's principles on open and non-discriminatory trade regimes, the Polish government deferred to the interests of domestic producers, which were granted sole access to distribution grids.

The provision to restrict external use of energy grids was introduced as a consequence of stormy debates within the Sejm about the potential loss of state-owned energy firms' market share that would result from third party access.[46] Specifically, deputies in the parliament were concerned about the possibility of Russian energy suppliers such as Gazprom or Lukoil using Polish grids and distribution networks to sell gas and oil directly to end consumers, as well as powerful Western energy firms gaining too great a share in the downstream energy market.[47] This was indicative of a wider scepticism of the EU's ability to account for the socio-economic impact of its liberalisation policies. For example, the socialist MP Janina Kraus argued that the European Union's interference in the economy of candidate member states was greater than that of Russia during socialism; moreover, the EU's push for natural gas expansion in Poland "undermined the importance of coal not only

[43] See Kant & Kaan 1998, p. 21
[44] "Natural gas to gain market share in Poland**"** *Oil & Gas Journal,* Vol. 96, No. 2, January 12, 1998
[45] Poland, Rada Ministrów, *Prawo energetyczne,* Official Journal, Nr. 54, poz. 348, 20 June 1997
[46] See Poland, Sejm Debate, 06.12.1996, *Sprawozdanie Komisji Systemu Gospodarczego i Przemysłu oraz Komisji Ustawodawczej o rządowym i poselskim projektach ustaw Prawo energetyczne*, 2 kadencja, 95 posiedzenie, 3 dzień; Poland, Sejm Debate, 11.04.1997
[47] World Bank Group, "Natural gas: private sector participation and market development", *International Bank for Reconstruction and Development*, Washington, 1999, p. 25

as the basis for national energy security, but also as a factor strengthening our sovereignty… the forced coal mining restructuring will lead to a loss of strategic assets."[48]

Poland's lack of energy enterprise restructuring also discouraged an effective diversification agenda. In its attempts to secure North Sea gas via the construction of a Baltic Sea 'Polpipe', PGNiG had to provide the owners of the reserves with a guarantee in the form of a 3-year deposit on gas purchases. As a state-owned vertically-integrated gas monopoly, PGNiG was required to demonstrate that it had the necessary capital and expertise to carry out the project. It soon became clear that this was not the case, and before PGNiG could enlist the support of Germany's Ruhrgas, the owners of the Britannia North Sea deposits had found other markets for the gas.[49] Similar developments occurred with respect to diversification negotiations with Norway that had been initiated by the Olszewski government in 1992; talks were in part stalled by the questionable commercial status of PGNiG.[50]

Overall, the slow progress in adapting the energy sector to the demands of the market discouraged integration with Western neighbours. With the lack of substantial enterprise restructuring and the continued subsidisation of energy transit, production and import, state-owned energy firms could leverage their stake in state energy policies and thereby push Poland towards a more substantial energy relationship with its existing energy supplier, Russia.

---

[48] Poland, Sejm Debate, 25.10.1996, MP Janina Kraus, *Informacja prezesa Rady Ministrów na temat warunków kontraktu gazowego z Rosją w przyszłości polskiego sektora paliwowo-energetycznego i zagrożeń dla bezpieczeństwa państwa*, 2 kadencja, 91 posiedzenie, 3 dzień

[49] Czarnecki, "Gaz tylko Rosji"

[50] Cylwik, Andrzej, "Charakterystyka rozwoju gazownictwa polskiego w latach 1970-1998" in Cylwik, Andrzej and Blaszczyk, Barbara, *Charakterystyka wybranych sektorow infrastrukturalnych i wrazliwych w gospodarce polskiej oraz mozliwosci ich prywatyzacji*, CASE Reports, Nr. 27, Centrum Analiz Spoleczno-Ekonomiczynch, Warsaw, 1999, pp. 39-50

3.3.2 The impact of corporatism on energy relations with the east

Before the communist successors entered government, Poland's foreign trade for the most part had reflected its foreign policy orientations of moving away from Russia and towards integration with Western military, economic and political institutions. Whereas the Soviet Union had absorbed around a quarter of Polish exports in 1988, by 1995 the FSU took a mere 11% of Poland's total.[51] Similarly, imports from Russia had steadily declined in the post-Comecon period, from constituting about a quarter of all incoming trade in 1988 to making up less than 7% of the total by 1995.[52] Non-Soviet imports and exports rose from roughly one to three quarters of overall trade in the same period.

However, these trends began to reverse in the period from 1995-1998, when Polish-Russian trade grew by about 40%. Much of this growth had to do with structural change and stabilisation in both countries, including increases in domestic productivity and more predictable financial conditions for investment along with some clarification of property rights. Nonetheless, the trends in external trade could at least partially be attributed to the preferences of managers in state-owned firms, who had a more favourable outlook on trade with Poland's eastern partners.[53] Accordingly, officials in the Pawlak government – particularly from the PSL agrarian wing – were the first to publicly assert the importance of maintaining ties to Poland's 'traditional' economic partners, namely Eastern Europe and the former Soviet Union.[54] Expressing their dissatisfaction with the post-Solidarity era's lowering of trade barriers in the absence of reciprocal actions on the part of the West, the socialist governments in Poland planned to reverse the precipitous fall in exports and imports with the former Soviet Union that had occurred after the collapse of Comecon. This was

[51] Swieboda, Pawel, "A delicate balancing act between East and West", *Transition*, Vol. 1, No. 14, 1995, p. 24
[52] United Nations, 1998
[53] Gilejko, Leszek, "Sectoral interest groups", *Warsaw Forum of Economic Sociology*, Vol.1, No. 2, 2010, pp. 49-69
[54] Fallenbuchl, Zbigniew, "Foreign Trade in the Process of Transformation in Poland", *Atlantic Economic Journal*, Vol. 22, No. 2, June 1994, pp. 54-55; Europa Publications Limited, *Eastern Europe and the Commonwealth of Independent States, a Political and Economic Survey*, 2nd Edition, 1994, p. 477

indicated by the high proportion of state-owned firms involved in trade with Russia, handling around 80% of Poland's imports from Russia.[55]

The political executive responded to the interests of domestic economic groups in the reorientation of trade with Russia. This orientation was part and parcel of the markedly different attitude towards competitive markets and, implicitly, competition policy displayed by Pawlak's government, in which protectionism was increasingly looked upon favourably.[56] Because his political stock was backed by an agrarian constituency that struggled with the transition to market capitalism, Prime Minister Pawlak was said to be "willing to trade key political goals (including NATO aspirations) for uncertain economic concessions from Russia… [as demonstrated by] an attempt to restart Soviet-style barter trade of Russian oil and gas for Polish farm products."[57] Similarly, Poland's coal exports, languishing in the face of Western Europe's switch to gas-based power production, could only find a market east of its borders. That several thousand coal mining jobs hung in the balance of Poland's trade was instrumental in explaining the emphasis on economic cooperation with Russia and the CIS. This emphasis was buttressed by the economic backgrounds of Foreign Ministers in communist successor governments; Andrzej Olechowski had been the Secretary of State in the Ministry of Foreign Economic Cooperation from 1991-1992, as well as Finance Minister in the Olszewski government. Dariusz Rosati was a professor of economics at the University of Warsaw before becoming Foreign Minister in Prime Minister Cimoszewicz's cabinet.

3.4 The Yamal Contract

The reorientation of trade towards the east created a highly favourable context for signing the Yamal natural gas contract with Russia. The communist successors assumed

[55] Durka, Barbara, "Polsko-rosyjskie stosunki gospodarcze w latach 1997-2001", *Decydent*, Nr. 40, December 2002 at http://www.decydent.pl/archiwum/wydanie_85/polska---rosja_736.html accessed 12 March 2011
[56] Slay 1995, p. 479
[57] Terry 2000, p. 28

responsibility for Polish-Russian negotiations after the Suchocka government signed the initial intergovernmental agreement in late 1993. What followed was a more technical decision-making process that set out the quantities of gas to be delivered, the terms of the contract and its duration, as well as the arrangements for constructing the pipeline. A supplement to the 1993 intergovernmental agreement was signed by Minister of Industry and Trade Marek Pol and his Russian counterpart, Oleg Davydov, in February 1995. This executive protocol specified a timetable for the construction on Polish territory of five compressor stations (for ensuring sufficient pressure and capacity) and two 665 km-long pipelines with a capacity of 32 and 35 billion cubic metres (bcm), respectively. The first pipeline would come on stream in 1997, the second by 2001.[58] In addition to setting out technical specifications and loan guarantees for construction, the protocol also reduced the quantities of gas originally stipulated by the 1993 intergovernmental agreement, from 14 bcm per annum to 12.5 bcm by 2010. This was a result of significant revisions of Polish natural gas demand by the Ministry of Industry. Whereas in 1992, the report of the Economic Committee of the Council of Minister's on Poland's future supplies of natural gas had estimated gas consumption to be anywhere between 27-35 bcm by 2010,[59] by 1995 Poland's second major energy policy document, the 'Assumptions of Polish Energy Policy until 2010', downgraded these estimates to 22-27 bcm by 2010.[60]

The final Yamal contract was signed by PGNiG and Gazprom on 25 September, 1996, during the Cimoczewicz cabinet. This agreement assured that gas would remain the lynchpin in natural resource trade between Poland and Russia, which constituted around

[58] Poland, Yamal Contract, *Protocol between the government of the Russian Federation and Government of the Republic of Poland on institutional activities aimed at enforcing the agreement between the Government of the Russian Federation and the Government of the Republic of Poland on Russian gas transit through Polish territory and Russian gas deliveries to Poland dated 25 August 1993*, Warsaw, 18 February 1995, in Biblioteczka Wydziału Promocji Handlu i Inwestycji Ambasady RP w Moskwie Ambasada, "Umowy Polska-Rosja", Tom 2, Moscow, June 2008

[59] Poland, Sejm Interpelation, 29.01.1998, Minister Przemysłu i Handlu Janusz Steinhoff, *w sprawie kontraktu na budowę rurociągu gazowego Jamał-Europa Zachodnia oraz odszkodowań proponowanych właścicielom ziemi*, nr 96, Warsaw

[60] Poland, Rada Ministrów, *Założenia polityki energetycznej Polski do 2010 roku,* Warsaw, adopted 17 October, 1995

85% of Poland's total imports from Russia.[61] Under the terms of the contract, Poland was obligated to import 250 bcm of Russian natural gas by 2020. The first deliveries of gas – around 3bcm – were to reach Poland by the end of 1997. Thereafter, quantities would gradually rise in accordance with what was expected to be an increase in natural gas demand, eventually reaching around 12.5 bcm per annum by 2010.[62] The Polish authorities estimated that gas imported under the Yamal contract would cover around 50-60% of overall consumption by 2010; the rest would be sourced from indigenous gas reserves and smaller quantities imported from Ukraine, Germany and the North Sea. In addition to specifying the quantities of gas, the Yamal agreement also contained take-or-pay and re-export restrictions, which were standard elements of long-term gas contracts. Under the take-or-pay rule, the buyer bore the risk of decreases in demand in exchange for the seller guaranteeing a continuous supply. In this way, Poland had to pay for gas delivered even if it was not entirely consumed. Moreover, the re-export clause in the contract prevented Poland from selling any excess quantities of gas to third parties.

[61] Duleba, 1998, pp. 71-72; Durka, Barbara, "Polsko-rosyjskie stosunki gospodarcze w latach 1997-2001", *Decydent*, Nr. 40, December 2002 at http://www.decydent.pl/archiwum/wydanie_85/polska---rosja_736.html accessed 12 March 2011

[62] as stated by energy policy advisor Roman Czerwinski in the Sejm Debate, 27.09.1996, Warsaw

Map 3.1 The Yamal Pipeline



Map shows the routing of the Yamal pipeline through Belarus, Poland and into Germany. Financing for the five compressor stations in Poland that had to be built to bring the pipeline to its full capacity engendered a commercial dispute between PGNiG and Gazprom during the right-wing government of Jerzy Buzek. *Source*: Gazprom

These two clauses amounted to a relatively strict contractual obligation; only accurate demand forecasts could prevent Poland from a dilemma of over- or under-supply of natural gas. Still, a 'make-up' provision in the contract allowed a certain level of flexibility in the yearly taking; if the full amount of gas was not needed by Poland in one year, the undelivered quantities could be imported within the following 10 years. Moreover, Poland could also reduce annual deliveries from the Orenburg and Yamburg agreements (which did not have take-or-pay provisions) or limit its domestic production.[63] As for investment spreads, Poland agreed to finance 20% of the total costs of constructing the pipeline and compressor stations, proportional to the percentage of Yamal's total capacity that Poland intended to use.[64] This money would come from transit fees collected from Gazprom by

[63] Gorska 2009
[64] Orban 2008, pp. 69-70

EuroPolGaz, which would charge the Russian gas company reduced rates for gas destined to Germany in exchange for lowered imported gas prices for Poland. Rather than sell off a part of PGNiG to raise the initial capital for construction of the pipeline (which went against the government's corporatist inclinations), Kazimierz Adamczyk along with Deputy Treasury Minister Janusz Michalski sought loans from Gazprombank to finance the first leg of the Yamal pipeline.[65]

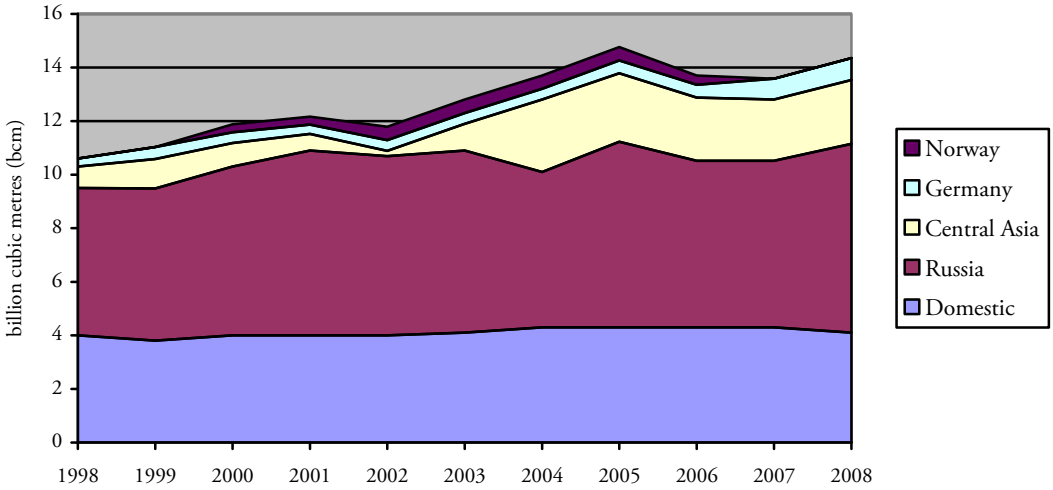
In a broader context, the signing of the Yamal contract concluded the negotiations for the first and (until recently) only large new Russian gas pipeline project constructed after the dissolution of Comecon and the Soviet Union.[66] The agreement ensured Poland's inclusion in the group of Central and Eastern European states that accommodated Gazprom's downstream strategy in the mid-1990s (along with Slovakia, Bulgaria and Romania). The pipeline formed a key part of Gazprom's strategy to structurally secure a stake in Europe's growing gas market, whereby the Russian company would no longer sell its energy at border points but rather would establish joint stock companies and trading houses to capture a greater share of profits from sales of natural gas.[67]

Although all states were loath to grant Russian firms greater leverage over their energy supplies, only Hungary and Czech Republic took firm preventive steps in this regard.[68] The former signed a ten-year contract in 1995 with Germany's Ruhrgas for the annual delivery of 0.5 bcm; it was argued that this was a security measure following on from Hungary's commitment to reduce Russian influence in its energy markets.[69] Similarly, in 1997 the Czech Republic managed what Poland had been attempting for several years – the signing of a 20-year agreement between Norway's Gas Negotiating Committee (GFU) and Czech Republic's Transgas for the delivery of around 3 bcm per year by 2000, or 40% of overall Czech natural gas consumption.[70] Poland, on the other hand, belonged to the group

[65] Zalewska, "kontrakt gazu z Rosją"
[66] Victor 2004, p. 1; the other large pipeline project is the Nord Stream Baltic Sea pipeline – see chapter 6
[67] Stern 2005, pp. 111-114
[68] Duleba 1998, p. 79-84
[69] Stern 2005, p. 115
[70] Ibid., p. 116

of states that opted out of diversification plans and into a greater reliance on Russia (with Slovakia as the other Visegrad country accepting greater levels of dependence from the east[71]). Thus, whereas the share of Russian gas and oil in Hungary and Czech Republic total primary energy supply was predicted to decrease by 2000, thanks to the Yamal contract the opposite trend would be observed in Poland, as Gazprom's market share in Poland's gas consumption would increase to 60% by that time (see figure 3.2).[72]

Figure 3.2 Poland's Gas Sources, 1998-2008



source: pgnig.pl

3.4.1 The backlash

On the Polish side the rationale for a large-scale natural gas pipeline running through its territory was not immediately apparent, and it was equally questionable whether Poland required a long-term 'take-or-pay' contract in the first place. With gas constituting less than

[71] None of these respective diversification projects dislodged Russia's dominance as the primary energy supplier for Central and Eastern Europe. In fact, Transgas yielded to Gazprom's demands for a long-term contract in 1998 after Russian political pressure was applied regarding the Czech application to NATO. See Baker, Stephanie, "Gazprom lashes out at Czechs over Norwegian Gas Deal", *Radio Free Europe*, March 9, 1997

[72] Duleba 1998, p. 88

10% of total energy consumption, it was left up to forecasts predicting a rise in gas demand to justify a new structural energy link with Russia, not least one that would require billions of złoty in investment and long-term commitments to import ever larger quantities of gas. Moreover, procuring additional natural gas from an eastward direction largely precluded possibilities to diversify into the North Sea.

Some commentators characterised the decision to sign the Yamal contract as trading in energy security (understood as reducing the political risks of dependence on a single supplier) for commercial benefit (i.e. convenient and affordable Russian gas).[73] For critics the Yamal pipeline was a symbol of energy insecurity, of servility to parochial business interests pursued to the detriment of Poland's sovereignty; the contract with Gazprom did not abate but rather reinforced the possibility that Russia would use its energy resources as a tool of coercion that could undermine Poland's national security and economic sovereignty.[74]

After all, Poland's diplomatic relations with Russia at the time of the Yamal negotiations did not necessarily encourage such close economic cooperation. The departure of reformist Russian Prime Minister Yegor Gaidar led Moscow to adopt a more conservative approach to foreign relations, illustrated by its redefinition of the 'near abroad' to include former Warsaw Pact allies.[75] Indeed, foreign policy analysts noted that "Russia began in 1993 to emit 'neo-imperial' signals reminiscent of the final phases of Soviet domination. Given Poland's still elusive goal of integration with Western security and economic structures, this shift created a new sense of threat."[76] Moreover, Poland's attempts to build closer relations with Ukraine and the Baltic States based on sovereignty and independence from Russia were an addition source of tension. Together, these factors made it seem counterintuitive for Poland to acquiesce to Russian energy interests, particularly since one of

[73] Frączek, Paweł, "Ocena bezpieczeństwa dostaw gazu ziemnego do Polski", *Zakład Ekonomiki i Organizacji Przedsiębiorstw*, Uniwersytet Rzeszowski, 2004
[74] Lepper, Andrzej, "Nabici w rurę", *Samoobrona*, 2007 at http://www.samoobrona.org.pl/pages/07.Publikacje/01.Listaleppera/08/
[75] Terry 2000, pp. 19-25
[76] Vinton 1995, p. 25

the primary political motivations for building the Yamal pipeline was to bypass the troublesome transit state of Ukraine, which Poland counted as a 'strategic partner' in the region.[77] Indeed, Russian-Ukrainian energy relations had been plagued by disagreements over accumulated debts, transit fees, exploitation rights and ownership stakes that occasionally led to shortages of gas supplies.[78]

Because of these political considerations, the signing of the Yamal contract marked the point at which energy security became associated with wider geopolitical developments, broadening the debate beyond a simple calculation of supply and demand. The Polish political establishment quickly became polarised between those in favour of and those against strengthening Polish-Russian relations.[79] These contending positions exposed the different understandings of the concept of 'energy security.' Indeed, whereas the democratic socialist camp viewed *inter*dependence with Poland's primary energy supplier as the best way of ensuring energy security, the right-wing opposition saw energy *in*dependence through diversification as the best way of ensuring energy security. Thus, before a single cubic metre of gas was delivered under terms of the Yamal contract, the Polish press noted a flurry of criticism from the Solidarity Electoral Action opposition party (*Akcja Wyborcza Solidarność*, AWS) whose members highlighted at least four elements of the agreement that were considered harmful to Polish interests.[80]

First and foremost, the Yamal agreement ensured that, regardless of future diversification efforts, Russia would remain Poland's primary source of natural gas. Opponents of the deal pointed out that the primary criteria for Poland's energy security was a diversified import balance. The conservative MP Zbigniew Zysk stated as much when he claimed that "energy security is a measure of sovereignty and national independence. That is why it is so necessary for us to rely mainly on domestic energy resources – coal and natural gas – and to plug the gap in supply from *many* directions, the Middle East, the North Sea,

[77] Balmaceda 2008, p. 25
[78] see Stern 2005, pp. 118-120
[79] see Poland, Sejm Debate, 11.04.1997
[80] Zalewska, "kontrakt gazu z Rosją"; Morka, Artur, "Weryfikacja gazowej polityk", *Rzeczpospolita*, 20 March 1999; Ratajczyk, Andrzej, "Russian Gas," *Warsaw Voice*, May 10, 1998

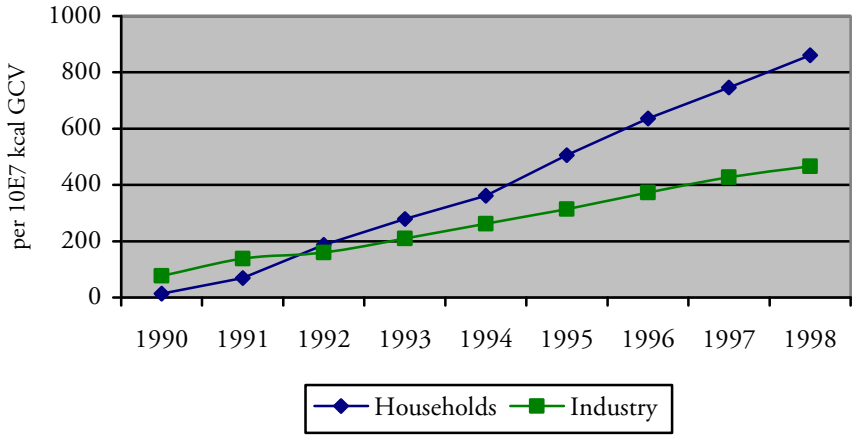
and Africa in addition to Russia."[81] Despite executives in the government pointing out that the Yamal contract did not preclude diversification into Western energy sources,[82] it quickly became clear that this was not the case; demand for gas in Poland could not accommodate the contractual obligations of the Yamal contract at the same time as allowing for additional non-Russian sources to enter the Polish market. This reality was made apparent after the postponement of negotiations for importing gas from the North Sea by the undersecretary in the Polish Ministry of Industry and Trade, Kazimierz Adamczyk, who became President of Polish-Russian joint venture, EuroPolGaz.[83]

Secondly, critics questioned the pipeline's economic utility in the context of uncertain domestic gas demand, arguing that the expansion of the smaller pipelines that served Poland under the Yamburg and Orenburg agreements would sufficiently supply its nascent gas market for several years to come.[84] Indeed, the 3-year negotiation process with Gazprom for the Yamal contract occurred over a period in which Poland's already modest consumption of natural gas was in sharp year-on-year decline.[85] The use of gas for district heating and power generation was practically non-existent, and a lack of infrastructure precluded an investment-free switch from coal to gas-based district heating and electricity.[86] Moreover, as a result of the transition to a commercial and service-based economy, the industrial processes that required most of the imported natural gas were in decline – particularly metallurgy, fertilizer products and petrochemicals.[87] Scaled down industrial output and improved energy efficiency were invariably offsetting the rise in demand that was predicted in the commercial sector. In addition, the final abolishment of price controls mandated by the 1997 Energy Law would invariably cause a further rise in end-user energy

[81] Poland, Sejm Debate, 11.04.1997, MP Zbigniew Zysk
[82] Poland, Sejm Debate, 27.09.1996, Podsekretarz Stanu w Ministerstwie Przemysłu i Handlu Roman Czerwiński
[83] Strzelczyk 2002, p. 434
[84] Bojarski, "Wątpliwa strategia gazu"
[85] IEA 1994, pp. 47-50
[86] Victor 2004, p. 26
[87] IEA 1994, pp. 127-131

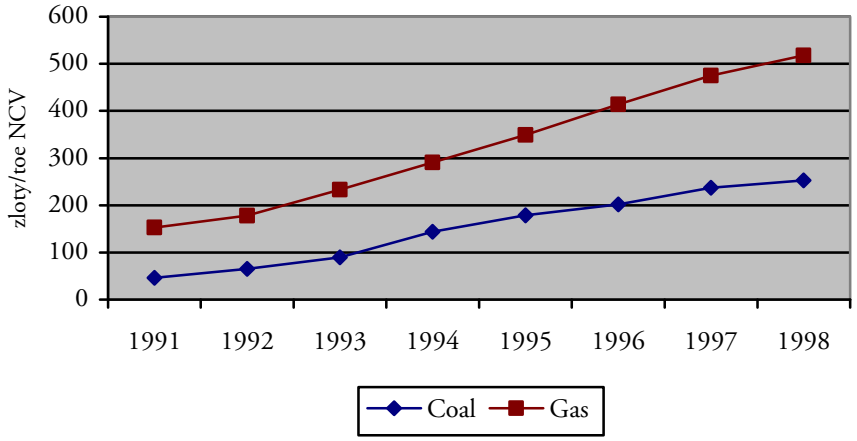
costs, deterring both households and industry from switching to a fuel costlier than coal (see figure 3.3 and 3.4).

Figure 3.3 Natural Gas Prices in Poland, 1990-1998



Source: IEA 1999

Figure 3.4 Gas and Coal Prices for Polish Industry



Source: IEA 1999 (prices calculated on a heat equivalent basis)

The IEA summed these problems up when it proclaimed that Poland's "planned expansion of the gas market will require heavy investment and will be difficult against the backdrop of sharply rising prices. The infrastructure for gas supply will also have to be significantly expanded… [In this context] it will be particularly important to avoid rigid policies based on

assumed gas development."[88] This was corroborated by a 1993 World Bank report on Poland's natural gas subsector, which argued that gas imports from Russia "are projected to decline from their present level. Hence, existing capacity will be adequate to handle this source of supply."[89]

The third, related criticism was directed at the take-or-pay and re-export clauses in the context of uncertain gas demand.[90] It was argued that the margins allowed by the make-up provision were quite small, that only a five percent reduction in contracted supplies was permissible before penalty charges against EuroPolGaz were incurred.[91] Professor Vladimir Bojarski, who had worked in the Department of Energy at the Polish Academy of Sciences, led a charge against the rigorous contractual obligations of the Yamal pipeline. *Inter alia*, Bojarski argued that the Poland would be forced to adjust its domestic gas extraction as well as lower the capacity of its existing import arrangements if faced with an over-supply of gas.[92] This, he argued, would mean that Poland would *have* to consume imported Russian gas at the expense of providing itself with cheaper indigenous resources. This would place unnecessary financial burdens on end users, particularly energy-intensive industrial plants. Moreover, in order to adapt to the principle of take-or-pay, Poland was obliged to construct costly gas storage facilities.

The fourth and final criticism related more broadly to financial matters. The problems identified herein centred around the very low transit fees collected by EuroPolGaz and the financial guarantees required of the Polish government for the company's loan from Gazprom to construct the pipeline.[93] In the case of the former, gas transmitted through the Polish section of the Yamal pipeline cost Gazprom about 50% less than fees paid for gas transit in Germany. This was due in large part to Gazprom being part owner of EuroPolGaz, meaning that the Russian company "was able to sit on both sides of the negotiating table to

[88] IEA 1994, p. 135
[89] World Bank, Gas Report, 1993
[90] See Bojarski, "Wątpliwa strategia gazu"
[91] Minister Przemysłu i Handlu Klemens Ścierski, quoted in *Rzeczpospolita*, no. 48, 26 February 1996
[92] Bojarski, "Wątpliwa strategia gazu"
[93] *Protocol between Russia and Poland*, Article 3, 1995

determine transit fees, which left Poland in a particularly disadvantageous position."[94] Moreover, given that EuroPolGaz's only source of revenue was money collected from transit, it was necessary to secure additional funding for the construction of the pipe from Gazprombank, making EuroPolGaz's position as the owner and operator of the Polish section of the Yamal pipeline leveraged by Russian loans. This problem related to an additional highlighted deficiency, namely the dubious ownership and management structure of EuroPolGaz, in which Aleksander Gudzowaty's supposedly pro-Russian business venture, Bartimpex, held a decisive share.[95]

Overall, the Polish negotiators at PGNiG and the Ministry of Industry were accused of failing to exploit Poland's advantageous bargaining position as a key transit state for Russian gas destined for Western markets.[96] Several politicians in the opposition charged that the socialist government had courted foreign and business interests at the expense of Poland's national security and economic sovereignty.[97] During the negotiation process Zbigniew Siemiątkowski, the Minister of Internal Affairs, warned that "foreign interest groups are trying to take control of Poland's major economic sectors, including the energy sector."[98] There were also murmurs that the agreement had been closely intertwined with foreign policy. In a scathing expose entitled *Yamalgate*, the President of the Polish Association of Pipeline Builders, Witold Michałowski, attributed Poland's 'acquiescence' to the 1993 gas agreement with Russia as a conditional for the withdrawal of Soviet troops from Poland in the same year.[99] Wojciech Błasiak of the right-wing Solidarity Electoral Action parliamentary club was damning in his indictment of the Yamal contract's

[94] Orban 2008, p. 43-44
[95] Schoenman, Roger "Captains or Pirates? State-Business Relations in Post-Socialist Poland," *East European Politics & Societies,* Vol. 19, No. 1, 2005, pp. 40-75
[96] Heinrich 2007, p. 30
[97] Lepper, Andrzej, "Nabici w rurę", *Samoobrona*, 2007 at http://www.samoobrona.org.pl/pages/07.Publikacje/01.Listaleppera/08/
[98] Zalewska, Luiza and Majewski, Michail, "Siemiątkowski odeslal J&S ad acta", *Rzeczpospolita*, 3 December 2004
[99] Michałowski, "Jamałgate"

detrimental impact on Poland's security, arguing that "future political and economic threats will be due to the situation in the energy sector."[100]

In considering the torrents of criticism levied against the Yamal pipeline and the associated contract, it is indeed necessary to pose the question: in the absence of an assured rise in gas demand and the existence of relatively rigid supply conditions for importing Russian gas, why did Poland sign the Yamal contract? What was the rationale for abandoning long-standing diversification plans, and instead ensuring structural dependence on Russian natural gas for a period of twenty-five years, on terms not obviously favourable to Poland?

3.4.2 The corporatist undercurrent of decision-making

On the whole, the close relationship between state and business interests in the communist successor governments proved instrumental in the signing of the Yamal contract. Drawing on the organisational support structure afforded by supervisory boards in state-owned energy firms, politicians mandated a business-oriented, pragmatic approach to Polish-Russian energy relations. The public officials involved in the negotiating process therefore represented not only the interests of government but also those of the energy industry, which had been exempted from market reform and had become an extension of the state. After all, several of the executives who helped to conclude the initial agreement with Russia in 1993 also became instrumental in building the network of firms and intermediaries that implemented the agreement. For example, before becoming Vice President of the supervisory board of Gas Trading, Andrzej Arendarski was Minister of Foreign Economic Cooperation in the government of Hanna Suchocka. Similarly, Kazimierz Adamczyk – the President of EuroPolGaz – had previously worked in the Ministry of Industry and Trade. Both of these individuals transcended the state-market divide, serving as prime examples of a

[100] Poland, Sejm Debate, 11.04.1997

policy-making process in Poland that integrated the ostensibly separated state and business spheres.

It appeared that much of the domestic political controversy generated by the Yamal contract stemmed from a difference of opinion concerning the nature of such state-business relations in the Polish energy sector. What the opposition regarded as dubious clientelistic relations operating to the detriment of Poland's *raison d' état* was for negotiators at the Ministry of Industry and Trade and PGNiG a necessary integration of state and business interests in the negotiating process. Similarly, the preservation of commercial confidentiality on the transit and import price of gas delivered under the terms of the contract equalled, for critics, a clear case of covering up great financial losses.[101] But for the network of business and state actors, the supervisory board of PGNiG fulfilled oversight functions in the name of state interests, thus making public disclosure unnecessary. Moreover, confidentiality was considered an unavoidable element of energy supply contracts.

The close cooperation between state and business actors led to a particular understanding of energy security based on reliable contracted supplies and a general strengthening of *inter*dependence with Poland's primary energy supplier. Managers at PGNiG propagated the idea that Poland would acquire a great deal of leverage over Russia once it became a transit state for Russian gas destined for Western Europe's largest consumer of energy – Germany.[102] This logic led Prime Minister Włodzimierz Cimoszewicz to argue that "the agreement with Russia … is structurally convenient. The fact that the pipeline's final destination happens to be Germany has served to enhance our energy security."[103] Addressing the Sejm in a debate about energy in the context of state security after the contract had been signed, Klemens Ścierski, the Minister of Industry and Trade, stated that, "I'd like to remind everyone that the energy supplied by the Yamal pipelines is not primarily

[101] Bojarski, "Wątpliwa strategia gazu"
[102] Małgorzata Szymańska, Head of Oil and Gas Unit, Polish Ministry of Economy, author's interview, Warsaw, March 2009; Szymanska had worked for PGNiG before joining the Ministry as a civil servant.
[103] Poland, Sejm Debate, 11.04.1997

for Poland, but rather for the European Union."[104] Indeed, more than 80% of the Yamal pipeline's capacity was reserved for Poland's western neighbours. Stressing the importance of the project for satisfying future European gas demand, the EU's Directoire General for Energy and Transit (DG-TREN) included the Yamal-Europe pipeline in the list of priority investment projects to be implemented as part of the Trans-European Network.[105] Poland also marshalled favour with the Energy Charter Conference in Lisbon in 1994, when European signatories wholeheartedly endorsed new transnational pipeline systems to satisfy the continent's growing demand for natural gas.[106]

However, although PGNiG and the MoIT pointed out that Poland's energy security benefited from being 'no longer be at the end of the pipe,'[107] technical reports argued that "existence of major customers further down the pipeline … would not normally be considered a sufficient solution to the problem of gas security."[108] In reality, deliveries of gas to Poland were quite separate to deliveries further to Western Europe, and neither the Polish government nor EuroPolGaz "had the right to regulate or adjust the quantity of transited gas to its advantage."[109] The leverage that officials perceived Poland to have toward Russia was largely illusory, since the status of transit state had not been a deterrent to past supply cuts by Gazprom to the Czech Republic or Ukraine. Nevertheless, the negotiators at PGNiG and the Ministries of Industry and Foreign Economic Cooperation managed to accord the Yamal pipeline a special status as a guarantor of Poland's energy security in a way that deliveries via the Yamburg and Orenburg agreements could never provide.

Still, the possibility that Russia would use gas as a form of political leverage did not escape the consideration of Polish decision-makers (particularly in the context of Poland's desire to join NATO). This was recognised in the 'report for NATO', authored by Poland's

[104] Poland, Sejm Debate, 25.10.1996
[105] European Union, Directoire-Générale for Transport and Energy, "Trans-European Energy Networks; Policy and Actions of the European Union", 1997, at http://ec.europa.eu/ten/energy/studies/doc/1997_info_brochure_ten_e_en.pdf, accessed on 9 November 2009
[106] Energy Charter Treaty, *Conclusions*, at www.encharter.org
[107] Wróblewski, Andrzej, "Dlaczego gazociąg z Rosji do Europy Zachodniej nie może być rurociągiem przyjaźni", *Polityka*, Nr. 45, 2270, November 4, 2000
[108] IEA 1994, p. 138.
[109] Strzelczyk 2002, p. 435

highest foreign policy elite and circulated amongst the state administration in the same year as the Yamal contract was signed. *Inter alia*, the report appealed to NATO and Western Europe to recognise the strategic implications of natural resource dependence on Russia, stating that "Poland is interested in the commencement of a basic debate on the security and reliability of supplies of strategic materials on the continent as an integral part of the security and stability of Europe."[110] In this context it was necessary to soothe the political sensitivities inherent in the decision to increase dependence on Russia in the post-Communist era, particularly since diplomatic relations with Russia during the Yamal negotiations were tense. Officials responsible were at pains to decouple politics from business, pointing out that Russia was building a stable market economy and that, under the guise of privatisation initiated in February 1993, Gazprom would become a commercially viable, politically benign energy supplier.[111] Trade and Industry Minister Klemens Ścierski dismissed claims that energy dependence constituted a threat to Poland's sovereignty, stating that "many other countries, such as Slovakia and Hungary, rely much more on Russian energy imports, but this doesn't create the same level of threat [as in Poland]."[112]

The network involved in the deal also reasoned that any politically-motivated threats to supply security would be tempered by economic considerations. As one PGNiG employee recalled, "back then the prevailing view [in PGNiG] was that the Russians wanted to gain a greater market share further down the pipe; the pipeline would increase our security through greater interdependence."[113] This view was buttressed by Aleksander Gudzowaty's outlook on Polish-Russian economic relations:

> "Bartimpex is often 'accused' of being a Russophile company. We forget that we can't choose our neighbours, and that a democratic country should get along with other democratic states… Even if we assume that Russia's behaviour is imperialist, then it remains in our interest to seek

[110] Ananicz, Andrzej et al, "Poland-NATO report", reprinted in *European Security*, Vol. 5, No. 1, 1996, p. 163
[111] Tokarzewski, 1997
[112] Poland, Sejm Debate, 25.10.1996
[113] Author's Discussion with PGNiG official, London, 15 March 2011

> good relations. After all, it is not in the Polish national interest to antagonise a large neighbouring merchant."[114]

This business-oriented approach to relations with Russia was reinforced within the Ministry of Industry and Trade, where the undersecretary of state Jerzy Markowski argued that "for our Russian partners, the sale of natural gas is a very important element in the balance of trade and for the economy as a whole. This should mean that gas supplies to Poland from this direction can be regarded as guaranteed."[115] Moreover, the negotiation process for the Yamal contract occurred shortly after Foreign Minister Andrzej Olechowski presented a programme to the Sejm entitled the *Partnership for Transition;* espousing greater economic engagement with Russia, the programme was interpreted as a move towards "pragmatic economic cooperation [that] would eventually yield the payoff of defusing any tensions generated by disagreements in the security sphere."[116] Thus, the interest in forging Polish-Russian energy links was mutually reinforcing; on the government side it was expedient to negotiate a reliable source of energy supply from Russia, whereas for enterprise managers at PGNiG the potential to expand the firm's market share by ensuring long-term imported gas supplies was alluring.

However, there was still a problem regarding gas demand, which was the key to justifying the terms and conditions of the Yamal pipeline's construction and associated contract. Some commentators contrasted Poland's demand projections in 1990, which predicted a modest rise to 11 bcm by 2000, with the exponential growth predicted by the October 1995 document, Polish Energy Policy Principles by 2010.[117] The assumptions of this document, which underpinned the gas deal with Russia, were considered faulty on a

---

[114] Zaczek, Damian, "Interesy z sąsiadem, wywiad z Aleksander Gudzowaty," *Decydent*, Nr. 14, October 2000 at http://www.decydent.pl/archiwum/wydanie_47/interesy-z-sasiadem_203.html, accessed 25 March 2011
[115] Poland, Sejm Debate, 11.04.1997
[116] Kuzniar, Roman, ed., *Poland's security policy 1989-2000*, Warsaw, Scholar Press, 2001
[117] Dakowski, Mirosław, "Zróznicowanie nośników energii oraz ich cen i kierunków dostaw a niezawisłosc Polski," at http://www.dakowski.pl/index2.php?option=com_content&do_pdf=1&id=118 accessed 5 February 2010

number of counts.[118] In fact, estimates of gas demand were particularly contested amongst government officials, some of whom were sceptical that Poland really required the contracted volumes of gas.[119]

The Board of Directors at PGNiG had a powerful incentive to suggest that gas demand in Poland would rise exponentially. Indeed, PGNiG's market position and its remit over energy supplies to Poland would be strengthened by virtue of the need to expand gas infrastructure to accommodate transmission offtake from the Yamal pipeline. Accordingly, board members such as Janusz Tokarzewski, Andrzej Brach and CEO Aleksander Findzinski projected a great deal of growth in Polish gas demand during several conferences and in a number of newspaper articles.[120] PGNiG's official estimate was anywhere from 14.7-21.6 bcm by 2000 and as much as 27-35 bcm by 2010.[121] The key energy policy advisor in the Oleksy government Roman Czerwinski, used these figures in his speech to the Sejm regarding the security of gas supplies to Poland, and compelled the government to look favourably on the volumes of imported gas stipulated by the Yamal contract.[122]

PGNiG's monopoly on interest representation precluded the access of other stakeholders to the government's policy-making structures, such as the Polish Association of Pipeline Builders, the Department of Energy at the Polish Academy of Sciences or researchers at the newly created technical journal *Rurociągi*. In fact, in his speech to the Sejm Czerwinski discredited the alternative appraisals of Poland's future gas demand made by these actors - "the estimates from independent experts may not be credible… estimates go

---

[118] See Michałowski, Witold, "Jamałgate", *Rurociągi*, No. 1, 2003 at http://www.Rurociągi.com/spis_art/2003_1/jamalgate.html accessed October 12 2009

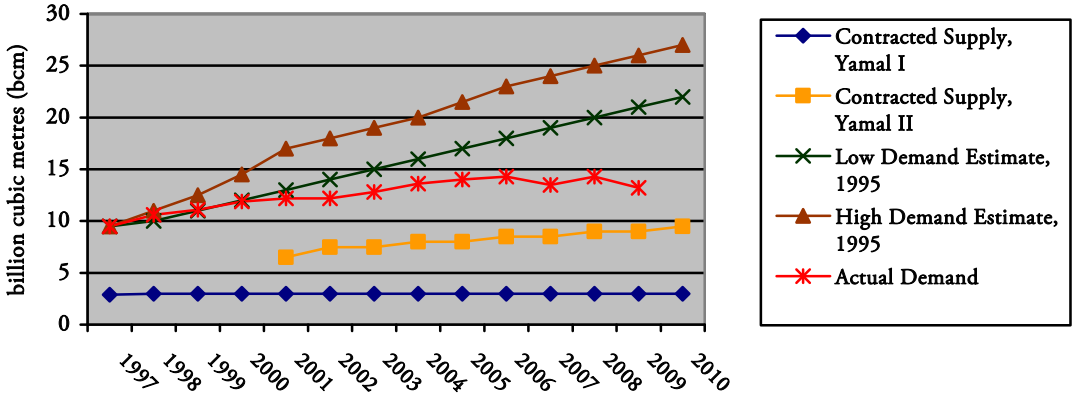
[119] See the comments by Janina Kraus in the Sejm Debate, 27.09.1996*, Informacja rządu o polityce zaopatrzenia Polski w paliwa płynne i gazowe*, 2 kadencja, 89 posiedzenie, 3 dzień

[120] Tokarzewski, J. and Bednarski, R., "Perspektywy rozwoju gazownictwa w Polsce", *IV Konferencja "Racjonalizacja u.ytkowania energii i srodowiska"*, Szczyrk, 1996, str. 165; Tokarzewski, J., "Perspektywy dostaw gazu ziemnego", Energia XI, *Dodatek reklamowy Rzeczypospolitej*, Nr. 12, 1997; *Nafta & Gaz Biznes*, "Rozmowa z A. Findzinskim, Z gazociagiem do Europy," August 1997, p. 34

[121] Tokarzewski, J. and Bednarksi, R., "Gas Prospects in Poland", *The Silesian International Conference on Coalbed Methane Utilisation*, Proceedings, Volume I: Polish Foundation for Energy Efficiency, Katowice, 5-7 October 1994

[122] Poland, Sejm Debate, 27.09.1996*, Informacja rządu o polityce zaopatrzenia Polski w paliwa płynne i gazowe*, 2 kadencja, 89 posiedzenie, 3 dzień

Figure 3.5 The Yamal Contract's Contribution to Poland's Expected Gas Demand, 1997-2010



When combined, Yamal I and II was expected to supply between 50-60% of Poland's total gas consumption. However, by 2000 it had become clear that, given lower demand than had been forecast, deliveries from the Yamal contract would in fact be oversupplying Poland's gas market. This was the basis upon which Poland sought to renegotiate the contract in early 2002.[123]

from as high as the World Bank's estimate of 43 bcm by 2010 to as low as 18 bcm in the case of Bojarski's assessment … in any case I can safely declare that the Polish market is able to absorb even the maximal quantities of gas under the Yamal contract."[124] Czerwinski later went on to laud the private energy firms that were directly involved in the deal. Recalling the threat to deliveries brought about by PGNiG's multi-million dollar debts to Gazprom after the collapse of Comecon, Czerwinski pointed out that "Bartimpex and Energopol stepped in to provide the liquidity and assurance needed by our Russian partners, more so than state-owned PGNiG."[125]

In the coal industry, which was resistant to the idea of replacing Poland's staple energy source with cleaner imported fuels, both politicians and businesspeople in favour of the Yamal deal placated their fears by claiming that gas imported from Russia would not have a sizeable effect on coal production. In this context, Trade and Industry Minister

[123] Data compiled using *Poland, Ministerstwo Przemysłu i Handlu, Zalozenia polityki energetycznej Rzeczyspospolitej Polskiej na lata 1990-2010,* Warsaw, adopted October 1, 1990*; PGNiG, PGNiG w liczbach, at* http://www.pgnig.pl/pgnig/ri/751/777, accessed on 3 January 2010

[124] Poland, Sejm Debate, 27.09.1996

[125] Ibid.; recall Czerwinski's role as head of PolGazTelekom, partly owned by Bartimpex.

Klemens Scierski noted that "the increase in gas consumption by 2010 is not intended to eliminate coal; rather this increase will be an alternative to the possible import of electricity in the period 2000-2010… [T]he contract signed with Russia will provide only enough gas to eliminate production from one large coal mine – such are the proportions being discussed."[126]

Finally, the practical logic behind Poland's long-standing diversification agenda was challenged by representatives in the Polish government. Addressing the argument for importing gas via Norway, undersecretary of state Jerzy Markowski argued that Russian annual gas exports totalled 49 bcm, compared with 3.5 bcm from Norway. In this situation, he argued that "one has to buy gas from those who have it."[127] PGNiG reinforced this reasoning, arguing that searching for alternatives to Russian gas by looking for supplies from Denmark, Britain or Norway engendered the threat of bypass – Russia would secure an alternative route to reach the lucrative German gas markets, which played upon Poland's geopolitical vulnerabilities and fears of exclusion.[128] This was especially acute in the post-Cold War era, since a "fear of a Russian–German accord concluded without Polish participation [was] deeply ingrained within both Polish elites and the general public."[129] In his debut in front of the foreign affairs committee of the Sejm, Olechowski stated that he was committed to enshrining greater 'cordiality' in Poland's relations with Moscow and warned that Poland's "relations with Russia and Germany should be at least as good as those between the countries themselves."[130]

Overall, it appeared that Poland's energy security policies were a product of political elites who simultaneously responded to both state and commercial interests. In the process, energy security remained an elastic, socially-conditioned concept that was not strictly contingent on material factors such as energy dependence, price, or the supply and demand

[126] Poland, Sejm Debate, 11.04.1997
[127] Ibid.
[128] Kaźmierczak, Piotr, "Jak zapewnić stałe dostawy," *Rzeczpospolita*, 2 February 1997
[129] Steves, F. "Poland and the international system: external influences on democratic consolidation" *Communist and Post-Communist Studies,* Vol. 34, 2001, p. 344
[130] Prizel 1995, p. 106

balance. Instead, it was the extent to which these factors were processed and interpreted by the corporatist policy network that ultimately made the difference to Poland's energy security policies. In the context of the SdRP government, the primary task was to highlight the geopolitical benefits of the transit pipeline whilst downplaying or dismissing the supposedly dubious commercial rationale for an additional Russia-Poland energy link. To this end, ministers and deputies in the communist successor governments hailed the Yamal agreement as the 'contract of the century' that would ensure a continuous and reliable supply of gas from Russia.[131] As the main motor of economic cooperation between Russia and Poland, the Yamal pipeline became a physical manifestation of Poland's foreign policy goal of serving as 'a bridge between east and west.'[132] The pipeline would carry not only natural gas, but also the symbolic weight of Jerzy Giedroyc's oft-recited phrase that "the more significant role Poland plays in the East, the more it is bound to count in the West."[133]

The Yamal pipeline eventually came to serve only a small fraction of Poland's overall energy demand. The lack of commercial incentive to dethrone coal as the dominant energy resource for heat and electricity meant that gas continued to play a marginal role in Poland's energy balance, never rising above 10% of total primary energy consumption. Poland's muted gas demand led to a general unwillingness to build the requisite compressor stations to increase the Yamal pipeline's capacity; coupled with Gazprom's inability to finance the necessary increases in Belarus's throughput capacity, this led to severe delays in the construction of the pipeline. In fact, the first and thus far only leg of the Yamal pipeline achieved its full capacity of 32 bcm only in 2005, a full nine years after the contract had been signed. This carried important implications for the amounts of gas Poland imported via the Yamal pipeline. According to the 1996 contract, Poland was entitled to siphon no more than 3 bcm from the first pipeline, with the remaining 9.5 bcm to be taken from the second

[131] Gorska 2009

[132] Prizel, Ilya "Warsaw's Ostpolitik: A New Encounter with Positivism," in Ilya Prizel and Andrew A. Michta, ed., *Polish Foreign Policy Reconsidered: Challenges of Independence*, New York: St. Martin's Press, 1995; Terry 2000; Kuźniar, Roman "Geopolitics and Poland's Security Policy", *the Polish Quarterly of International Affairs*, Issue 1, 2008, p. 66

[133] Giedroyc, Jerzy, *Autobiografia na cztery rece*, Czytelnik , Warsaw, 1994

pipe. But because this pipe was never built, Poland only took around 3 bcm from the Yamal pipeline at the Kontratki entry point, importing the rest of the contracted amounts from existing pipelines in Wysokoje on the Polish-Belarusian border, and Drozdowice on the Polish-Ukrainian border. All told, the Yamal pipeline provided Poland with 30% of overall natural gas needs which, in spite of demand projections, never exceeded 10% of the country's overall energy consumption throughout the 1990s. Thus, there was certainly a mismatch in the reality of dependence on Russia versus the perception of dependence on Russia in Polish politics.

3.5 Conclusion

During communist successor rule, the energy sector in Poland stood out as an exceptional branch of the economy that eluded the application of market reforms. As one of the remaining relics of central planning, the management of the energy sector was bound to a bureaucratic complex that had little incentive to demonopolise, privatise or liberalise the activities and structures of major state-owned energy firms. The lack of commitment toward energy enterprise restructuring provided a stark contrast to the more general move in Poland towards an open, liberalised market economy with a concomitant withdrawal of the state from economic decision-making.

The exceptionalism applied to the energy sector had profound effects on state-owned energy firms' external trade relations; protection from competition and the maintenance of their monopoly positions on the Polish market discouraged investments or interconnections with neighbouring markets. Thus, earlier commitments to integrate with Western energy markets in the name of security were largely abandoned – somewhat paradoxically, during a period of exponential growth in Poland's overall trade with the European Economic Area. Although Poland had built one of the most dynamic and privatised post-socialist economies, this was not reflected in the energy sector, where the inefficiencies brought about by continued state ownership and subsidies discouraged the modernisation of Poland's

deteriorating, environmentally-unfriendly energy infrastructure. Measured against Czech Republic, Hungary and Slovakia, as well as relative to other branches of the economy, Poland's energy sector lay untouched by foreign direct investments.

The absence of a regulatory framework for the energy sector equalled a lack of institutionalised channels of interaction between state and market actors. This, in turn, did little to foster transparent decision-making processes. The ambiguity surrounding competence over cross-border energy agreements allowed a number of individuals to straddle the line between state and business interests; several questionable replacements of senior management and a series of protectionist measures suggested that politicians and public officials applied an 'interventionist' approach to state-owned energy firms.

It was in this backdrop that the Yamal contract was negotiated and signed. Prior to this so-called 'contract of the century', energy issues did not command a great deal of attention in Poland. Despite the tumultuous changes and concomitant uncertainties brought about by the collapse of Comecon and the dismantling of the Soviet Union, energy dependence was not seen by post-Solidarity decision-makers in an overtly state-oriented context;[134] rather, the expectation was that market reform would create a predictable, commercially-oriented Polish-Russian energy relationship (which was also helped along by a seller's market in the global gas and oil trade of the early and mid-1990s).

The decision-making process for the Yamal contract, which integrated enterprise management and public officialdom without a clear separation of their roles and responsibilities, was considered highly suspect by opposition parties. This led to broad political fallout over the issue of energy security and prompted questions concerning the diplomatic expediency of increasing Poland's energy dependence on Russia. But the network of Polish negotiators countered that the pursuit of energy security was synonymous with ensuring favourable conditions for the continuous supply of Russian gas. The negative contractual conditions underpinning the construction of the Yamal pipeline were marginalised by citing Poland's newly-acquired leverage as a transit state for gas headed

[134] with the exception of the short-lived Olszewski government, see previous chapter

further west. Moreover, the decision was justified by the assessments of PGNiG and the support of private enterprises such as Bartimpex and Gas-Trading. Thus, state and business interests were integrated by virtue of the corporatist arrangements dominating the state-energy market interface.

Chapter IV

Reassessing the risks of energy dependence; threats and vulnerabilities from the east and west, 1997-2001

This chapter sets out to contrast the communist successor governments' energy security policies with those of the post-Solidarity administration of Jerzy Buzek in the period from 1997-2001. The clash between statist and liberal policy networks, represented by the two dominant coalition partners in the government – Solidarity Electoral Action (*Akcja Wyborcza Solidarność*, AWS) and Freedom Union (*Unia Wolnośći,* UW), informed much of Poland's energy security policy output until the latter's departure from government in 2000. Thereafter, the AWS bloc of the governing coalition advanced a state-oriented, interventionist approach to the energy sector. However, rather than integrating business interests into the decision-making process, political executives in this camp enacted policies whose reach extended deep into energy firms' cross-border activities and commercial decisions. By replacing boards of directors in key strategic energy firms, the AWS minority government ensured that its energy security policy preferences would be heeded by the energy industry.

In contrast to the previous democratic socialist governments in the period from 1993-1997, Poland's gas and oil dependence in the run up to the new millennium was linked to its broader foreign relations. The perception within government that energy transit – particularly natural gas – was intimately bound to geopolitics and state security ensured that issues such as the building of the second Yamal pipeline, the prospects for importing North Sea gas and the possible alternative methods of diversification would be viewed in terms of their impact on Poland's international political relations. In the process, energy relations with Russia became strained as controversies over the construction and financing of the dual Yamal gas pipelines threatened their completion. To explain Poland's energy policy shifts, the chapter will first identify the two competing sets of executive Polish policy-makers

and will subsequently explore how their interpretation of energy security affected Poland's responses to energy-related challenges and opportunities.

4.1 Political cleavages in the AWS-UW coalition government

From its victory in the 1997 parliamentary elections until the coalition split shortly after the new millennium, the ruling coalition of post-Solidarity political forces was beset by internal fragmentation and discord.[1] The main cleavages appeared between the AWS and its minority coalition partner, the Freedom Union. The former was a loose grouping of post-Solidarity political forces that had initially been spawned from an earlier electoral coalition and parliamentary club helmed by the politically-influential Marian Krzaklewski. At its core was the Solidarity trade union bloc with a Christian-socialist leaning; however, upon election the party also incorporated liberal conservatives as well as Christian democrats and nationalists. Even though the AWS leader, Jerzy Buzek was chosen as Prime Minister because of his consensual and compromising style of politics, the myriad orientations subsumed by the AWS-led government was too much to sustain internal discipline. In the wake of parliamentary victory, Buzek's administration quickly became "an amorphous political conglomerate [that] failed to develop a strong institutional centre."[2]

The post-Solidarity government's smaller coalition partner, the Freedom Union, was one of the few parties with a clear programme for economic development. Executives in the UW camp were committed to the free market and entry into the European Union; their shared neoliberal orientation made this political group more unified than most other entities within the weak and divided coalition. Key appointments that allowed the Freedom Union's neoliberal orientations to be represented abroad were the naming of Bronisław Geremek as Foreign Minister and Janusz Onyszkiewicz in a repeat stint as Defence Minister. Leading the

[1] see Szczerbiak, Aleks, "Poland's unexpected political earthquake: the September 2001 parliamentary election", *Journal of Communist Studies and Transition Politics*, Vol. 18, No. 3, 2002, pp. 41 - 76

[2] Szczerbiak, Aleks, "The Polish centre-right's best hope: the rise and fall of Solidarity Electoral Action", paper presented at the *ECPR General Conference*, Marburg, Germany, 18-21 September 2003, p. 16

economic agenda of the UW was Leszek Balcerowicz, who once again assumed the duties of Finance Minister. At his urging, the government's economic policies became centred on pushing through 'missing' economic reforms […] and speeding up the privatisation of sectors where 'post-communism' had been afraid to tread (energy, steel, airlines and telecommunications).[3]

Many officials in the AWS, however, were less enamoured by the benefits of market capitalism and more mindful of the unpopularity of shock therapy market reforms that had contributed to Solidarity's loss of power to the socialists in 1993. A number of key cabinet ministers belonging to AWS expressed doubts about the expediency of taking up the free market reform agenda once more; the Minister of the Economy Janusz Steinhoff, the undersecretary of state Jerzy Marek Nowakowski and the national security advisor, Piotr Naimski, were lead representatives of a group that was sceptical toward EU market reforms and averse to relinquishing state control over strategic parts of Poland's economy.[4]

A rift between the coalition over economic policies soon appeared, and Buzek's style of compromise was equated with dithering and uncertainty when decisive leadership was required.[5] It was in this backdrop of intra-governmental tension that the energy sub-sectors were put on the path towards reform. The Freedom Union managed to obtain control over much of the country's foreign and economic policies in the early period of coalition rule. Consequently, a series of structural reforms were initiated after 1997 that sought to liberalise the energy market in accordance with the minority coalition partner's programmatic push for privatisation and its preparations for EU membership. The goal, according to Balcerowicz and his team of advisors, was to displace the provision of energy from an arm of social policy to one in which energy prices and relations were determined by the market.[6]

Each energy sub-sector underwent a series of sweeping reforms and structural changes. The programme 'Hard Coal Mining Reform in Poland in the Period 1998-2002'

[3] Kuczyński 2001
[4] Terry 2000, p. 37-38
[5] Szczerbiak 2002
[6] Parker 2002, p. 18

was an ambitious attempt to close unprofitable mines and to privatise the remaining profitable ones.[7] Whereas the previous democratic socialist governments preferred to postpone decisions regarding the commercial efficiency of the coal sector, the UW steered a set of uncompromising proposals through the Sejm for restructuring the industry. The plan anticipated the loss of half of the country's coal mining jobs (roughly 120,000) as well as the closure of 24 of 65 coal mines. These measures were expected to cost around $4.5 billion, but were considered necessary to make the industry profitable.[8] The electricity market, which relied on the productive forces of the coal industry, was also well on its way to becoming completely open to market competition and foreign investment. The 1997 Energy Law, which established Poland's Energy Regulatory Authority (*Urząd Regulacji Energetyki*, URE), provided the legal basis for liberalising the electricity market away from the 'single buyer' model and towards third party access.

As for the oil sector, in 1998 the government announced its plan to privatise Poland's petroleum refining and distribution assets, and to remove administrative barriers that had been protecting the domestic fuel market from external competition.[9] The Płock Petrochemical Refinery was to be merged with the Centrala Produktow Naftowych (CPN) sales network. Once bundled, this entity would be sold on both foreign and domestic markets in a flotation worth around $1 billion.[10] In addition, oil prices were to be liberalised from 1997, restrictions on imports removed, and state enterprises such as Ciech, PERN, Naftobaz and Petrobaltic (Poland's offshore crude production company) to be restructured and either completely or partially privatised.[11] In the interim, the Economic Committee of the Council of Ministers (KERM) recommended that access to these firms' assets and

[7] Kuczyński 2001
[8] Smith 1999, p. 577
[9] Poland, Komitet Ekonomiczny Rady Ministrów, *Komunikat po KERM*, Warsaw, 3 March 2000 at http://www.poprzedniastrona.premier.gov.pl/archiwum/1937_2733.htm, accessed 10 April 2011
[10] The resulting entity, PKN Orlen, was in fact privatised, but the State Treasury retained a blocking share as well as the right to appoint the CEO and board of directors.
[11] Parker 2002, p. 6-7

logistics be "available to all market players equally and without discrimination."[12] The Gdańsk Refinery, a strategic lynchpin in Poland's oil importing infrastructure, began its search for a foreign investor to double the plant's annual capacity of 4 billion tonnes. The refinery's privatisation was pushed due to the government's assessment that previous programmes for restructuring the oil sector "led to a substantial strengthening of the position of PKN Orlen. This high level of market concentration poses a threat to competition and consumer interests, which may deepen in the event of further expansion of PKN Orlen (e.g. by an acquisition of the Gdańsk Refinery)."[13]

In the natural gas sector, the government attempted to accelerate the process of privatising PGNiG, arguing that the company's deteriorating financial performance was a direct consequence of its past resistance to restructuring. The Economic Committee for the Council of Ministers (KERM) published a report in March 2000 concluding that "the main purpose of government is to ensure competition in the gas sector… [which] will be possible with the involvement of investors from the private sector."[14] An additional goal was to gradually reduce the direct participation of the Treasury in the gas sector, and to strengthen the role of the independent regulator, URE, whose aim was to promote efficiency and set appropriate pricing mechanisms for gas. KERM also sought to conform to the European Union's new directives on gas market liberalisation, asserting the importance not only of commercial restructuring but also conformity with third party access requirements (despite acknowledging challenges in this context arising from Poland's dependence on a single source of natural gas). To this end, in August 1998 the Council of Ministers introduced a schedule for allowing customers the right to choose their gas transmission services.

---

[12] cited in Wawrzyński, Wojciech, "Nośniki energii i ich rynek jako sektor determinujący bezpieczeństwo energetyczne polski, europy i świata," *Praca magisterska, Ośrodku Badań Integracji Europejskiej Uniwersytetu Gdańskiego*, Nr albumu 91732, 2001

[13] Poland, Komitet Ekonomiczny Rady Ministrów, "Informację na temat rynku paliwowego w Polsce" in *Komunikat po KERM*, Warsaw, 3 March 2000 at http://www.poprzedniastrona.premier.gov.pl/archiwum/1937_2733.htm, accessed 11 April 2011

[14] Poland, Komitet Ekonomiczny Rady Ministrów, "Aktualizacji programu restrukturyzacji organizacyjnej państwowego przedsiębiorstwa użyteczności publicznej Polskie Górnictwo Naftowe i Gazownictwo" in *Komunikat po KERM*, Warsaw, 3 March 2000 at http://www.poprzedniastrona.premier.gov.pl/archiwum/1937_2733.htm, accessed 10 April 2011

Cumulatively, the government's prioritisation of energy sector reform was driven by the free-market campaigning of the Freedom Union. This liberal policy network, composed as it was of 'free marketeers' such as Leszek Balcerowicz, laid emphasis first and foremost on commercial profitability and the introduction of competition into the energy sector. Coupled with the desire to conform to the EU's energy *acquis* (i.e. third party access and the liberalisation of gas and electricity infrastructure in order to foster competitiveness and non-discrimination), this new orientation helped usher in a de-politicised approach to Poland's energy market.[15] In other words, the issue of energy security was handled in commercial, cost-benefit terms by economic policy-makers in the UW, who took into account the capital needs of energy firms and the supply and demand structure of the Polish energy market.

In pushing the need for structural market reforms, diversification of energy sources away from Russia was pushed down the agenda. Along with the economists Balcerowicz, Hausner and Belka, individuals such as President Aleksander Kwaśniewski and PGNiG CEO Stefan Geron threw their support behind UW's energy reform programme. At the same time, these individuals reasoned that Poland's imported energy needs had been sufficiently guaranteed by the Yamal contract and the continued import of oil via the Druzhba pipeline. They were decidedly opposed to politicising energy relations and the concomitant process of decision-making based on more than economic calculation.[16] Moreover, this liberal outlook was more willing to allow EU energy liberalisation directives penetrate what was regarded as a commercially-inefficient coal, oil and gas sector.[17]

However, the commitments to such deep reforms of the energy sector did not last, as divisions between the AWS and UW persisted over the course of reforms and the negotiations over EU membership. In ideological terms, it was noted that "a trade union movement whose membership was based in declining publicly owned industries likely to be most affected by economic reform was always to have a problematic relationship with

[15] Ibid., p. 54-55
[16] The author's discussion with Leszek Balcerowicz revealed that the Freedom Union was unwavering in its commitment to rid the energy market of state oversight (February 2010, Oxford University)
[17] For a comprehensive critique of this position, see the speech of MP Janina Kraus, "Gospodarka paliwowo-energetyczna w polsce - próba oceny", *Konferencji w Agencji Techniki i Technologii*, 30 November 2000

liberalism."[18] Moreover, the preference of AWS was for greater state centralisation and economic nationalism, and business interests were looked upon with suspicion.[19] In fact, AWS' electoral pledge was to address the controversies over dubious state-business relationships that had been prevalent in the previous communist successor government. As one analysis of the 1997 parliamentary elections noted,

> "[t]he SLD–PSL coalition had been closely associated with the practice of placing party supporters in key areas of the economy, particularly the management and supervisory boards of state or 'para-state' institutions such as Treasury-owned companies. Introducing a 'cleaner' and more ethical style of government – and thereby implicitly breaking with this practice of what became known as 'political capitalism' – was one of AWS's key election pledges in 1997."[20]

The Freedom Union's grip over economic policy led to industrial unrest over prospective coal mine closures, which contradicted pre-election pledges made by Solidarity Electoral Action that miners would receive state protection from redundancies.[21] As a result, most members of the AWS were obliged to reaffirm their interventionist predilections and became increasingly critical of the UW's commitment to fulfil the EU's voluminous *acquis communautaire*.[22] With little experience in managing EU accession negotiations, the AWS government was more ambivalent about the concessions needed in order to secure membership.

As these domestic political groupings sparred over energy market reforms, two dominant perspectives on energy security emerged. The AWS was oriented towards the impact of energy dependence on political relations and state security while the UW

---

[18] Szczerbiak, 2003, p. 18
[19] Kuczyński, Waldemar, "Stanie Państwa i Działaniach Rządu w Latach 1997 – 2001", *Kancelaria Prezesa Rady Ministrów*, Warsaw, 2001
[20] Szczerbiak, 2002, p. 64
[21] Europa World Year Book, "Poland: Introductory Survey", Volume 2, 45th Edition, Taylor & Francis, 2004, p. 3446
[22] Blazyca, George and Kolkiewicz, Marek, "Poland and the EU: internal disputes, domestic politics and accession", *Journal of Communist Studies and Transition Politics*, Vol. 15, No. 4, 1999, pp. 133-135

emphasised commercial energy relations and the need to adhere to the demands of the market. Political debates over issues such as the construction of the Yamal pipeline and the Norwegian Baltic Pipe diversification project threw these perspectives into a sharper relief, setting them in opposition to one another and thus providing the crucial context for Poland's responses to external energy-related developments.

4.1.1 The coalition split and the rise of statist policy networks

The ideological differences between the AWS and UW over economic policies and EU integration led to the departure of the latter from government in June 2000. What followed was a noticeable drop in commitments on the part of the fractured AWS to continue the deep structural reforms promised by the original coalition. In essence, the departure of the UW meant the loss of the free market anchor that had prevented nationalist and protectionist forces of the government from setting energy reforms adrift. Consequently, Poland's position on energy security quickly evolved from a pro-market stance to a more state-oriented one. This was reflected in the new policy orientations and speeches of Prime Minister Jerzy Buzek, Economic Minister Janusz Steinhoff, Gas Diversification Group Chairman Jerzy Kropiwnicki, Chief Advisor Jerzy Marek Nowakowski, and the new PGNiG CEO Andrzej Lipko (who served as a *de facto* representative of the state). These individuals represented the 'statist' policy network responsible for Poland's energy security policies after the departure of the economically-liberal Freedom Union.

For these individuals, energy security was inherently bound up with Poland's foreign relations. As a consequence, they shared an understanding of energy diversification that precluded any import arrangements that could be traced back to Russia. As an early political programme proclaimed, "energy import security can only be achieved through the diversification of sources."[23] Moreover, despite being initially in favour of reforming the state-owned energy sector, they soon became cautious to commercialise and/or privatise what

[23] Quoted in Kuczynski 2001, p. 287

they regarded as strategically significant energy assets. Marian Milka, undersecretary of state in the Ministry of the Treasury, captured prevailing attitudes within the minority government when he argued in an interview that "in order for the state to ensure national energy security, the most important parts of the energy supply chain should remain entirely under state control."[24]

Under the right-wing minority government of AWS, political executives revised their perceptions of energy threats and vulnerabilities and reassessed the desirability of some of Poland's earlier energy market reforms. In the oil sector, the state-owned oil purchaser Ciech, the pipeline operator PERN, the storage operator Naftobaz and the offshore crude producer Petrobaltic were all consolidated under the Treasury-owned holding company, Nafta Polska.[25] The privatization of the Gdańsk Refinery was also put on hold due to a combination of domestic protests from the trade unions and a general stagnation in the global fuel market.[26] In May 1999, the government merged the CPN retail distribution company with the Płock oil refinery, creating a powerful national oil firm, PKN Orlen SA. Soon after the company was established, its statutes were changed so as to ensure the right of the government to choose at least one third of the supervisory board for a period of five years; in this way, the state retained control over both the asset sales arm of the firm as well as the division that supervised shipments from the company's fuel pipelines.[27] A regulation was also introduced by Nafta Polska for PKN Orlen to create a new system of mandatory fuel reserves to enhance energy security, the costs of which would be borne by end consumers.[28] By the end of AWS rule, Poland had consolidated much of the oil industry whilst giving the State Treasury a considerable amount of oversight in the restructuring process.

In addition to these restructuring efforts in the oil sector, a debate about the desirability of third party access to energy grids led to a gridlock in the transposition of EU

[24] Energia XXVIII, "Przemiany strukturalne w elektroenergetyce," *Dodatek reklamowy do Rzeczpospolitej*, *Nr 218 (5991), 18 September 2001*
[25] Poland, Ministerstwo Skarbu Państwa, *Strategia dla przemysłu naftowego w Polsce*, Warsaw, 24 September 2002
[26] Wawrzyński, 2001, p. 19
[27] Morka, Artur, "Uprzywilejowany skarb państwa", *Rzeczpospolita*, nr 167, July 7 1999
[28] Wawrzyński, 2001, p. 19

directives on the internal gas and electricity markets. Poland's third major energy policy document, the 'Principles of Poland's Energy Policy until 2020', which was adopted by the Council of Ministers in the wake of the UW's departure from the government, set out a more measured approach to liberalisation, reasoning that certain characteristics of Poland's energy market necessitated longer transitional periods for adopting EU internal market rules.[29]

The natural gas sector elicited the greatest sensitivities; energy dependence and Poland's vulnerabilities in the face of both eastern and western competition all but halted market reforms. Although both demonopolisation and privatisation had been on the agenda for the natural gas sector since PGNiG was commercialised in late 1996, it had become clear that under the AWS government this company would remain state-owned, whether or not the market was liberalised. In fact, the government's concession to separate the transmission/import side of the company from its distribution activities was made in order for the state to better control Poland's gas import policies.[30] The energy policy document, 'Principles until 2020' made any further restructuring of PGNiG contingent on successful gas supply diversification.[31] The government's responsibility for ensuring 'national energy security' by way of addressing the 'problem' of long-term gas contracts (e.g. Yamal) weighed in on all decisions regarding the privatisation of PGNiG or in fact any actions that led to a loss of state control over the natural gas sector.[32] Consequently, instead of enacting provisions to expand natural gas infrastructure in Poland or liberalise the vertically-integrated gas market, the government set out to more deeply manage PGNiG's external activities, particularly its diversification policies. As one official working in the independent energy regulator, URE, noted,

---

[29] Poland, Rada Ministrów, *Założenia polityki energetycznej Polski do roku 2020,* Warsaw, adopted 22 February, 2000, p. 5

[30] See Energia XXXII, "Gazownictwo bez 'białych plam'" *Dodatek reklamowy do Rzeczpospolitej*, Nr 217 (6294) 17 September 2002

[31] Poland, "*Polityki energetycznej do roku 2020,*" pp. 9-10

[32] Poland, Rada Ministrów, *Restructuring And Privatisation Program For Polish Oil And Gas Company (PGNiG S.A.*), adopted 13 August 2002

> The source of gas supply in Poland arouses endless emotional discussions. It has nothing to do with meeting the demands of the economy, but about relying on Russia. According to many contributors – mainly politicians and pseudo-economic experts – this situation constitutes a serious threat to Polish energy security, which they associate with Polish state sovereignty in general. This outlook has formed the basis and inspiration for action related to the diversification of gas supply – preferably with Western countries, and without regard to cost.[33]

The political executives responsible for Poland's energy security policies were keenly involved with the businesses under state ownership. A proactive approach to enterprise governance was adopted soon after the Freedom Union's departure from government, and many energy firms were populated with individuals closely tied to the core executive. For example, Piotr Woźniak, a close advisor for Jerzy Buzek who would later become Minister of the Economy under the PiS government, simultaneously served on the supervisory boards of EuroPolGaz, Gas-Trading *and* PGNiG. In the latter company, he later switched from the supervisory board to the board of directors, serving from July 2000 to March 2002 as deputy chairman for Trade and Restructuring. Piotr Szwarc, who served in the Ministry of Foreign Affairs as well as the office of the Prime Minister, became commercial and marketing director of PGNiG.[34] Andrzej Lipko, the former director of the Ministry of Industry and Trade in Jan Olszewski's nationalist Solidarity government, became CEO of PGNiG when his predecessor, Stefan Geron, failed to make progress toward importing natural gas from Norway. [35] These and other politicised boardroom shuffles assured that the AWS government's foreign policy geared towards ensuring energy security would be backed by key players in the energy industry. In addition, legislation was passed that obliged state-owned energy firms to submit detailed reports of commercial activities, financial data and potential

[33] Kwiecień, Marzanna "Strategia urynkowienia gazownictwa" in Urząd Regulacji Energetyki, *Jaki model rynku energii?*, Seria wydawnicza Biblioteka Regulatora, Warsaw, 2001

[34] Szwarc was later dismissed with the change of government in 2001, only to be installed on PGNiG's supervisory board as soon as the PiS government came to power in 2005, see Polskie Górnictwo Naftowe i Gazownictwo, *Financial statements for the period ending 31 December 2005*, Warsaw, 31 March 2006

[35] Fisher, Konrad, "Dywersyfikacja kierunków dostaw gazu do polski w latach 1997 – 2007," Praca magisterska, *Katedrze Historii Gospodarczej i Społecznej*, Warsaw, 2007, Nr. 31345, p. 25

risks to the supervisory boards, which then passed this information onto the Treasury and other state bodies.[36]

The government's appointment of new individuals to key energy-related posts and its creation of institutions tasked to deal with issues of energy security engendered a statist policy network less focussed on business interests and more inclined to assert the state's management and control over the energy sector.[37] With the domestic politicisation of energy security issues, competence over energy policies became confined to political executives that were not necessarily experts in the field, and tended to refer primarily to the geopolitical implications of energy dependence. Relative to previous communist successor governments, senior officials in the Buzek administration enjoyed a higher degree of autonomy over their ministries as well as the policy-making process. Both their policy mandate and their choice of personnel were largely unrestricted.[38] As a consequence, outlooks on energy security policies became crucially affected by political ideology and personalised bureaucratic appointments, which inhibited adequate technical assessments of the needs and challenges of the Polish energy sector. [39] Besides going some way towards explaining Poland's mixed record of energy market reform at the end of the decade, this was also a crucial factor in considering Poland's international energy relations, particularly with Russia.

4.2 The role of foreign relations in defining energy security

The split of the AWS-UW coalition and the stalling of market reforms generated a noticeable shift in Poland's energy security policies. As noted by former Prime Minister Jan Olszewski, Poland only began taking concrete steps towards diversification *after* the collapse

[36] Vagliasindi, Maria, "Governance arrangements for state-owned enterprises", World Bank Sustainable Development Network, Policy Research Working Paper, No. 4542, March 2008, p. 14-5
[37] Podolski, Antoni "Gaz narodowy czy europejski? Polityczne i historyczne uwarunkowania percepcji wybranych wyzwań dla bezpieczeństwa energetycznego RP 2007", *Centrum Stosunków Międzynarodowych*, Raport i Analizy, 2/07, 2007, p. 24
[38] Heywood, Paul and Meyer-Sahling, Jan-Hinrik, "Corruption risks and the management of the ministerial bureaucracy in Poland", *Sprawne Państwo Program*, Ernst & Young, Warsaw 2008, p. 28
[39] Energia XXI, "Prywatyzacja polskiej energetyki" *Dodatek reklamowy do Rzeczpospolitej*, Nr 62, (5532) 14 March 2000

of the coalition.[40] Because of the AWS' tendency toward preserving control over energy assets in the name of national sovereignty, energy security policies were reoriented to reflect Poland's foreign policies. An overall change in rhetoric had occurred, synonymous with the change of perception toward what constituted energy security in the first place. With diversification high on the agenda of the Buzek government, it became increasingly apparent that the previous SdRP-led governments' goal of energy *inter*-dependence with Russia was to be replaced with an emphasis on achieving *in*-dependence from Russia.

Of course, these shifts in perspective occurred against the external backdrop of rising energy prices and, with Vladimir Putin's ascent to power, the first signs that Russian energy dominance was becoming a more important factor for Europe's geopolitical landscape (particularly in the context of EU enlargement). Yet, these external developments were dealt with predominantly from within the political executive, where the perception of energy dependence was related to national security and statehood. This ensured that policy output became *de facto* responses to perceived political threats and vulnerabilities arising from energy dependence, whilst downplaying the commercial element to cross-border energy activity.

The statist policy network, reoriented toward the external dimension of energy dependence, changed the criteria for ensuring Poland's energy security. In the wake of NATO membership the Polish Ministry of Foreign Affairs widened its focus on national security from military threats to less traditional security concerns, such as asymmetrical interdependence in strategic areas of international cooperation. The new crucial area of assessment in Poland's foreign policy calculus became Russia's political power in the form of economic leverage in gas and oil markets.[41] Bronisław Geremek, the Minister of Foreign Affairs, summed up the sentiments of his ministry towards Poland's energy security by stating:

[40] Poland, Sejm Debate, 20.02.2004
[41] Zarycki, Tomasz "Uses of Russia: the role of Russia in the modern Polish national identity", *East European Politics and Societies,* Vol. 18, No. 4, 2004, p. 607

> "I belong to those who think that you need to calculate in the realm of politics and in the realm of economics. Building a pipeline is an opportunity for Poland in terms of transit fees and Poland's significance as a transit state. But in the same way you need to make calculations with regard to state security. Polish security has its price as well."[42]

In other words, Polish security was weighed as a consideration separate from favourable economic conditions, and geopolitical developments needed to be incorporated into the decision-making process. This thinking helped to export energy policy-making from the bureaucratic domain onto the agenda of cabinet ministers, who had a qualitatively different perception of the risks associated with gas dependency; as mentioned by one official working in the Ministry of Economy, "for Poland's energy policy, there was a big difference in outlook between administrators and politicians."[43] Indeed, the core executives in the government tended to consider Poland's energy vulnerabilities not necessarily in relation to supply and demand but rather in the context of political relations – principally with Russia, but also with the Ukraine and Belarus.

A stronger embrace of NATO as a potential ally in Warsaw's quest for greater energy security was also apparent, since membership in this organisation provided increased opportunities to bolster Poland's economic and political standing in Europe without relinquishing control over energy infrastructure. In the process, *realpolitik* replaced some of the technocratic impulses that had hitherto guided the UW's policies toward European integration; partners that had been instrumental in promoting Poland's application for EU membership, such as Germany, were now looked upon with suspicion. For example, an influential member of the Catholic-national wing of the AWS, Henryk Goryszewski argued that "Europe after Maastricht is dominated by Germany, whereas in NATO there is a strong presence of Americans – the only ones who are able to balance the German influence."[44]

---

[42] Olejnik, Monika "Bronisław Geremek – Gośc Moniki Olejnik," *Salon Polityczny Trojki,* Warsaw, 2000

[43] Malgorzata Szymanska, Head of Oil and Gas Unit, Polish Ministry of Economy, author's interview, Warsaw, March 2009

[44] Zaborowski, Marcin, Germany, *Poland and Europe: conflict, co-operation and Europeanisation,* Manchester, Manchester University Press, 2004, p. 158

At the same time as expanding its foreign policy agenda to economic security issues, Poland effectively initiated a more confident and pro-active 'eastern policy.' This policy was guided by the conviction that the transformative power of association with Western political and economic institutions would enhance security along Poland's eastern borders.[45] Accordingly, Warsaw's updated security strategy of 2000 declared that "the stability and predictability of the economic situation in states neighbouring Poland as well as with Poland's chief trade and financial partners has a direct influence upon Polish security. Consequently, Poland supports, according to its abilities, processes of economic transformation and democratic changes in the region."[46]

Energy played an increasingly prominent role in the context of Warsaw's post-NATO foreign policy commitment to promote democracy further eastward; indeed, the targets of Poland's pro-active eastern policy, Ukraine and Belarus, were key transit states for natural gas and oil. In fact, Warsaw's assertiveness and its desire to bring Ukraine into the EU's integration strategy was a reflection of a changing mentality in Warsaw, wherein Poland's relationship with its eastern neighbours was no longer subordinate to its relationship with Russia. The new undersecretary of state Jerzy Marek Nowakowski encouraged a regional approach to diversification, stating that "the recurring backdrop of economic cooperation in our region is a Russian monopoly on oil and gas export. Our basic interest is to diversify supplies not only for Poland, but for our neighbours as well."[47] In this context, energy relations became an avenue of strategic cooperation with former Soviet satellites; for example, consultations with Ukraine on the joint construction of an oil pipeline that would transport Caspian crude to Poland and onwards to Western Europe – without

[45] Longhurst and Zaborowski 2007, p. 64-68

[46] Poland, Ministerstwo Spraw Zagranicznych, *Strategia bezpieczenstwa Rzeczypospolitej Polskiej*, 2000, available at http://www.msz.gov.pl; this statement indicates that Warsaw was becoming much less cautious in making policy choices in opposition to Russia's strategic interests; its self-defined role as a projector of the Western 'zone of stability' further eastward was by no means endearing to Moscow. In fact, energy issues reflected conflicts of interest between Poland's pro-democratic eastern policy and Russia's bid to re-assert its influence in the post-Soviet space.

[47] Quoted in Chmielewski, Piotr and Podolski, Antoni, "Skazani na konflikt? - stosunki polsko-rosyjskie po ukraińskiej pomarańczowej rewolucji," Seminarium, *Centrum Stosunkow Miedzynarodowych*, 16 March 2005, p. 4

the involvement of Russia - would have "far more than simply economic significance, [adding] another strategic dimension to the Polish-Ukrainian relationship."[48]

4.2.1 Statist policy networks and relations with Russia

Poland's entry into NATO and its broader commitments to political and economic stabilisation of its eastern borders occurred against the backdrop of Russia's fractured transition and its gradual return to centralised authoritarian rule. The Russian state under President Boris Yeltsin had struggled to manage the transition from communism; structural reforms had failed to prevent the country's economic decline throughout the 1990s, which culminated in a financial crisis and Yeltsin's concomitant resignation.[49] Vladimir Putin, his successor, gradually began to impose a greater degree of state control over the economy, *inter alia* through re-nationalisation and vertical integration of Russia's strategic industries. Domestically, the Russian state took steps to reassert control over its energy resources by reversing the privatisation programmes initiated under Yeltsin's rule, reigning in the oligarchs, and replacing Gazprom executives with officials loyal to Putin.[50]

Yet Putin's rise to power in Russia was accompanied by only a nominal shift in Russia's external energy policies, at least during the first term of his presidency. Much like its predecessor, the Putin administration supported Gazprom's policy of securing competitive advantages in key foreign energy markets. As had been the case throughout the 1990s, the Russian monopolist continued its quest for a downstream market share in Europe through the acquisition of equity stakes in transit, distribution, and transmission infrastructure in the CIS and East Central Europe.[51] By the end of the decade, the only real change lay in Russia's increasing role in energy production and export that, coupled with rising world energy prices

[48] Longhurst and Zaborowski 2007, p. 67
[49] Brainerd, Elizabeth, "Winners and Losers in Russia's Economic Transition", *the American Economic Review*, Vol. 88, No. 5, 1998, pp. 1094-1116
[50] Stulberg, Adam N, *Well-Oiled Diplomacy*, New York, State University of New York Press, 2007
[51] see Fredholm, Michael, "The Russian energy strategy & energy policy; pipeline diplomacy or mutual dependence?" *Conflict Studies Research Centre*, Russian Series, 05-41, September 2005, p. 3

and Gazprom's (admittedly opaque) programme to eliminate subsidies for 'near abroad' countries, created an impression in the rest of Europe that Moscow was using its energy resources as a tool of foreign policy.[52]

In Poland, the political implications of Russia's rising importance an energy supplier were invariably drawing the attention of the intervention-friendly policy network in the Buzek government. From Warsaw's perspective, energy relations needed to be re-examined in the context of Moscow's foreign policy and Putin's rhetoric about increasing Russia's influence in the world.[53] Using the Supreme Audit Chamber, the body in charge of evaluating agreements made by the Polish state, AWS representatives in the parliament concluded that the Yamal gas contract put Poland's energy security at risk.[54] Many MPs pointed out that the long-term contract was agreed on the basis of inaccurate assessments of Poland's natural gas consumption, and would therefore fail to reflect the country's real energy needs. The comments of Wojciech Blasiak, an AWS MP, captured the acrimonious spirit of the debates; he accused the previous socialist governments of "appealing to foreign interests at the expense not only of enormous financial losses but also threats to security and sovereignty."[55] During its time in the opposition, the AWS highlighted, *inter alia*, the faulty gas demand projections that caused an over-supply of Russian gas to Poland,[56] the tax concessions to EuroPolGaz which was partly owned by Gazprom, the illegality of the original intergovernmental agreement,[57] and the lack of transit fees collected by Poland for gas destined to Germany.[58] In the process, those responsible for concluding the original Polish-Russian deal – EuroPolGaz President Kazimierz Adamczyk, former PGNiG CEO

[52] Åslund, Anders, "Russian energy and the European Union: perspectives on Gazprom", *speech given before the European People's Party, European Parliament*, Brussels, 15 May 2008
[53] Orban 2008, p. 63
[54] Poland, Najwyższa Izba Kontroli, *Informacja O Wynikach Kontroli Zaopatrzenia W Gaz Ziemny*, KGP/DG/41100/01, Warsaw, February 2002
[55] Poland, Sejm Debate, 11.04.1997
[56] Bojarski, Wlodimierz, "Zapewnienie dostaw gazu,", *Rurociągi*, Nr 2-3, 1999
[57] Ratajczyk, "Russian Gas"
[58] Michałowski, "Jamałgate"

Aleksander Findziński, and former Minister of Industry Marek Pol – were criticised for their insensitivity to Poland's *raison d'état*, and even accused of corruption.[59]

However, the Polish political establishment was far from unified in its indictment of the Russo-Polish energy relationship. In fact, the nature of Poland's energy dependence on Russia had become a hotly contested item in Sejm debates ever since the signing of the Yamal contract in September 1996. The debates ran along party lines, indicating respective MPs' convictions about the role of the state in ensuring energy security. On the pragmatic side of the fence were UW officials, now reconstituted as *democraci.pl*, as well as the main opposition party, the SLD. Although it was not politically fashionable to defend Poland's energy relations with Russia, many of these officials were opposed to the AWS' overtly political interpretation of this relationship.[60] As to the state's intervention in the economy, these actors were sceptical that proactive government involvement in the energy sector would enhance energy security, particularly given that improvements in energy efficiency were curbing any potential rises in import dependence. Moreover, Poland's material vulnerability to energy disruptions was considered by the independent energy regulator, URE, to be low relative to other states in the region.[61]

However, after the economically-liberal Freedom Union departed from the government in mid-2000, the AWS government's interpretation of energy security retained prominence and was used to justify the executive's suspicion of business interests and its sceptical approach towards increasing energy links with Russia. As a result, the turn of the century inaugurated a period during which Poland actively challenged Russia's energy preponderance in Central and Eastern Europe. As Minister of Economy, Janusz Steinhoff argued in favour of associating energy trade with foreign relations, reasoning that "maintaining a monopoly position over energy supplies, which harks back to the times when

[59] Ibid.
[60] See the comments by socialist opposition leader Leszek Miller about the dubious rationale for diversification, in Podolski 2007, p. 3 fn6
[61] Kubacka, Teresa "Gazownictwo i rynek gazu obecnie" in Urząd Regulacji Energetyki, *Jaki model rynku energii?*, Seria wydawnicza Biblioteka Regulatora, Warsaw, 2001

all political and economic directives for Central and Eastern Europe came from one source, is today no longer an option."[62]

4.2.1.1 The Peremichka *controversy*

The clearest example of Warsaw's confrontational energy security policy was its handling of the *peremichka* bypass pipeline controversy involving Russia, Poland and Ukraine. This conflict occurred shortly after the first leg of the Yamal natural gas pipeline was completed in September 1999. The speech given at the opening ceremony by Gazprom chairman Rem Vyakhirev signalled troublesome energy geopolitics between the two countries. Rather than inaugurating the future construction of the parallel pipeline, Yamal-II, Vyakhirev announced Gazprom's intention to build the second leg from Belarus into Poland and then southwards to Slovakia, rather than onwards into Germany.[63] This would decrease Ukraine's transit role for Russian gas by providing an additional trunk line for Slovakia's Transgas energy hub – a distribution point for gas exports to Western Europe that hitherto relied entirely on gas transited through Ukraine.[64] Vyakhirev made explicit Gazprom's intention to bypass Ukraine, pointing to long-standing conflicts between Kiev and Moscow over the former's energy debts and its illegal siphoning of transit gas. Russia-Ukrainian energy relations had been problematic since the collapse of Comecon;[65] in fact, the motivation for the original Yamal pipeline through Belarus and Poland had in part been a result of Russia's desire to diversify its export routes away from Ukraine.[66]

Russia's alternative pipeline proposal was met with consternation in Poland. The offer came in the midst of the AWS reassessment of Poland's energy import structure in the context of new demand projections and evolving obligations to the EU. In the diplomatic

---

[62] Energia XXVI, "Potrzebne bezpieczeństwo energetyczne w wymiarze narodowym", *Dodatek reklamowy do Rzeczpospolitej*, Nr 61 (5834), 13 March 2001
[63] Heinrich 2007, p. 31
[64] Poland, Sejm Debate, 26.10.2000, Podsekretarz Stanu w Ministerstwie Gospodarki Andrzej Karbownik, *Pytania w sprawach bieżących*, 3 kadencja, 89 posiedzenie, 2 dzień
[65] See Balmaceda 1998
[66] Victor 2004, p. 1

arena, moreover, Poland was in the process of improving relations with countries of the CIS, particularly Belarus and Ukraine, and setting them on a post-NATO membership footing. In this context, the AWS government viewed the bypass episode as an opportunity to counter Russian influence in the region and demonstrate its good neighbourly relations with Ukraine.[67] Accordingly, Polish officials leveraged Poland's status as a transit state in the proposed pipeline to refuse the Russian offer on grounds that it would harm Ukraine's economic interests. After meeting with Ukrainian Energy Minister Serhiy Yermilov, Economic Minister Janusz Steinhoff stated that "we do not want gas transit through Poland to harm Ukraine's interests. Building a second pipeline must take into account Poland's economic, environmental and political interests, which are linked to our relations with Ukraine."[68] This was confirmed at the Ministry of Foreign Affairs, where Bronisław Geremek stated that Polish consent to build the Russian bypass pipeline was "not in the interests of Poland, and I think that the Russian side should be aware of this."[69]

Those in government who were less opposed to the idea were quickly rebuked. The Deputy Minister of the Economy Jan Szlązak was reportedly ousted from his post after sending Gazprom a letter supporting – without prior consultation with the premier or the Ministry of Foreign Affairs – Vyakhirev's pipeline idea.[70] Looking back at the *peremichka* controversy, Piotr Naimski, who had acted as a security advisor to Jerzy Buzek at the time, recalled that "we were never interested in building the second Yamal pipeline. Russia wanted to build this pipeline on purely political grounds, to put pressure on Ukraine. Plus, we wanted to avoid increasing our dependence on Russian energy. It was simply not in our interests to appease Moscow or Gazprom."[71]

Russia was angered by the strategic tandem between Poland and Ukraine. Deputy Prime Minister Viktor Khristenko argued that "Europe consists not only of Poland, but also

---

[67] The role of Polish President Kwaśniewski in forging closer Ukraine-Poland ties was important in this regard.
[68] quoted in *Rzeczpospolita* "Co Lezy W Interesie Polski; Sprawa gazociągu Rosja - Polska – Słowacja," 12 July 2000
[69] Ibid.
[70] *Radio Free Europe*, "Minister Resigns over Letter to Gazprom", *Poland, Belarus & Ukraine Report*, Volume 2, Number 19, May 23 2000
[71] Piotr Naimski, Former Secretary of State in the Ministry of Economy, author's interview, Warsaw, July 2010

of Germany, Italy, and France…this is an economic question which has to do with the energy security of Europe in the 21st century. It should not be resolved using political methods."[72] Having visited Poland to discuss the issue, Russian Foreign Minister Igor Ivanov declared that he was "dissatisfied with the political noise around the issue," complaining that "Warsaw was making its decision based on more than economic considerations." If politics interfered, he said, "Russian gas will bypass Poland."[73] In August 2000, during the aftermath of the Polish-Russian dispute, Russia began consultations with five western energy firms, including Ruhrgas and Gaz de France, on a Baltic Sea pipeline from Vyborg to Griefswald in Germany that could access Western European markets directly. From the Russian point of view, this would alleviate its problematic relations with the transit states Poland and Ukraine, and bolster Gazprom's commitment to diversifying gas transit routes into European markets.

Poland's rejection of Russia's bypass proposal was a clear instance of the association of energy security issues with geopolitics and foreign relations. The government in Warsaw supported the Yamal-II *original* route because it was intended to serve the German gas market. Russia's alternative proposal of having a pipeline run south into Slovakia was rejected because it was intended to bypass Ukraine. In either case, the technical and economic specifications were left unchanged: an additional pipeline – whether running west or south – would serve Poland's energy market and extend its role as a transit state for gas destined for the rest of Europe. As such, the Polish decision to reject Russia's offer was in large part a product of a centralised, statist decision-making structure which fostered a perception that Gazprom's export strategy was a tool of Russian foreign policy.

As if to allay any remaining doubts about the AWS government's position on the interests of business, Prime Minister Buzek personally initiated an investigation of a fibre optic cable that was found running along the length of the Polish section of the already-built first leg of the Yamal pipeline. The cable was laid by PolGazTelekom, which was owned by Bartimpex, EuroPolGaz and Gaz Telekom, a subsidiary of Gazprom.[74] Although the

[72] Lelyveld, Michael, "Russia: Poland-Ukraine Pact Angers Moscow," *Radio Free Europe,* July 7 2000
[73] Orban 2008 p. 76
[74] Heinrich 2007, p. 35

resulting probe could not prove its illegality, the fibre optic cable nonetheless became a highly politicised issue, starkly reflecting AWS impressions of the network of Polish-Russian business ventures that supposedly undermined Poland's quest for energy security. What could easily have been dismissed as a technocratic issue quickly engendered a complex set of threat perceptions and public acrimony – that Russia was spying on Poland and that Bartimpex CEO Aleksander Gudzowaty was a corrupting influence on Poland's economic security.[75] The ensuing controversy over the ownership structure of EuroPolGaz, operators of the Yamal pipeline, did little to downplay the Buzek government's perceptions of private business interests and their complicity in compromising Poland's energy security. During Russian Prime Minister Mikhail Kasyanov's visit to Poland in May 2001, Polish officials sought to replace EuroPolGaz's management board and eliminate Gaz Trading as an intermediary partly owned by Gudzowaty's company, Bartimpex. Polish officials argued that Gaz Trading had a murky ownership structure and its holding of 4% of EuroPolGaz (with Russia and Poland owning the remaining 48%, respectively), was detrimental to Poland's national interests, as demonstrated by the fibre optic cable controversy.[76]

4.2.2 Statist policy networks and relations with the European Union

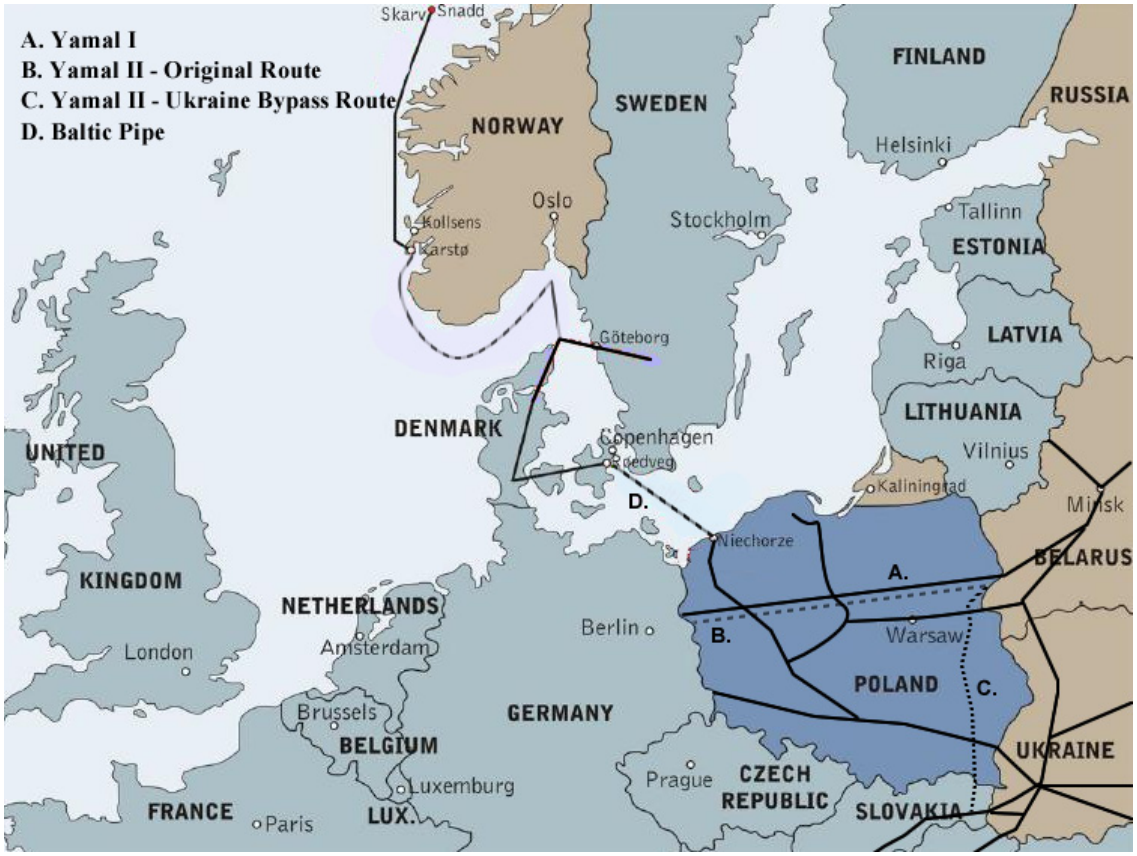
The AWS-UW coalition began its term in government under the auspices of neoliberals who, domestically, championed free market reforms and, externally, sought to expedite Poland's entry into the European Union. This meant that, early on, the emphasis was on market relations and commercial efficiency, underpinned by obligations to liberalise substantial chunks of Poland's energy assets. Accession negotiations with the EU formally

[75] Wróblewski, Andrzej "Broń gazowa. Co nam dyktuje budowę rurociągu: rozwaga czy fobie?" *Polityka*, Nr 4 (2282), January 27 2001, pp. 30-1

[76] see Poland, Najwyższa Izba Kontroli, *Informacja o wynikach kontroli zaopatrzenia w gaz ziemny*; the association of energy issues with politics was stated most forcefully by Aleksander Gudzowaty, who argued in an interview that he had been branded and scape-goated by the Polish government for his role in deepening Polish-Russian energy ties, see Majewski, Michał and Reszka, Pawel, "Moja Reymontowska Krzywda; wywiad z Aleksandrem Gudzowatym," *Rzeczpospolita*, 20 February 2001b

Map 4.1

Major existing and planned natural gas pipelines running through Poland, 2001



Map showing the major existing and planned natural gas pipelines running through Poland during the AWS government. Note the strategic value of the Ukraine bypass route proposed by Russia. Also note the absence of a transmission line from the proposed Baltic pipe to carry excess gas to Lithuania, Czech Republic or Slovakia.

began in March 1998, whereupon Poland's energy policies became focused on harmonising individual sectors with the standards imposed by the EU's internal market. At this time, the key documents affecting Poland were EC directives 98/30/EC and 96/92/EC concerning common rules for the internal market in natural gas and electricity, respectively. Essentially, these documents obliged Poland to address issues of competitiveness, transparency and liberalisation in order to align itself with the single European market.

The ambitious programmes to reform the energy sector in accordance with EU expectations were not popular with the wider population, nor were they unanimously

accepted within the loose and internally divided government. The 'domestication' in Poland of the EU enlargement agenda, in which multiple parties disagreed over the method and process of membership negotiations, led to a slowing down of the adoption of the EU acquis.[77] The initial commitments of the AWS-UW coalition to open up Poland's energy sector to competition and foreign investment became diluted once the UW departed from government. As an increasingly unpopular and fragmented minority government, the AWS questioned some of its earlier commitments to harmonise the energy sector with the demands of the European Union's internal market. It was pointed out that Poland had very minimal physical interconnections with the EU-15's energy market in the first place;[78] because of this, AWS officials felt that the requirement to demonopolise as well as liberalise Poland's energy market in order to foster competition from external market players was moot. Barbara Litak-Zarębska, the Deputy Treasury Minister, argued that "full liberalisation of the gas market would expose the sector to huge financial risks and would ignore the requirement to diversify sources of gas."[79]

The EU requirement to grant third party access to transmission and distribution grids was also a source of concern for the Buzek government, as it conflicted with the existing legal requirement that these grids could only be used for Polish fuels "exploited or produced in the country."[80] In fact, this provision was introduced to curb the possibility of Gazprom using Polish energy grids to sell Yamal gas directly to end consumers.[81] The government applied for a transitional period in adopting these EU measures, making their

---

[77] Zaborowski, Marcin, *Germany, Poland and Europe; conflict, cooperation and Europeanization*, Manchester, Manchester University Press, 2005, pp. 159-160

[78] This is more true of Polish gas than electricity infrastructure; the latter was incorporated into the CENTREL collection of grids which, in turn, was incorporated into the wider European UCTE network in 1995. see Energy Information Administration (EIA) "North-Central Europe", *Country Analysis Briefs,* Washington D.C., 2003*,* p. 2 at http://www.eia.doe.gov/cabs/poland.html, accessed on 12 June 2008

[79] Energia XXIV, "Bezpieczeństwo energetyczne przede wszystkim", *Dodatek reklamowy do Rzeczpospolitej,* Nr 214 (5684) 13 September 2000

[80] Poland, *Prawo energetyczne,* 1997

[81] See Poland, *The energy sector – membership in the European Union*: 'The amendments will also regulate the criteria for refusing to conclude transmission contracts for supplying fuels or energy to the supplier selected by the customer when the grid enterprise encounters serious economic difficulties due to contracts concluded with the "take or pay" commitments.' *(* Appendix 2, Art. 2.2)

implementation contingent on "the necessity of restructuring the national gas industry as well as tackling the long-term contracts which affect the diversification of the sources of natural gas supply."[82]

The scepticism towards the EU's predominantly market-based approach to energy security was a product of statist orientations in the AWS government, which assessed EU liberalisation policies in terms of their effect on Poland's energy dependence. For example, evolving EU environmental directives posed a threat to Poland's coal-based self-sufficiency, obliging it to become more import-dependent on 'cleaner' fossil fuels such as natural gas. Poland did manage to reduce its emissions of CO_2 from energy use by 16% since 1990 through economic restructuring, energy conservation and fuel switching,[83] but the implementation of directives on limiting pollutants and ensuring energy efficiency still constituted considerable hurdles to eventual alignment with the *energy acquis*.[84] In the end, Poland received the derogation allowances it applied for given the overwhelming reliance on coal-fired combustion plants. Nevertheless, the fact remained that by 2008 Poland would be subject to the EU's carbon emission reduction schemes.[85] This would require more environmentally-friendly gas-based power generation which, in turn, would solidify Poland's dependence on Russian energy imports in the long term.

From Warsaw's point of view, policy-makers in Brussels were slow to recognise such geopolitical implications. In fact, diplomatic officials criticised the European Commission's attempts to bring Russia into its institutional architecture by initiating the EU-Russia Energy Dialogue in 2000. The Commission's stated aim in pursuing this dialogue was to "facilitate the flows of energy trade and investment by providing a political and institutional framework

[82] Poland, *Założenia polityki energetycznej Polski do roku 2020*, p. 5
[83] OECD, "Conclusions and Recommendations for Poland reviewed and approved by the Working Party on Environmental Performance", *OECD Environmental Strategy for the First Decade of the 21st Century*, January 2003, p. 10
[84] *inter alia*, EC Directive 2001/80/EC *on the limitation of emissions of certain pollutants into the air from large combustion plants*; EC Directive 2003/87/EC *establishing a scheme for greenhouse gas emission allowance trading within the Community;* 2002/91/EC *on the energy performance of buildings*
[85] Ritchie, Alistair et al, "Review relating to the Large Combustion Plant Directive: A Report for European Commission," Environment Directorate General, Entek Ltd., 2005

for EU-Russia energy relations."[86] Specifically, the EU sought access to Russia's upstream energy assets (which were badly in need of investment) in return for Russia's involvement in Europe's downstream energy markets. But according to Poland's 'Energy Policy Principles until 2020', what was not sufficiently taken into account by the EU was that the consolidation of Gazprom's downstream energy transit, distribution and transmission networks and its strategy of securing long-term bilateral contracts with individual European states undermined the EU's efforts to create an internal energy market.[87] Post-socialist candidates for EU membership that were, on average, more dependent on Russian resources than their Western European counterparts were considerably wary of this situation.[88] The candidate countries, particularly Poland and the Baltic states, maintained that granting third party access in the absence of reciprocity – or opening up primary energy *suppliers*' markets in exchange for access to theirs – would expose their vulnerable energy assets to undesired outside influence. Yet these candidate states had little choice in accepting the EC's energy directives, which emphasised liberalisation and the completion of the internal market as the most effective solutions for the increasingly import-dependent European community.[89]

The focus on the geopolitical ramifications of EU energy market rules considerably eased the impetus to reorganise Poland's energy sector. Part of the AWS government's early desire to open up its energy sector stemmed from the reasoning that integration with Europe's internal energy market would lessen its dependence on Russian gas and oil.[90] When it became clear that the European Commission was looking to *increase* the EU's energy interdependence with Russia, this desire began to weaken. Thus, the original commitment to privatise PGNiG was drastically scaled back; the company remained, as former treasury

[86] Aalto, Pami, ed. *The EU-Russian energy dialogue: Europe's future energy security*, Aldershot, Ashgate, 2008, p. 13
[87] Poland, *Założenia polityki energetycznej Polski do roku 2020*; of course, this was something that Poland was also doing – see Kwiecień 2001
[88] see Smith 2004, p. 28
[89] Smith 2004, p. 50-60
[90] Jacek Piechota, former Minister of the Economy of Poland, author's interview, Warsaw, July 2010

minister Emil Wąsacz put it, "an oasis of the old system."[91] In fact, the observable trend was one of consolidation rather than privatisation of Poland's energy assets. Although at the outset officials in the AWS government were committed to commercialising the energy sector, they were loath to do so at the expense of allowing a weak domestic energy sector to be over-exposed to Russian influence.[92] Thus, along with entertaining the possibility of merging Rafinieria Gdańska with PKN Orlen to create a national oil monopoly, the government also decided to merge seven power stations in the south to form Południowy Koncern Energetyczny (or Southern Energy Concern - PKE), which became a regional monopoly and Poland's largest electricity producer, capturing 17% of the national market. As for the gas sector, PGNiG's market dominance would become further entrenched through an additional long-term take-or-pay contract with Norway (more on which below). Like Gazprom's preference for bilateral contracts, this Polish-Norwegian agreement would also prevent competition from manifesting in the gas market.[93] These and other reversals of earlier UW policies were in part a product of the growing recognition by the Buzek government that the EU was largely ambivalent about the geopolitical risks inherent in transposing energy liberalisation directives.[94]

In short, the impact of the EU's internal energy market rules – particularly for natural gas – was moderated by the interventions of the statist energy policy network in the Buzek government. Indeed, the dominant perception appeared to designate PGNiG not as a commercial company but as an extension of the state. Despite pressures from both the EU and URE to de-monopolise the sector, introduce competition, and free up prices, deputies and ministers blocked its privatisation, watered down its unbundling agenda, disregarded its finances and obliged it to fulfil public tasks. Much of these actions were justified in the name of energy security. As Minister Steinhoff was quick to point out, "PGNiG's privatisation

[91] Urge-Vorsatz, Diana et al, "Energy in transition: from the iron curtain to the European Union", *Energy Policy*, Vol. 34, 2006, pp. 2279–2297
[92] Piotr Naimski, author's interview, July 2010
[93] Kwiecień, 2001
[94] Poland, *Założenia polityki energetycznej Polski do roku 2020*, particularly the points about applying for derogation allowances regarding EU gas and electricity directives, p. 5

may lead to majority stakes being concentrated in the hands of the Russian Federation. As a result Poland could lose control over the [energy] system located on its territory. This issue is both political and economic in nature."[95] The ordinance of the Council of Ministers of 24 October 2000 on a '*minimal level of diversification and supplies of gas from abroad'* imposed on energy firms dealing with trade in gas from abroad an obligation to observe regulations on diversification of gas sources.[96] PGNiG demurred at this provision, arguing that the regulation would have an adverse impact on its already-fragile financial state.[97] But the policy-making executive seemed focussed on security-related issues, which justified a lack of compassion for profit-oriented commercial activity. In principle, then, the Buzek administration was committed to the free market economy underpinning the EU's modus operandi, but in practice it remained steadfast in continuing to closely regulate what it deemed to be strategic energy assets relevant to national security.

4.2.3 Poland's diversification attempts

The statist orientation of the AWS helped to kick-start a diversification agenda not seen since Jan Olszewski's brief turn in power in early 1992.[98] By highlighting the political risks involved in dependence on Russia, officials in the minority government sought above all to dismantle Russia's monopoly over Poland's natural gas imports. In doing so, the government adopted a very particular understanding of energy diversification that was not necessarily predicated on commercial need or the demands of the Polish energy market. Moreover, whereas the previous socialist administrations had taken into account the interests of

[95] Swidzinski, Jacek, "Expectations and reality; an interview with Janusz Steinhoff" *Polish Markets Online*, 21 November 2005, at http://polishmarket.com.pl, accessed January 12, 2009

[96] Poland, Rada Ministrów*, Rozporządzenie w sprawie minimalnego poziomu dywersyfikacji dostaw gazu z zagranicy*, Dziennik Ustaw, Nr 95 – 5427, poz. 1041 and 1042, 24 October 2000; this document restricted the proportion of gas imported from a single source in Poland's total consumption as follows: 88% in 2001-2002; 78% in 2003-2004; 72% in 2005-2009; 70% in 2010-2014; 59% in the period 2015-2018; 49% in the period 2019-2020.

[97] Polskie Górnictwo Naftowe i Gazownictwo, *Prospekt Emisyjny*, Warsaw, 31 December 2004, section 2.2.9

[98] It is no mere coincidence that both governments' domestic politics could broadly be classified as traditional right-wing authoritarianism combined with a social protectionist economic policy.

enterprise managers in mandating potentially costly diversification projects, the AWS government unequivocally pursued diversification at all costs. In the process, external supply-side strategies became mismatched with demand-side measures; the government's desire to increase imports of natural gas from non-Russian sources was not accompanied by any efforts to expand gas use in the household, service or industrial sectors.

The importance attached to energy diversification was made clear at the outset; the 'Principles of Poland's Energy Policy until 2020' stated that "imports of natural gas […] have almost completely come from one geographical direction. The government considers such a development very risky for the state's energy security."[99] Accordingly, the document pronounced that the maximum share of gas from any one source could not exceed 30%. Crucially, however, this provision would "not apply to natural gas extracted in the European Union."[100] In other words, Poland's natural gas policy reflected the government's inclination to look west in order to gain independence from Russia; excessive dependence on one external supplier would be tolerated as long as the supplier was not Russia. Indicative of the new policy-making atmosphere was Buzek's demand that Economy Minister Steinhoff not conclude or renegotiate any intergovernmental agreements (particularly with Russia) before they were assessed in terms of Poland's diversification strategy.[101]

To realise the goal of achieving independence from Russia, Buzek created what was initially a clandestine Group for the Diversification of Gas Supplies in 1999. Under the charge of Jerzy Kropiwnicki, previously the director of the Centrum Studiów Strategicznych (Centre for Strategic Studies), the group was made up of Treasury, Chancellery and Foreign Ministry officials acting in response to the perceived control which PGNiG had developed over energy policy.[102] The mandate of the Group for the Diversification of Gas Supplies reflected the right-wing government's very narrow understanding of diversification – in

[99] Poland, *Założenia polityki energetycznej Polski do roku 2020*
[100] Poland, *Rozporządzenie w sprawie minimalnego poziomu dywersyfikacj*
[101] Fisher 2007, fn78
[102] Poland, Sejm Interprelation, 26.07.2000, Prezesa Rządowego Centrum Studiów Strategicznych Jerzy Kropiwnicki, *w sprawie Zespołu ds. Dywersyfikacji Dostaw Gazu*, nr 4277

terms of procuring *a direct source of non-Russian energy supply from the West.*[103] Indeed, this particular perception of energy security not only discounted demand-side strategies such as building strategic storage capacity or increasing energy efficiency (neither of which occurred to any great degree during this time), but also rendered only a small number of diversification projects politically tenable. As a result, most of the diversification attempts initiated during AWS rule fell victim to the politicisation of the contractual terms between potential energy partners. A good example was the offer by the Dutch energy firm Gasunie to construct an energy link that would enable the firm to tap into Russian gas from Poland in return for the standby possibility of reversing its flow should Poland experience interruptions from the east.[104] Although this 'swap contract' was endorsed by PGNiG CEO Andrzej Lipko, it stalled at the hands of Janusz Steinhoff, whose Ministry of Economy refused the contract on grounds that it would not truly diversify Poland's sources of gas.[105]

Another diversification attempt that did not fulfil the AWS government's criteria for energy security was the Bernau-Szczecin gas pipeline project. This project was proposed by Bartimpex CEO Aleksander Gudzowaty as an alternative to the 'big' Norway contract, which he reasoned was considerably more expensive than constructing a 120 km gas link from Bernau, Germany to Szczecin. In fact, Gudzowaty's opinion of government policy seemed an appropriate proxy for determining what kind of state-market relations prevailed during AWS rule. Indeed, Gudzowaty argued that the Norwegian project was an ill-advised attempt at independence from Russia conceived by a group of 'experts' personally appointed by the Prime Minister – he said that the project would only bring Norwegian gas up to the Polish border, not to the transit system on Polish territory.[106]

Gudzowaty's alternative link with Germany would enable PGNiG to pick up around 3 bcm of gas from the wider German – and hence EU – gas network. But given the Buzek

---

[103] See Gołębiewska, Marcelina, "Poland's Energy Policy", *Yearbook of Polish Foreign Policy,* Issue 01, Central and Eastern European Online Library, 2007, p. 247

[104] Wróblewski, "Gaz bec granic"

[105] Poland, "*Założenia polityki energetycznej Polski do roku 2020"*, p. 15

[106] Zaczek, Damian, "Interesy z sąsiadem, wywiad z Aleksander Gudzowaty," Decydent, Nr. 14, October 2000 at http://www.decydent.pl/archiwum/wydanie_47/interesy-z-sasiadem_203.html, accessed 25 March 2011

government's narrow understanding of diversification, the offer was refused on grounds that Ruhrgas, the potential partner in the project, had direct connections with Gazprom – the two companies were tied by mutual shareholdings and rights on their respective boards of directors.[107] Moreover, Polish officials reasoned that the gas from Germany was essentially re-exported from Russia, leading Kropiwnicki to claim that "the Bernau-Szczecin link would leave us in the pocket of Gazprom, with each pipe leading from Moscow."[108]

Gudzowaty sent a letter to Buzek protesting the politicisation of the Bernau-Szczecin proposal and reasoning that the cost of building a Baltic Pipe would far exceed the costs associated with buying gas directly from Germany. Moreover, he argued that the Polish state was obliged to grant equal treatment to all parties interested in increasing Polish energy interconnections. But Kropiwnicki pre-empted Buzek's response by claiming that Gudzowaty and Bartimpex's role in financing the potential German link would create a conflict of interest and even a potential monopoly of gas deliveries, given the company's involvement in the existing Yamal project. Gudzowaty's response was that connecting to another *source* of gas – such as in Norway – would simply create another monopoly in addition to the existing one from Russia.[109] Accordingly, he filed a complaint in this regard against former deputy economy minister Jan Szlązak, Deputy Treasury Minister Barbara Litak-Zarębska and Jerzy Kropiwnicki.[110] Economy Minister Steinhoff later dismissed this claim by declaring that the "interests of private business are not the same as the interests of Poland."[111]

The failure of the Bernau-Szczecin and Gasunie swap contract proposals indicates how statist policy networks looked upon diversification proposals made by the business community with protracted suspicion. This represented a reversal of the corporatist system of interest mediation that had informed the socialist government's strategy of engagement with Russia in the mid-1990s.

---

[107] see Stern 2005, chapter 4
[108] Fisher 2007, p. 37
[109] Majewski and Reszka 2001b
[110] Majewski, Michał, Reszka, Pawel, "Gaz z Norwegii? Jeszcze chwileczkę", *Rzeczpospolita*, 19 February 2001
[111] Fisher 2007, fn 87

4.2.3.1 The Norwegian Contract

The clearest example of the AWS government's statist energy security policy could be found in the negotiations for diversifying Poland's gas supply to Norway. For the most part, this process was dominated on the Polish side by state officials (predominantly from the Gas Diversification Group) rather than market actors; negotiators at PGNiG were relegated to an advisory position in the intergovernmental talks between Norway and Poland.[112] In leading the statist policy network, Buzek, Steinhoff and Kropiwnicki all shared an understanding of diversification that precluded any import arrangements that could be traced back to Russia.[113] This could explain their preference for the costliest method to transport gas from Norway, namely to construct a pipeline under the Baltic Sea bed directly into Poland (see map 4.1). This option was chosen over the other two – e.g. running gas into Poland through inland pipelines from either Germany or Holland – because the direct link would preclude a role for intermediaries with ties to Gazprom (Ruhrgas and Gasunie).[114]

Poland's negotiations with Norway on the import of natural gas had an arduous and protracted history. The idea of linking North Sea gas to Poland had originally been initiated by the Olszewski government in early 1992, only to be abandoned after the Russia-Poland intergovernmental gas agreement in late 1993. The plans were revived in 1999 in accordance with the AWS government's reinvigorated diversification policy; Prime Minister Buzek mandated an additional source of natural gas to offset the single-supplier dependence that was deemed dangerous for the country's energy security. The first round of negotiations explored the possibility of importing Norwegian gas into Poland via the German transmission network. The 'little contract', as it came to be known, would provide Poland with an additional 500 million cubic metres of gas, and would not require the construction of a pipeline under the Baltic Sea bed. Crucially, however, the transported gas would flow

[112] Piotr Naimski, author's interview, July 2010
[113] Majewski, Michał and Reszka, Pawel, "Pan Gudzowaty przeszkadza; wywiad z Andrzejem Lipko, prezes zarządu Polskiego Górnictwa Naftowego i Gazownictwa", *Rzeczpospolita*, 20 February 2001c
[114] Ratajczyk, "Russian gas to Poland"

through intermediaries – Germany's Ruhrgas and Verbundgas – before reaching the Polish market.[115] This, along with the modest quantities of gas to be delivered, proved too little for the ambitious diversification plans of the AWS, particularly from the point of view of Jerzy Buzek and the Minister of Economy, Janusz Steinhoff.

Under the advisement of Buzek and Steinhoff, the Council of Ministers initiated a much larger project that would directly connect Poland to much greater quantities of Norwegian gas via a Baltic Sea pipeline link. But no sooner did the executive announce the 'big Norwegian contract' did PGNiG CEO Stefan Geroń launch a critique against the project. He argued that gas bills would rise tenfold whilst coal mines would be forced to close, leading to trade union strikes. Moreover, the assumptions in the 'Energy Policy until 2020' that gas usage would increase were ignorant to the continuing trends in Poland of reduced energy consumption.[116] If the predictions were incorrect, as they had been in the past, PGNiG would be forced to 'take or pay' for the contracted Norwegian supplies even though they were not needed; this, in turn, would lead to huge debt arrears or non-payment.[117]

Geroń's critique promptly led to his dismissal and the installation of a new CEO, Andrzej Lipko, who proved more sympathetic to Buzek and Steinhoff's diversification strategy.[118] The 'big Norwegian contract' was subsequently signed intergovernmentally between Jerzy Buzek and Jens Stoltenberg in September 2001. The deal complemented an arrangement between PGNiG and the Danish firm DONG made earlier that year for the delivery of two bcm of gas per annum through a Baltic Pipe, which upon completion was to have a total capacity of eight bcm.[119] The terms of the contract were such that PGNiG

---

[115] Fisher 2007, 21-22

[116] The Energy Policy to 2020 envisioned an exponential rise in the share of gas in Poland's energy mix, from 10% of total primary energy supply in 2000 up to 56% by 2020. see Poland, '*Założenia polityki energetycznej Polski do roku 2020*'

[117] Biedrzycka, Anna, "Po podpisaniu kontraktu norweskiego Premier w roli sprzedawcy Równocześnie zawarto kontrakty długoterminowe i otworzono rynek gazu dla stron trzecich", *Rynek Gazu*, 5 October 2001, at www.rynekgazu.pl/filez/gieron727857260.pdf, accessed 27 September 2008

[118] See Energia XVII, Andrzej Lipko, *Potrzebne bezpieczeństwo energetyczne w wymiarze narodowym*

[119] Niebisz, Elżbieta, "Problemy i koszty okresu przejściowego" in Urząd Regulacji Energetyki, *Jaki model rynku energii?*, Seria wydawnicza Biblioteka Regulatora, Warsaw, 2001

would commit to receiving, through a take-or-pay arrangement, annual deliveries of up to five bcm from Norway's Statoil. The total volumes, to be supplied in the years 2008-2024, would amount to 74 bcm. This would sufficiently satisfy Poland's projected demand for gas, which according to Poland's current energy policy would reach 20 bcm per annum by 2010.[120]

The Baltic Pipe would afford greater leverage to Poland as it negotiated through a stalemate with Gazprom over the construction of the Yamal pipeline's second leg. Moreover, the Norwegian contract did not include a restriction on re-exporting surplus gas, meaning Poland's excess could potentially serve neighbouring markets (although the technical infrastructure to do so was not yet in place and required substantial prior investments). The primary justification for concluding the natural gas contract with Norway, then, was that Poland would not only secure a long-term contracted source of non-Russian gas but would also become a transit hub for partners further down the pipe – the Czech Republic, Hungary and Slovakia. As Nowakowski argued, "only Scandinavian gas can protect us from the Russian *diktat*. If we receive it in large enough quantities, we can offer security to our neighbours - the Slovaks, Lithuanians or even Ukrainians."[121] In this way, Poland would become not only an east-west transit state, but would also play a key role in the under-developed north-south gas infrastructure. As such, the project appealed to the AWS government's geopolitical preferences, serving as a challenge to Russia's regional energy dominance – particularly in the downstream gas market – whilst compelling Gazprom to re-think the terms of the Yamal contract.

The geopolitically-motivated Norwegian contract was not without its commercial price. After all, the project was initiated by a statist policy network that was highly critical of business interests; this meant that the terms and conditions of the deal were negotiated by state representatives who were less occupied by projected energy demand and commercial considerations than the political desirability of diversification. Because of this, the Norway

[120] Poland, '*Założenia polityki energetycznej Polski do roku 2020*'
[121] Nowakowski, Jerzy Marek, "Skandal: Jak to jest z bezpieczeństwem energetycznym Polski?", *Przewodnik Katolicki*, No. 9, 2004

contract was signed at a time when it was clear that the Yamal pipeline would in fact be *over*-supplying Poland's gas market. Moreover, PGNiG was recording poor financial performance – from about 1996, regulated tariffs for gas could not keep pace with changes in import prices. PGNiG was therefore unable to cover the costs of gas imports from customer receipts, which led to considerable financial pressure on the company.[122] This did not bode well for the company's management of a new supply contract valued at around 50 billion złoty; in addition, little was yet known about the price of Norwegian gas and the investments required by PGNiG in the construction and maintenance of the Baltic Pipe (as well as the challenge of financing the necessary transmission infrastructure inside Poland to distribute gas imported from Poland's northwest coast).[123]

Because of these factors, URE officials were critical of the government's diversification plans, arguing that "diversification should be about expanding the pipeline system in order to allow a free choice of gas supply from any direction, not about connecting to another single supplier."[124] In light of these difficulties, the SLD opposition was quick to point out the dubious commercial rationale for a North-South pipeline. Its leader, Leszek Miller, argued that the deal was 30% more expensive than Russian alternatives, and that connecting to another source of natural gas with a long-term contract would merely create an additional monopoly.[125] In a press statement, the AWS countered that the Russian supply deal was for below market rates, and that there was no guarantee that Russian supplies will remain artificially cheap. Advising Prime Minister Buzek on matters of state security, Piotr Naimski repeatedly reiterated that Poland's energy security policy outlook should be based on the premise that no price is too high to pay for energy independence.[126] Thus, when

[122] Kwiecień, 2001
[123] Niebisz, 2001
[124] Juchniewicz, Leszek and Dobroczynska, Agnieszka, "Konkurencyjny rynek energii czy i komu jest potzebny?" in Urząd Regulacji Energetyki, *Jaki model rynku energii?*, Seria wydawnicza Biblioteka Regulatora, Warsaw, 2001
[125] it is questionable whether Miller was fully informed about the competitiveness of Norwegian gas in relation to Russian imports which, according to one report, cost Poland between 66.6 – 71.6 USD/1000 cubic meters (German gas cost 87.5 USD/1000 cubic meters). See Francoeur, Nathalie, "The role of natural gas in Europe", *EU Enlargement Watch Report*, October 2000, p. 58
[126] Piotr Naimski, author's interview, Warsaw, July 2010

asked about the possibility that Poland committed itself to more imported gas than it actually needed, Buzek responded that "it is not about the amount of gas that we buy, but about dismantling a monopoly."[127] Buzek was here referring to Russia's predominant hold on Poland's imported gas, not PGNiG's dominance of the Polish gas market!

Table 4.1 PGNiG's Diversification Attempts, 1998-2001

	Main Partners	Route	Annual Quantities	Contract Details
Big Norwegian Contract	DONG (DK); Statoil (NO)	1,100 km route, with undersea pipelines, linking Karsto, NO – Redweg, DK – Niechorze, PL	8 bcm	74 bcm from 2008-2024; 3 bcm pa provided by DONG, 5 bcm pa provided by Statoil. Take-or-pay but no restrictions on re-export.
Small Norwegian Contract	Statoil (NO); Ruhrgas (DE); VNG (DE)	Link from Emden, DE through existing German pipelines to Zgorzelec, PL	500 mcm	VNG sends offtake from Norwegian supply onwards to Zgorzelec for a period of twenty years
Bernau-Szczecin	Ruhrgas (DE)	120 km pipeline linking Bernau (north of Berlin) to Szczecin, PL	2-3 bcm	Gas transmitted to Poland from the German network on the basis of spot market contracts
Swap Contract	Gasunie (NL)	Gas pipe linking the Netherlands to the Yamal-Europe border point on Frankfurt-on-Oder	2 bcm	15 year swap contract; Dutch gas flows to Polish market for 3yrs; thereafter, flow is reversed for Gasunie to pick up Russian gas (with standby option of re-reversing flow in event of supply crisis)

Beyond natural gas, there were also attempts to liberate Poland from Russia's stranglehold on the country's oil imports. It was in this context that the Buzek government took an interest in Ukraine's nascent Odessa-Brody oil pipeline. The Ukrainian government conceived of this project as a way of bringing Caspian crude oil to Europe without the use of Russian-owned transport networks. According to the original plan, Kazakh and Azeri oil would be transported through Azerbaijan to Georgia's Black Sea port in Supsa. It would then be transferred by oil tankers to Odessa and enter the pipeline for transmission onward to the

[127] Łakoma, Agnieszka, "Kontrakt norweski podpisany", *Rzeczpospolita,* 4 September 2001

Polish city of Płock. From there it would be distributed to the Polish energy grid or brought to Gdańsk on the Baltic Sea, from where it could be transhipped to European and international markets.

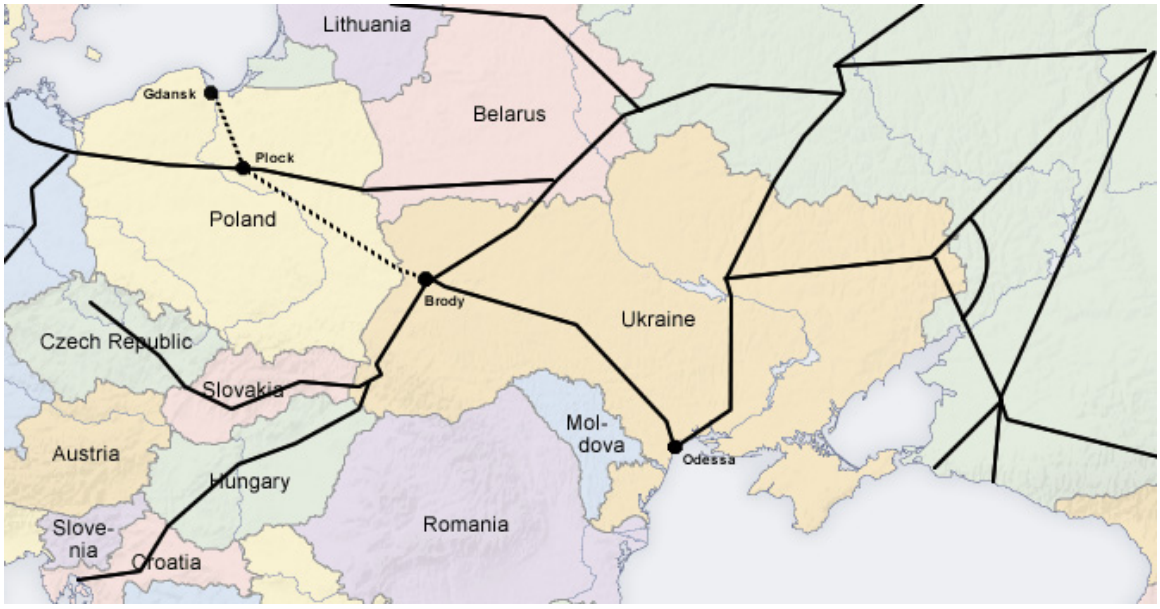
Poland's close diplomatic ties to Ukraine provided additional incentive to extend the Odessa-Brody pipeline to Płock and to Gdańsk. On a visit to Kiev in February 1999, Buzek toasted to the 10th anniversary of independent and cordial Polish-Ukrainian relations, stating that "my government and I personally will do everything that is necessary so that the opportunities between Warsaw and Kiev will be taken advantage of [....] I believe that the greatest opportunity here lies in the construction of the Odessa-Brody-Gdańsk pipeline."[128] President Kwaśniewski also considered energy cooperation between Poland and Ukraine as an essential element for the latter's inclusion into the EU's integration strategy; in this context, he declared that "the pipeline built with the participation of Poland is important for including Ukraine into European structures."[129] As a result of such diplomatic efforts, the European Commission added the initiatives to its list of transportation and energy projects of common interest, thereby providing technical assistance and funds for both Poland and Ukraine.[130] Even before securing membership, Poland lobbied hard for energy cooperation to be included in the EU's eastern policy, stating in a Ministry of Foreign Affairs non-paper that "energy co-operation with Russia and Ukraine, aiming at securing stable and reliable energy supply to the enlarged EU, should feature high among the EU priorities."[131]

But the political expedience of the Odessa-Brody-Płock project could not make up for its lack of commercial incentive; the project stalled when it became apparent that Ukraine would not find any customers for the oil it would transport to Central and Northern Europe. Unable to compete with oil markets in the North Sea, the pipeline sat idle after its

[128] Speech given during the official dinner given for Mr. Valerian Pustovoytenko, Prime Minister of Ukraine, Kiev, 24th February, 1999 at *www.msz.gov.pl/files/file_library/31/9902_310.doc* accessed on 19 July 2010
[129] Quoted in *Alexander's Gas and Oil Connections*, "Why is there no Oil for Odessa-Brody pipeline?", Vol. 9, Issue 14, 21 July 2004
[130] European Union, Press Release, "Joint Declaration of the Cabinet of Ministers of Ukraine, the Council of Ministers of the Republic of Poland and the European Commission on the Support of the Euro-Asian Oil Transport Corridor Project", IP/03/758, Brussels, 27 May 2003
[131] Poland, Ministerstwo Spraw Zagranicznych, *Non-paper with Polish proposals concerning policy towards new Eastern neighbours after EU enlargement*, Warsaw, January 2003

completion in 2001. Faced with mounting debts, Ukraine eventually bowed to pressure from Russia to reverse the direction of the pipeline as the lobbying efforts of a powerful Russian tandem (TNK-BP, Lukoil and the government in Moscow) paid off. Ukrainian president Leonid Kuchma conceded during a press conference in 2003 that "the shipment of Caspian oil via the Odessa-Brody pipeline is unlikely to take place because it would be a money-losing proposition, so Ukraine must reconsider the use of the pipeline for Russian oil shipments from Brody to Odessa."[132] Within a year of this declaration, oil began flowing out of Russia's Druzhba pipeline into the Brody interconnection and onwards to Odessa. This provided a southern European export corridor for Russian oil whilst dashing the hopes of a diversified oil transportation infrastructure for Ukraine, Poland and the rest of Europe.

Map 4.2 The Odessa-Brody-Płock Oil Pipeline Project



Map showing the possible Polish section of the Odessa-Brody pipeline. The incoming Caspian oil would either be refined at Płock or brought north to Gdańsk to ship further onto international markets. All the remaining oil pipelines shown on the map are at least partly Russian-owned.

[132] quoted in Kupchinsky, Roman, "Ukraine: Odesa-Brody Pipeline Potential Still Unused", *Radio-Free Europe*, 12 January 2007

4.3 The significance of material factors

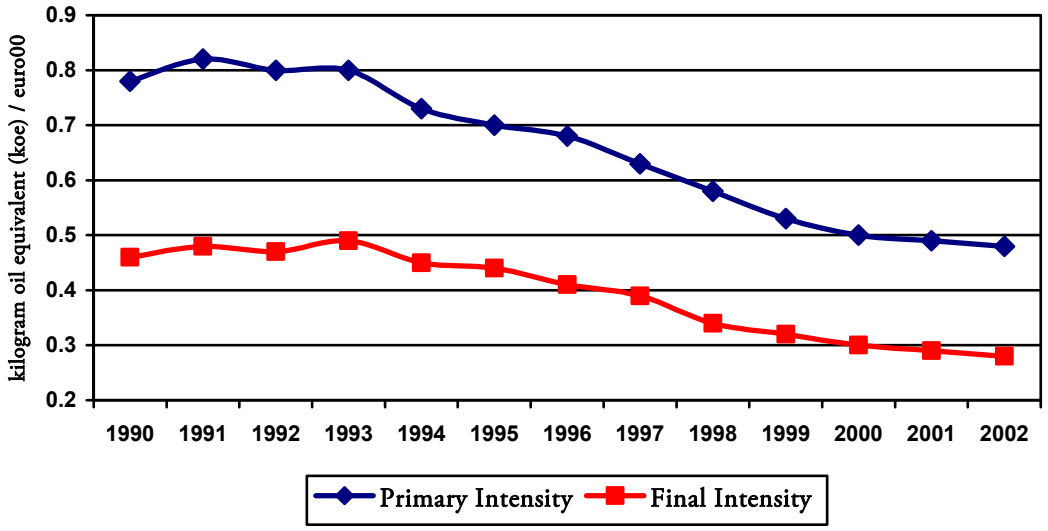
What role did the material challenges analysed, such as changing levels of dependence and vulnerability, play in shaping Poland's energy security policies? In 2000 the Polish energy regulator URE, created by the Polish Energy Law of 1997, noted that "the impact of the international situation on the Polish energy market is constantly growing. New challenges arise from the increased consumption of energy, the growing dependence on imported sources from primary energy carriers, and the actions undertaken to create a European internal energy market (through the construction of cross-border connections)."[133] It has been argued that these changes to the geopolitical and economic landscape of energy interdependence in Europe were ultimately responsible for Poland's increased attention to energy security; the country's vigorous diversification attempts were justifiable given new energy-related vulnerabilities such as higher oil and gas prices, the EU's evolving energy liberalisation agenda, and what was seen as a Russian assertion of 'power' politics.[134]

However, there is a point that is often overlooked in these analyses. All throughout the stormy political debates in Poland over its energy dependence on Russia, *coal* remained the mainstay of the country's energy mix. Despite undergoing massive restructuring as a result of post-communist economic reforms, hard coal and lignite continued to dominate Poland's energy sector. True, employment in the industry had fallen from 430,000 in 1990 to 220,000 by 1998, but the drop in consumption of coal was far less dramatic: in 1990, 78% of Poland's energy derived from coal; by 1998, this figure stood at 65%, and Poland continued to source roughly 95% of its final electricity consumption from coal-fired power generation plants.[135] The modest drop in coal output was not accompanied by expanded use of the two other primary fuels – oil and gas. Instead, increases in energy efficiency and reduced industrial output led to a decline in energy intensity (see figure 4.1). Simply put,

[133] Poland, Urząd Regulacji Energetyki, 2000
[134] Kaliski and Stasko 2004
[135] Poland, Urząd Regulacji Energetyki, *Information on the state of energy security of the state and measures taken by the government in that regard,* Warsaw, accepted by the Sejm 14 February 2002

Poland needed less energy, and this was reflected in reduced coal mining output and only a modest rise in demand for oil and gas. Therefore, Poland's level of energy self-sufficiency was among the highest in the European Economic Area, falling only behind energy exporters Britain and the Netherlands.[136]

Figure 4.1 Energy intensity in Poland, 1990-2002



Source: Polish Central Statistical Office 2006

4.3.1 Less gas, more problems

Towards the end of the decade, it became clear that official forecasts made by the Ministry of Economy and PGNiG in the early and mid-1990s had overestimated Poland's demand for natural gas. Since coal-fired power plants continued to supply much of the country with subsidised electricity and heat, the share of gas in Poland's total energy balance rose only a single percentage point from 1990-2000 – from nine to ten per cent.[137] Throughout every acrimonious session of the Sejm on Poland's energy dependency and its vulnerability towards Russia, natural gas continued to play a marginal role in terms of gross energy consumption,

[136] Wawrzyński 2001, p. 44
[137] PGNiG, *Annual Report*, 2000

only figuring prominently in the petrochemical industry. But the government did not adapt or moderate its gas demand projections – the 2000 'Energy Policy Principles to 2020' also predicted a doubling of gas use by 2020 (to at least 18 bcm).[138]

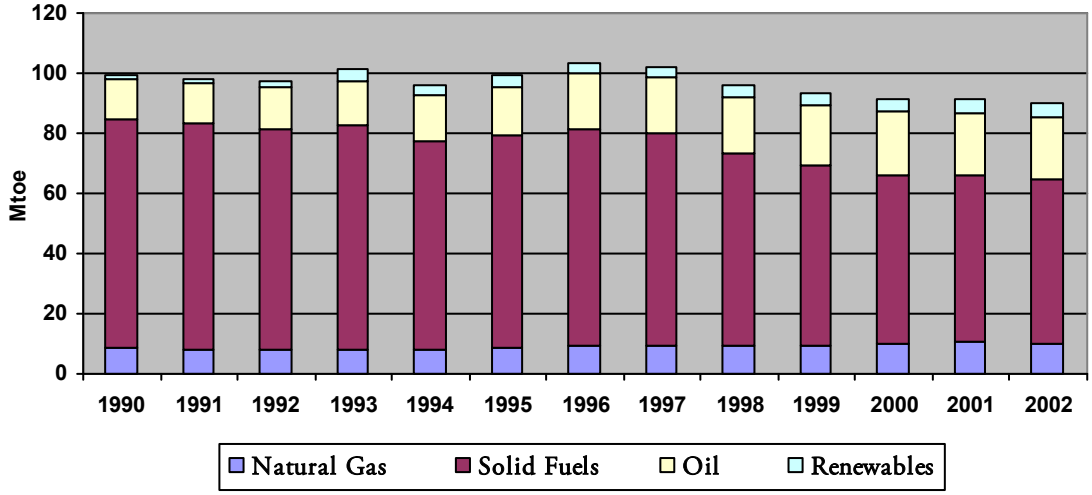
Many representatives of the gas industry argued that these official figures were inflated. George Tombak, the director general of the Gas Industry Union, wrote, "I believe that the published forecasts of gas sales are overstated. They are largely based on unverified public inquiry, the statistics of gas consumption in other countries and the opinions of foreign experts, rather than on sound market analysis. Failing to correct their errors will result in the implementation of loss-making projects to obtain additional supplies in lieu of demand."[139] Indeed, one of the central deterrents of increasing natural gas use was that the costs for heat generation using natural gas far exceeded the costs of production based on brown and hard coal. In the face of massive state subsidies of coal mines, the price of gas was simply not competitive; whereas a unit cost of heat energy derived from gas was PLN 19.5 per GJ, coal-derived heat was roughly half of this figure.[140] An additional problem was the lack of incentive to invest in gas distribution grids, which was largely a consequence of the protectionism and lack of competition characterising the sector. Indeed, a 1999 World Bank report on Poland's gas sector argued that the restructuring of PGNiG "has been slow and barriers to private entry have been high, resulting in almost no private investment in downstream natural gas development."[141]

Another issue highlighted by Tombak and other industry analysts was that the effects of a prolonged interruption of gas supply from Gazprom would hardly be disastrous – supplies for households and district heating could be ensured by initiating interruptible contracts for industrial consumers (which could substitute gas with oil or coal). However, these assessments went unheeded, not only as a result of the political sensitivity displayed by

[138] See Poland, '*Założenia polityki energetycznej Polski do roku 2020*'
[139] Energia XXI, "Jakie gazownictwo zapewni stabilne podstawy dla rozwoju Polski"
[140] Francoeur 2000, p. 58
[141] Law, Peter and Svensson, Bent, "Gas sector restructuring and privatization – lessons from Argentina, Brazil, Poland, Hungary and Vietnam" in World Bank Group, *Natural gas: private sector participation and market development*, International Bank for Reconstruction and Development - IBRD, Washington DC, 1999, p. 25

the Buzek government towards relying on Russian energy, but also because of the government's inherent distrust of the energy industry.

Figure 4.2 Structure of Poland's Primary Energy Consumption, 1990-2002



Note the consistent decrease in overall consumption since 1996 and the relatively stable natural gas use. A solid fuel refers principally to hard coal and lignite, but can also mean peat, wood and other solid materials used for generating heat. *Source: DG-TREN 2007*

As a consequence of these prevailing attitudes, Polish decision-makers in the government were not aware of the irony involved in signing yet another long-term contract, this time with Norway, based on uncertain future gas demand. Indeed, one of the main difficulties arising from the original Polish-Russian Yamal contract was that it was signed in 1996 under the assumption that gas demand would double within a decade. The AWS was liable to commit the same mistake with regards the Norwegian Baltic Pipe, which was negotiated under similar assumptions about the increasingly prominent role of natural gas in Poland's energy balance.[142] Preoccupied with the external supply side of Poland's energy security, the AWS administration neglected to consider that the domestic coal-based energy market would, under continued government subsidisation, remain the predominant supplier of Poland's energy needs. That there was no provision prior or during the signing of the

[142] Kwiecień, 2001

Norwegian contract to build gas-based power generation facilities cast further doubt over forecasts for increased natural gas consumption.

4.4 Conclusion

As noted by a former Prime Minister of Poland, the energy sector during the Buzek government was characterised "by protectionism, long-term macroeconomic planning outlooks, lack of competitive forces and strong ties with administrative structures."[143] In short, Poland's energy security policies were largely a product of a 'statist' approach to public policy, which was characterised by an inherent distrust of business interests and a preference for economic planning by the government. This was demonstrated by a number of interventions in the energy sector by the highest government executive: rejecting diversification options proposed by energy firms; mandating and in some cases creating state agencies to deal with energy security challenges; instituting a minimal level of diversification for energy-importing enterprises; replacing the management at PGNiG; rolling back commitments to privatise the energy sector. Following the departure of the Freedom Union coalition partner, the minority AWS government became more apprehensive about adopting EU market reforms. Instead, the inclination was to protect Poland's energy interests by keeping national oil and gas companies under state control. At the same time, Poland's diplomatic corps were given a greater role in assessing the country's energy vulnerabilities. This had spill-over effects in the external sphere, where the AWS government leveraged Poland's position as a transit state for Russian gas, courted a number of energy 'allies' at the intergovernmental level, and pursued several costly diversification projects.

The energy security policy-makers in the AWS government had a very particular understanding of ensuring energy security – in terms of *procuring a direct source of non-Russian energy supply from the West*. This precluded, more often than it enabled, viable

[143] Oleksy, Józef, "Polska energetyka w Unii Europejskiej", *Energia XXXII, Dodatek reklamowy do Rzeczpospolitej*, Nr 217 (6294), 17 September 2002

options for energy diversification. Indeed, AWS officials discounted both the Bernau-Szczecin link and Gasunie's swap contract proposal because neither satisfied the requirement of connecting Poland to a direct non-Russian source of natural gas. All the while, Russia's energy proposals – particularly the re-routing of the yet-to-be built Yamal-II pipeline – were met with protracted suspicion. As Poland finally settled on the Baltic Pipe as the most politically-desirable diversification strategy, considerations of price and commercial viability receded to the background. Notwithstanding debates about Danish and Norwegian gas being up to 30% more costly than Russian alternatives, there was in fact no infrastructure in place in Poland to re-export excess volumes imported under the take-or-pay contract. Nor, in fact, were there any domestic strategies for substituting coal's dominant role as an electricity generator in favour of natural gas; rather, the domestic coal sector was seen as a bulwark against Gazprom's market dominance, meaning that politicians were averse to mandating gas-based energy infrastructure that would lock in Poland's reliance on imported energy from Russia. Moreover, AWS officials were reluctant to embrace EU directives on electricity and gas liberalisation, fearing that opening up Poland's relatively weak energy market to competition and foreign involvement would equal a loss of the state's autonomy over the geopolitically-sensitive gas sector.

Because AWS policy responses and initiatives were not necessarily predicated upon the preferences of national energy firms, they were quickly criticised by the left-wing opposition as lacking any commercial rationale. This brought energy dependency issues to the foreground in domestic politics, where competing politicians put forward their case for an 'appropriate' energy security policy. SLD leader Leszek Miller stated that Poland was already committed to sufficient quantities of natural gas via the Yamal pipeline. Moreover, the amount of imported volumes necessary to make the Baltic Pipe diversification deal viable, along with the higher price of Norwegian gas, made the plan unfeasible.[144] As for Poland's show of solidarity with Ukraine over Russia's bypass pipeline, it was argued that

[144] Miller, Leszek, " Woźniak na gazie", Oficjalny Blog Polityczny, 5 January 2009 at http://leszek-miller.blog.onet.pl/1,DA2009-01-05,index.html, accessed 12 February 2010

"Poland seemed to have acted ill-considerately, supporting an ally who did not think it needed support while simultaneously souring its relations with its main energy supplier."[145]

Overall, the composition and interests of the statist energy policy network in Poland made a crucial difference to the way in which Warsaw assessed its energy vulnerabilities and the threats emanating from the 'east' (as its primary source of imported oil and gas), the 'west' (as the primary force for reform and restructuring) and the 'north' (as the means for diversifying gas sources). The association of energy security with foreign relations and geopolitics conditioned Poland's responses to external developments. It also kept decision-making firmly inside the core executive, and marginalised the input of business interests and even independent technical assessments. As such, material considerations such as price and demand for energy did not figure highly in these policy-making circles, nor did pressures to liberalise or make more competitive the domestic energy market. As with earlier governments, then, the meaning of energy security assigned by Poland's particular network of energy policy-makers was crucial in accounting for the country's energy security policies.

[145] Heinrich 2007, p. 33

Chapter V

Energy security turns inwards; asset consolidation at home and abroad, 2001-2005

More than any other post-communist government, the *Sojusz Lewicy Demokratycznej-Polskie Stronnictwo Ludowe* (SLD-PSL) coalition that took power in late 2001 created a dense web of state-business ties that crucially affected Poland's energy security policies. Contrary to the *dirigisme* characterising energy policy-making in the previous AWS-led government, the close cooperation between public officials and private stakeholders during left-wing rule meant that state institutions worked the preferences of 'national energy champions' into Poland's energy policies. In the process, energy security became less about mitigating dependence on Russia for geopolitical reasons than about protecting Poland's state-owned energy enterprises in the run up to EU membership. The possibility that Russia might use its leverage over gas supplies for political ends, or that supply interruptions could become more frequent, were not taken into account in official policy statements. This neglect was a function of the over-riding focus on the domestic energy market over issues concerning energy *supply* security (e.g. imports from Russia).

5.1 Domestic responses to EU reform pressures

The new left-wing administration promised an improvement over the inherently dysfunctional and internally paralysed minority AWS government that had preceded it. However, the optimism following victory in the 2001 parliamentary elections proved short-lived. When the SLD joined forces with the Labour Union (*Unia Pracy*, UP) and the Polish Peasant Party (*Polskie Stronnictwo Ludowe*, PSL), the resulting coalition government soon became as marred by disunity and controversy as its predecessor. [1] This was partly because, from the very beginning, the coalition was "a programmatically heterogeneous organization,

[1] Szczerbiak, Aleks, "'Social Poland' Defeats 'Liberal Poland'? The September-October 2005 Polish Parliamentary and Presidential Elections", *Journal of Communist Studies and Transition Politics*, Vol. 23, No. 2, 2007, pp. 204-205, see also Europa World Year Book 2, Book 2, 2004, 3447-3448

marrying socialists with technocrats and market liberals."[2] Frequent cabinet reshuffles and corruption scandals revealed the lack of party discipline and consensus over economic reform. By 2004, the left-wing coalition was in tatters; several ministers had been ousted or had resigned, while those remaining had to cope with dismal approval ratings, charges of corruption or 'no-confidence' votes, scattered industrial unrest[3] and internal quarrels over economic and social policies.

Such was the context in which Poland set out to restructure the energy sector in accordance with its pending entry into the European Union. As the largest branch of the economy still under public ownership, Poland's energy sector attracted much attention from the EU, which had recently updated rules concerning the internal market in electricity and natural gas.[4] These directives expanded on earlier EU legislation by providing for the complete opening of Europe's gas and electricity grids to third party access and competition.[5] The documents also obligated new member states to unbundle their energy transmission networks from the production and supply side; in other words, to demonopolise their national champions' grip on domestic energy production, distribution and transit in order to allow for competition and non-discriminatory access to gas and electricity grids.

In Poland, these requirements spawned a fertile breeding ground for conflicts between different members of the coalition. Although the government was on the whole supportive of EU membership, there were two contending outlooks over how best to restructure the energy sector. SLD members were largely in favour of protective measures

---

[2] Zubek, Radosław, "Parties, rules and government legislative control in Central Europe: the case of Poland," *Communist and Post-Communist Studies,* Vol. 41, No. 2, 2008, p. 153

[3] In September the final stages of the mining restructuring programme led to violent protest and the revolt of Silesia's parliamentary deputies, see Gadowska, Kaja, "Political Corruption in Poland*;* Clientelism in the Silesian coal mining industry," *Forschungsstelle Osteuropa Bremen Arbeitspapiere und Materialien*, No. 65, March 2005, p. 29

[4] European Union, Commission, Directive 2003/54/EC *concerning common rules for the internal market in electricity and repealing Directive 96/92/EC*, 26 June 2003; European Union, Commission, Directive 2003/55/EC *concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC*, 26 June 2003

[5] For Russia's energy firms operating outside the EU framework, these provisions provided a boost to its downstream asset acquisition strategy; smaller, vertically-unbundled energy firms were easier takeover targets, just as the principle of third party access offered unprecedented opportunities to send Russian gas through European grids to reach end consumers directly. see Aalto 2008

such as domestic consolidation and the propping up of state-owned national champions. Leading this group was Leszek Miller, a former PZPR official who had united the left-wing parties in Poland under a new party, the SLD, and became Prime Minister of Poland's coalition government. Miller's belief in a social market economy buoyed his convictions about consolidating Poland's energy assets and keeping strategic energy firms under state control. This outlook was also shared by deputy Minister of Infrastructure Marek Pol, the Minister of Economy Jacek Piechota as well as the Treasury Minister Wiesław Kaczmarek and several of his successors.[6]

However, many other key officials in government held decidedly market-oriented convictions favouring open, privatised and competitive energy markets. This outlook was propagated, *inter alia,* by Finance Minister (and eventual successor to Miller) Marek Belka, President Aleksander Kwaśniewski, the head of Poland's independent energy regulator (URE) and the EU Integration Office (UKIE). These actors endorsed liberalisation of the energy sector and the completion of the internal European market in accordance with the EU's 'de-politicised' approach to energy security.

Rather than consolidating energy assets, market liberals were keen on removing the state from the decision-making structures of energy enterprises; as Leszek Juchniewicz, the president of URE stated, "the market is a mechanism that favours the consumer, not the seller, of energy, in accordance with the principles of competition…Leaving power in the hands of the Treasury and consolidating the industry not only fails to guarantee energy security but also threatens the interests of consumers. Has anyone ever asked domestic consumers where they want to buy their energy from? "[7] The liberals' focus on individualism, which could only be manifested through open and competitive markets, challenged the social democrats' vision of a regulated energy market serving the wider public interest. The resulting disagreement and confusion over the state's management of the energy sector bore resemblances to the Buzek coalition split between the liberal Freedom Union and the statist

[6] The SLD government went through five treasury ministers in the period from October 2001 to May 2004
[7] Energia XXXI, "W stronę rynku", *Dodatek reklamowy do Rzeczpospolitej*, Nr 139 (6216) 17 June 2002

Solidarity Electoral Action over economic policies. As a result of this intra-governmental disagreement, Poland's energy reform policies were subject to perennial revisions in the run up to EU membership. Nevertheless, right up until the day of EU accession, the SLD coalition was able to resist pressures by the European Union to build a competitive energy market.[8] After the dust had settled from both the boardroom and cabinet shuffles and the stormy debates over the progress of privatisation, the State Treasury still remained the dominant proprietor of most of Poland's energy firms and infrastructure. In fact, whilst privatisation formally remained on the agenda, several provisions had been introduced to merge – rather than sell off – state-owned energy enterprises.

The primary justification for pursuing an energy consolidation strategy instead of privatisation was to strengthen Poland's energy sector before entry into the competitive European market.[9] As Jacek Piechota remarked, "privatization of the energy sector should be preceded by the grouping of modern, profitable companies with slightly older, less attractive firms. This strategy of consolidation, creating larger and more powerful energy companies, is in fact necessary because of the future international competition facing the Polish energy market."[10] Accordingly, the left-wing coalition's 2002 revision of the previous AWS-led government's 'Energy Policy Principles until 2020' observed that "the present condition of the Polish energy sector raises doubts about its abilities to meet requirements existing in the European Union market. Therefore, a number of actions must be taken to improve the competitiveness of Polish energy enterprises."[11] The 'actions' taken in this regard were to bundle together strong and weak energy assets in order to strengthen Poland's market position against regional competitors. This rationale was justified by Prime Minister Miller

[8] It is important to note, however, that the EU did not have any formal requirements for member states to *privatise* state-owned enterprises; nonetheless, the requirement of competitive open energy markets required a shift in the state's role in managing the energy sector, from intervention to regulation. See Energia XXXIII, "Problemy strukturalne w energetyce"

[9] Poland, Ministerstwo Skarbu Państwa, *Privatization lines for treasury assets in 2004*, Warsaw, 28 August 2003, p. 12

[10] Energia XXIX, "Przyszłość polskiej energii", *Dodatek reklamowy do Rzeczpospolitej,* Nr 296 (6069) 19 December 2001

[11] Poland, Rada Ministrów, *Assessment of implementation and amendment to the "Guidelines for the Energy Policy of Poland until 2020",* Warsaw, adopted 2 April 2002, p. 12

during an energy conference in 2002, when he stated that "we expect the oil and gas industry to effectively ensure the energy security of our country, but it must do so in the context of its ability to compete effectively in the demanding markets of Europe and the rest of the world."[12]

5.2 Consolidation of the energy market

Developments in the electricity sector were the clearest manifestation of the SLD government's consolidation strategy.[13] The first Treasury Minister of the coalition government, Wiesław Kaczmarek argued that the privatisation of electricity distributors by the previous AWS-UW coalition had been pursued to satisfy short-term fiscal objectives rather than foster long-term economic development of the energy sector. Kaczmarek's cancellation of the flotation of the so-called 'G8' group of electricity distributors, which had been initiated in 2000 by the neoliberal Freedom Union, was justified by arguing that "no longer will assets be sold only for bringing maximum revenue to the state budget."[14] Instead, the SLD advanced a programme to merge networks and power plants in order to 'rationalise' the industry and provide for an integrated strategy in sales, marketing and distribution of power.[15] Accordingly, a major merger of five regional energy distributors with the Polish Power Grid (PSE) created the state-owned Polish Energy Group (PGE – which to this day remains a Polish 'national champion'). The government also proposed to integrate brown coal mines with the power plants supplied by them. The revision grouped the massive

[12] Poland, Kancelaria Prezesa Rady Ministrów, "Premiera Leszka Millera otworzył targi przemysłu naftowego i gazownictwa", Press Release, Warsaw, 25 September 2002 at http://www.poprzedniastrona.premier.gov.pl/archiwum/2130_7411.htm, accessed 7 February 2008

[13] In early 2002, *Rzceszpospolita* obtained a draft document prepared by the Economy and Treasury Ministries outlining the strategy for the electricity sector in the coming years. The document scaled back privatisation by keeping distribution assets in state hands indefinitely and delaying a decision on the stock flotation of BOT, which accounted for roughly one-third of the generation market. see Spiro, Nick, "Poland's power sector strategy in disarray," *Platts Energy in East Europe*, Issue 02, 15 November 2002

[14] As stated by Wiesław Kaczmarek in Energia XXVIII, "Energia nie ma barw politycznych"

[15] See Jacek Piechota and Wiesław Kaczmarek's comments in Energia XXXI, "Elektroenergetyka stoi wobec wielu wyzwań"

Bełchatów power plant with two smaller plants in Opole and Turów, creating BOT, a strategic, consolidated energy operator that would remain state-owned and would serve the purpose of "guaranteeing national energy security and proper functioning of the energy market."[16]

Similar developments occurred in the oil sector, where consolidation moved forward without a corresponding push for privatisation. The original 1995 programme for oil enterprise reform was extensively revised by the new 'Oil sector restructuring and privatisation program' adopted by the Council of Ministers in September 2002. The document stated that the objective of restructuring was to "strengthen the market position of the sector entities, providing them with lasting and sustainable development and ensuring national energy security, together with the protection of consumer interests."[17] These goals legitimised the State Treasury's acquisition of Naftoport, the operator of the oil terminal at Gdańsk, "for reasons associated with national fuel market security."[18] The document also precluded any further public offerings, particularly for PERN, the oil pipeline operator, and PKN Orlen, which had already been partially privatised through the initiative of the neoliberal Freedom Union in 1999.

These revisions in the oil sector effectively changed the purpose of Nafta Polska, the Treasury-owned holding company which had been created in 1996 to implement the government's original program for downstream oil sector privatisation. Instead of building a path towards privatisation and attracting foreign direct investment, Nafta Polska became a *de facto* government tool for consolidating Poland's oil assets in a nexus of state ownership and administration. Strategic firms such as Ciech, Petrobaltic, Rafineria Gdańska and Naftoport were first taken under the wing of Nafta Polska with the purpose of preparing these firms for privatisation. However, the firms remained suspended in this 'consolidation' phase whilst the Treasury effectively retained its proprietorship.

---

[16] Poland, *Privatization lines for treasury assets in 2004*, p. 9

[17] Poland, Ministerstwo Skarbu Państwa, *Strategia dla przemysłu naftowego w Polsce*, Warsaw, 24 September 2002

[18] Poland, *Privatization lines for treasury assets in 2004*, p. 11

In some cases, privatisation programmes did in fact manage to pass through the Sejm and the Council of Ministers, but not without several qualifications. For example, PKN Orlen was created in 1999 as a result of the merging, through Nafta Polska, of the CPN retail distribution company with the Płock oil refinery.[19] 70% of the company's shares were subsequently made available on the Warsaw Stock Exchange; however, the Treasury maintained a 28% blocking minority stake and the SLD government never fulfilled the obligation to wind down the Treasury's dominant shareholding. Rather, the Treasury exercised its right to appoint key members on the company's supervisory board (which, in turn, appointed the managing board of the company). An OECD report on Poland's oil sector was critical of the government's decision to create PKN Orlen, arguing that the merger between CPN and Płock increased the resulting entity's market power to the detriment of competition and fair pricing, given its ability "to gain both wholesale and retail margins and influence the wholesale prices of fuel sold to independent retailers."[20]

As for the natural gas sector, it remained concentrated in the hands of PGNiG, which continued to operate as a state-owned vertically-integrated company involved in the production, import, transmission and distribution of natural gas. Rather than initiating a full public offering of the company (as had been the intention of the neoliberal Freedom Union during the Buzek government), the SLD coalition decided to cautiously float a 'minority block' of PGNiG shares on the Warsaw Stock Exchange.[21] Responding to EU directives obliging Poland to provide for competition in the gas market, the Council of Ministers decided to separate PGNiG's transmission activities from its distribution arm, thus allowing competition in the retail end of the supply chain. However, the provisions to 'unbundle' only mandated a legal separation of these activities; in practice, PGNiG's separated subsidiaries continued to operate much as they had in the past.[22] All the while, the SLD

[19] Parker 2002 p. 23
[20] Ibid., p. 24
[21] Poland, Rada Ministrów, *Restructuring and Privatisation Program for Polish Oil And Gas Company (PGNiG S.A.)*
[22] Olsza, Magdalena, "Zmiany personalne w PGNiG i restrukturyzacja… Pod presją czasu", *Energia Gigawat*, July 2003

government (through the State Treasury) maintained the company's status as a vertically-integrated national champion. The Vice President of PGNiG welcomed this policy by stating that "we are pleased that we managed to convince the government to preserve the integrity of the company, whose activities cover the whole of the gas industry…. we welcome this significant change from the program adopted by the previous [AWS-led] government."[23]

Figure 5.1 Ownership of Major Oil and Gas Assets in Poland, 2005

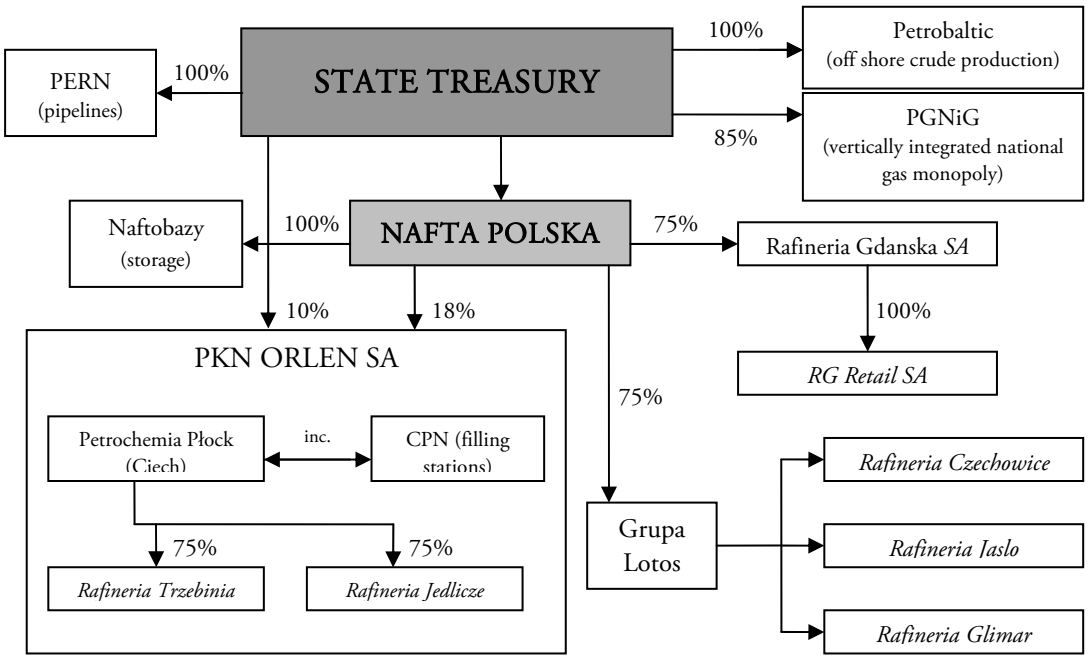


Chart detailing the ownership structure of Poland's key energy assets during the Miller Government. Note that 15% of PGNiG was free floated on the Warsaw Stock Exchange in 2005, during the liberal 'caretaker' government of Marek Belka. The State Treasury also controlled a direct interest in a further 10% of each refining company. Data supplied by Ministerstwo Skarbu Państwa, Strategia dla przemysłu naftowego w Polsce, 2002

[23] Energia XXXII, Stanisław Jakubowski, "Gazownictwo bez 'białych plam'"

5.2.1 Decision-making in the Polish energy sector

State institutions during the left-wing government largely enacted policies to bolster the economic power of national energy incumbents.[24] Cabinet ministers resisted calls by 'eurocrats' and market liberals to privatise the energy sector, and instead preferred a closed system of consultation between supervisory and management boards in state-owned energy firms, which had a representational monopoly on the interests of the energy industry as a whole.[25] Thus, whilst ostensibly claiming to serve the wider public, the left-wing coalition associated public welfare mainly with the strengthening of state-owned enterprises, not necessarily labour interests. For example, deputy economic minister Marek Kossowski (who would later become head of PGNiG) introduced a three-year plan to close seven major coal mining pits and lay off 35,000 workers in one of the most radical overhauls of Poland's coal industry to date. When asked about the ensuing social unrest, Kossowski stated that "the more moderate unions understand that more jobs need to be shed and they are aware of global trends. These protests against reform aren't personal. Like all sectors that are going through painful restructuring, there are bound to be problems."[26]

Whilst accepting of the basic tenets of a capitalist market economy, the SLD's restructuring of the energy sector was premised upon close consultation between politicians, public officials and managers at state-owned energy firms in the making of public policy. This tendency towards a corporatist system of interest representation was sharply criticised by the minority group of neoliberals dotted around the government. The Chairman of the Parliamentary Committee on the Economy Adam Szejnfeld, for example, argued that "a fundamental error [in the current policy] is to think about the interests of companies in the

[24] This line of thinking was buttressed by Miller's decision to integrate the Ministry of Economy with that of Labour and Social Policy in January 2003. Leszek Juchniewicz, president of URE, was one of the liberals critical of the government's preference for accommodating energy firms, arguing that "vertical integration may be inherently advantageous for energy companies, but it does not serve the public interest. There will be no mechanism to improve efficiency or foster competition if we carry on this way." (Energia XXXIII, "Regulator będzie nadal potrzebny")

[25] Millard, Frances, "Poland's politics and the travails of transition after 2001: the 2005 elections" *Europe-Asia Studies*, Vol. 58, No. 7, 2006, p. 1019

[26] Spiro, Nick "Crunch time for Polish coal", *Platts - Energy in Eastern Europe*, Issue 03, 29 November 2002

energy sector rather than the interests of customers."[27] Indeed, the practice of consolidation strengthened arrangements in which supervisory boards served as interlocutors between shareholding ministers and the managers of state-owned enterprises. This was relevant to policy output given that the "the monopolistic (closed) versus competitive (open) environment determines to a large extent the identities and functions of economic and political actors and their networks."[28] In this corporatist system of interest representation, state-owned enterprises served as the interface between the political preferences of the government (represented by the Treasury-appointed supervisory boards) and the commercial interests of the managing boards of these firms.

The Vice President of PGNiG, Stanisław Jakubowski, aptly summed up the nature of his firm's relationship with the government as well as the broader dynamics of energy policy-making in Poland during this period. Speaking in 2002 just as the new left-wing government had presented its proposals to restructure PGNiG, he stated that "this is a unique opportunity for us. The reform programme [for PGNiG, which rolled back privatisation] has been adopted at the *start* of the government. This creates high hopes that it will be fully implemented, which is particularly important as we have co-authored the programme."[29]

5.2.2 Scandals in the energy sector

Jakubowski's optimism proved short-lived. The government's preference for integrating state and business interests into the decision-making process did not yield as consistent an energy policy as was anticipated. In the course of left-wing coalition rule, a number of management changes and corruption charges surfaced, both within the government and in the energy industry. One of the main causes of the high turnover of policy actors involved in energy was

[27] Energia - Środowisko XLV, "Polityka i praktyka", *Dodatek promocyjno-reklamowy do Rzeczpospolitej*, 13 September 2005
[28] Federowicz 2003, p. 16
[29] Energia XXXII, "Gazownictwo bez 'białych plam'" [emphasis added]

the programmatic confusion between privatisation and consolidation goals – after two years in power it seemed that Miller was unable to decide which course to follow, as he freely straddled the line between these strategies.

There were several worrying signs that the coalition government was internally-divided. Prime Minister Miller changed his economic policy team mid-way through the SLD tenure, dismissing both Kaczmarek and Piechota in January 2003. Jerzy Hausner, a more traditional social democrat, took charge of a newly consolidated Ministry of Economy, Labour and Social Policy which resembled a German-style corporatist model. This ministry was designed in part to oversee restructuring and enact social policies for heavy industry. But the SLD's worker-oriented partner, the Polish Peasant Party (PSL), was subsequently expelled from the coalition due to lack of voting discipline. Thus, it was unclear what position the SLD had on social policies.

Meanwhile, the quick succession of Treasury Ministers after Kaczmarek's departure reflected the disagreements within government as well as industry over privatisation and restructuring policies. Indeed, although each of the five Treasury Ministers was working under a broader mandate to privatise the energy sector, the political sensitivity of this goal in individual cases precluded success. Kaczmarek's replacement, Slawomir Cytrycki, only served as Treasurer for three months (January – April 2003) before allegations of corruption involving the Gdańsk refinery led to his ouster. Piotr Czyzewski fared only marginally better. His decision to reject PKN Orlen's tender for Rafineria Gdańska – which would have created a regional oil champion – was sharply criticised by Prime Minister Miller, who was later revealed as having ties to Jan Kulczyk, the wealthy Polish businessman in favour of a PKN Orlen/RG merger. Czyzewski's successor, Zbigniew Kaniewski inherited an embattled Treasury, and was sharply criticised for allowing PKN's supervisory board appoint Jan Waga of Kulczyk Holding, a private firm with a 5% stake in Orlen (rather than a Treasury-appointed representative).[30]

[30] Łakoma, Agnieszka "Posłowie nie wierzą" *Rzczespospolita,* 16 March 2004

The complex relationship inherent in the network between the government and business interests was not only responsible for the high turnover of policy-makers, but also led to a number of corruption scandals. The most prominent case concerning the energy sector was the 'Orlen Affair', one of the most publicised and widespread corruption scandals in post-communist Poland.[31] It involved allegations made in April 2004 by former Treasury Minister Wiesław Kaczmarek that PKN Orlen CEO Andrzej Modrzejewski had been arrested by the *Urząd Ochrony Państwa* (UOP, or Office for State Protection) at the behest of Prime Minister Miller in February 2002. The apparent purpose of the CEO's arrest, who had been appointed by the previous AWS-led government, was to influence the renewal of an oil supply contract with the Cyprus-based Russian proxy, J&S, as well as to have Modrzejewski – who had been appointed by centre-right political parties – replaced with Zbigniew Wróbel, a close associate of both Miller and President Kwaśniewski.[32] The Sejm launched an investigation into the allegations in July 2004, and the testimonies of leading political and business figures were broadcast on national television.[33]

The Orlen Affair was merely one example of the primary problem associated with state-business relations in the SLD period, namely that senior management structures in state-owned enterprises were only as stable as the coalition government under which they operated. In the absence of rules or formal procedures governing the exercise of ownership functions by the state, the practice of arbitrarily appointing or dismissing business executives along party lines was widespread.[34] Although this applied to all post-communist governments, the left-wing administration under Leszek Miller stood out as a particularly

---

[31] Cienski, Jan, "Poland to investigate sacking of PKN head" *Financial Times,* London, 29 May 2004; Szymczycha, Dariusz, "Komisja ostateczna", *Rzeczspospolita*, 5 November 2004; see http://europeansocialsurvey.org/index.php (keywords: 'Orlen corruption case') for a wider sample of newspaper coverage (accessed September 21, 2010).

[32] Gadowska 2006, p. 17

[33] The Orlen investigation did not yield any concrete evidence of wrongdoing. It was, however, revealed that Jan Kulzcyk, the Polish businessman with considerable shareholdings in PKN Orlen, met with a Russian intelligence official in 2002 to discuss the public offering of the Gdańsk Refinery. For a full transcript of the parliamentary committee report on the affair, see *Gazeta Wyborcza*, "Kulisy afery Orlenu - raport Giertycha", 13 December 2004

[34] Poland, Ministerstwo Skarbu Państwa, *Corporate Governance of State-Owned Enterprises in Poland,* October 2005; the document pointed out that Poland lacked a clear ownership policy (p. 2)

marked example of this practice.[35] Indeed, according to the European Bank for Reconstruction and Development, the continued ownership by Nafta Polska and the State Treasury of multiple natural resource companies "contributed to inefficiencies in decision-making and frequent changes of senior management."[36] In the energy sector, replacements of supervisory boards at PGNiG, PSE (Polish Power Group), Ciech (the petrochemical company and a major importer of oil and gas) and PKN Orlen all occurred within months of the SLD-PSL coalition assuming power in Poland.[37]

Changes in PKN Orlen and PGNiG especially served as instructive examples of the mixing of politics with business appointments. After serving a tumultuous two year term as PKN's CEO, Zbigniew Wróbel left the firm shortly after the resignation of Leszek Miller, who had been his chief political backer.[38] When the management board at PKN Orlen chose not to install Paweł Olechnowicz, the government's choice of successor, and instead went with an internal candidate – Jacek Walczykowski, who had ties to the influential PKN shareholder Jan Kulczyk – the Ministry of the Treasury teamed up with private stockholders to change the supervisory board of PKN Orlen and subsequently dismiss Walczykowski.[39] In the gas sector, PGNiG CEO Andrzej Lipko was dismissed by Kaczmarek in mid-December 2001 along with the rest of the state-appointed managing board at PGNiG. The primary reason was that Lipko had failed to advise the Treasury, which was effectively the proprietor of PGNiG, of negotiations with Gazprom to eliminate Gas Trading's shareholding of EuroPol Gaz, the company which owned and administered the Polish section of the Yamal pipeline.[40] That Kaczmarek had ties to a major shareholder in Gas Trading, Aleksander

---

[35] Gadowska 2006; Millard 2006; Gwiazda, Anna, "Party patronage in Poland: the Democratic Left Alliance and Law and Law and Justice compared", *East European Politics and Society*, Vol. 22, pp. 802-827

[36] European Bank for Reconstruction and Development – EBRD, "Strategy for Poland", approved by the Board of Directors, 25 April 2006, p. 19

[37] Polskie Górnictwo Naftowe i Gazownictwo, "Nowy Zarząd PGNiG SA", *Archiwum aktualności*, Warsaw 12 December 2001

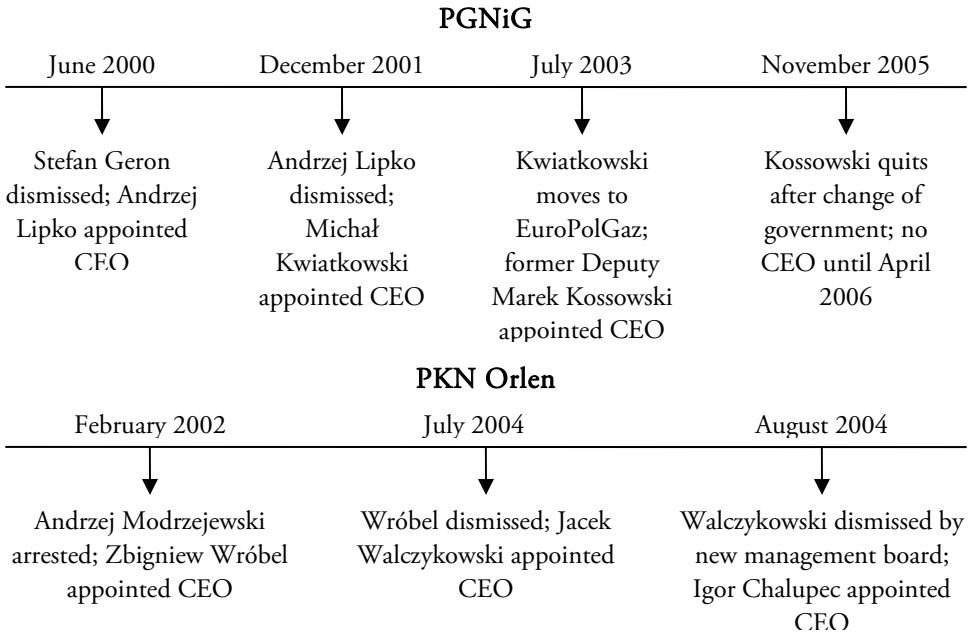
[38] Kosc, Wojciech "New man takes Polish government's electric chair", *Transitions Online*, 2 March 2004

[39] *Financial Times*, "Warsaw must cut political interference in public sector jobs" London Edition, 23 August 2004; moreover, the officials in question were inexperienced – Michał Kwiatkowski had only been CEO of PGNiG for little over a year by the time the Yamal contract renegotiations had been concluded.

[40] Two vice presidents of the supervisory board, Piotr Wozniak and Zbigniew Tatysa, were also dismissed; see *Polska Agencja Prasowa* – PAP, "Kaczmarek: utraciłem zaufanie do zarządu PGNiG" 17 December 2001

Gudzowaty, was considered an important contributing factor in his decision to dismiss Lipko.[41] The new CEO, Michał Kwiatkowski, was known to have a more accommodating stance than Lipko towards EuroPolGaz, Bartimpex and the continued import of natural gas from Russia, given that he himself had been on the supervisory board of Gas-Trading, the company partially owned by Bartimpex.[42]

Figure 5.2 Changes to PGNiG and PKN Orlen CEOs, 2000 - 2005



5.3 The impact of state-business relations on energy security policy

As demonstrated by the cases above, the nexus between state and business actors in Poland's energy sector was both highly complex and opaque. Because of the close relationship between business and the state, energy security policies seemed primarily designed to protect the external interests of national energy firms. This represented a crucial shift in perspective from that of the previous AWS government, which had mandated costly energy investments

[41] Łakoma, Agnieszka, "Koniec pewnej ery", *Rzeczpospolita*, 22 January 2010
[42] *Polska Agencja Prasowa,* "Kaczmarek: utraciłem zaufanie do zarządu PGNiG"

in the name of national economic security. The SLD government's policy-making in the energy sector, on the other hand, was characterised by a closed system of interest representation, where state-owned energy firms' commercial strategies were incorporated into Poland's broader energy policies. As a result, energy security was understood as those actions taken to strengthen and support energy firms' activities which, after all, were in large part subject to the approval (and in some cases financing) by the state. Moreover, the focus on creating 'national energy champions' in the name of the public good discouraged the reform and restructuring of these enterprises along the liberal market principles of the European Union. Rather, Poland's energy assets were consolidated, the reasoning being that it was necessary to strengthen incumbents before they entered the competitive European marketplace. As a consequence, the state played an instrumental role in fending off foreign involvement in domestic energy firms and infrastructure, by preventing both potential mergers and acquisitions.

Thus, the SLD government adopted an energy security outlook that contrasted with that of the Buzek's government in a number of ways. Whereas the latter had been preoccupied with the short-term management of supply cuts, the former advocated a long-term macroeconomic outlook for the development of the energy sector. In this second view, an adequate and affordable supply of fossil fuels was seen as an indispensable part of Poland's wider economic policy, rather than its foreign policy. In terms of energy security, this meant that costly diversification projects were abandoned in favour of consolidating existing energy links with Russia.

5.3.1 The politics of mergers, acquisitions and privatisation in the oil sector

During the Miller government, Poland's energy security agenda was heavily influenced by the debate between protectionists and market liberals. Each had a different idea about how to function in the competitive EU energy market as well as how to address Russia's monopoly on Polish imports. Protectionism was advanced by the democratic socialist SLD camp, which

sought to strengthen Polish energy firms' ability to compete abroad whilst maintaining their monopoly position on the Polish market. Market liberals, on the other hand, preferred to privatise Poland's energy market, much of which stood to benefit from foreign capital and expertise. The Minister of Economy, Jacek Piechota, recalled the controversies brought about by the choices Poland needed to make: "we had to finally decide whether we would sell off our energy assets, as foreign investors would like, or offer integrated utilities in the different segments of the market. Whereas protection of state-owned enterprises was high on the SLD agenda, many market liberals were worried about the lack of competition in the energy sector."[43]

The tug of war between protectionists and market liberals in the Polish government spilled over into the country's external economic relations, where international mergers and acquisitions involving Polish state-owned oil assets became highly controversial. A primary example in this case was the drawn-out bidding process for Rafineria Gdańska (RG), the strategic oil refinery on the Baltic coast that provided a crucial structural link to non-Russian oil supplies. The complex public offering of RG began in 2001, when a joint tender for the refinery was put forward by Russia's Lukoil and a UK-based consortium named Rotch Energy. The Hungarian oil company MOL also put forward a bid, but it was reported that Treasury Minister Kaczmarek favoured the Lukoil/Rotch tender. The terms, after all, werecompelling; Lukoil's president pledged a $280 million upgrade for the refinery, in addition to earmarking several hundred million dollars for further upgrades and investment in the output.[44] Kaczmarek reasoned that "if cash-rich Russia wants to invest in cash-poor

[43] Jacek Piechota, former Minister of Economy, author's interview, Warsaw, July 2010
[44] Starobin, Paul and Turek, Bogdan, "A slippery patch for Russian oil", *Bloomberg Business Week Online*, 13 January 2003 at http://www.businessweek.com/magazine/content/03_02/b3815070.htm, accessed 12 March 2008

Poland, Poland would be well advised to seize the opportunity."[45] Maciej Gierej, the president of Nafta Polska (the state holding company administering the tender for RG) also favoured Lukoil's bid.

However, Gierej admitted that a great deal of pressure from PKN Orlen and Leszek Miller prevented him from accepting theacquisition of RG by the Russian bidder.[46] Indeed, the Płock-based PKN Orlen had been vying for the right to bid on its smaller regional rival in Gdańsk. Moreover, Orlen would face additional pressure if Lukoil and RG joined forces – the entrance of a major player such as Lukoil into the Polish market would undoubtedly affect PKN's profit margins. Therefore, PKN drew on support from the Prime Minister, who was said to be more inclined to consolidate Poland's energy assets in order to protect them from outside influence.[47] Miller's intervention was successful; Nafta Polska lifted a previous legal restriction on the creation of a single oil production centre in Poland.[48] This intervention not only undermined Lukoil's bid for the refinery, but also opened the way for a domestic merger between RG and PKN Orlen. This satisfied the latter's goal of strengthening its ability to compete with the likes of Hungary's Mol and Austria's OMV, two regional rivals looking to expand their market share in Central and Eastern Europe.

However, the new proposition to merge the Gdańsk Refinery with PKN was interrupted by domestic political discord. The liberal camp within government, particularly representatives of the energy regulator URE, raised concerns about a potential monopoly being formed by an RG-PKN merger; the potential for price setting and lack of competition

---

[45] Bernstein, Richard, "Glum days in Poland: graft, Russophobia and worse", *New York Times*, 26 January 2005; Kaczmarek's position was somewhat contradictory to his earlier pledge to consolidate Poland's energy sector, but it was later alleged by Jan Kulczyk (who favoured the RG/PKN merger) that Kaczmarek and Nafta Polska CEO Maciej Gierej may have accepted bribes by Russian businessmen in exchange for support for Lukoil's bid. Although interesting in throwing light on the links between state and business actors, such allegations made concerning energy-related instances of bribery and corruption cannot be used to substantiate conclusions about policy networks in Poland, as they could not be independently verified by the judiciary; see http://europeansocialsurvey.org/index.php?view=details&id=6194%3Aorlen-corruption-case&option=com_eventlist&Itemid=334, accessed 12 September 2010

[46] Olejnik, Monika, "Maciej Gierej: scenariusz Giertycha jest prawdopodobny" *Wirtualna Polska Wiadomosci*, 12 December 2004

[47] *Country Monitor*, "Speeding up privatization?", Vol. 11, No. 1, New York, January 13 2003

[48] Turek, Bogdan, "Sale in sight for Rafineria Gdańska?" *Platts – Energy in East Europe*, Issue 2, 15 November 2002

brought about by vertical integration would adversely affect Poland's oil market.[49] Thus, PKN Orlen's bid for the Gdańsk refinery was also eventually rejected in July 2003, as was Rotch's second bid with a new partner, *Konsorcjum Gdańskie* (a collection of 14 Polish fuel distributors). Meanwhile, the CEO of RG, Paweł Olechnowicz drummed up government support for the formation of a regional oil refining powerhouse that would stay independent from both PKN Orlen and Lukoil.[50] The government finally responded positively to a proposal which involved no external bidders, and decided to merge RG with three southern state-owned refineries - Czechowice, Jasło and Glimar – creating the 'Lotos Group.'

Several independent analyses were critical of the commercial rationale behind the decision to create Lotos; it was argued that, rather than absorbing investments for extending its own output, RG would now have to allocate substantial amounts of investment capital to upgrade the three ailing southern refineries.[51] In spite of these misgivings, the decision to create the Lotos Group represented a political compromise between those wishing to protect Poland's energy assets through consolidation and those who preferred to maintain competition between national oil undertakings (e.g. RG and PKN Orlen). It also represented a compromise of sorts between the interests of the firms involved; indeed, whereas RG wanted to retain its independence and therefore encouraged competition between market players, the larger, more powerful rival PKN Orlen wanted to gain market share and therefore pushed for the government's consolidation strategy.[52]

Similar political difficulties proved instrumental in blocking external mergers and acquisitions. In previous years, the government supported PKN Orlen's aggressive acquisition strategy, which had resulted in the firm's purchase of 500 filling stations in northern Germany and a 63% stake in the Czech oil company Unipetrol. PKN Orlen also prepared a merger with regional competitor Hungary's MOL at the end of 2003. This

[49] Orban 2008, pp. 83-89
[50] *Nefte Compass*, "Poland: Gdańsk Refinery sell-off saga takes new twist", 14 May 2003
[51] Podolski, Antoni "Gaz narodowy czy europejski? Polityczne i historyczne uwarunkowania percepcji wybranych wyzwań dla bezpieczeństwa energetycznego RP 2007", *Centrum Stosunków Międzynarodowych*, Raport i Analizy, Vol. 2, No. 7, 2007
[52] Turek, "Sale in sight for Rafineria Gdańska?"

expansion strategy was supported by yet another Treasury Minister, Zbigniew Kaniewski, who approved a new, acquisition-friendly president of the supervisory board at Orlen while removing the chairman of Nafta Polska, who was opposed to any further foreign operations.

But once again domestic political turmoil uprooted a proposed PKN-MOL synergy. The Orlen affair became front page news just weeks before the deadline for merger talks between the two firms. Leszek Miller's frayed coalition could no longer hold power, and in the wake of his departure in May the new cabinet under Marek Belka retracted its support for the bid. A joint assessment of the PKN-MOL merger undertaken by the new Foreign Ministry and Economic Ministry concluded that "merging Orlen with the Hungarian company could result not only in the state losing control over Orlen, but also in the merged entity being taken over by Yukos."[53] The same rationale applied to the prospects for bringing together PKN Orlen and Rafineria Gdańska: "a single Polish oil company would prove an easy target for any Russian oil company. If Lukoil or Yukos were to take over the merged company, the whole oil industry would immediately fall into Russian hands."[54]

Surveying the broader picture, in the years 2001-2005 no external interests entered Poland's domestic oil market, and the state effectively lost none of its controlling stakes in key oil firms. Rather, a complex series of domestic mergers and external acquisitions demonstrated that, despite the political turmoil and the disparate political and business interests in perennial competition with one another, Poland's consolidation strategy won out and the monopoly position of state-owned energy assets remained in place.

The controversies in Poland's oil market had an indirect effect on Poland's energy security policy. For example, the failure of the MOL-PKN merger precluded the latter's access to MOL's upstream activities, which would have diversified Poland's oil supply portfolio. Indeed, the 'politicised' management by the State Treasury blocked Zbigniew Wróbel's intention to "acquire access to oil reserves through regional consolidation. When embarking on the development of a strong regional concern, we will have a dominant

[53] Orban 2008, p. 88
[54] Ibid., p. 85

position in the downstream and know-how and some capabilities in the upstream segment. The consolidation will secure us sufficient resources to expand our production operations."[55] Due largely to political difficulties, this consolidation never materialised.

The government's apprehensiveness about foreign business interests stemmed in part from fears that complex acquisitions would compromise Poland's national energy security. However, these fears were not very well articulated beyond a generic assessment of the loss of state sovereignty implied by ownership diffusion. In many ways, politicians were responsive to Polish public opinion, which was largely in favour of the idea that strategic enterprises should be kept state-owned.[56] Thus, the government was hostile to what were regarded as domestic proxies for foreign business interests (Kulczyk and Gudzowaty), dubious Western bidders (Rotch Energy), malevolent eastern ones (Lukoil/Yukos), and vulnerable regional competitors (MOL), to the extent that no privatisation tender or proposed merger escaped controversy. It was usually assumed that a loss of the state's autonomy over Poland's energy assets would equal a loss of the protective umbrella that was necessary for energy firms to withstand these external pressures. Prevention of this possibility, rather than concern about stable oil supplies from Russia, was ultimately driving Poland's energy security agenda.

5.3.2 A shift of focus in Poland's gas import policy

Besides fending off foreign involvement in the domestic oil market, energy policy-makers in the SLD-led government undertook a comprehensive reassessment of Poland's gas import policies. In late 2001, the Council of Ministers scrutinised the flagship energy policy of the previous AWS government, "Guidelines for Poland's energy policy until 2020" and questioned several fundamental assumptions therein. The earlier prognosis that natural gas demand would steadily rise was scrapped in light of revised assessments by the energy industry regarding the future direction of Poland's overall energy balance.

---

[55] PKN Orlen SA, *Annual Report*, 2003, p. 18

[56] See Poland, Centrum Badania Opinii Społecznej, *Opinie o budowie elektrowni jądrowych w polsce a zagrożenia światowym kryzysem energetycznym*, BS/108/2006, June 2006

The EU's liberalisation directives were also deemed to create vulnerabilities in Poland's gas market. The Ministry of Economy warned that, "taking into consideration [PGNiG's] poor financial condition as well as ongoing restructuring and privatisation processes, market opening [to the EU] may result in PGNiG's losing a portion of its market."[57] Because of this, the principle of third party access, which Poland was obliged to adopt as part of the energy acquis, was restricted by amending the Energy Law to "limit [external] access to the gas system if the concluded take or pay contracts result in serious financial difficulties for PGNiG."[58] In other words, policy-makers decided to restrict external energy suppliers' access to Polish energy grids, making the transposal of EU directives contingent on resolving the economic difficulties engendered by take-or-pay contracts. This is an interesting parallel with the previous AWS government, which also blocked third party access but justified it on the basis of protecting Polish national energy security, not PGNiG's financial position in the gas market.

The new management at PGNiG also pushed for a more moderated approach to energy security, given that existing contracted volumes were more than enough to cover prospective demand for imported fuels. As one PGNiG official responsible for international cooperation argued, "long-term contracts [with Russia] make an important contribution to stabilising the security of gas supply and providing an economic justification for developing Poland's transmission network."[59] Thus, investments to diversify PGNiG's supply portfolio that had been mandated by the previous Solidarity government were re-assessed. In fact, the only risk related to supply security in PGNiG's 2005 prospectus for investors was, ironically, diversification itself – e.g. the need to comply with the Buzek government's ordinance about a minimal level of diversification, which PGNiG argued would "have an adverse impact on the business and financial condition of our company."[60]

---

[57] Poland, Ministerstwo Gospodarki, *the Energy Sector – Membership in the European Union*
[58] Ibid.
[59] As stated by Pawel Kamiński, PGNiG VP for European integration and international cooperation, in Energia XXXVII, "W drodze na giełdę" *Dodatek reklamowy do Rzeczpospolitej, Nr 294 (6674) 18 December 2003*
[60] Polskie Górnictwo Naftowe i Gazownictwo, *Prospekt Emisyjny*, Warsaw, 31 December 2004, p. 15

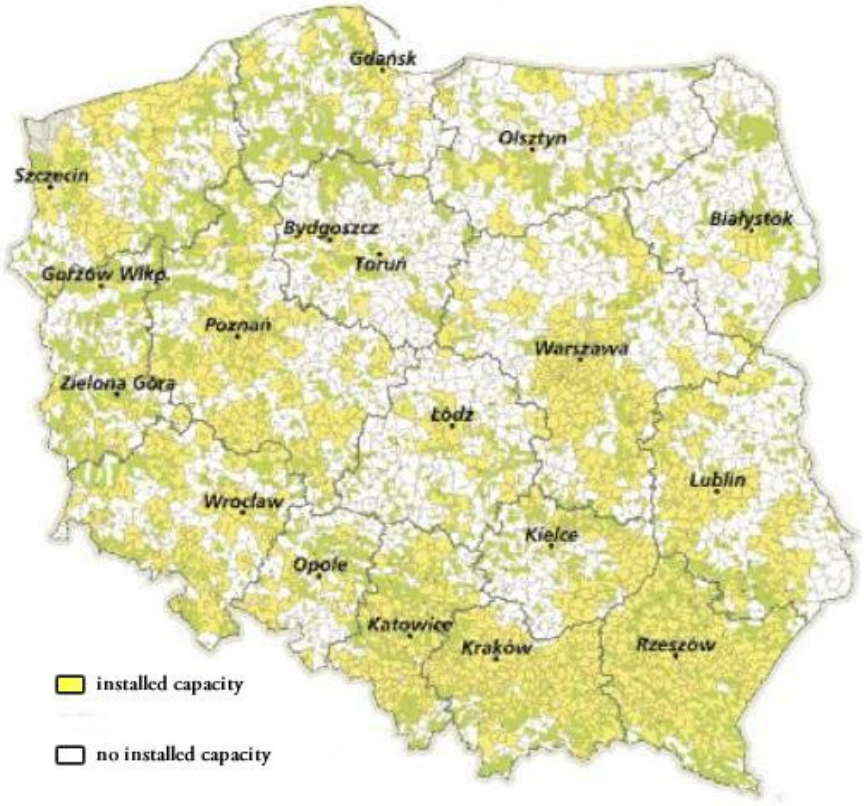
Indeed, the financial position of PGNiG had become somewhat strained in recent years – at the height of the Buzek government the company was operating at an annual loss of around 100 million złoty.[61] This, in turn, prompted a critical assessment within PGNiG about the costs involved in diversifying supply sources. Marek Kossowski, the former Deputy Economy Minister who had become the new CEO of PGNiG, stated that "in order to increase the competitiveness of PGNiG… it is necessary to reduce the operational costs involved in improving the state's energy security."[62] The focus turned from security of large transmission pipelines to investments in smaller distribution networks in order to be able to serve a wider customer base and to address the so-called 'white spots' on Poland's gasification map.[63] This was a reversal of PGNiG's previous unwillingness to finance the distribution system in Poland,[64] now that import surpluses shifted the focus from security of supply to increasing domestic sales of natural gas.

PGNiG's shift of focus was accommodated by the Polish government. This was reflected in an energy policy document passed by the Council of Ministers in April 2002 – the "Assessment of implementation and amendments to the guidelines for Poland's energy policy until 2020." Contrary to the previous energy policy for Poland of February 2000, this document did not mention diversification from Russia as a means of enhancing energy security. Rather, the Ministry of Economy discussed diversification in relation to the domestic balance of fuels and not in terms of Poland's level of import dependence.[65] In fact, the true source of energy insecurity, according to the 2002 policy reassessment, lay in "the cost of maintaining enormous production surpluses which exist in almost all industries of the fuel and energy sector (in power plants, thermal power stations, heating stations and hard coal/lignite mines). With the reduced demand for electricity and heat and the existing

[61] Polskie Górnictwo Naftowe i Gazownictwo, "Komunikat PGNiG SA", Warsaw, 8 July 2004
[62] Energia XXXIII, "Tworzenie rynku energii"
[63] For an analysis of PGNiG's financial situation, see Poland, Najwyższa Izba Kontroli, *Informacja o wynikach kontroli zaopatrzenia w gaz ziemny*, Warsaw, KGP/41017/02, July 2004
[64] Francoeur 2000, p. 57-58
[65] See Poland, Departament Energetyki Ministerstwo Gospodarki, *Information on the state of energy security*, 2002 p. 2

capacity surpluses, the fuel and energy sector has become an economic burden which is more and more seriously hampering the development of the country."[66]

Map 5.1 Gasification in Poland, 2001



Map showing the degree of gasification in Poland, e.g. each region's access to natural gas transmission and distribution lines. The white spots indicate an absence of infrastructure; in this area, around 250 cities did not have access to gas. Most natural gas production is concentrated in the southeast, explaining the high degree of gasification in this region. *Adapted from*: Energia XXIII

In light of the PGNiG's financial situation, the Department of Energy in the Ministry of Economy under Jacek Piechota prepared a document in 2002 noting that "statistical data from recent years unequivocally confirm a tendency for the gas demand in Poland to diminish... In light of the trends observed in the fuel and energy economy… [and the] unsuccessful estimates in that regard, there is an urgent need for preparation of a new

[66] Poland, Rada Ministrów, *Assessment of implementation…*

energy supply and demand balance."[67] Recognising that natural gas consumption had barely risen in the ten year period from 1990-2000, the 2002 energy policy document concluded that demand for natural gas had been grossly over-estimated throughout the 1990s.[68] Because import and domestic extraction arrangements were conceived on the basis of these faulty demand projections, by 2005 PGNiG would be over-supplying the domestic gas market by 35-50% (depending on economic development).[69] Therefore, the previous AWS-led government's policy of increasing gas storage in the name of energy security was abandoned "in view of significantly lower gas consumption as well as the difficult financial condition of PGNiG S.A."[70] Alongside this reinterpretation of Poland's gas demand structure, the SLD government highlighted Poland's higher level of overall energy self-sufficiency relative to EU members and fellow accession candidates. Thanks to the continuing dominance of coal in Poland's electricity generation, the 2002 document stated that the "energy self-sufficiency index significantly exceeds the level of 80% and certainly for many years it will be higher than the current average level in the countries of the European Union."[71]

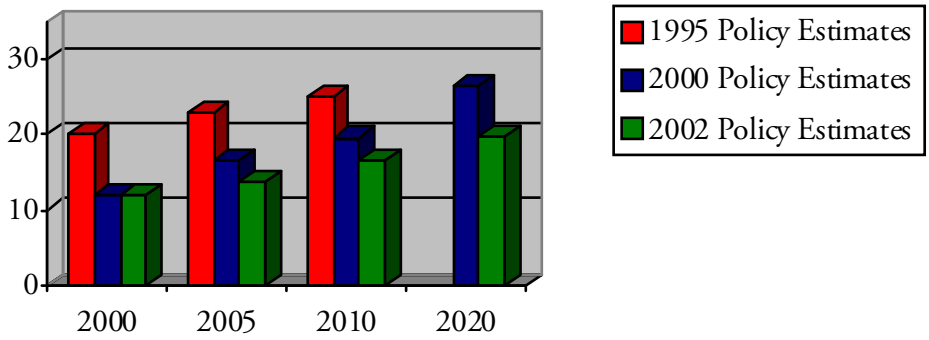
This shift of focus towards demand-side developments made it apparent that the AWS government's strategy of gas diversification away from Russia was no longer the preferred method of achieving energy security. Instead of focussing on external aspects of Polish energy security, Piechota argued that "the real potential threat [to energy security] is the adverse economic and financial development facing energy sector enterprises. The elimination of this threat is not only a government task, but requires decisive action by energy companies in the realm of efficiency and cost management, as well as sound investment policies."[72] Diversification, therefore, was a policy goal that needed to be assessed

---

[67] Poland, Departament Energetyki Ministerstwo Gospodarki, *Information on the state of energy security,* 2002
[68] Poland, Rada Ministrów, *Assessment of implementation…,* pp. 10-12
[69] Poland, Departament Energetyki Ministerstwo Gospodarki, *Information on the state of energy security,* 2002, p. 6
[70] Ibid., p. 7
[71] Poland, Departament Energetyki Ministerstwo Gospodarki, *Information on the state of energy security*, 2002 p. 3
[72] Poland, Sejm Debate, 20.02.2004

in terms of its contribution to the commercial balance sheet of national incumbents in the energy sector; Piechota argued that "diversification must take place on the basis of acceptable levels of costs and projected need,"[73] a reasoning that was far removed from the Buzek government's emphasis on diversification 'at all costs.'

Figure 5.3 Poland's Natural Gas Demand Forecasts (bcm)



Figures show forecasts for annual gas demand in Poland according to three successive energy policy documents [Energy Policy Principles by 2010 (1995); Guidelines for the Energy Policy of Poland until 2020 (2000); Assessment of Implementation and Amendment to the "Guidelines for the Energy Policy of Poland until 2020" (2002)].[74] The green and blue bars for the year 2000 denote the actual consumption at the time (12bcm). Note the high estimates in 1995 upon which the Yamal contract was based, as well as the consistent downward adjustments.

Both management at PGNiG and representatives in government played down Poland's vulnerabilities to Russian 'power politics.' Commenting on Poland's status as an energy transit state, Economy Minister Piechota concluded that, "in analysing the current state of Poland's energy sector, it is clear that today there is no national security threat; there is a notable lack of symptoms or signs that in the coming years, energy security threats could realistically occur."[75] Piechota's replacement, Jerzy Hausner, harboured similar sentiments,

[73] Poland, Sejm Debate, 25.02.2002, *Informacja rządu na temat działań podejmowanych przez rząd Rzeczypospolitej Polskiej w celu zapewnienia bezpieczeństwa energetycznego Polski*, 4 kadencja, 12 posiedzenie, 2 dzień

[74] Amounts shown are for medium level development scenarios in each policy document, e.g. those amounts that were deemed most likely at the time given projections for energy efficiency, GDP level and a diversifying fuel balance.

[75] Poland, Sejm Debate, 25.02.2002

reasoning that "because of coal, we are much more energy self-sufficient than is commonly believed. Previous energy policies have been based on the politics of fear over calculation."[76] Miller, too, declared that "contrary to popular belief, Polish energy security is not jeopardised in the short nor in the long term… the government is responsible for diversification, but not at the expense of reducing the national output of raw material."[77] On the industry side, PGNiG officials emphasised the great deal of surplus capacity in gas networks and the reliability of Russia as an energy supplier.[78]

In light of this revised perspective on the risks arising from energy dependence on Russia, several diversification projects that had been initiated by the Buzek government were abandoned. In the oil sector, PKN Orlen's role in the Odessa-Brody-Płock pipeline project was re-evaluated. Because the company received favourable rates for imported crude from J&S and Yukos via the Druzhba pipeline, it was less pressing to diversify export routes via Ukraine's Caspian Sea corridor. Rather, Orlen's international strategy was focussed on the retail segments of the market, demonstrated by its downstream acquisitions in the Czech Republic and Germany. Whilst PKN Orlen did sign a letter of intent for cooperating with Ukrtransnafta on the pipeline in August 2003, PKN Orlen CEO Zbigniew Wróbel made it clear that "our intention is neither to fund nor construct the pipeline. If it reaches Płock, we will be interested in purchasing the oil."[79]

Because of Orlen's revised commercial strategy, the oil pipeline project between Poland and Ukraine no longer enjoyed the same level of support by the government under Prime Minister Miller. A substantial amount of criticism was levied against Poland by Ukrainian President Leonid Kuchma, who accused Warsaw of not having made "a single poke of a shovel" in terms of allocating funds to extend the pipeline to Płock. Kuchma also

---

[76] Hausner, Jerzy, "Strachy na Lachy?", January 15 2007 at http://jerzyhausner.bblog.pl/, accessed June 12, 2008

[77] Poland, Sejm Debate, 26.09.2002

[78] "W drodze na giełdę: Rozmowa z PGNiG" in Energia XXXVII, *Dodatek reklamowy do Rzeczpospolitej,* Nr 294 (6674) 18 December 2003

[79] PKN Orlen, "Komunikat prasowy", Centrum Prasowego, Warsaw, 5 February 2004; for analysis see Bankier.pl, "PKN Orlen podpisal list intencyjny o budowie i eksploatacji ropociagu Brody-Płock," *Internet Securities Businesswire*, 5 August 2003, at http://www.bankier.pl/wiadomosc/PKN-Orlen-podpisal-list-intencyjny-o-budowie-i-eksploatacji-ropociagu-Brody-Ploc-826401.htm , accessed 1 March 2011

complained about the lack of Western investors in the pipeline despite their initial enthusiasm for obtaining non-Russian deliveries of crude oil. The support offered by the European Union ($3.3 million), moreover, was decried as a meagre sum that had been lost in the EU's bureaucratic thicket.[80]

The ambivalence towards diversification of Poland's oil imports also applied to natural gas. PGNiG CEO Marek Kossowski, who had previously acted as the deputy Prime Minister, was critical of what he considered a lack of commercial incentive to implement the Baltic pipe deal: "the Norwegian contract is utopian; the ability of the Polish market to absorb the volume of gas to be delivered is unrealistic, as is the ability of the Norwegians to free up such amounts for export."[81] The management board at PGNiG reasoned that yet another rigid monopoly on Polish gas imports would be created by the construction of an under-sea pipeline attached to a long-term take-or-pay contract.[82] Moreover, PGNiG released a press statement arguing that "gas purchased from a western direction would be the most expensive option, and would not necessarily be independent from Russian supplies."[83]

Taking cues from PGNiG's assessment, the Prime Minister subsequently argued that Poland did not require the five billion cubic metres of gas that Poland had committed to importing through the Baltic pipe, nor was the price of that gas competitive with existing arrangements with Russia.[84] More generally, Miller appealed to what he termed 'economic rationality' in pursuing energy diversification, and he openly warned Polish officials not to

---

[80] *Eurasia Daily Monitor*, "Ukraine's multi-vector energy policy", Vol. 1, Issue 55, 19 July 2004

[81] *Centrum Informacji o Rynku Energii - Cire*, "Rozmowa z Markiem Kossowskim – Prezesem PGNiG S.A.", 10 May 2004 at http://www.cire.pl/rozmowy/index.html?d_id=13072&d_typ=4, accessed 27 July 2009; see also Jacek Piechota's remarks in the Sejm that "the government reached an agreement in principle on a Norwegian gas contract, but the Management Board at PGNiG has decided not to accept this agreement. We said repeatedly that the agreement was more of an expression of the will of the Polish and Norwegian governments rather than between PGNiG and Statoil (Poland, Sejm Debate, 17.02.2005, *Informacja Rządu Rzeczypospolitej Polskiej w sprawie renegocjacji Traktatu Gazowego z Rosją w oparciu o raport Najwyższej Izby Kontroli,* 4 kadencja, 97 posiedzenie, 3 dzień)

[82] Malgorzata Szymanska, Head of Oil and Gas Unit, Polish Ministry of Economy, author's interview, Warsaw, March 2009

[83] Polskie Górnictwo Naftowe i Gazownictwo, "Komunikat PGNiG S.A. w sprawie artykulow we 'Wprost' oulikowanych 3.11.2003", Warsaw, 3 November 2003

[84] Miller, Leszek, "Woźniak na gazie", Oficjalny Blog Polityczny, 5 January 2009 at http://leszek-miller.blog.onet.pl/1,DA2009-01-05,index.html, accessed 12 February 2010

antagonise Russia; as Piechota recalled, the Prime Minister assessed the desirability of diversification in terms of its negative impact on political relations with Russia.[85] After all, Miller later claimed that Gazprom CEO Alexei Miller had told him that one of the main causes for Russia's North European Baltic Sea pipeline project was the Buzek government's refusal to build the Ukraine bypass pipeline in early 2000.[86]

The Baltic deal with Norway was subsequently delayed, and eventually the contract that had been signed by the Buzek government failed to be ratified by the Sejm.[87] By dropping such costly diversification projects mandated by the Buzek government, the arrival of the left-wing government coincided with a period in which PGNiG managed to reverse its annual financial losses; as stated by the Vice President for Finance and Investment, "after a 3-year period of losses, PGNiG finally reached a gross profit of over PLN 500 million in 2002 and more than PLN 400 million gross profit in the first three quarters of 2003."[88]

Operating in tandem with managers at state-owned energy enterprises, the SLD-led government understood energy security policies largely in terms of their impact on the competitiveness of Polish energy firms, not necessarily as a means of deterring Russian influence. This meant that building new supply routes to diversify Poland's energy sources (particularly natural gas) did not necessarily have to discount Russia altogether; for example, the alternative to the Norwegian Baltic pipeline proffered by the new PGNiG CEO Kossowski was the shorter Bernau-Szczecin interconnection (which the Buzek government had dismissed on account of its reliance on German gas that was ultimately imported from Russia).[89] A press statement released in the wake of the Belarus gas supply crisis in 2004

[85] Jacek Piechota, author's interview, July 2010
[86] Miller, Leszek, "Putin, Ławrow, Miller", Oficjalny Blog Polityczny, 13 September 2009 at http://leszek-miller.blog.onet.pl/1,DA2009-01-05,index.html, accessed 12 February 2010
[87] Orban 2008, p. 82
[88] Energia XXXVII, Jerzy Staniewski, "W drodze na giełdę"
[89] Jedras 2003; Kossowski stated that PGNiG's plan was to link up with Germany through VNG, but the involvement of Bartimpex, the intermediary between Poland and Russia in the import of gas from the Yamal pipeline, complicated the deal. Because of this, Kossowski considered Aleksander Gudzowaty's company to act against the interests of PGNiG, see *Centrum Informacji o Rynku Energii - Cire* "Wycena była prawidłowa; z Markiem Kossowskim, prezesem PGNiG" 27 October 2005, at http://www.cire.pl/pliki/2/wycena.pdf, accessed 10 March 2008

indicated that PGNiG was assessing this interconnector on the basis of commercial competitiveness and economic efficiency, rather than in relation to security of supply.[90]

5.3.2.1 Renegotiating the Yamal contract

Leszek Miller and many of his cabinet ministers reasoned that, before pursuing any ambitious diversification projects with new energy suppliers, Poland first needed to address the shortcomings of the Yamal contract. After all, the Supreme Audit Chamber Report on Natural Gas of 2002 argued that diversification could not proceed without first lowering the quantity of gas imported through the Yamal contract; the report argued that the 1996 contract with Gazprom was already over-supplying Poland's domestic market.[91] The inability of the Polish energy market to absorb excess quantities of natural gas, coupled with the Yamal contract's stipulations that denied its re-export or a reduction in the amount of imported volumes, together constituted a compelling case to renegotiate the terms. Moreover, renegotiating the Yamal contract would dissuade Gazprom from exploring non-Polish routes to reach Western European markets. In this context, Miller asked in a press conference, "why should a gas pipeline be laid on the bottom of the Baltic Sea if there is a chance to transport Russian gas through Polish territory and give the partner an opportunity to make good money on it?"[92]

Poland's energy policy in this instance seemed to derive predominantly from the political orientations of domestic decision-makers, rather than as a reaction to Russia's energy policies, which in fact were becoming more aggressive. Indeed, by the year 2003 the Russian state was building its energy empire in earnest, as President Putin led the campaign to bolster Russia's presence in key energy importing states. The new, updated *Russian Energy Strategy* of 23 May 2003 for the first time acknowledged the importance of energy as a

[90] PGNiG, "Komunikat", 26 February 2004
[91] Poland, Najwyższa Izba Kontroli, *Informacja o wynikach kontroli zaopatrzenia w gaz ziemny*, 2002
[92] *Interfax*, "Polish prime minister in favour of Russian gas transit through Poland," 19 December 2001

"fundamental element within Russian diplomacy."[93] Using language that was deemed by foreign policy analysts to be "occasionally reminiscent of military strategy," the policy document tasked the state with supporting the interests of Russian energy companies abroad.[94] Domestically, Moscow sought to renationalise the country's energy assets in the wake of rising oil and gas prices. Putin's increasingly virulent rhetoric about protecting Russia's energy interests and creating state-owned 'national champions' was matched by actions. In October 2003, the Russian state brought tax evasion charges against Mikhail Khodorkovsky, the owner of the largely independent, relatively transparent and increasingly western-focussed oil company Yukos.[95] It has been repeatedly argued that the true reasons for his subsequent arrest and imprisonment were to prevent the acquisition of Yukos by foreign energy firms (Chevron and/or Exxon-Mobil), to place Yukos' assets in state hands, to sever Khodorskovsky's political ambitions and to send a message to the remaining oligarchs that retaining their wealth was conditional upon support and acquiescence to Putin's Russia.[96] The seizure of Yukos by the state was also the *coup de grace* to those who advocated transparency and the rule of law in the country's energy sector.

Despite these early warnings and Poland's relatively tense political relationship with Russia in the run up to EU membership, those responsible for energy policy nevertheless put greater stock into consolidating existing energy links with Russia than to pursuing diversification. Above all, the Polish representatives at PGNiG and the Ministry of Economy wished to overcome the contractual difficulties that had stalled the construction of the Yamal pipeline. Indeed, a dispute during the Buzek government had arisen between Gazprom and PGNiG over the necessary investments to bring Yamal-I – which opened in December 1999 with an operating capacity of 20 bcm – up to its full capacity of 32 bcm. Under the terms of

---

[93] *Energeticheskaya strategiya Rossii na period do 2020 goda* ("Energy Strategy of Russia to the Year 2020"), Government of the Russian Federation Decree 1234-r, 28 August 2003 , translated in Fredholm 2005, p. 3

[94] Ibid., see also Shaffer 2009, p. 43

[95] For an extensive analysis of the Yukos affair, see Sakwa, Richard, *The quality of freedom: Khodorkovsky, Putin, and the Yukos affair*, Oxford, Oxford University Press, 2009

[96] See Pleines, Heiko, "Developing Russia's oil and gas industry: what role for the state?" in Perovic, Jeronim, Orttung, Robert and Wenger, Andreas, eds., *Russian energy power and foreign relations; implications for conflict and cooperation*, New York, Routledge, 2009, pp. 74-78; Goldman, Marshall, *Petrostate: Putin, power and the new Russia*, Oxford, Oxford University Press, 2008, pp. 105-120

the original 1996 agreement, PGNiG and Gazprom would share the cost of constructing the pipeline in proportion to the share of gas utilised by each party.[97] PGNiG would pick up around 3 bcm from Yamal-I and the remaining contracted amount (gradually rising from 3 to as much as 11 bcm) from the yet-to-be built Yamal-II. In calculating its usage from each pipe, the Polish side pegged its commitment to building Yamal-I at 10% of the total cost, with the remaining 10% of capacity and investment allocated to the second leg of the pipeline. However, Gazprom felt that PGNiG and EuroPolGaz remained obliged by the original agreement to build additional compressor stations along the route of the pipeline to enhance Yamal-I throughput capacity before the second leg was to be built.

The ensuing commercial dispute between PGNiG and Gazprom wasn't overcome until January 2002, after Buzek's minority government lost power. That same month, Prime Minister Miller met with Russian President Vladimir Putin and discussed the need to renegotiate the original Yamal contract, since it had become clear that demand had been over-estimated in Poland.[98] Directly following these talks, the new deputy economy minister, Marek Kossowski resolved the investment dispute with Gazprom by conceding to a $180 million investment in the first two compressor stations, thereby increasing Yamal's capacity to 28 bcm.[99] This concession was approved by the Council of Ministers as a result of appeals by PGNiG to finance the additional offtake and enable the renegotiation of the remaining import quantities mandated by the Yamal contract.[100]

The renegotiation of the Yamal contract brought back the interaction between business and political officials that had been absent during the Buzek government. Deputy Minister of Infrastructure Marek Pol, who had played an instrumental part in concluding the Yamal protocol in 1995, represented the Polish side. He was intent on de-politicising the renegotiation process, stating that "Gazprom is, first of all, a business enterprise that

---

[97] Orban 2008, p. 69

[98] Poland, Ministerstwo Spraw Zagranicznych, *Chronicle of Poland's international relations in 2002* at http://www.msz.gov.pl/publications/2002/cd3/6_Publications_and_analyses/6.2.2_The_Polish_Quarterly_of_International_Affairs_2002(2)/Kronika.rtf

[99] Orban 2008, p. 70

[100] Frączek, Paweł, "Ocena bezpieczeństwa dostaw gazu ziemnego do Polski", *Zakład Ekonomiki i Organizacji Przedsiębiorstw*, Uniwersytet Rzeszowski, 2004

concentrates on increasing its financial resources rather than invading neighbouring states."[101] The primary aim for PGNiG to renegotiate Yamal was to "remove the threat of having to pay for uncollected gas" (e.g. the take or pay rule), which PGNiG estimated would save the company around 100 million złoty. [102] Moreover, by renegotiating the Yamal contract it was possible to implement PGNiG's strategy of diversification which had previously been blocked due to the high quantities of gas supplied under the Yamal contract.

On 12 February 2003, PGNiG and Gazprom agreed to decrease the total contracted Russian gas to Poland by 75 billion cubic metres, amounting to 34.5% less gas between 2003 and 2020 than had been originally agreed upon in the 1996 contract.[103] In exchange for agreeing to lower these quantities, Gazprom secured a gradual reduction of the transit fees due to EuroPolGaz for deliveries to Germany, from 2.74 USD per 1,000 cubic metres/100 km to 1.00 USD by 2014.[104] The political executive was supportive of the renegotiated contract. Włodzimierz Cimoszewicz, the new Foreign Minister who had been Prime Minister of Poland during the signing of the Yamal contract in 1996, met with his counterpart, Igor Ivanov, who expressed satisfaction that the greatest obstacle to friendly economic relations between Poland and Russia, namely the renegotiation of the Yamal contract, had finally been overcome.[105] Leszek Miller later declared that the renegotiation "assured that our country would have no shortage of gas and that we would not pay for gas that we did not need."[106]

---

[101] Poland, Sejm Debate, 26.09.2002

[102] PGNiG, "Komunikat", 26 February 2004

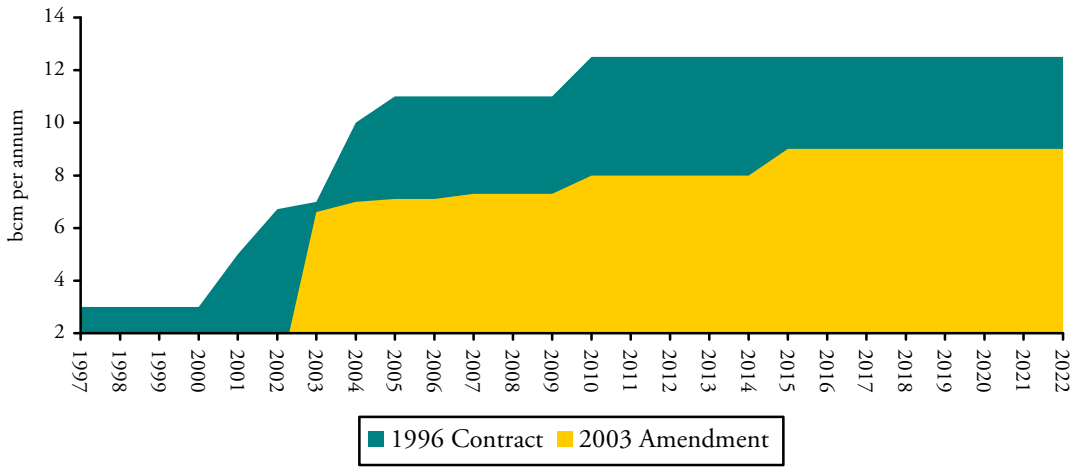
[103] Poland, Yamal Contract, *Addition to the Protocol between the Government of the Russian Federation and Government of the Republic of Poland on institutional activities aimed at enforcing the agreement between the Government of the Russian Federation and the Government of the Republic of Poland on Russian gas transit through Polish territory and Russian gas deliveries to Poland dated 25 August 1993* [translated from Russian], Warsaw, 12 February 2003, in Biblioteczka Wydziału Promocji Handlu i Inwestycji Ambasady RP w Moskwie Ambasada, "Umowy Polska-Rosja", Tom 2, Moscow, June 2008, Article 1

[104] Ibid, Appendix 2. These fees were partially being used to pay for Gazprom's $100 million loan to EuroPolGaz to finance the first leg of the pipeline.

[105] Rzeczpospolita, "Rozmowy ministra Cimoszewicza w Moskwie," 7 February 2003

[106] Miller, Leszek, "Czerwony na gazie", Oficjalny Blog Polityczny, 5 February 2008 at http://leszek-miller.blog.onet.pl/Czerwony-na-gazie, accessed 12 February 2010

Figure 5.4 Revised gas import volumes for the Yamal Contract



However, just like the original Yamal agreement, the renegotiated contract instantly sparked controversy in Poland. The Polish Supreme Audit Chamber (NIK) published a report stating that the 2003 amendments put Poland's energy security at risk.[107] This body, in charge of evaluating agreements made by the Polish state, argued that Marek Pol was not even authorised to negotiate intergovernmental contracts. The deal itself, aside from setting out a marked reduction in transit fees collected by EuroPolGaz (whose murky ownership structure remained unresolved) and ensuring the company's continued debts to Gazprombank,[108] reduced the possibility of diversifying Poland's gas supplies. This was because the newly agreed quantities of gas to be delivered were still too high to warrant consideration of Poland's long-standing diversification plans.[109] At the same time, one of the preconditions for receiving these reduced quantities of Russian gas was to release Gazprom from its obligation to build the second leg of the Yamal pipeline.[110] This concession meant that, rather than building an additional pipeline through the problematic transit region of

[107] Poland, Najwyższa Izba Kontroli, *Informacja o wynikach kontroli zaopatrzenia w gaz ziemny*, Warsaw, KGP/41017/02, July 2004, p. 4
[108] Ibid.
[109] However, PGNiG's Vice President for International Cooperation argued that the renegotiation preserved the flexibility guaranteed by short and medium term contracts from the Drozdowicze import point; see Energia XXXVII, "W drodze na giełdę"
[110] Poland, Yamal Contract, *Addition to the Protocol*, Article 1

CIS and Eastern Europe, the Russian company could seek alternative routes to lucrative gas markets in Western Europe. Accordingly, Gazprom set out to more seriously explore the possibility of running a pipeline underneath the Baltic Sea, into Germany, to avoid Eastern European transit states altogether. PGNiG was largely ambivalent about the development of this north European gas pipeline project; a press statement remarked that "PGNiG does not intend to comment on the sovereign decision of Gazprom to start this project."[111]

Finally, NIK's report was highly critical of the fact that the renegotiated contract failed to change the re-export clause that restricted PGNiG's right to redistribute imported gas through European interconnections (a concession that would have lent justification for Poland's adoption of the new EC energy liberalisation directives concerning third party access to EU gas grids). Overall, NIK's report concluded that the renegotiated contract put Poland's energy security at risk. This conclusion was unsurprising given that NIK's team of auditors were members of the opposition, as was its president, Mirosław Sekuła, who was appointed in 2001 by the AWS-led Sejm.[112]

Poland's new strategy of 'diversification' was to acquire gas from Kazakhstan, Uzebikistan and Turkmenistan. A few months after renegotiating the Yamal contract, PGNiG agreed to the terms of a 15-year contract with the Ukrainian-based Naftogaz and RosUkrEnergo for the delivery of 2.5 bcm of Central Asian gas from 1 July 2005 (rising up to a possible 9 bcm from 2007).[113] PGNiG issued a statement that this medium-term contract was part of its diversification strategy.[114] However, the pipelines used to deliver this gas belonged to Russia, and RosUkrEnergo was a Ukrainian-Russian joint venture. In effect, this contract made up for the decrease in gas deliveries in the recently amended Yamal contract, making it appear that PGNiG only managed to diversify routes, rather than

[111] Polskie Górnictwo Naftowe i Gazownictwo, "Stanowisko PGNiG SA w sprawie gazociągu północnego", *Archiwum aktualności*, Warsaw, 21 November 2002
[112] Gorska 2009, p. 19; for the debate in the Sejm about the Supreme Audit Chamber report, see Poland, Sejm Debate, 17.02.2005, *Informacja Rządu Rzeczypospolitej Polskiej w sprawie renegocjacji Traktatu Gazowego z Rosją w oparciu o raport Najwyższej Izby Kontroli,* 4 kadencja, 97 posiedzenie, 3 dzień
[113] Polskie Górnictwo Naftowe i Gazownictwo, "Dane o działalności Emitenta", *Prospekt Emisyjny PGNiG S.A.*, Chapter 5, Warsaw, 2005, p. 158
[114] PGNiG, "Komunikat", 26 February 2004

sources, of supply (see table 5.3). Indeed, this new medium-term contract precluded the economic feasibility of the Baltic Pipe; PGNiG argued that supplies from Central Asia were more competitively priced relative to both the Yamal contract as well as the Danish and Norwegian diversification projects. Therefore, neither PGNiG's 2001 construction agreement with DONG nor its initial gas purchase agreement with Statoil entered into force.

Table 5.1 PGNiG's Gas Sources, 2001-2005 (bcm)

	2001	2002	2003	2004	2005
Domestic	3.97	4.03	4.06	4.33	4.41
Russia	6.93	6.69	6.75	5.75	6.34
Central Asia	0.70	0.18	0.96	2.67	2.53
Norway	0.27	0.49	0.49	0.48	0.48
Germany	0.40	0.40	0.41	0.38	0.33
Total	12.29	11.81	12.68	13.63	12.21

Source: PGNiG, *Prospekt Emisyjny* and *Annual Report 2005*

5.3.2.2 The Belarus crisis

The Belarus-Russia gas supply crisis of February 2004 occurred less than a year after PGNiG had renegotiated the Yamal contract. This episode involved Gazprom ceasing deliveries of natural gas to Belarus as part of a long-running dispute over gas prices, transit fees, payment delays and outstanding debts.[115] Although Gazprom shut off supplies only to Belarus and not to customers further down the supply chain, the Transmission System Operator (TSO), Beltransgaz was quick to siphon off gas destined for transit through the Belarusian section of the Yamal pipeline. This, in turn, caused shortfalls for both Poland and Germany – the first time that Russian gas deliveries to these states were interrupted. For Poland, industrial

[115] Heinrich 2007, p. 43

consumers were the most affected by the cut of gas supplies, when PGNiG decided to stop deliveries to the six largest chemical companies with interruptible contracts.[116]

Although the crisis lasted less than twenty-four hours, the aftermath provided a good deal of insight into the mutually reinforcing interests of business and the state to play down the threats arising from the crisis. At a press conference shortly after the supply disruption, PGNiG and the Ministry of Economy jointly denied risks to Polish energy security. A press statement by representatives of these bodies concluded that "there is no such threat; we receive 30% of our daily imports through Belarus – we simply increased gas supplies from Ukraine and used stocks that can last, at a minimum, for 24 days;" PGNiG's CEO added that "to me, it is highly improbable that this situation will occur again in the near future."[117] Speaking in the Sejm later that month, reinstalled Economy Minister Jacek Piechota argued that, far from indicating Poland's energy vulnerability, the supply crisis demonstrated Poland's ability to withstand interruptions to its energy supply; he reasoned that gas imported from Russia had multiple entry points whose capacity could be increased to make up for shortfalls.[118] Moreover, Piechota was at pains to point out that Poland's domestic consumers were not affected by the crisis, reiterating on several occasions that "there is no threat of interrupted gas supplies to households or any non-chemical industry."[119]

Yet those in the opposition were of a different opinion, countering that while Western consumers such as Germany had alternatives to make up for Russian short-falls, Poland had no such recourse. In a Sejm debate shortly after the crisis, a number of opposition MPs voiced their concern with what they regarded as the SLD's acquiescence to Russian energy interests. Zbigniew Chlebowski, a member of the centre-right Civic Platform (*Platforma Obywatelska*, PO) party, argued that the Belarus cut off "confirmed the fears of Polish entrepreneurs" that Poland's energy security was contingent on good political

[116] PGNiG, "Komunikat", 26 February 2004
[117] *Money.pl*, "Gazprom wznowil dostawy gazy", 20 February 2004, at http://www.money.pl/gospodarka/wiadomosci/artykul/gazprom;wznowil;dostawy;gazu,34,0,41762.html accessed 23 September 2009
[118] Poland, Sejm Debate, 20.02.2004
[119] Ibid.

relations between Russia and transit states.[120] In a scathing speech delivered in the Sejm, the right-wing MP Kazimierz Marcinkiewicz (who would later become Prime Minister) accused the SLD of putting Poland's national security at risk by abandoning diversification with Norway, pursuing unfavourable renegotiations of the Yamal contract, and conceding to lowered transit fees for Russian gas.[121] Arguing that the interruption to Poland's energy supply was a direct consequence of Miller and deputy minister of infrastructure Marek Pol's ambivalence about diversification, he demanded their resignation along with all associated officials working on energy issues. The chairman of the parliamentary club of Civic Platform, Jan Rokita was equally damning, calling the supply interruption "a testament to the failure of the government's energy policy," as he blamed both Miller and Pol directly for their lack of foresight.[122]

The Belarus gas crisis materialised what had previously been hypothetical fears about Poland's dependence on Russian energy. Yet the interruption to gas supplies hardly spurred the SLD government into action, nor did it breathe new life into Poland's diversification agenda.[123] Pol rebuffed Marcinkiewicz's attack in the Sejm by accusing him of ignorance of the terms of the Yamal contract; he also stated that the Belarus-Russia shut off was an exceptional event that led to talks between the Foreign Ministries of Poland and Russia about managing future supply interruptions.[124] With regards to Poland's overall diversification strategy, Piechota argued that the government's position remained unchanged by the Belarus supply crisis: "I cannot agree with the assertion that the talks with Statoil and DONG have anything to do with the Belarus-Russian situation. These discussions happened to be a coincidence."[125] Kossowski continued to argue that any diversification strategies

[120] Poland, Sejm Debate, 17.02.2005
[121] Poland, Sejm Debate, 20.02.2004
[122] Ibid.
[123] This proved quite the contrast to the Olszewski government's response to gas shortfalls in early 1992, after which three diversification projects were initiated.
[124] Poland, Sejm Debate, 20.02.2004
[125] Ibid.

should be explored "on the basis of commercial contracts, with a choice of partners based on the most favourable supply conditions."[126]

In the aftermath of the Belarus supply crisis, PGNiG nevertheless signed the deal with RosUkrEnergo and Naftogaz initiated in October 2003 for the delivery of Central Asian gas (from Kazakhstan, Uzbekistan and Turkmenistan) via Russia.[127] In the meantime, the company renewed plans to build the Bernau-Szczecin gas link with Germany, which former Treasury Minister Kaczmarek claimed was the best and most efficient solution in terms of connecting Poland to the European gas network and diluting Russia's stranglehold on gas imports.[128] The opposition was quick to counter, however, that the deal also indirectly involved Russia and was therefore similarly an illusory diversification project; the party that succeeded the SLD's term in government, the right-wing Law and Justice (PiS), made good on their word to abandon the Bernau-Szczecin energy link, replacing PGNiG's top brass in the process.

5.5 The caretaker government and the return to liberalism

The SLD government was in turmoil by the time Poland acceded to the European Union, its unity and effectiveness hampered by a sluggish economy accompanied by occasional bouts of popular unrest. The three parties in Leszek Miller's coalition government openly quarrelled as corruption scandals and cabinet shuffles piled onto the political agenda. Amidst the lowest approval ratings of any post-communist government, the coalition split up in March 2004 and the Prime Minister resigned his post on 2 May 2004, the day after Poland joined the European Union. To prevent electoral chaos, President Kwaśniewski nominated Marek Belka, an economist whose technocratic background was meant to symbolise to the

[126] *Centrum Informacji o Rynku Energii - Cire*, "Rozmowa z Markiem Kossowskim – Prezesem PGNiG S.A.", 10 May 2004
[127] PGNiG, "Dane o działalności Emitenta", p. 158
[128] Poland, Sejm Debate, 20.02.2004

electorate a de-politicised and scandal-free image of the new government. Belka's caretaker government won a vote of confidence in June 2004.[129]

As a "semi-detached member of the SLD from its most pro-capitalist liberal wing,"[130] Belka shifted the orientations of his new cabinet towards liberal economic development, mandating a new energy policy devoid of the closed system of interest representation that had characterised the Miller cabinet's policies. Accordingly, Belka's energy policy team was composed of officials and experts from the Energy Regulatory Authority (URE) in open consultation with representatives as well as stakeholders from all levels of the energy sector. These stakeholders, such as URE and EPC (the state electricity consultancy) had criticised the Miller government's vagueness about concrete roles and responsibilities played by state and market actors in the formulation of energy policies.[131] As a result, the policy team's final version, 'The Energy Policy of Poland until 2025' adopted in January 2005, was the first energy policy document to concretely set out the roles played by designated actors in the state-market nexus. In this regard, the government's responsibility was primarily to ensure national energy security by forecasting energy demand/supply and implementing diversification, strategic storage and the building of spare capacity.[132]

However, the Energy Policy to 2025 was released to a great deal of criticism from the left wing politicians who remained in government. First and foremost, it was argued that the document took its cues from the EU's Green Paper of 2000 and the growing body of internal energy market legislation coming out of Brussels.[133] The EU's understanding of diversification in these documents, however, was geared towards *increasing* the share of Russian energy in the EU's energy balance (in other words, building additional east-west transit routes that would lessen oil dependence on what was deemed to be a volatile Middle East). Thus, if diversification received any attention at all in Poland's updated energy strategy, it was in the context of a market-oriented, EU-focussed approach, which left

[129] Millard 2006, pp. 1008-1011
[130] Ibid., p. 1010
[131] Gołębiewska, Marcelina, "W poszukiwania pewnej polityki", *Wirualny Nowy Przemysl*, 29 November 2004
[132] Poland, Rada Ministrów, *Energy Policy of Poland until 2025,* Warsaw, adopted 4 April 2005, pp. 11-14
[133] Gołębiewska, "W poszukiwania pewnej polityki"

decisions concerning interconnections and crisis response mechanisms to national governments.[134] Moreover, despite extensively criticising previous inaccurate forecasts of Poland's demand for energy – particularly natural gas – the 'Energy Policy to 2025' did not publish any of its own. Instead, it referred to Poland's 'National Development Plan 2007-2013' as a guide to determining benchmarks and expectations for energy consumption; this document, however, also did not contain any energy demand/supply scenarios.[135]

The Energy Policy to 2025 stressed the "introduction of market relations within the energy sector," with a particular emphasis on conforming to the evolving EU laws on gas and electricity markets.[136] The document defined energy security as "such a condition of the economy which makes it possible to cover the current and prospective demand of consumers for fuels and energy, in a technically and economically justified way, with the minimum negative impact of the energy sector upon the natural environment and on the living conditions of the society."[137] Neither dependence on Russia nor transit status was raised as an important consideration for Poland's gas supply security – somewhat puzzling in light of the supply interruption in February 2004 brought about by long-standing Russia-Belarusian gas transit and pricing disputes. Moreover, when mentioning diversification as one of the many conditions of energy security, the document noted that the "degree of diversification of sources of supply [must be calculated] at the acceptable level of costs and in relation to the projected

---

[134] In fact, in none of the aforementioned energy directives were there provisions for building energy interconnections between member states, even though this would not only help to complete the internal market but also encourage collective supply security as well as competition amongst member states. For new member states, this provided a particularly disadvantageous scenario – whereas energy transmission and distribution networks were well developed in the West, for Central and Eastern Europe they were still antiquated, inefficient and in need of modernisation. Poland, for example, had no gas network connections with Slovakia, Czech Republic, or Lithuania.

[135] See Poland, *Projekt Narodowego Planu Rozwoju 2007-2013*, at http://www.funduszestrukturalne.gov.pl/informator/npr2/npr.htm, accessed 5 December 2008; curiously, an earlier draft version of the 'Energy Policy until 2025' did in fact contain energy demand forecasts, broken down into three scenarios (treaty, basic coal and basic gas variants of the total energy supply; it was predicted that gas demand by 2025 would rise from a 2005 level of 11.8 bcm to 22.7, 23.8, or 29.9 bcm, respectively) Poland, Zespół do Spraw Polityki Energetycznej, *Polityka energetyczna Polski do 2025 roku*, materiał roboczy do konsultacji, 6 December 2004, p. 50

[136] See Poland, *Energy Policy until 2025*, p. 3-4

[137] Ibid., p. 5

demand."[138] In other words, diversification projects were not going to be about lessening dependence on Russia for political purposes (as they had been under the Buzek administration), nor would they revolve around strengthening the market power of national energy champions (as was the preference of the SLD government under Leszek Miller). Instead, energy security was achieved by ensuring favourable market conditions and competition between a large number of market players. When dependence on Russia was mentioned, it was in the context of the contractual conditions that over-supplied Poland's gas market, rather than the threats arising from politically-motivated interruptions to supply.[139] Overall, the 2025 policy document was criticised for "not stressing the danger that ensues from insufficient diversification of the supply of oil and gas."[140]

The Energy Policy to 2025 advocated the "gradual reduction of the state bodies' direct influence on the operation of energy companies." [141] This goal was championed by URE officials, who argued that state interventions did little to attract foreign direct investment.[142] Accordingly, the Belka administration advanced privatisation programmes for many state-owned energy assets. The major step in this direction was to finally legally separate PGNiG's transmission from its distribution activities in July 2004 by creating an independent transmission system operator – Gaz-System, and then to set a timetable for PGNiG's debut on the Warsaw Stock Exchange. The newly-appointed Treasury Minister, Jacek Socha, was in favour of retaining the Treasury's majority ownership of PGNiG shares, but argued that the financing of energy security projects and the planned increase of domestic gas extraction were both contingent on raising capital via a partial public offering of the company.[143]

---

[138] Ibid.
[139] Ibid, p. 36/43
[140] Unge, Wilhelm et al, "Polish-Russian relations in an Eastern dimension context" *FOI Report,* Swedish Defence Research Agency, Stockholm, 2008, p. 62
[141] Poland, *Energy Policy to 2025*, p. 30
[142] Włodarczyk, Witold, "Rynkowa reforma sektora elektroenergetycznego," in Biblioteka Regulatora URE, *Jaki model rynku energii?*, Urząd Regulacji Energetyki, Warsaw, 2010
[143] Kazimierski, Andrzej, "Jacek Socha, former Minister of the Treasury: faces of privatisation", *Polish Market Online*, 31 March 2006, at http://www.polishmarket.com.pl/document/:12067?p=%2Flate%2F

The opposition parties Law and Justice (PiS) and Civic Platform (PO), as well as centre-right former Minister of Economy Janusz Steinhoff, criticised the idea of free floating even a small share of PGNiG. PiS leader Jarosław Kaczyński argued that a public offering would "result in a loss of control over critical infrastructure for the security of gas supplies to our country… Gazprom's monopoly position in Poland's gas imports would allow the Russian company to increase its influence in the privatised company, with a view towards seizing control."[144] Victorious at the 2005 parliamentary elections, the new conservative PiS government lobbied for the dismissal of PGNiG CEO Marek Kossowski, on grounds that the loss of 15% of PGNiG to private ownership was inadmissible; Kaczyński claimed that "PGNiG is a strategic asset and further privatisation of the company could be dangerous to Poland's energy security."[145]

Overall, the dispute over the privatisation of PGNiG during Belka's tenure in government was the inevitable by-product of competing perceptions of the optimal means of ensuring energy security. Through the National Development Plan as well as the 'Energy Policy to 2025', Belka's government repeatedly identified market liberalisation as a precondition for enhancing energy security.[146] However, this line of thinking was reversed by the incoming conservative PiS government which, owing to its nationalist agenda, argued that achieving energy security was a precondition for market liberalisation.

5.5.1 External energy relations after EU membership

Because of its economically liberal outlook towards the energy sector, the Belka government was far more suspicious of Russia than the SLD coalition had been. The Kremlin's lack of transparency, its tight control over Gazprom, as well as the company's commercially-dubious export strategies were all a source of concern in the immediate aftermath of EU membership.

---

[144] Poland, Sejm Debate, 19.07.2006

[145] Wasilewski, Patryk, "Poland says to halt gas monopoly privatisation", *Reuters UK*, 13 December 2006 at http://uk.reuters.com/article/idUKL1322633220061213, accessed 5 April 2009

[146] Poland, *Projekt Narodowego Planu Rozwoju 2007-2013*, p. 62

Indeed, Russia's growing influence on the geopolitics of Europe came at a time when Poland was articulating a more pro-active eastern policy that reflected its ambition to play an important role in the EU's evolving foreign policy agenda. Broadly, Poland's interests in the region were focused on repelling Russia's increasingly 'neoimperial' tendencies whilst supporting democratic and capitalist transformation along its eastern borders, particularly Ukraine.[147] In this context, Warsaw's support for Ukraine's 'Orange Revolution', in which Viktor Yushchenko's liberal reformist opposition eventually won the presidential elections in early 2005, was counted as a major foreign policy success; President Kwaśniewski played an instrumental role in getting both the EU and NATO to choose sides in the contested elections. The latter held three round-table negotiations that paved the way for a compromise between the incumbent government and the opposition. Overall, Yushchenko's victory galvanised Poland's long-standing commitments to have Ukraine join Euro-Atlantic security and economic structures whilst 'relativising' Russian dominance of the so-called 'near abroad.'[148]

Poland's emboldened external policy in the post-EU membership period led to a revival of the prospect of building energy links with a 'democratising' Ukraine. By this time, the Odessa-Brody project had become a physical manifestation of Ukraine's erratic commitments to free itself from Russian influence. Built in 2001 for the purpose of breaking Russia's stranglehold on Ukraine's oil imports and exports, the Odessa-Brody link was later absorbed into Russia's energy network in early 2004 when Prime Minister Yanukovych announced that the directional flow of the pipeline would be reversed to accommodate Russia's oil supply chain activities near the Caspian Sea. But the Orange Revolution cast this arrangement in doubt, providing a second chance for Poland and its western partners to realise the original purpose of the pipeline, which was to secure a diversified (e.g. non-Russian) source of oil from the east. On a visit to Kiev to meet with the newly-elected Yushchenko administration in March 2005, Prime Minister Belka reversed his predecessor's

[147] Longhurst and Zaborowski 2007, chapter 5
[148] Lang, Kai-Olaf, "Poland and the East" *Stiftung Wissenschaft und Politik SWP,* Comment 23, Berlin, June 2005, p. 2

ambivalence about the project by pledging to strengthen Sarmatia, the joint venture between UkrTransNafta and Poland's PERN that had been created in July 2004 to attract and allocate investments for bringing the Odessa-Brody-Płock pipeline onstream. Belka also addressed natural gas security as an essential part of Polish-Ukrainian cooperation, stating that "we have an opportunity to diversify our gas supplies with purchases of natural gas from Ukraine. This might also involve the possible use of Ukrainian storage tanks."[149]

Despite the geopolitical ramifications of Polish-Ukrainian energy relations, Belka's detached, economical point of view was meant to decouple politics from the energy supply security equation. Both the Prime Minister and his deputy, Jerzy Hausner, were above all intent on aligning Poland's energy policies with those of the European Union.[150] This was apparent in its lobbying efforts to have the Odessa-Brody Pipeline listed as an EU project of common interest,[151] as well as its efforts to both unbundle and privatise Poland's national energy champion, PGNiG.

5.6 Conclusion

In a global context, the left-wing government in Poland oversaw a period in which energy re-nationalisation in supplier states aggravated a gas and oil market that had already been tightened by a noticeable rise in demand from China and India, as well as the U.S-led war on Iraq. These factors, besides driving up energy prices, punctuated fears about a global shortage of energy.[152] In a regional context, the material threats to Poland's energy security were arguably more acute in the run up to EU membership than they were at any time since the end of the Cold War. Besides suffering its first major interruption to gas supplies from the east since the Polish-Russian barter arrangement deal broke down in January 1992, Poland

[149] *Polish Market Online*, "Strategic partnership links Poland with Ukraine", 4 April 2004 at http://polishmarket.com.pl/document/:10619?pmlang=en/The+great+benefits+cooperation+can+bring.html, accessed 5 February 2010
[150] See Hausner, Jerzy and Marody, Miroslaw, eds., *The quality of governance: Poland closer to the European Union?*, EU Monitoring IV, Warsaw, 2000
[151] Poland, *Projekt Narodowego Planu Rozwoju 2007-2013*, p. 62
[152] See Hoogeveen & Perlot 2004

was also the subject of pressure from the European Union to de-monopolise its energy market to foster competition and enable non-discriminatory access to strategic energy assets. In the meantime, there were increasingly visible signs that Gazprom was planning to build an undersea pipeline to link Germany and Russia directly, thus bypassing Poland and other transit states. In the realm of oil, Warsaw failed to convince Kiev to keep the original directional flow of the Odessa-Brody pipeline from being reversed at Russia's behest.

Poland's responses to these external challenges during Miller's rule differed markedly from the previous Buzek government, which had advanced an ambitious programme for gas and oil diversification. Energy security during the SLD government was primarily associated with ownership and management issues, rather than the adequacy of supply from cross-border energy transport. This was unsurprising given that pending entry into the EU would challenge the SLD's preference for maintaining a closed system of interest representation between politicians, public officials and state-owned energy firms. Indeed, the ostensibly separated public and private sector decision-making spheres were in truth closely intertwined and interdependent. Overlapping spheres of influence between business and politics created a highly complicated middle ground between the *laissez faire* approach favoured by liberals and the *dirigiste* nature of statists. The high turn-over of elites from both spheres was a function of the ambiguity and disagreement over the path towards energy sector reform, which in the case of the oil market led to policy paralysis.

Discussions about Russia's influence on Poland's energy security did not revolve around supply-oriented issues of dependence or geopolitical vulnerability but rather on the commercial potential for Russian firms to acquire Polish assets in the competitive, liberalised energy market that had been mandated by the EU. Given the Miller government's erratic and interventionist approach to managing strategic energy assets, both Russian and European business interests were therefore looked upon with suspicion. The European Union's energy *acquis*, particularly the new rules governing third party access and non-discrimination in the use of energy grids, was viewed as a conduit for foreign entities seeking to dominate Poland's energy market. In response, Poland's energy firms and infrastructure were consolidated. This

strategy was partially reversed with the arrival of Marek Belka and his technocratic 'team of experts' in the core executive, after which Poland became reoriented towards market opening (as opposed to consolidation), transposing EU directives on gas and electricity into national legislation.

As for energy diversification policies, it was difficult to reconcile energy firms' emphasis on building up commercial strength with the costly investments needed to enhance resilience to supply shocks from the east. During the SLD government executives in state-owned energy enterprises were free to weigh in on the Buzek government's diversification strategy; new boards of directors were wary of the financial burdens imposed by the 'big Norwegian contract' and other energy security measures, such as the Odessa-Brody oil link. Thus, state-owned enterprises such as PGNiG and PKN Orlen advanced in a different direction, moderating their strategic investment plans to accommodate commercial projects that above all were aimed at increasing market power (not necessarily security of supply). The examples of PKN Orlen's acquisition of retail outlets in Germany and PGNiG's gas contracts with cheap (albeit ultimately Russian) sources from Central Asia both bear testament to this point.

Overall, it was difficult to tell the story of energy security in Poland during SLD rule without reference to the close links between the state and the energy industry in the making of public policy. The decision-making process, which was characterised by a high turnover of both state and business elites, was crucial for understanding Poland's revised diversification policies towards Russia, its obstinacy toward foreign direct investment and its obscured energy reform strategy in the run up to EU membership.

Chapter VI

Diversification at all costs; security and sovereignty after EU membership, 2005-2007

This chapter will explore the energy security policies of the nationalist-conservative Law and Justice Party (PiS) that came to power after the 2005 parliamentary elections. During its two year term in government, PiS framed energy security as an issue that fundamentally affected Poland's sovereignty and independence in international relations. This outlook heralded a statist energy policy network consisting primarily of political executives who were disinclined to take into account the interests of national energy firms. Instead, the state frequently intervened in the workings of the domestic energy market and played an instrumental role in 'securitising' issues such as energy dependence and diversification. Consequently, energy security policies towards Russia and the European Union became associated with Poland's wider foreign and security policy, which at the time was focussed on advancing the country's geopolitical and economic interests in an enlarged European Union. The political shift in Poland towards right-wing conservatism occurred in the wake of a number of regional developments affecting the geopolitics of European energy supply (prime examples being the Nord Stream project and the Russia-Ukraine gas crisis). Poland's responses to these external factors became enmeshed with domestic politics, conditioned by a statist brand of economic policy more reminiscent of diplomatic alliance-building measures than liberal market principles.

6.1 The rise of Law and Justice in Poland

The nepotism, corruption and political infighting of the preceding AWS and SLD governments had led to a deep resentment and dissatisfaction with politicians by the wider population. Leszek Miller's coalition government had an abysmal approval rating of between 5-10 per cent in the opening months of 2004; his successor, Marek Belka, could not extricate

himself from the government's tarnished reputation and only held power for little more than a year.[1]

It was in this climate of disenchantment with Polish politics that both the presidential and parliamentary elections were held, in the second half of 2005. The opposition parties on the right of the political spectrum had built an election campaign premised above all on stability and justice after the turbulent and unpopular Democratic Left Alliance governments. The Law and Justice Party, headed by the right-wing Kaczyński twins Lech and Jarosław, espoused a new moral fabric for Polish society that would usher in a 'Fourth Republic;' pundits described this vision as a "conservative project based on a radical critique of post-1989 Poland as corrupt and requiring far-reaching moral and political renewal."[2] PiS made an electoral pledge to strengthen the rule of law and purge the political arena from corruption and the remnants of communist patronage.

To set its policies apart from its programmatically similar conservative opponent, Civic Platform (PO), the Law and Justice Party focussed its election campaign on socio-economic issues, where a clear divide between the liberal PO and the more economically interventionist PiS could be discerned. All throughout the electioneering of 2005, PiS contrasted its own brand of egalitarian, solidaristic Poland based on redistribution with PO's vision of a liberal economic order favouring the winners of the transition to market capitalism.[3] Moreover, it was argued that PiS' appeal to the "comfort of the familial order and unity based on traditional values provided an answer to and respite from strident individualism and the bewildering diversity of pluralism."[4]

Although Law and Justice emerged the victor in the 2005 parliamentary elections, the party's bid to create a majority government with Civic Platform was unsuccessful. After the short minority rule of Kazimierz Marcinkiewicz, PiS was forced to form a coalition with the clerical/nationalist League of Polish Families (Liga Polskich Rodzin - LPR) and the left-

[1] Szczerbiak 2007, pp. 207-209
[2] Ibid., p. 212
[3] Ibid., p. 216
[4] Millard 2006

wing populist Samoobrona, both of which were at the margins of Poland's domestic politics.[5] The resulting government comprised a disparate collection of elites from extreme ends of the political spectrum; the main ideological strand holding them together was a common Christian ethos backed by strong nationalist sentiments.

At the centre of the conservative revival in Poland were the Kaczyński twins. Both had long-running track records in politics stretching back to the birth of the Solidarity movement in 1980. After the collapse of communism, the twins both served as senators in post-Solidarity governments; Lech became Minister for Security and Jarosław Head of the Chancellery of President Wałęsa. Sharing an education in law, the brothers advanced an ethical and traditionalist view of Polish politics as they sought to root out the last vestiges of the communist *nomenklatura.*[6] In this context, they quickly became critical of Poland's post-communist policies of drawing a 'thick line' between the past and present whilst advocating a liberal economic order; these policies, they argued, effectively enabled former communist leaders not only to escape accountability but also to profit from state-owned enterprise privatisations and the broader transition to capitalism. Thus, the electoral manifesto of PiS included a commitment to extricate from government all those that had supported Poland's post-1989 liberal consensus; accordingly, after the elections, pressure was applied on state institutions and ministries to make far-reaching personnel changes.[7] This preoccupation with ousting the so-called 'układ' radicalised the state apparatus through the creation of numerous truth and justice committees whose mandate for investigation encroached deep into the past and present workings of state officials, bureaucracies and institutions.

The Kaczyński twins held decidedly statist orientations towards the management of the economy. Both were "sceptical of big business … and unsympathetic to the demands for

---

[5] Bobrowski, Ryszard, "Poland's wrong choice: the Polish political scene and its influence on the creation of the country's foreign and security policy", *International Issues & Slovak Foreign Policy Affairs* Vol. 16, No. 2, 2007, pp. 66-68

[6] Lech Kaczyński held a senior post in Buzek's cabinet, acting as the Justice Minister. He played an instrumental part in reviewing the legality of the fibre optic cable running along the Yamal pipeline; his findings were concluded by highlighting the dangers of depending on Russian gas; see Orban 2008, p. 81

[7] Bobiński, Krzysztof, "Poland's post election foreign policy – a turning point?" *Instytut Spraw Publiczynch,* Warsaw, 2007

more liberalisation and less bureaucracy."[8] These convictions were shared by PiS' first Prime Minister Kazimierz Marcinkiewicz (who had previously worked as cabinet chief for Jerzy Buzek's government) as well as the Minister of Economy Piotr Woźniak, who had been deputy chairman for Trade and Restructuring at PGNiG from 2000-2002. Seeking to strengthen centralised government, PiS carved out a greater role for executive officials in managing state-owned enterprises; oversight duties were assigned to individuals such as Deputy Economic Minister Piotr Naimski and Treasury Minister Wojciech Jasiński. These individuals reserved for themselves a crucial role in the economic policy-making process, whilst at the same time marginalising the input of pro-European officials from other institutions such as the Integration Office or the Ministry of Finance.[9]

6.1.1 East meets west: ideology and foreign policy of PiS

The PiS government's foreign policy was decidedly Atlanticist, overtly anti-Russian and moderately Euro-sceptic.[10] With membership in the EU and NATO secured, the *de facto* liberal orientation that had guided Poland's post-communist external relations was no longer a given. Instead, nationalist rhetoric about preserving sovereignty and independence became prominent in Poland's diplomatic lexicon. A nascent euro-scepticism took root, spawning in large part from the perceived inequalities between new and old member states' bilateral relations, as well as disenchantment with the EU's under-developed competence in external policy. The goal of 'returning to Europe', with its implied asymmetry between east and west, was replaced by a desire for solidarity on a level-playing field, with the guiding mantra - 'nothing about us without us' – taking on a new significance.

No longer a passive observer and obliging rule adopter, Poland sought to assert its own version of European integration that would favour Polish national interests. In this way,

[8] *Economist*, "Lech Kaczyński obituary", 15 April 2010, at http://www.economist.com/node/15905901 accessed 20 April 2010
[9] Heywood and Meyer-Sahling 2008, pp. 52-53
[10] see Longhurst and Zaborowski 2007, chapter 6

the government viewed the EU's lack of institutional provisions for dealing with external relations as an opportunity for Warsaw to "shape new Europe and its foreign policy."[11] History was a prominent point of reference in this diplomatic vision; repeated reference by PiS officials and ministers to past episodes of partition, betrayal and murder made Warsaw quite a dramatic foreign policy actor. The perceived historical wrongdoings levied against Poland by its neighbours (e.g. the Molotov-Ribbentrop Pact, the massacre at Katyn, the Yalta Peace Conference, and forty years of 'illegitimate' communist rule) were often invoked when referring to contemporary foreign policy challenges.

Owing to the euro-scepticism of PiS' coalition partners and the nationalist proclivities of the Kaczyński twins, the government had a nebulous and oft-contradicting outlook on the European Union as a foreign policy actor and as a multilateral institution. On the one hand, some of Warsaw's preferences were aligned with the multilateral, 'Community' method of decision-making. After all, Poland reaped the benefits of the redistributive EU budget and would eventually profit from the Common Agricultural Policy. Its pro-enlargement policy as well as its promotion of collective solidarity in the face of what Warsaw regarded as Russian neo-imperialism informed much of its diplomatic conduct. However, since the reach of Warsaw's foreign policy aspirations exceeded its grasp, the Kaczyńskis reasoned that the European Union was most effective as a tool through which Poland could realise its national interests. As such, the emphasis on Polish sovereignty and independence pushed Warsaw towards a Gaullist-like preference for intergovernmentalism in the EU. In several cases Poland refused to moderate its position or assimilate to the consensus-based, cooperative approach favoured in the bureaucratic corridors of Brussels. On issues such as voting rights, relations with Russia, banking rules or the death penalty, Polish delegates were accused of intransigence, obstructionism and obstinacy.

On a bilateral level, both Lech and Jarosław Kaczyński did little to conceal their suspicions of Germany and Russia. Since taking the offices of President and Prime Minister of Poland, respectively, the conservative twins openly expressed their dissatisfaction with the

[11] Ibid., p. 47

Russo-German 'strategic partnership.' Drawing on what they deemed to be historical lessons, they argued that a concert between Berlin and Moscow had never been beneficial to Poland.[12] Therein lay the PiS leaders' diplomatic philosophy – that Poland was caught in a geopolitical quandary that needed to be overcome by an assertion of national power and influence. As a result, relations with both countries became strained.

Germany, which had been the most vocal proponent of Poland's entry into the EU, bore the brunt of PiS' nationalist rhetoric in Brussels after enlargement. A particularly poignant example was Jarosław Kaczyński's assertion during the Lisbon Treaty negotiations that Poland would have had greater voting power in the EU had it not been for the Polish deaths caused by Nazi Germany during World War II.[13] PiS' political manifesto even contained thinly veiled accusations that Germany was using the EU as an instrument of regional domination; one of Poland's foreign policy goals, therefore, was to "challenge the hegemonic ambitions of the EU's most powerful countries, which are seeking to build their prosperity at the cost of the remaining member states."[14] Moreover, in advocating an 'Eastern Dimension' to the European Union's common foreign policy, Warsaw was keen to don the mantle of 'regional leader' and to relieve Germany from its role as the EU's main proponent of eastward integration. In line with its historically-informed foreign policy, the PiS government also drew attention to Germany's controversial exhibitions on expulsions of nationals from redrawn Polish territory after World War II, as well as individual compensation claims against Poland by expellees.[15]

With regards to Russia, the PiS government had already inherited a frosty relationship with Moscow. Much of the hostility stemmed from Warsaw's unequivocal support for Ukraine's Orange Revolution in late 2004, which ran against Moscow's foreign policy preference favouring the election of incumbent Prime Minister Viktor Yanukovich to

---

[12] as recalled by Piotr Naimski, author's interview, Warsaw, July 2010

[13] Mulvey, Steven, "Poles in war of words over voting", *BBC News*, 21 June 2007 at http://news.bbc.co.uk/2/hi/europe/6227834.stm, accessed 4 February 2010

[14] *Platforma PiS*, quoted in Bobinski 2007b, p. 6

[15] Styczek, Janusz, "Relations between Poland and Germany", *Yearbook of Polish Foreign Policy,* Issue 01, Central and Eastern European Online Library, 2007, pp. 97-98

the post of President. Beyond contesting visions of the geopolitical landscape of post-enlargement Europe, Russia and Poland also clashed over competing versions of history – World War II anniversaries in 2005 became a fertile breeding ground for rhetorical conflict in which differing interpretations of past events such as the Yalta Peace Conference or the Katyn massacre stymied Russo-Polish reconciliation.[16] Economic relations were also a bane; in November 2005, shortly after the victory of PiS in Poland's parliamentary elections, Russian authorities imposed an import ban on Polish meats, allegedly due to concerns over lax health and safety standards. This caused a diplomatic domino effect leading Warsaw to reject the European Commission's renewal of its Partnership and Cooperation Agreement with Russia. Finally, an indirect factor contributing to tense Polish-Russian relations was the former's close diplomatic relations with the United States at a time when Moscow was at odds with the U.S. over a number of foreign policy issues (such as the war in Iraq, nuclear proliferation in Iran, as well as more directly relevant issues such as continued NATO expansion and the installation of U.S. missile defence shields in Central and Eastern Europe).[17] Indeed, Poland's conviction was that the EU's rather timid multilateral defence mechanisms made Washington the *de facto* guarantor of European security, as well as the only power able (and willing) to counter Russian influence in the region.

Much of the foreign policy of PiS was a product of its domestic preoccupation with purging the state from endemic corruption. Indeed, the Kaczyński's zealous campaign to oust *Układ* and former *nomenklatura* antagonised various ministries dealing with external policy, eventually leading to the resignation of Foreign Affairs Minister Stefan Meller. In fact, one of the central reasons for Meller's resignation was his critique of the president's uncoordinated foreign policy; he even wrote an article in *Rzeczpospolita* stating that internal political battles "leads straight to the Machiavellization of international relations … [and

[16] See Unge et al. 2008, pp. 22-26

[17] See Král, David, Řiháčková, Věra and Weiss, Tomáš, *Views on American foreign policy; the Atlanticism of political parties in Central and Eastern Europe*, Europeum Institute for European Policy, Prague, 2008, p. 143

leads to] self-isolation and clientelism, clad in the attire of 'national interests.'"[18] Prime Minister Marcinkiewicz was forced to resign shortly thereafter, as "he was seen as showing too little enthusiasm for the radical policy and personnel changes that PiS had promised."[19] Jarosław Kaczyński, his successor, aspired to make Poland's foreign and domestic policies reflect the country's 'important status' in Europe. PiS' political platform stated as much, claiming that "our aim is to build a strong Republic which will occupy a position worthy of a big European nation in the international arena."[20]

6.2 Energy security challenges during the PiS government

Nowhere was Poland's assertive foreign policy more prominently on display than in the sphere of international energy politics. To the new right-wing government in Warsaw, the very concept of energy security, and the means by which it could best be ensured, represented all that to which its foreign policy aspired. To secure energy was synonymous with attaining independence from Russia; it was also a way for Poland to lead the European Union towards greater collective solidarity while bolstering Poland's standing among European powers. Jarosław Kaczyński declared in a Sejm debate in mid-2006 that energy security would top his government's agenda; he argued that the provision of oil and gas was the most important external security threat to Poland.[21]

There was no shortage of developments in Europe's energy market for Poland to actively engage itself with. Some of the issues stemmed from the EU's liberal emphasis on the internal energy market, where the push for vertical unbundling led to controversies in the electricity and natural gas sectors. Amidst the enactment of key legislation in the sphere of EU competition, signs of protectionism for 'national energy champions' became increasingly

[18] Meller, Stefan "Jêzyk polityki i racja stanu," *Rzeczpospolita,* 1–2 April 2006 at http://www.msz.gov.pl/Jezyk,polityki,i,racja,stanu,5152.html accessed 5 March 2010
[19] Bobiński 2007b, p. 6-7
[20] Ibid.
[21] Poland, Sejm Debate, 19.07.2006, *Przedstawienie przez Prezesa Rady Ministrów programu działania Rady Ministrów z wnioskiem o udzielenie jej wotum zaufania,* 5 kadencja, 22 posiedzenie, 2 dzień

apparent in some member states. The French government, for example, mediated a merger between Gaz de France and Suez that effectively pre-empted the Italian-based Enel's bid for the latter. In Spain, legislation was passed that allowed the national energy regulator to prevent takeovers by foreign companies, thereby blocking the German-based E.On from buying up Spain's Endesa.[22] This emerging energy nationalism inspired the new member states to also erect protective legislative barriers for foreign acquisition of 'strategic assets.' Wary of opening up their weaker markets to state-backed, vertically-integrated Western European energy firms, governments in Poland, Lithuania and later Hungary invoked measures to protect vital energy infrastructure.

Beyond issues of competition, a new EU Emissions Trading Scheme had come into force in early 2005. As part of the EU's wider policy on climate change and energy efficiency, the scheme obligated member states to limit their industrial pollution by putting in place allowances, permits and taxes on CO_2 emissions.[23] This was a potential source of threat to Poland's coal industry and a challenge for its energy-inefficient infrastructure. It also constituted a *de facto* obligation to increase the share of less ecologically damaging fuels in Poland's total primary energy supply which, in turn, would increase the country's import dependence on natural gas. Commentators in the new member states noted that the highly industrialised West was now imposing limits to economic growth when Central and Eastern Europe was only just beginning to develop in earnest.[24]

A nascent debate about a common EU external energy policy was also underway. The 2006 Green Paper, "A European Strategy for Sustainable, Competitive and Secure Energy," highlighted the challenges arising from Europe's worsening energy poverty and a tighter

[22] *Euractiv*, "Commission clears E.ON-Endesa merger", 25 April 2006 at http://www.euractiv.com/en/energy/commission-clears-eon-endesa-merger/article-154692, accessed 11 Feb 2009

[23] Ellerman, Denny and Buchner, Barbara, "The European Union Emissions Trading Scheme: origins, allocation, and early results" *Review of Environmental Economics and Policy*, Vol. 1, No. 1, 2007, pp. 66–87

[24] "Evaluation of the 2030 Report: Impact of the European Commission's Energy and Climate Package of 23 January 2008 on energy system, economy and households in Poland" *The Gdańsk Institute for Market Economics*, Warsaw, November 2008

supply market with higher global demand.[25] This document paved the way for more detailed proposals for an external energy policy that urged, *inter alia*, completion of the internal market to strengthen the EU's negotiating position, mutual investments between importers and exporters to achieve greater levels of interdependence, and a general commitment to 'speak with one voice.'[26] For its part, the European Commission had difficulty reconciling its own emphasis on common market-based solutions for energy supply security with its member states' interests in securing bilateral contracts with external suppliers that were outside the framework of the EU's market rules. In this vein, Poland issued a statement of its position on the 2006 Green Paper, heaping substantial criticism on the EU's market-oriented approach as well as the fact that sustainability and competitiveness were both given equal weight to security of supply. Instead, the Polish document argued that

> "energy security should be dominant over the remaining two pillars, and the measures taken by one Member State to improve energy security should improve the energy security of the whole European Union without undermining it in another Member State. It should be emphasized that Poland sees all the three pillars of the energy policy specified in the Green Paper as inseparable; however, security of supply is the condition without which the remaining two (sustainable development and competitiveness) cannot occur.[27]

The standpoint on the green paper was also critical of individual member states' bilateral supply contracts, which Poland argued needed to be reassessed in light of the 'political motives' of energy suppliers.[28] Indeed, such long-term supply contracts between suppliers and recipients of gas, though common since the mid-1960s when the Soviet Union began supplying Western European gas markets, gained a new political significance during the period of PiS rule. This was not only due to the EU's worsening energy poverty but also

---

[25] European Union, Commission, *Green Paper: a European Strategy for Sustainable, Competitive and Secure Energy*, COM 2006, 105, adopted by the EC on 8 March 2006
[26] European Union, Commission, *External energy relations – from principles to action*, COM 2006, 690, Brussels, 12 October 2006
[27] Poland, Minister Gospodarki, *The standpoint of the Government of the Republic of Poland on the Green Paper: a European Strategy for Sustainable, Competitive and Secure Energy*, October 2006, p. 1
[28] Ibid., p. 9

because of Russia's slow but steady return to a state-led economy. The Kremlin's strategy of re-nationalising energy assets coupled with Russian energy firms' waning commitments to transparency and the rule of law became sources of concern for European actors. After Yukos was dissolved by the state and its CEO Mikhail Khodorkovsky sent to prison, fears of an increasingly hostile investment climate in Russia's energy sector abounded; these fears were confirmed by developments throughout 2006 and 2007, when multinational corporations such as Shell and BP were essentially forced to divest their stakes in Russia's upstream development projects.[29] Vladimir Putin's repeated rhetoric about Russia's energy interests, and Gazprom's aggressive downstream acquisition strategy (which some identified as a 'divide and conquer' approach to the European energy market), equalled a refusal to play by Brussels' 'rules of the game.'

Two external developments in particular raised awareness in Poland of the geopolitical vulnerabilities engendered by other states' bilateral energy relations. In September 2005, Russia's President Vladimir Putin and Germany's Chancellor Gerhard Schroeder announced a joint venture between E.On/BASF and Gazprom for constructing a North European natural gas pipeline running from Vyborg, across the Baltic Sea, into the German coastal town of Greifswald. This announcement was the culmination of long-standing efforts by Gazprom to diversify export routes owing to problematic relations with transit states in its 'near abroad.' Although significantly more expensive to build than land-based alternatives, the North European Gas Pipeline (NEGP) would guarantee direct deliveries of gas for the German market whilst bypassing the transit countries of Poland, Belarus and the Baltic States. Shortly after this announcement, amidst ever higher energy prices on the world market, a commercial dispute between Russian and Ukrainian energy firms culminated in a three-day cessation of gas supplies through the traditional transit state of Ukraine on 1 January 2006. This stand-off affected gas delivery to several EU states,

[29] Duncan, Peter, "Oligarchs, business and Russian foreign policy; from Yeltsin to Putin", *Centre for the Study of Economic and Social Change in Europe*, SSEES University College London, October 2007, p. 23

including Poland which reported a 14% drop in imported volumes.[30] Taken together, these two episodes brought about a heightened awareness, particularly amongst new EU member states, of the geopolitical problems associated with energy security.

The populist proclivities of politicians in the PiS party often led to energy policies that were responsive to public opinion polls. Indeed, surveys of the wider Polish population indicated a worsening perception of Polish-Russian relations after the Nord Stream pipeline and the Ukrainian gas crisis; a poll conducted in December 2006 revealed that 63% of respondents believed the state of Polish-Russian relations to be 'bad' (as opposed to 2% good and 24% neutral).[31] A survey on Poland's energy policies correlated with these results, demonstrating that the majority of the Polish population approved of strategies to secure non-Russian energy supplies, even if the outcome was uncertain.[32] The momentum generated by these popular sentiments about the desirability of diversification arguably shored up the political capital of the PiS government as it conducted its confrontational foreign policy in Europe, particularly the pursuit of an unprecedented diplomatic campaign in defence of energy security.

6.2.1 The Nord Stream pipeline

The idea that Russia was using its energy export strategy as a tool of foreign policy was not new to Polish politicians. Debates in the Sejm had raged throughout the 1990s about the wisdom of relying on Russian gas and the expediency of diversification. Similarly, although it was certainly the case that Russia's energy export strategy had become more aggressive since the steady rise of world market prices began in 2000, there was nothing inherently novel

[30] Stern, Jonathan, "The Russian-Ukraine Gas Crisis of 2006", Oxford Institute for Energy Studies, January 2006

[31] Poland, Centrum Badania Opinii Społecznej, *Opinie o sprawie polskiego weta przeciw rozmowom UE–Rosja*, BS/192/2006, December 2006; compared with the previous year, these attitudes represented a change for the worse. Also, the cut off in gas supplies contributed to an increase in fears of deterioration in Poland's relations with external states in general: Poland, Centrum Badania Opinii Społecznej, *Nadzieje i obawy związane z rokiem 2006,* BS/18/2006, Warsaw, January 2006

[32] Poland, Centrum Badania Opinii Społecznej, *Polska – Rosja. bezpieczeństwo energetyczne i opinie o wzajemnych stosunkach*, BS/105/2007, Warsaw, June 2007

about Russia's downstream energy strategy; it had always been predicated upon gaining market share, cutting supplies to resolve commercial disputes and employing selective pricing strategies to maintain political and economic leverage over neighbouring states.[33] The difference was that the perceived threats to Poland's energy security were now being articulated by populist right-wing Polish politicians with new ideas about the country's place in the enlarged European Union. In other words, the concept of 'energy security' was intimately bound to geopolitics and international relations, such that no diversification project, supply interruption or asset acquisition was explained without reference to Poland's national security or its raison d'état.

The issue of energy security became central to the PiS agenda not long after the announcement of the Nord Stream pipeline in late 2005. The deal elicited protest from all sides of government; but the source of anger did not simply stem from the pipeline's material challenge to Poland's status as a transit state for Russian gas destined for Western Europe. Rather, the project served as a symbolic reminder of past episodes of partition by both Russia and Germany, which played upon Poland's geopolitical sensitivities to exogenous decisions that were seen to affect its sovereignty and independence. During a summit in Brussels in late April 2006, Polish Defence Minister Radosław Sikorski infamously compared the Nord Stream pipeline to the Nazi-Soviet pre-war pact that led to the invasion of Poland; he stated that the Nord Stream deal was concluded "above our heads. That was the Molotov-Ribbentrop tradition. That was the 20th century. We don't want any repetition of that."[34] The incoming president, Lech Kaczyński, echoed these sentiments by drawing on lessons from history in his critique of the project: "For Poland, Russian-German relations have never been just the affair of those two countries. Historically, our country's interests have

[33] See Balmaceda 2008; Heinrich 2007; Helm 2007

[34] Castle, Steven, "Poles angry at pipeline pact," *The Independent*, 1 May 2006 at independent.co.uk/news/world/Europe/poles-angry-at-pipeline-pact-476320.html, accessed 4 February 2008

unfortunately not been taken into account… the participants in the [North European gas pipeline] project are not following economical but some other considerations."[35]

Map 6.1 Proposed Gas Pipelines, 2005-2007



Map showing the major gas pipelines under consideration during the PiS government. The Nord Stream was predominantly a Russian-German joint venture; the Amber Route was the alternative to Nord Stream proposed by Poland and the Baltic States; the Baltic pipe, part of the Skanled project, would be the result of a cooperative venture between Poland, Denmark and Norway. The second leg of the Yamal pipeline was still an open option in the Yamal agreement between Poland and Russia.

The Nord Stream pipeline project was perceived by many new EU member states as a Russian attempt to divide eastern and western European markets in order to diminish the economic leverage of eastern transit countries and achieve a greater degree of export

[35] quoted in Popova, Nadezhda, "Lech Kaczyński: "Dlya nas rossiysko-germanskie otnosheniya nikogda ne budut chastnym delom dvukh gosudarstv" [Lech Kaczyński: 'For us the Russo-German relationship will never be a private affair of these two states'], *Izvestia*, 14 October 2005 at http://www.izvestia.ru/person/article2875196/index.html, accessed 12 March 2011

independence.[36] In Poland, the issue was coloured through a historical lens – the former head of Security Services, Zbigniew Siemiątkowski, tacitly invoked the idea of a revisionist Soviet ideology of domination when he remarked on the situation: "yesterday tanks, tomorrow oil."[37] As for relations with Poland's western neighbour, the Nord Stream agreement came with a sobering realisation that, "by signing the deal, Germany confirms that its bilateral economic and political relations with Russia are more important than cooperation with the country's important EU partners facing similar energy dilemmas."[38] Along with the conservative Polish MEP in the European Parliament, Jacek Saryusz-Wolski, Sikorski wrote in *Rzeczpospolita* of the 'flash points' between Germany and Poland caused by the North European gas pipeline. Together, they argued that Poland could not "be blind to Russian plans to use its raw materials to pursue political objectives," and cited instances of Russia's use of energy as a political tool in Lithuania, Ukraine, Armenia, Bulgaria and Hungary.[39] Seen in this context, Nord Stream was synonymous with a loss of leverage in Poland's international relations with both Russia and Germany.

More broadly, the Nord Stream project crystallised the political tension between a common EU energy policy and the reality of long-term bilateral contact between Russia and individual member states' energy firms.[40] To PiS officials, the deal confirmed that the European Commission was unable to prevent powerful 'old' member states from selectively employing the EU's instruments for their own self-interested purposes; the Nord Stream's status as a Trans-European Network and its designation as a "project of common interest

---

[36] Larsson, Robert, "Nord Stream, Sweden and Baltic Sea Security" *FOI Report,* Swedish Defence Research Agency, Stockholm, 2007, pp. 50-57; Tarnogórski, Rafael, "The North European Gas Pipeline: Legal Aspects" *The Polish Quarterly of International Affairs*, No. 1, 2006 pp. 104-118

[37] Kramer, Andrew, "Russian gas pipeline heightens East Europe's fears", *New York Times*, 12 October 2009 at http://www.nytimes.com/2009/10/13/world/europe/13pipes.html?_r=1&em accessed 9 November 2010

[38] Godzimirski 2007, p. 163

[39] Saryusz-Wolski, Jacek and Sikorski, Radosław, "Punkt zapalny," *Rzeczpospolita*, 7 September 2005; Sikorski later claimed that "when energy becomes an instrument, and even a weapon in international politics, it is no longer an economic issue, but a matter of national security." (Poland, Sejm Debate, 07.05.2008, *Informacja ministra spraw zagranicznych o założeniach polskiej polityki zagranicznej w 2008 r.*, 6 kadencja, 15 posiedzenie, 1 dzień)

[40] Helm 2007b, pp. 30-35

within the EU-Russia energy dialogue"[41] simply demonstrated to Warsaw that new member states' preferences and interests were asymmetrically represented in the European Union. Stefan Meller's replacement at the Ministry of Foreign Affairs, Anna Fotyga, stated as much when she claimed that the so-called 'Schroeder-Putin Pact' "undermines European solidarity and questions our ability to have an equal voice."[42] Indeed, the outgoing German Chancellor Gerhard Schroeder had a close relationship with Putin and, having failed to be re-elected, accepted an appointment as head of the supervisory board of shareholders at Nord Stream AG. Matthias Warnig, a former officer of the East German secret police who had worked with Putin during his time at the KGB's East German division, became general manager of the NEGP project. To Warsaw, these appointments confirmed that politics, rather than economics, was the driving force behind the Nord Stream deal.[43]

Because of this outlook, PiS representatives displayed obstinacy towards the attempts by the new German Chancellor, Angela Merkel, to include Poland in the Nord Stream project. President Lech Kaczyński, adapting a quote from Lenin, rejected the option of a Nord Stream interconnector by saying, "we won't be selling any rope."[44] The issue was of such great sensitivity that the prime minister's chief advisor for foreign affairs, Ryszard Schnepf, was dismissed after he openly suggested that Poland should halt its criticism of the deal and instead join the project and have its own representatives installed on the company's supervisory board.[45]

---

[41] Stern 2005, p. 120-121

[42] *Warsaw Voice*, "Foreign Minister urges calm debate on EU treaty", 16 May 2007, at http://www.warsawvoice.pl/WVpage/pages/article.php/14786/article, accessed 7 December 2008

[43] Kazin, Philip, "The NEGP and the Global Strategy of Gazprom" in Kazin, Philip, ed., *The North European Gas Pipeline: Political and Economic Implications for Russia and the EU,* St. Petersburg, Baltic Mosaic, 2006, p. 33

[44] Kazcynski was referring to Lenin's famous quote, "the capitalists will sell us the rope by which we will hang them," see Jeziorski, Michał, "Gas Diplomacy", *Warsaw Voice*, 7 June 2006, at http://www.warsawvoice.pl/WVpage/pages/article.php/11553/article, accessed 3 February 2009

[45] Ibid.

6.2.2 Wake-up call; Poland's response to the energy crisis between Russia and Ukraine

The Russia-Ukraine gas supply crisis that began on 1 January 2006 was the culmination of a highly complex series of negotiations between Moscow, Kiev and third parties such as Turkmenistan over gas transit, prices, debts, and equity acquisitions.[46] The interruption to supplies further along the pipe lasted three days, with shortfalls recorded *inter alia* by Poland, Hungary, Germany, Romania, Slovakia, Austria and France. The Ukrainians, reasoning that Russia had violated its existing contractual obligations, had siphoned off gas that Gazprom insisted was for customers further down the pipe. It was therefore difficult to assign unambiguous blame to either party, particularly since both countries' energy firms and supply arrangements were opaque. Regardless, the supply interruption was widely interpreted as a 'wake-up call' for the European Union to more seriously assess its growing dependence on external sources of energy.[47] The debate over the EU's competence in external energy relations intensified, with Poland at the forefront of lobbying for a common EU energy policy based on the principle of solidarity amongst member states.

Warsaw's assessment of the Ukraine-Russia energy crisis was largely one-sided. The undersecretary of the economy, Piotr Naimski, claimed that Gazprom's cut of supply was Moscow's way of taking punitive measures against Ukraine for its pro-Western Orange Revolution in early 2005 – "we knew that Kiev's new western orientation would not go unpunished in the Kremlin, particularly after Yushchenko tried to eliminate the energy rents system in place between Russian and Ukrainian businessmen."[48] In other words, the blame for the crisis lay not with Poland's Ukrainian ally but with Russia and its neo-imperial energy

[46] For a comprehensive explanation of the events leading up the crisis and beyond, see Stern 2006

[47] Miller 2008, p. 6; Monaghan, Andrew, "Russia's Energy Diplomacy: a political idea lacking a strategy?" *Southeast European and Black Sea Studies*, Vol. 7, No. 2, p. 281

[48] Piotr Naimski, former deputy minister for economy, author's interview, Warsaw, July 2010; others adopted a more moderate tone but nevertheless conceded that Russia's motivations could have been politicised. After all, Ukraine enjoyed subsidies on account of its friendly political relationship with Russia. With this no longer a given, it was considered by some to be reasonable that Russia would demand greater energy prices; see Helm 2007

politics. This point of view was widely shared amongst new EU member states, particularly the Baltic States who were also threatened by the Nord Stream bypass.

Poland's response to the Russia-Ukraine gas crisis was to propose an energy security pact, which later became known as the 'energy-NATO proposal.' The idea was put forward by the first PiS Prime Minister, Kazimierz Marcinkiewicz, who wrote in *Rzeczpospolita* that "we cannot remain defenceless or isolated amid this increasingly threatening situation."[49] The crux of his argument was the need for a 'musketeers pact'; in other words, the creation of an "energy security treaty [that] would give us the means to provide stability and security that we all wish for… according to the principle, one for all, all for one"[50] This appeal was reprinted in the *Financial Times* to shore up support amongst Western European and U.S partners for an alliance-like mechanism of collective energy solidarity.

Marcinkiewicz's initial appeal was followed by intense lobbying efforts to have the policy accepted by Poland's allies. First, it was exported to the regional stage when Marcinkiewicz floated the idea at a meeting of the V4 Visegrad Group countries in mid-January.[51] It then received international attention after the Prime Minister presented the proposal at the World Economic Forum in Davos towards the end of January. Finally, Poland tabled the plan at an EU summit in March 2006, after having sent a letter detailing its provisions to 32 heads of state in EU and NATO countries.[52] This intensive lobbying effort indicated the importance Poland attached to the initiative, which envisioned a new mechanism for ensuring energy security through diversification, strategic storage and, crucially, a collective crisis management system. The initiative itself was laden with symbolic emphasis on concepts such as solidarity, the 'musketeer's principle', and collective energy security. It contained bold measures to strengthen cooperation in energy matters, albeit without the involvement of Russia as Europe's primary energy supplier. The plan also drew

[49] Marcinkiewicz, Kazimierz "Jeden za wszystkich, wszyscy za jednego," *Rzeczpospolita,* 10 February 2006
[50] Ibid.
[51] Czyż, Anna, "What is the future of the Visegrad Group as an example of regional cooperation?" *Studia Universitatis Babes Bolyai European Studies,* Issue 2, 2007, pp. 131-144
[52] Marcinkiewicz, "Jeden za wszystkich, wszyscy za jednego"

upon the possibility of the pact being adopted in the framework of Article 5 of the NATO alliance treaty or the Treaty Establishing the Western European Union (WEU), both of which were treaties based on collective military defence.[53]

That Poland would seek to address the issue of energy security in a collective military defence alliance, rather than simply in the EC's *Directoire Générale* for Energy and Transit (DG-TREN), was testament to the level of perceived threat that energy dependence engendered inside the PiS government. With its unwavering affinities towards the neoconservative Bush administration and its increasing mistrust of EU institutions, Warsaw initially pushed for energy to become part of the transatlantic security agenda, instead of through what it regarded as the EU's weak external policy instruments. However, the proposal was broadly rejected, as commentators pointed out that Poland's deliberate exclusion of Russia from the energy security pact negated the EU and NATO's strategy of cooperative engagement with Russia. Adam Rotfeld, the former Minister of Foreign Affairs from the previous SLD-led government, argued that the presentation of this proposal was highly unprofessional and needlessly antagonistic towards Russia and Germany.[54] The German Minister of Foreign Affairs Frank-Walter Steinmeier was also a detractor of the project, stating that "it is inadmissible to have a power cooperation agreement among progressive European states that is directed against another state… an energy security arrangement should not provoke a repartition of the European energy market… [and] NATO is not the appropriate forum to discuss energy security issues."[55] Disregarding these critiques, Prime Minister Marcinkiewicz and the deputy Foreign Minister Stanisław Komorowski made it clear in the run up to an EU intergovernmental summit that "no

---

[53] *NATO mission report*, "Visit by the sub-committee on east-west economic cooperation and convergence", Warsaw, 27-8 April 2006 at http://www.nato-pa.int/default.Asp?SHORTCUT=966, accessed 1 June 2010

[54] Rotfeld, Adam, "Polska polityka zagraniczna po 1989 roku; dyskusja," in Kosiewski, Piotr, ed., *Polska i świat*, Fundacja Batorego, Warsaw, 2007, p. 46

[55] Germany, Auswartiges Amt, "Rede von Bundesaußenminister Steinmeier anlässlich der Eröffnung der Reihe 'Energiesicherheit und internationale Beziehungen'", 16 February 2007, at http://www.auswaertiges-amt.de/DE/Infoservice/Presse/Reden/2007/070216-Energiekonferenz.html accessed 10 April 2010; see also Van de Graaf, Thijs and Dries, Lesage, "The International Energy Agency after 35 years: reform needs and institutional adaptability" *Review of International Organisations,* Vol. 4, 2009, p. 310

matter what happens to the NATO idea, Poland will push to get the word 'solidarity' inserted in the March energy council conclusions."[56]

6.3 All hands on deck; energy diplomacy in the PiS government

The call for an energy-NATO was one of several attempts by the PiS government to stem perceived energy threats from the east by drawing an alliance-like boundary between Russia and the European consumer bloc. Indeed, Warsaw adopted its own brand of energy diplomacy in response to what it regarded as Russia's 'divide and rule' energy strategy and old Europe's acquiescence toward it. Whereas other Central and East European states' diversification policies were constrained by commercial opportunism (e.g. in Hungary and Bulgaria, where Russia was able to court interest in the South Stream pipeline), the PiS government identified energy dependence as posing an existential threat to the country's political sovereignty and independence. As such, the Ministry of Foreign Affairs' policy agenda reserved a prominent place for energy in Poland's Security Strategy of 2007, which stated that "the dependence of Polish economy on supplies of energy resources – crude oil and natural gas – from one source is the greatest external threat to our security."[57] In this context, it was easy to disregard commercial pressures and to speak of energy issues in terms of their impact on national security, diplomatic alliances, political leverage, and the balance of power in Europe. As a consequence, in the international energy arena Poland didn't so much seek economic partners to realise commercially viable energy projects as it did appeal to like-minded governments to forge alliances against Russia's neo-imperial energy dominance. The most telling indication of this statist attitude to energy issues was that the target audience for Warsaw's energy security initiatives were heads of state and government officials, rather than energy firms and commercial interests.

---

[56] Poland, Kancelaria Prezesa Rady Ministrów, "Prime Minister Marcinkiewicz and Chancellor Merkel discussed solidarity in energy issues", *Press Release*, Warsaw, 9 May 2006 at http://www.kprm.gov.pl/archiwum/english/2130_7900.htm accessed 12 May 2008

[57] Poland, Ministerstwo Spraw Zagranyczych, *National Security Strategy of the Republic of Poland*, Repertory No. 106/2007, Warsaw, November 2007, p. 6

From 2006-2007, there were several examples of Poland's alliance-building tactics in the domain of energy security. Besides the energy-NATO proposal, Warsaw decided to counter what it perceived to be Russia's encirclement of Europe and the asymmetrical representation of new member states in the EU by vetoing the renewal of the Partnership and Cooperation Agreement between the EU and Russia. Whilst the veto initially began as a protest of Russia's contested ban on Polish meat and vegetables, it was eventually expanded to energy issues. Specifically, Poland wanted Russia to implement the Energy Charter Treaty (a legal framework governing cross-border energy trade) and, crucially, its transit protocol allowing third party access to Russian gas and oil pipelines and infrastructure.[58] In justifying the veto, the new Foreign Affairs Minister Anna Fotyga stated that "Russia uses energy as a tool of political pressure. It also uses tools such as import bans targeted at countries such as Poland and Georgia. As a result, we are forced to use whatever tools we have at our disposal."[59] The veto was also meant to symbolise dissatisfaction with the lack of unity inside the European Union. Pawel Zalewski, a member of PiS and chairman of the Foreign Affairs Committee in the Sejm, summed up the Polish political sentiment that led to the veto: "we must convince our partners in the EU that we are not willing to be treated like a second-class member. What is happening now will put European solidarity to the test… [we] are not willing to go along with Russia's strategy of dividing the Union into two different zones: Western Europe, with whom Russia maintains excellent relations, and Eastern Europe whose interests Russia basically ignores."[60]

[58] Heinrich 2007, pp. 71-73

[59] Quoted in *Warsaw Voice*, "EU-Russia Relations: Polish veto sparks row", 22 November 2006 at http://www.warsawvoice.pl/view/13046/ accessed 7 December 2007; Lithuania later also threatened to block EU-Russia partnership negotiations, demanding that Russia restart the flow of oil supplies to the Mazeikiu Refinery and observe the principles of the Energy Charter Treaty (see Miller 2008, p. 19).

[60] Zalewski, Pawel, "Bronimy naszych interesów" *Rczespospolita*, 14 November 2006 at http://new-arch.rp.pl/artykul/649144_Bronimy_naszych_interesow.html accessed 11 October 2009

On a regional level, Poland lobbied in multilateral forums and during state visits to export its alliance-like vision of energy solidarity.[61] For example, President Kaczyński led discussions on energy security at the summit of the Council of Baltic Sea States in Reykjavik in June 2006. He appealed to the participants to sign a joint declaration "emphasising the importance of the energy sector for the cooperation of Baltic Sea states."[62] This was followed by a much larger intergovernmental energy summit in May 2007, in which the Polish president invited heads of states of potential supplier, transit, and consumer countries along the Odessa-Brody-Płock pipeline – Kazakhstan, Azerbaijan, Georgia, Ukraine, and Lithuania – to a summit in Kraków. The purpose of the meeting was to gain intergovernmental support for the construction of the Odessa-Płock oil link, reversing the pipeline's flow in order to serve western oil markets, as well as to discuss other energy supply routes that could bypass Russia.[63] Now acting as the plenipotentiary for Energy Diversification, Piotr Naimski stated that the Odessa-Brody-Płock project would only make sense if Kazakhstan and Azerbaijan (not Russia) supplied the oil for the pipeline. A few months later, the Polish-Ukrainian joint venture Sarmatia, which had been set up in July 2004 to construct the Polish extension of the Odessa-Brody pipeline, invited energy companies from Georgia, Azerbaijan, and Lithuania to join the consortium.[64] The idea of an southern 'energy corridor' that would provide Caspian oil to European energy markets without crossing Russian territory won the approval of several EU member states, as well as the European Commission and the United States. In early July 2006, an agreement of principle was reached with Poland, Czech Republic and Slovakia for the extension of the pipeline to Płock in Poland; with such political backing, the Odessa-Brody operator Ukrtransnafta announced that, following its

[61] Most of the key Polish diplomatic officials discussed matters of energy security in intergovernmental meetings. In the course of 2006, Kaczyński, Fotyga, Marcinkiewicz, and Sikorski all discussed energy security issues with state officials in Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Lithuania, Netherlands, Norway, Slovenia, Slovakia, Spain, Sweden, Turkey and Ukraine. Notably absent from this list is Russia, bar a brief encounter between FM Anna Fotyga and Sergei Lavrov. Also notable was the lack of involvement of the Polish Economic Ministry in these encounters. See Ławacz, Małgorzata, "Chronicle of Poland's International Relations in 2006", *Yearbook of Polish Foreign Policy, Issue 1, 2007*, pp. 335-363
[62] Ibid., pp. 336
[63] Orban 2008, p. 135
[64] Ibid., p. 133

pay-back of debts owed to Russia, it would be free to decide independently the future directional flow of the pipeline.[65]

Moscow was never invited as a participant in any of the summits or intergovernmental discussions that were organised by Poland. In fact, in presenting its policy measures to the international stage, the Polish government patently disregarded existing initiatives, such as the EU-Russia energy dialogue, that had been set up to deal with the same issues identified in Warsaw's own proposals. Of course, this sort of exclusionary behaviour was not simply accepted by Moscow. Existing Russian involvement in the Odessa-Brody pipeline and diplomatic pressure from the Kremlin complicated Poland's efforts to extend and reverse the Odessa-Brody pipeline for the diversification of Europe's oil supply. Moreover, upon learning of Poland's intentions to reverse the flow of oil in the Odessa-Brody pipe, Moscow launched its own energy conference at the same time as the May 2007 summit, inviting a key Eurasian energy supplier, Kazakhstan, which subsequently declined Poland's invitation and instead endorsed a partnership with Russia for further development of the Odessa-Brody project.[66] Russia also strengthened its hand in other European states, securing additional bilateral agreements with Italy, Bulgaria and Serbia over the South Stream pipeline and France over production sharing in Russia's Shtockman gas fields.[67]

6.3.1 A reinvigorated agenda for energy diversification

Beyond its attempts at diplomatic alliance-building with other states in the region, Poland kick-started several diversification projects that had lay dormant in previous administrations. The Minister of the Economy, Piotr Woźniak, argued that a lack of political will by the previous SLD-led government had prevented diversification projects, even though gas from

[65] Balmaceda 2008, p 120
[66] Oban 2008, p. 135
[67] Belkin 2008, p. 11

Norway and Denmark had been competitive with existing Russian imports.[68] For the PiS government, diversification lay at the heart of Poland's energy security agenda. Addressing the lower house of Poland's parliament, Foreign Minister Fotyga stated that the key component for ensuring energy security was "diversification of energy supplies and stable deliveries of raw materials and safe sources beyond current supply arrangements."[69] This was echoed by Piotr Naimski, who stated that "Polish national sovereignty is strongly correlated with the ability to assure independence from Russian energy resources and pipeline infrastructure. Therefore, Poland will strengthen its sovereignty once full dependence on Russian supplies of oil and natural gas is over."[70]

The first diversification project of the PiS government, the construction of a liquefied natural gas terminal on one of Poland's Baltic Sea ports, was brought to life in the wake of the Russia-Ukraine gas crisis in early 2006.[71] The declarations of construction were drawn up by The Council of Ministers and the National Security Council, and then forwarded to PGNiG for technical and feasibility studies. This order of decision-making demonstrated that the LNG project was not endogenously conceived by the domestic energy market, but was rather initiated by politicians in senior-level crisis meetings; Prime Minister Kaczyński even personally chose a site near Gdańsk as the preferred location of the terminal.[72] The expectations surrounding the project reflected the lofty ideals characteristic of PiS energy security policies. Although up to 40% more expensive than piped gas, LNG would free Poland from concerns about transit states and dependence on any one supplier, given that the market for LNG was global.[73] The initial plan, therefore, was to build up an annual capacity of 2.5 bcm by the year 2010, and then gradually expand to 7.5 bcm by 2020.[74] This ambitious capacity benchmark (which was not necessarily guaranteed from the supply end)

[68] Energia-Środowisko XLIII, "Priorytet: energetyka", *Dodatek promocyjno-reklamowy do Rzeczpospolitej,* 20 March 2007
[69] *International Herald Tribune*, Poland takes security as main goal of foreign policy, 12 May 2007
[70] Naimski, Piotr, "Energy Diversification Strategy for Poland"*, speech given at Columbia University*, 17 September 2007
[71] for a detailed analysis of the drawing up of Poland's LNG plans, see Fisher 2007, pp. 70-77
[72] Grzeszak, Adam and Ostrowski, Marek, "Taniec na rurach", *Polityka*, Nr. 42 (2576), 21 October 2006
[73] Helm 2007b, pp. 15-16
[74] PGNiG, *Annual Report*, 2007

was based on the expectation that domestic demand for natural gas in Poland would increase by about 5 bcm by 2010 – e.g. a 30% rise in a four year period.[75]

Whilst PGNiG conducted feasibility studies for the LNG project, the Kaczyński twins restarted talks with Norway and Denmark. The reasoning was that the market had changed since the Baltic Pipe project had been abandoned by the Miller government in 2002, and that gas imported from the North Sea would now be competitive with existing supply arrangements. As a result, a consortium of seven energy firms called Skanled had been created to connect North Sea gas directly to Scandinavian countries via a complex network of undersea pipelines and overland interconnectors. On Norway's invitation, PGNiG joined the consortium in June 2007 by buying up a 15% stake in the project.[76] This investment entitled PGNiG to receive 15% of natural gas deposits in the Norwegian Sea's available production volume, which was estimated at 36bcm annually. But in order to receive this gas, Poland needed to extend the Skanled project by building the long-since abandoned Baltic Sea pipe between Redvig and the Polish coastal port of Niechorze. To reactivate this project, PGNiG invited the Danish energy firm Energinet.dk to participate in Skanled; the two parties then signed a letter of intent as well as a cooperation agreement for transmitting Norwegian gas through this undersea pipeline. Licensing, technical analysis, land purchases and building permits were subsequently secured on both sides.[77]

The advantages of implementing the Skanled diversification project were primarily twofold. Besides endowing Poland with a direct source of non-Russian natural gas, the project would also serve as a material challenge to the Nord Stream pipe, given that both of the pipelines were planning to cross the same stretch of the Baltic Sea. In reactivating the project, PM Marcinkiewicz argued that the previous SLD-led government had been too concerned with the costs involved. In this context he stated, "Before we ask the question –

[75] Grzeszak and Ostrowski, "Taniec na rurach"
[76] *Rigzone*, "Polish Oil and Gas Company joins SKANLED consortium," 22 June 2007 at www.rigzone.com/news/article.asp?a_id=46807, accessed 12 March 2009
[77] PGNiG, *Annual Report*, 2007

can we afford it? – we need to answer the question, can we afford not to?"[78] Nonetheless, as they had in the past, difficulties arose in relation to the volume and price of natural gas; PGNiG reportedly was seeking to import around 3 bcm from the Baltic Pipe in order to make it profitable, but this exceeded Skanled's unreserved capacity by a factor of two.[79] Statoil's Vice President Ola Morten Aanestad was reportedly concerned about the politicisation of energy security issues in Poland, having been involved in the original 2001 negotiations with the Buzek government that had been dropped by the succeeding cabinet of Leszek Miller. In response to Poland's search for an intergovernmental agreement with Norway's Ministry of Foreign Affairs *prior* to a commercial feasibility study, he was quoted as saying "for us to agree on supplying natural gas to Poland, there must first be strong signals from the market, not politicians."[80]

Poland also pushed for more energy cooperation with the Baltic States.[81] Collectively known as an 'energy island' due to their lack of integration with European oil and gas infrastructure, all three states were keen on building regional energy links that would enhance their energy security. Accordingly, Lithuania accepted PKN Orlen's bid for its Mazeikiu oil refinery in May 2006 over competing bids from Lukoil and TKN-BP, much to the chagrin of Russian oil interests. Less than two months after Orlen's winning bid, the Russian pipeline operator Transneft suddenly stopped supplying crude oil to the Mazeikiu Refinery, citing the need for urgent repairs for the Druzhba pipeline.[82] A widely held belief amongst Polish elites was that the termination of oil supplies to PKN Orlen's newest asset was a direct result of Russian oil firms' failure to acquire the refinery themselves.[83] Given that PiS officials viewed energy relations in the region through an overtly political lens, it was assumed that Transneft's cessation of oil supply to Lithuania was effectively "a government-

[78] Poland, Kancelaria Prezesa Rady Ministrów, "Expose of Prime Minister Marcinkiewicz" [speech given at the Sejm to request a vote of confidence] Warsaw, 10 November 2005
[79] PGNiG, *Annual Report*, 2007
[80] quoted in Grzerzak and Ostrowski, "Taniec na rure"
[81] See Jankowski 2008
[82] Naimski 2007
[83] Malgorzata Szymanska, author's interview, March 2009

issued warning against energy cooperation amongst Central and East European countries."[84] Eager to counter these perceived political manoeuvres, the Ministry of Treasury had PKN Orlen continue its external acquisition strategy, this time in a bid for the Latvian oil transit company, Ventspils-Nafta, made in August 2006.

Poland also made inroads into Baltic electricity markets. In December 2006, a joint declaration was signed by Kaczyński and Lithuanian president Valdas Adamkus for constructing an energy link to connect the electrical power systems of the two countries.[85] Poland would benefit from power generated by the yet-to-be Ignalina-II nuclear power plant in eastern Lithuania. However, little progress was made in Poland's desire to link up with Lithuanian electricity generation, since the decommissioning of the latter's old power plant as per EU regulations was stalling, as was its programme to unbundle the electricity sector; consequently, the partners in the electricity link – Estonia, Latvia and Poland – became frustrated over the lengthy gestation of the project.[86] Moreover, PKN Orlen's acquisition of Mazeikiu undermined its financial stability and significantly increased its borrowing costs. In fact, the difficulties encountered by the refinery after its acquisition by PKN Orlen led to a third of its value being lost. With no prospects of importing pipeline-based crude from Russia, Mazeikiu was forced to turn to more costly supplies imported by sea.[87]

6.3 Statism at home

An independent study of corruption risks in Poland's ministerial bureaucracy during the PiS government revealed a number of worrying trends. Drawing attention to endemic institutional weaknesses in the policy-making process, the study argued that "policy-making in the ministerial bureaucracy in Poland is characterised by inconsistencies, structural

[84] Wojciech Jasinski, author's interview, March 2009
[85] Sains, Ariane, "Poland's joining in Ignalina II hinges on 25% ownership share, *Nucleonics Weekly,* Vol. 47, Issue 10, 21 December 2006, p. 10
[86] *Economist Intelligence Unit*, "Lithuania politics – energy policy in disarray" EIU Views Wire, New York, 4 June 2009
[87] Kotlowski, Alexander, "Russian energy strategy and transit routes in Eastern Europe – a view from Warsaw, *Oil Gas and Energy Law*, No. 2, 2009, p. 25

instability and a general preference for informal, personalised forms of coordination and control."[88] While acknowledging that the conditions for corruption had been prevalent in previous governments (particularly the SLD from 2001-2004), the report argued that under PiS there existed a relatively higher degree of state capture and centralisation of the policy-making process.[89] Energy policy-making was particularly conducive to this centralised decision-making structure; senior officials at the Ministries of Treasury, Foreign Affairs, and the Economy interpreted the state's ownership of the energy sector to mean a *de facto* right to manage the activities and decision-making in major Polish energy firms.

The Polish government enacted provisions to strengthen state authority and administrative control over the domestic energy sector. On 19 July 2005, the Sejm passed the 'Act on Special Powers of the Treasury and Their Exercise in Companies of Special Importance for Public Order or Public Security.'[90] This legal document specified a set of conditions that, if fulfilled, obliged a commercial company to be managed by the state in the interests of public security. Of the ten conditions, eight referred to activities undertaken by the energy sector. For example, a company was considered of special importance for public security if it "operates or owns a gas or electric energy transmission grid and owns or uses more than 50% of the gas or electric energy transmission grid on the territory of the Republic of Poland."[91] Thus, in the subsequent lists published by the Council of Ministers, eight out of eleven entities belonged to the energy sector.[92]

The principal power granted to the Treasury Ministry enshrined by this Act was its right to "object to a resolution adopted by the management board or to another legal act

[88] Heywood and Meyer-Saling 2008, p. 72

[89] The report also noted the irony that PiS' commitments to tackle corruption actually created additional conditions for corruption to arise.

[90] Poland, Rada Ministrów, *Ustawa o szczególnych uprawnieniach Skarbu Państwa oraz ich wykonywaniu w spółkach kapitałowych o istotnym znaczeniu dla porządku publicznego lub bezpieczeństwa publicznego,* Dziennik Ustaw, Nr 132, poz. 1108, 19 July 2005

[91] Ibid., Article 8, Clause 1

[92] Poland, Rada Ministrów, *Rozporządzenie w sprawie listy spółek o istotnym znaczeniu dla porządku publicznego lub bezpieczeństwa publicznego*, Dziennik Ustaw, Nr. 178, pos. 1251, 30 September 2008; the companies were: PGNiG, Lotos Group, PKN Orlen, PSE, OLPP, Gaz-System, PERN, and Naftoport. Non-energy companies were PKP, or Polish Railways, the telecommunications company Emitel, and the Solino Salt Mine company.

undertaken by the management board and whose purpose is the disposal of a piece of a company's property that is of vital importance in light of the company's business."[93] The Treasury Ministry also had the right "to raise an objection when a company changes the object of its economic activity."[94] This gave the Ministry an unprecedented legal remit to define the commercial objectives of state-owned energy enterprises.

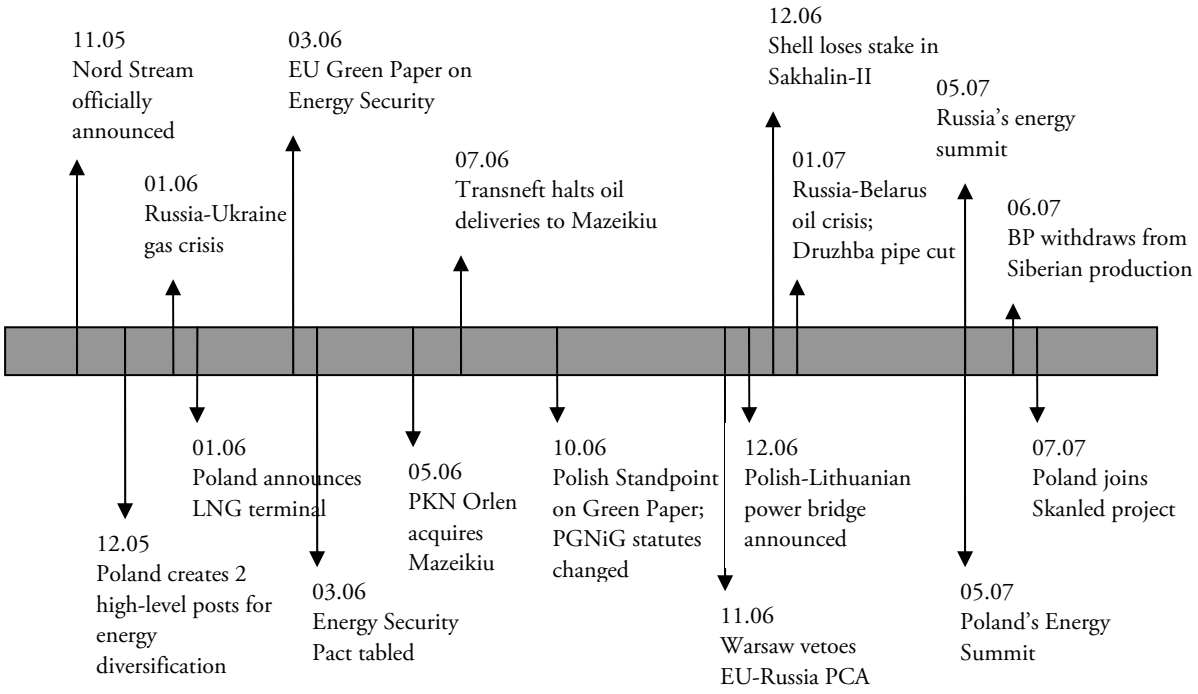
Shortly after this legislation was passed, two key energy firms in Poland revised their corporate strategies. In January 2006, PKN Orlen was compelled by the government to redefine its role in ensuring Polish energy security. The first pillar of its new strategy was "improvement diversification through increase in number of crude oil suppliers [and] decrease in share of long-term contracts in supply system structure."[95] The mission statement of PGNiG was reformulated to align with the government's diversification policy, wherein it was stated that "security of supply [is] the key factor in selecting a supplier."[96] Accordingly, in October 2006 the Treasury changed the statutes of PGNiG such that the company became authorised to pursue unprofitable investments in the name of energy security.[97] This gave PGNiG the remit to implement diversification projects directed against Russia without regard for the costs of investment or whether the alternative gas was competitively priced. The Ministry of Treasury also obligated PGNiG to obtain consent before concluding contracts for natural gas imports. This was followed by the Council of Ministers' adoption in May 2007 of the "Policy for the Natural Gas Industry", which explicitly referred to Russia and Gazprom's strategic objective of "securing the political interests of Russia in Europe."[98] According to the policy, the necessary response to Russia's energy diplomacy was to "adapt the strategic interests of the Republic of Poland to the policy adopted by [Poland's] single

[93] Adamczyk, Łukasz and Barański, Tymoteusz, "The Compatibility of the Polish State's Golden Shares with EC Law", *European Business Organization Law Review*, Vol. 11, p. 95
[94] Poland, *Ustawa o szczególnych uprawnieniach Skarbu Państwa…*, Article 3
[95] Chalupec, Igor and Szymanski, Pawel, "PKN Orlen strategy update 2006-2009", 10 January 2006
[96] See *PGNiG,* Mission Statement, at http://www.pgnig.pl/pgnig/ri/751/763/, accessed 5 July 2007; note that this strategy was modified after the parliamentary elections in autumn 2007, and now represents a more balanced, market-based strategy
[97] Łakoma, Agnieszka, "Dodatkowe kompetencje dla rzadu," *Rzeczpospolita*, 16 November 2006
[98] Poland, Ministerstwo Gospodarki, *The Policy for Natural Gas Industry*, Warsaw, 20 March 2007, p. 7

largest supplier of natural gas."[99] Protectionism was, therefore, a justifiable measure to counter Russia's quest for political influence. Accordingly, the policy document tightened restrictions on the shareholding structure of PGNiG and the newly created Transmission System Operator - Gaz-System; it was argued that privatising these companies "before the State has secured its exclusive influence over the essential decisions that remain under [their] control could impact on the energy security of Poland and should therefore be assessed negatively."[100] A similar policy document for Poland's petroleum industry modified the shareholder structure of Orlen and Lotos to prevent a hostile takeover of the refinery industry by Russian oil firms.[101]

Table 6.1 Timeline of Poland's International Energy Relations, 2005-2007

(top bar indicates external developments; bottom bar indicates Polish initiatives)



[99] Ibid, p. 8
[100] Ibid, p. 7
[101] Poland, Ministerstwo Gospodarki, *Policy of the Government with respect to the oil industry in Poland,* Warsaw, 6 February 2007 at http://www.mg.gov.pl/NR/rdonlyres/F705CB79-27FB-43B0-86AC-388B0BFF4F5B/32213/polityka_przemyslu_naft.pdf , accessed 18 September 2009

The PiS government was also largely ambivalent about the European Union's energy legislation. As the first PiS Prime Minister wrote, "the EU has not been able to respond adequately to the seriousness of the energy situation… we lack institutional and treaty provisions that would guarantee all Member States their energy security in a case of crisis."[102] Lamenting the EU's weakness in this regard, Poland's adoption of energy-related EU laws, such as Directive 2003/55/EC concerning common rules for the internal market for gas or Regulation 1775/2005 on conditions for access to natural gas transmission networks, was made contingent on "implementing projects, to be carried out by PGNiG and Gaz-System aimed at diversifying supplies of natural gas."[103] Warsaw was also critical of the EU's emphasis on competitiveness and liberalisation, two 'pillars' of energy policy which in Brussels were considered to be of equal importance to energy security. As stated in "the standpoint of the Government of the Republic of Poland on the [EU energy] Green Paper,"

> Liberalizing the internal market before diversifying supply sources may result in the monopolization of the market by external suppliers and, consequently, threaten energy security and impede the establishment of a transparent and fully competitive market. And thus, the order of the two – the diversification of natural gas supply sources and the liberalization of the market – is significant. According to Poland, the former should precede the latter.[104]

This new policy outlook was a significant revision to the Belka government's energy agenda, which was focussed on adapting Poland's energy market to EU laws. Jacek Piechota noticed that during the time of the Belka government, Poland was preparing to adhere to the demands of the European Union's internal energy market rules, demonstrated by the steps taken for unbundling PGNiG and publicly offering energy utilities on the Warsaw Stock Exchange.[105] As it happened, these provisions for gas market liberalisation were all but halted

[102] Marcinkiewicz, "Jeden za wszystkich, wszyscy za jednego,"
[103] Poland, *The Policy for Natural Gas Industry*, p. 12
[104] Poland, *Standpoint on Green Paper*, p. 2
[105] Jacek Piechota, author's interview, Warsaw, July 2010

under the PiS government; as a result, the European Commission decided to take Poland to court for the incorrect transposal of gas and electricity directives.[106]

6.3.1 Changes in government competencies

In the statist energy policy network of the PiS government, executive officials were given expanded competencies with regards to the responsibility to diversify from Russia, whereas the commercial interests of national energy firms were marginalised. Two days after the Russia-Ukraine gas crisis, the Council of Ministers obligated the Minister of the Economy to "prepare for investment and trade decisions aimed at diversifying natural gas supplies… [including] enhancing extraction of natural gas within the territory of the Republic of Poland and to increase the natural gas storage capacity."[107] After the Russo-German announcement of Nord Stream, PM Marcinkiewicz created two high-level official posts concerning energy diversification.[108] The extended mandate of the Departments of Power Engineering and Crude Oil and Gas, moreover, meant that the "division of competencies clearly indicated the prioritised treatment concerning issues of energy resources."[109] At the same time, the independence of the national energy regulator (URE) was compromised by a series of provisions transferring its regulatory powers to the government via the Ministry of the Treasury, which retained the right to veto any decisions in the energy market deemed contrary to the national interest.[110] This led URE to claim, in its annual report for 2007, that "the biggest Polish gas companies are the state's property and due to this fact they are too often used for the realization of political, not economic aims."[111] The consolidation of state

[106] European Union, IP/08/855, Brussels, 5 June 2008 "Commission brings actions before Court of Justice against several Member States for incorrect transposal of Electricity and Gas Directives"
[107] Poland, Rada Ministrów, *uchwałę w sprawie działań mających na celu dywersyfikację dostaw nośników energii*, Nr 3/2006, adopted 3 January 2006
[108] Poland, Rada Ministrów, *w sprawie Pełnomocnika Rządu do Spraw Dywersyfikacji Dostaw Nośników Energii do Rzeczypospolitej Polskiej*, Dziennik Ustawa, Nr 239, poz. 2011, 29 November 2005
[109] Gołębiewska 2007, p. 238
[110] Poland, Ministerstwo Skarbu Państwa, *Privatization lines for treasury assets in 2008*, Warsaw, 26 September 2007
[111] Poland, Urząd Regulacji Energetyki, 2007

control of the oil sector was complete when Nafta Polska Holding Company, which had been created to facilitate privatisation in the energy sector, was liquidated and its assets sold to the Treasury.[112]

Management changes at the major Polish oil and gas firms accompanied the change of government. The Treasury Ministry's five representatives on PGNiG's supervisory board (out of nine) were all replaced between the months of December 2005 and June 2006.[113] All the while, PGNiG had a crisis of leadership; Marek Kossowski had quit his post shortly after the PiS party ascendancy to power in November 2005. Kossowski's statement of resignation indicated his frustration with the new government's distrust of business interests:

> "[T]he proper management of the affairs of one of the most significant companies in Poland required direct communication with the country's decision-makers, a favourable political climate and the ability to quickly agree upon decisions that are material for ensuring the safety of Poland's energy in the gas sector. My decision stems from the fact that it was not possible to ensure that PGNiG would function in such a favourable setting, that agreement could not be reached with the dominant shareholder in matters related to ensuring a stable composition of the Company's governing bodies, as well as from my concern for the Company's and the State Treasury's well-being."[114]

Amidst frequent supervisory and management board changes, no replacement for the chief executive position could be found until April the following year.[115] It is telling that in the months during which Polish politicians initiated a vigorous energy security and diversification agenda (e.g. from late 2005 to mid-2006), PGNiG had no CEO to represent the company's business interests. It is also worth noting that the individual eventually appointed to the post, Bogusław Marzec, was in office for a mere two months before he was

[112] Poland, *Privatisation Lines*, 2008, p. 9
[113] Gwiazda 2008, pp. 818-819
[114] Polskie Górnictwo Naftowe i Gazownictwo, "Convocation of the Extraordinary Shareholders' Meeting of PGNiG S.A. for 12 December 2005 and the declaration of Mr. Marek Kossowski, President of the Management Board of PGNiG S.A.," Current Report No. 125/2005, 17 November 2005
[115] Polskie Górnictwo Naftowe i Gazownictwo, *Sprawozdanie zarządu z działalności spółki PGNiG S.A. za rok 2006*, Warsaw, 3 April 2007, p. 11

dismissed in June 2006 by state prosecutors, allegedly over mismanagement.[116] PGNiG again lacked a CEO from then until 11 September 2006, when Krzysztof Glogowski accepted the chief executive position. By this time, PGNiG had already finalised its LNG construction plan and restarted talks with Denmark and Norway on the Skanled and Baltic Pipe projects.

Similar developments occurred in the oil sector. Andrzej Olechowski, the co-founder of the centre-right Civic Platform, assumed the post of Deputy Chairman of the supervisory board of PKN Orlen in June 2005. This decision was widely seen as a strategy to ensure continuity in the supervisory board after the elections that fall, which the Civic Platform was expected to win. But when eventual victors Law and Justice failed to reach a coalition agreement with Civic Platform, Olechowski's position on the board was reconsidered and he was subsequently dismissed at the next general meeting of 27 June 2006.[117] The CEO of PKN Orlen was similarly affected by political developments; Igor Chalupec resigned due to pressure from the Treasury regarding his unwillingness to support the company's further acquisitions in the Baltic States and his espousal of a crude oil supply contract with Russia's Transneft and Petraco Oil. The Treasury Minister Wojciech Jasiński stated that "our belief was that Chalupec was not enthusiastic enough about Poland's energy security agenda. The Treasury Ministry had to look out for Poland's national, not business, interests."[118] Chalupec's replacement, Piotr Kownacki, was a friend of Polish President Lech Kaczyński who had worked with him at the Supreme Chamber of Control in the 1990s; Kaczyński was said to have preferred Kownacki because he was better suited to the job of ensuring energy security.[119]

---

[116] Upstream Online, "PGNiG boss quits amid charges", 22 June 2006 at http://www.upstreamonline.com/live/article112163.ece, accessed 24 July 2010; In fact, these prosecutors were sympathetic to the wider goal by PiS officials to purge state institutions from corruption and communist-era policy networks.

[117] PKN Orlen, *Resolution regarding the recall from the Supervisory board of Polski Koncern Naftowy ORLEN S.A.*, No 40, Ordinary general shareholder meeting of Polski Koncern Naftowy Orlen S.A., 27 June 2006. This development was also temporally close to Marcinkiewicz's resignation from the post of Prime Minister on 14 July 2006.

[118] Wojiech Jasinski, author's interview, Warsaw, March 2009

[119] Piotr Naimski, author's interview, Warsaw, July 2010

Party politics played a dominant role in the management changes and administrative reforms of the energy industry. The shifts in personnel were part of PiS' wider campaign to purge state institutions from corruption and communist-era policy networks. Since business interests were looked upon with suspicion (as testified by the anti-liberal electoral campaign waged against PO), it was commonplace for managers to be replaced and for corporate strategies in major energy firms to reflect national, rather than commercial, interests. This provided a contrast to the previous SLD-led government which had predicated its energy policies upon a corporatist system of interest representation, allowing the commercial interests of national energy firms to be represented in the formulation and implementation of energy security policies.

Senior officials in the PiS government were sceptical that the interests of these firms took into account Poland's national security. For example, Jasiński delayed PGNiG's release of company shares for employees due to fears that the public offering would create a minority shareholders block that could stymie important 'national security initiatives.'[120] More broadly, the pedigree of senior officials in the PiS government demonstrated their inherent mistrust of business interests in the energy sector. For example, between 2004 and 2005 Piotr Woźniak had been an expert in a Sejm committee investigating irregularities in PKN Orlen. Lech Kaczyński, whilst holding the post of Justice Minister in the Buzek government, played an instrumental role in reviewing the legality of the fibre optic cable running along the Yamal pipeline.[121]

6.3.2 Pipe dreams and material realities

During PiS rule, technical expertise was often lacking in assessments of Poland's energy security. This was part of a wider problem associated with statist policy networks, namely that officials enjoyed a high level of autonomy and discretion not only in defining their

[120] Orlicz, Michał, "Rząd straszy Gazpromem", *Tygodnik Solidarnosc*, Nr. 21 (922), 26 May 2006 at http://www.tygodniksolidarnosc.com/2006/21/24_rza.html accessed 20 October 2010
[121] Orban 2008, p. 81

ministry's policy mandate but also appointing its personnel. Indeed, it was notable that "no regulations existed, beyond standard procurement rules, which would specifically structure the access of ministerial officials to outside experts or information."[122] Lacking these arrangements, the government's centralised management and oversight over the energy sector contributed to a number of questionable assumptions underpinning policy. For example, the 'Policy for the Natural Gas Industry' stated that "repeated interruptions in the supply of imported gas from the east have highlighted the insufficient throughput capacity of the transmission system to maintain uninterrupted supplies to customers."[123] In fact, the throughput *capacity* in existing transmission lines was more than enough to cover Polish gas demand; the real problem was the inadequate development of the distribution system and the structural bottlenecks caused by market concentration.

Without the input of industry experts or business executives (who were absent from decision-making during much of PiS rule) there was a large degree of technical and financial overstretch implicit in Poland's diversification strategy. An assessment of Poland's various diversification projects in terms of gas demand and supply yielded a scenario in which Poland would spend billions of złoty for gas import and transmission infrastructure that the under-developed domestic market did not necessarily need. Indeed, the PiS government's projects were based on uncertain gas demand forecasts, and its excessive focus on the supply side of energy security came at the cost of disregarding demand-side issues. To illustrate, if all of the PiS government's gas diversification, storage and production strategies were implemented, then by 2020 Poland would receive 7.5 bcm per annum from LNG terminal, 5 bcm from the Baltic Pipe, 5 bcm from domestic sources, 2.5 bcm from Ukraine, and 7.5 bcm from Russia. This would mean that Poland's demand for natural gas would have to have doubled by 2020. Given that the figures for gas demand in 2006 were only 40% higher than they had been in 1990, it was somewhat far fetched to assume such a marked increase in

[122] Heywood and Meyer-Saling 2008; moreover, the report reveals that 'senior officials at all levels' tend first to resort to their own skills and knowledge in making public policy, and that most of the expertise is provided 'in-house', see pp. 66-67
[123] Poland, *Gas Policy*, 2007

Polish demand (see figure 6.1). Moreover, the Policy for the Natural Gas Industry did not mandate, much less acknowledge, the need to expand domestic gas infrastructure in order for Poland to be able to consume these greater quantities of natural gas in the first place. Without the input of business interests to draw attention to the necessity of expanding the gas distribution system or building gas-fired power generation, these considerations receded to the background.

As for strengthening Poland's ability to withstand supply crises, the Council of Ministers assumed a high measure of damage in its risk criteria. During the extraordinary meeting of the Council of Ministers on 3rd January, 2006, the government mandated PGNiG to increase the country's storage capacity to roughly four billion cubic metres, or a quarter of the annual gas consumption for all of Poland; this provision was expanded in a law that placed obligations on manufacturers and retailers of energy to keep a minimum level of oil and gas stocks.[124] This policy, however, was described by the IEA as "a significant entry barrier on the Polish gas market." The report also stated that the requirement to keep these obligatory stores on Polish territory contradicted EU Directives 2003/55/EC and 2004/64/EC concerning common rules for the gas market and storage facilities.[125] Moreover, expanding Poland's storage capacities would further cement PGNiG's monopoly on the market.

The costs of increasing energy storage and achieving a fully diversified gas and oil infrastructure were substantial, whether or not these costs were taken into account by the PiS government. The construction of the LNG terminal, for example, would require not only the requisite plants to handle the liquefaction and regasification technology but also the purchase or long-term lease of a fleet of LNG tankers, not to mention the development of a

[124] Poland, Rada Ministrów, *uchwałę w sprawie działań mających na celu dywersyfikację dostaw nośników energii*; Poland, Rada Ministrów, *o zapasach ropy naftowej, produktów naftowych i gazu ziemnego oraz zasadach postępowania w sytuacjach zagrożenia bezpieczeństwa paliwowego państwa i zakłóceń na rynku naftowym*, Dziennik Ustaw, Nr 52, poz. 343, 17 February 2007; article 49 in the latter stipulates that gas companies need to report to the national media the impact of any contracts concluded or supply interruptions on security of gas supply .
[125] International Energy Agency, *the Energy Policy of Poland*, Country Review, 2011

network of pipelines to transmit the fuel, in its gaseous state, to the Polish market.[126] A further instance of commercial constraints bearing on Polish energy diversification was the issue of the Baltic Pipe's throughput capacity. When Poland joined Skanled in 2007, the most the project could have sent for transport through the Baltic Pipe to Niechorze was about 0.5 bcm per annum. Since the Polish-Danish undersea link would have had to carry, at a minimum, around 5 bcm in order to be profitable, Poland was obliged to search for substantial volumes from other sources.[127] Moreover, the Baltic Pipe was a good example of how the PiS government's preoccupation with managing political threats arising from energy dependence actually *created* threats to the Polish energy market. If demand forecasts were incorrect, then the Baltic Pipe would tie Poland to another disadvantageous take-or-pay long-term gas contract, precisely the kind that had made Poland import surplus gas from Russia.

Figure 6.1 Comparison of Poland's Primary Energy Balance

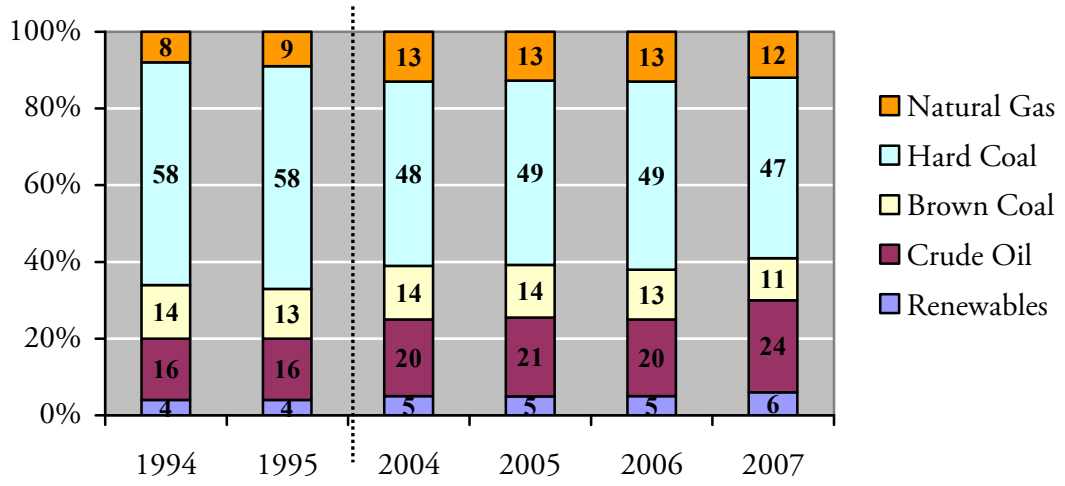
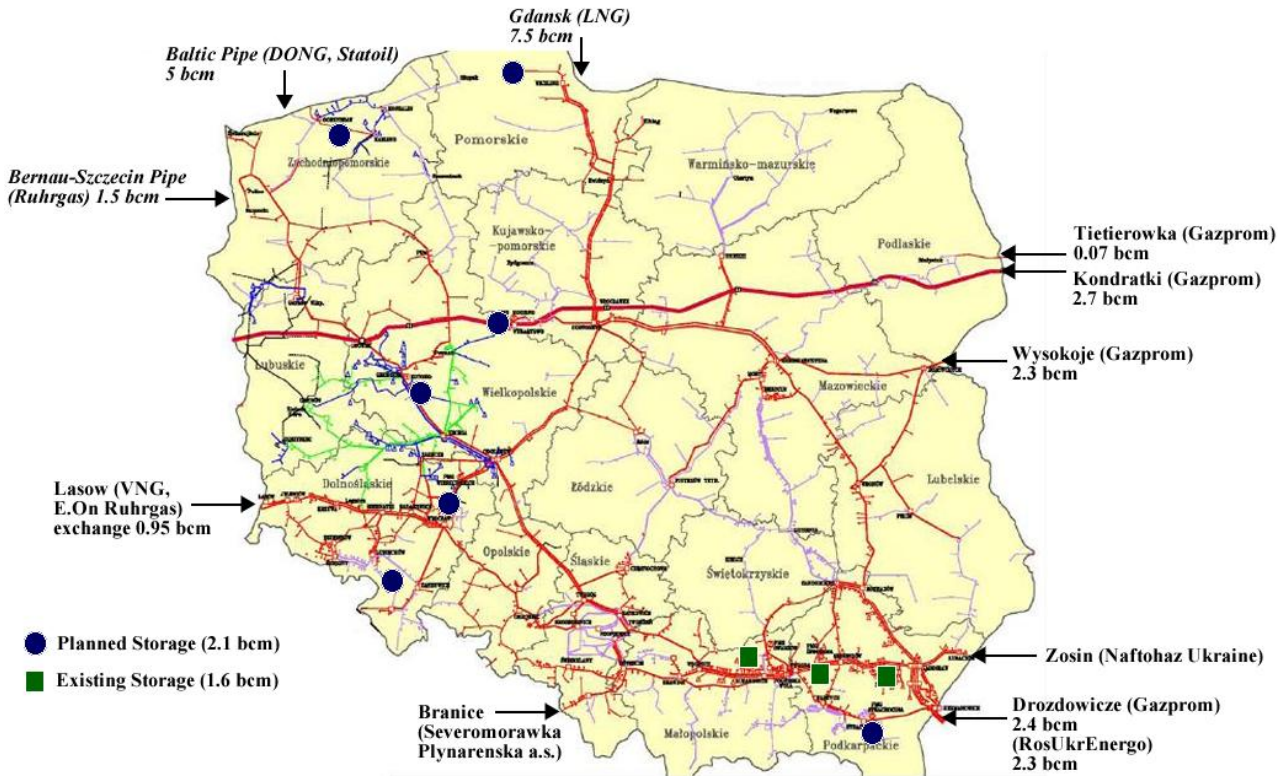


Chart indicates the broad evolution of energy carriers in Poland's primary energy balance. Note that the decrease in coal consumption since 1994 has been the primary change, with natural gas and oil recording increases. Overall, however, increases in energy efficiency contributed to a stable (rather than growing) demand for fossil fuels. *source*: PGNiG

[126] Malgorzata Szymanska, author's interview, Warsaw, March 2009

[127] European Union, Commission, *Inquiry pursuant to Article 17 of Regulation (EC) No 1/2003 into the European gas and electricity sectors- Priority interconnection plan*, Commission Staff Working Document, SEC(2006) 1715, Brussels, 10 January 2007

Map 6.2 Poland's Existing and Planned Gas Interconnections and Storage, 2007



Map showing Poland's gas transmission and storage infrastructure. There were three major entry points served by Gazprom, one of which was shared with the Ukrainian producer RosUkrEnergo (until the latter was dissolved in 2009). The italicised interconnections were diversification projects under consideration by the PiS government – e.g. an LNG terminal at Gdańsk, the Baltic Pipe importing Norwegian gas, and the Bernau-Szczecin link for gas import via Germany. As for storage, PGNiG was obliged to expand its existing capacity to roughly 4 bcm, or a quarter of the annual gas consumption for all of Poland. *Source*: PGNiG

Several of PiS officials' energy security projects, which were initiated on the basis of pipe dreams, ran up against such material constraints. This could explain why the majority of projects were never implemented – the domestic political process of decision-making in the PiS government was simply not in keeping with standard practice in the energy market.[128] Conventionally, energy projects are subject first to letters of intent amongst interested parties, then feasibility studies and finally, if they cross borders, to intergovernmental consultation and agreement (usually between Economy Ministries). But during the PiS government, energy security decisions were made by politicians with insufficient technical

[128] An exception is the LNG terminal at Świnoujście, which began construction in late March 2011. All the other projects were abandoned after PiS lost the 2007 elections.

knowledge of natural gas and oil transmission and distribution. For example, Lech Kaczyński based his rejection of Merkel's offer of a Nord Stream interconnector (without prior consultation with the Ministry of Economy) on the assumption that Poland's energy security risks would remain, as Russia would still be able to turn off the taps to Poland without jeopardising gas deliveries to Germany. But this logic was faulty; even EuroPolGaz, operators of the existing Yamal pipeline that ran through Polish territory, could not prevent deliveries of gas to Germany in the event of a disruption to Polish supply.[129] This was because the firm was partly-owned by Russia; as such, transit gas destined for Germany was operated by Gazprom Export, not Gaz-Trading, the Polish subsidiary. Thus, existing supply arrangements offered equal levels of certainty in gas supply as a potential Nord Stream interconnector. The difference was, of course, that accepting a limited role in the Russo-German project would legitimise it whilst having Poland yield to the interests of its powerful neighbours, something that was politically unacceptable at the time.

6.4 The Paradox of PiS

The PiS government provided an example *par excellence* of the workings of statist policy networks. Senior officials in the right-wing coalition were distrustful of the commercial interests of Poland's largest energy firms. Decision-making, therefore, was largely concentrated in the core of the state bureaucracy, where political executives enjoyed a high level of autonomy, discretion and oversight in formulating Poland's energy security policies. With a notable lack of rules or procedures governing the use of information and an absence of technical experts to buttress policy assumptions, ministers, deputies and other state officials referred principally to their own judgement and expertise during the policy-making process.

This orientation, which was a stark contrast to the Miller government's incorporation of the interests of state-owned energy firms in the policy-making process, had

[129] Strzelczyk 2002, pp. 430-440

considerable effects on Poland's external energy relations. As a weak but ambitious player in the EU, Poland had to face down Russia's strong-armed export policies, the European Union's institutionally weak remit over energy security issues, 'old' member states' bilateral energy relations with Russia, and new Europe's vulnerabilities brought about by ageing energy infrastructure, excessive dependence and a lack of interconnections. In addressing these external challenges, the PiS government's energy security policies exposed themselves to two paradoxes that were products of the statist orientations of governing elites and the government's centralisation of energy security policy-making.

The first paradox involved the PiS government's appeal to a higher ethic of solidarity, collective defence, reciprocity and fairness within the European Union over energy security issues. Almost in the same breathe as championing these values, the PiS government reasserted Poland's independence, sovereignty and the necessity to defend the national interest. It was difficult to reconcile these opposing dogmas, particularly since Poland exposed itself as hypocritical when it accused Germany of pursuing naked self-interest under the banner of European integration. The Kaczyński twins did much the same, appealing to the EU's solidarity and the need for a common energy policy in order to satisfy Poland's own interests in curbing Germany's bilateral energy relations with Russia. In pursuing its energy security objectives, the Polish government was doing precisely what it claimed it was trying to halt – conducting energy diplomacy that deliberately, and without a clear commercial rationale, sought to undermine other nations' energy security interests.

The second paradox concerned the practical inconsistencies brought about by conflicting energy security priorities. On the one hand, the PiS government wished to lessen Poland's dependence on Russia and therefore vigorously explored diversification options. At the same time, Warsaw was the most vocal opponent of the Nord Stream pipeline that bypassed Poland, instead proposing cheaper land-based alternatives such as Yamal-II or the Amber route that would pass through Latvia, Lithuania and Poland. In other words, Warsaw wanted to simultaneously free itself from gas dependence on Russia whilst retaining the geopolitical leverage granted by its status as a transit state for Russian gas to Western Europe.

The idiomatic expression, 'to have ones cake and eat it, too' is apt to describe Poland's energy security policy outlook in this instance.

These two paradoxes were explicable in the context of the PiS government's understanding of energy security. To the Kaczyński twins, energy security did not necessarily mean the provision of a sufficient level of gas and oil to ensure Poland's economic development and the welfare of its society. Rather, it was about countering the hegemonic ambitions of Poland's historical enemies – Germany and Russia. This explained why President and Prime Minister Kaczyński, as well as their cabinet officials, did not accept any diversification proposals that involved these two states.[130] Any such initiatives, the reasoning went, were thinly veiled plots to have Poland legitimise projects that had been concluded, and would be carried out, over their heads. It also explains why Poland pursued diversification projects that would have created a surplus gas market as well as engender considerable financial burdens on its national energy firms. Under the aegis of nationalist conservative politicians, economic considerations such as the price and demand for energy were secondary to the ultimate aim of providing national security for the state. In this context, energy security was understood to be compromised, not bolstered, by market liberalisation.

The pursuit of energy security created much of the tension in Poland's diplomatic relations after EU membership. In a world where gas dependence was becoming an increasingly significant strategic consideration, conflicts of interest quickly arose between Russia's goal of increasing leverage over downstream gas markets in Europe, Poland's attempts to diversify its sources and suppliers, and the EU's efforts to liberalise and regulate the internal gas market. As it happened, a convergence of these goals became nearly impossible – in the eyes of officials in Warsaw, Russia's use of energy export as a means to political ends and the EU's largely demand-side, market-oriented approach to energy regulation placed Poland in an awkward geopolitical position between the politics and

[130] The twins' aversion to projects such as the Nord Stream interconnector or the Bernau-Szczecin pipeline are cases in point

economics of energy security. This, in turn, led Warsaw to initiate conflicting strategies of, on the one hand, diversification from Russian oil and gas sources and, on the other, consolidation of existing east-west energy interconnections. No small amount of tension manifested itself in the PiS government's pursuit of these respective strategies, despite one of the central Polish foreign policy goals being to act as a bridge between east and west. The statist policy network's assessment of Poland's energy vulnerabilities, along with the perceived threats that they engendered, was instrumental in determining which strategies Poland adopted to ensure energy security in the post-EU membership period.

Conclusion

Waking up from pipe dreams?

On 6 January 2009, a transit and price dispute between Ukraine and Russia once again triggered a gas supply crisis for most of Europe. This time, the cessation of deliveries during the cold winter month lasted over two weeks and affected not only industries but households in several European countries. Industry analysts called the crisis "by far the most serious of its kind."[1] Unlike in January 2006 when Ukraine was diverting gas destined for European customers further down the pipe, this was the first time that gas supplies on this key transit route had been completely halted.[2] EU member states were variably affected depending on their supply balance, level of diversification and capacity of storage reserves. But Central, Eastern and Southeast European member states were by far the most afflicted, given their dependence on Russian gas transmitted through Ukraine. By 22 January, the credibility of Russia as a supplier and Ukraine as a transit state had suffered irreparable damage; the political agenda of the European Union became re-focussed on reducing its dependence on the Russia-Ukraine gas transit corridor.

A few weeks after the crisis, the Nord Stream project received the green light. The final hurdle had been overcome after leaders in the Baltic States accepted the environmental impact assessments of the pipeline's construction.[3] On 9 April 2010, Russian, German and EU representatives met in Vyborg to inaugurate the construction of the Baltic Sea pipeline. At the ceremony, Gazprom CEO Alexei Miller stated that Nord Stream would "ensure the highest reliability of supply" by diversifying Russia's transit routes for gas destined for European markets.[4] With the January supply crisis fresh on European policy-makers' minds, the undersea pipeline was seen as successful diversification from the unreliable gas transit

[1] Pirani, Simon, Stern, Jonathan and Yafimava, Katja, "The Russo-Ukrainian gas dispute of January 2009: a comprehensive assessment" *Oxford Institute for Energy Studies*, NG 27, February 2009, p. 4
[2] Ibid., p. 22
[3] *BBC News,* "Nord Stream gas pipeline underwater construction starts", 9 April 2010 at http://news.bbc.co.uk/2/hi/8607214.stm, accessed 12 October 2010
[4] *Guardian News*, "Russia and Germany start work on £8bn pipeline under the Baltic", 9 April 2010 at http://www.guardian.co.uk/business/2010/apr/09/russia-launch-baltic-gas-pipeline, accessed 14 October 2010

routes between Russia and the CIS. However, Polish President Kaczyński advanced a different point of view, arguing that the Nord Stream pipeline drove a wedge between the energy markets of western and eastern member states of the European Union.[5]

While President Kaczyński was castigating the Nord Stream pipeline, the new centre-right Polish government under Prime Minister Donald Tusk was renegotiating the terms of the Yamal contract with Russia. This had become necessary in the wake of the January 2009 crisis, after which the Russian-Ukrainian joint venture RosUkrEnergo could no longer supply Poland with the 2.3bcm of Central Asian gas that PGNiG had contracted for 2009. Faced with a shortfall of gas, PGNiG began talks with Gazprom on increasing deliveries through the Belarusian Yamal pipeline in order to cover the gap left by Poland's newly defunct Ukrainian import corridor. In October, it was finally agreed that the Yamal contract between PGNiG and Gazprom would be extended by fifteen years (from 2022 to 2037) with an additional 2bcm of imports quantities made available. This brought the total annual imports from Russia from 7 to about 10bcm per annum. Moreover, it was agreed that PGNiG and Gazprom would each own 50% of EuroPolGaz, thereby removing Gas-Trading as an intermediary. As for the Nord Stream pipeline inauguration, Poland reiterated its support for an alternative, namely the second leg of the Yamal pipeline. Economic Minister Waldemar Pawlak was particularly supportive of this prospect, reasoning that "much more gas would pass through Poland, which is a much cheaper and better solution than the Northern Pipeline."[6]

While PGNiG's revised gas agreement with Russia was being scrutinised by the European Union in the context of the competitiveness of the EU's internal energy market, interest in the potential for developing unconventional shale gas deposits in Poland was gaining momentum. After reviewing promising preliminary geological studies, Exxon-Mobil,

---

[5] *Gazeta.pl*, "Kaczyński bloguje: 'W sprawie Nord Stream rząd jest bierny i bezwolny'", 1 March 2011 at http://wiadomosci.gazeta.pl/Wiadomosci/1,80271,9181572,Kaczyński_bloguje___W_sprawie_Nord_Stream_rzad_jest.html accessed 8 March 2011

[6] Poland, Ministerstwo Gospodarki, "Wicepremier Pawlak: Bezpieczeństwo energetyczne kraju powinniśmy oprzeć na własnych surowcach", *Press Release*, 9 September 2009 at http://www.mg.gov.pl/Wiadomosci/Archiwum/Wicepremier+Pawlak+Bezpieczenstwo+energetyczne+kraju+powinnismy+oprzec+na+wlasnych+surowcach.htm accessed 6 March 2011

ConocoPhillips and Chevron entered the Polish gas market in mid-2010, buying up concessions to explore potential shale gas deposits in the Baltic, Podlasie and Lublin Basins, respectively. However, these companies' activities are at their early stages, and the development of shale gas throws up a number of environmental, technical and economic concerns. Commentators have pointed out that the U.S. shale gas boom is not easily replicated in Europe – the regulatory, technical, spatial and market conditions needed to successfully exploit unconventional gas resources are currently absent in much of Europe.[7] For Poland, however, the attraction of developing shale gas lies not so much in the economic benefits (which are currently uncertain), but rather in the political opportunism of lessening dependence on Russia. It is in this context that Poland is currently trying to make the renegotiated Yamal contract as flexible as possible; as Treasury Minister Aleksander Grad has noted, "it is important that the new agreement gives flexibility to Poland in order to be able to reduce its gas imports from the east, should it find shale gas deposits."[8]

In addition to expanding and restructuring its gas production and import, Poland also initiated the creation of a nuclear power programme. In February 2009, the state-owned energy firm, Polish Power Group (PGE), was tasked by the government with building up to 6,000 megawatts of nuclear generation capacity by 2030. The justification for this move was to diversify Poland's coal-based electricity generation, which at the time accounted for almost 95% of the country's final consumption. Maciej Woźniak, the chief advisor to Prime Minister Tusk on matters relating to energy security, justified the heavy investment costs (pegged at around $18 billion) by calling attention to the EU's climate change packages and the concomitant necessity to reduce reliance on coal.[9] In this context, Poland enlisted the help of French, British and American energy firms. All of these actions were covered under a new Energy Policy of Poland to 2030, which recognises coal's contribution to Poland's high

[7] Stevens, Paul, "The Shale Gas Revolution – Hype and reality", *Chatham House Report*, September 2010
[8] Poland, Sejm Interpelation, 06.12.2010, Ministra skarbu państwa Aleksander Grad, *w sprawie gazociągu Nord Stream*, nr 19131
[9] Maciej Wozniak, author's interview, London, March 2011

level of energy security relative to its Eastern European cohorts, and accordingly set out the parameters for nuclear development to ensure this level of self-sufficiency in the future.[10]

As the episodes above demonstrate, even today – six years after EU membership – Poland's energy security policies are characterised by a high degree of uncertainty, as the blurry state-market relationship continues to inform the process of decision-making. Yet again, politicians are leading the fray in managing Poland's commercial and political vulnerabilities in the energy sphere, by seeking additional gas from Russia whilst simultaneously probing new diversification options through the European Union as well as with American energy firms. As for the nuclear option, it is questionable whether its development is in synchronicity with the expansion of natural gas production (including unconventional sources), particularly since deputies from the Treasury and Economy Ministries admitted that no studies had been commissioned prior to draft legislation was passed in the Sejm on a nuclear energy programme.[11] Thus, what this contemporary situation reveals is that, in the case of Poland's energy security, history does indeed repeat itself – but not in the way Lech or Jarosław Kaczyński saw it. Rather, Poland's energy security policies continue to derive from the variable meanings that different decision-makers have assigned to energy security, dependence and diversification.

7.1 Reviewing the case study and research question; the domestic sources of energy security policies

In this concluding section, a brief overview of the major traits characterising decision-making in Poland's energy sector are presented below. These traits enabled the great deal of variation in Poland's energy security policies towards Russia as well as the European Union and neighbouring states.

[10] Poland, Rada Ministrów, *Energy Policy of Poland until 2030*, Warsaw, adopted 10 November 2009, see p. 8
[11] *Warsaw Business Journal*, "Nuclear power for Poland, but at what price?", 28 January 2011 at http://www.wbj.pl/article-52963-nuclear-power-for-poland-but-at-what-price.html accessed 12 February 2011

7.1.1 Political salience of energy security issues

First and foremost, Poland's energy relations with Russia always occupied a prominent place on the political agenda. Whether dealt with by market liberals, economic nationalists, or populist demagogues, energy security issues always commanded a great deal of public attention. Often it was useful for politicians to capitalise on the popular bias towards the external political dimension of energy security, which deflected attention from domestic issues such as the efficiency of coal production, the construction of gas distribution lines or the modernisation of energy-intensive industrial facilities. In fact, a recent IEA report suggests that the biggest potential threat to Poland's electricity supply is industrial action in the coal mining or rail transport sectors; the report therefore argues for more diversification – in *electricity* generation.[12] But rather than address such domestic issues, policy-makers gained more political stock by responding to public opinion that was overwhelmingly in favour of reducing energy ties to Russia.[13] As such, any negotiations undertaken with Gazprom and Moscow were always cast under the public limelight, and any decisions that were perceived to strengthen Russia's influence or leverage over Poland's energy sector had to be publicly justified and defended.

The political salience of energy dependence on Russia can partially explain why there have been seven major energy policy documents since 1990. It can also explain why most of these policy documents have addressed the concept of energy security in the context of dependence on imported fuels. In other words, enhancing security in the energy sphere has not been about constructing modernised energy grids, diversifying Poland's primary energy *mix* (rather than sources), improving efficiency or the ability to cope with technical faults. Instead, in each document the concept of energy security was considered mainly in terms of how a change in the external environment (predominantly in the supply or price of imported

[12] IEA 2011, p. 95

[13] In 2001, 83% of Poles surveyed felt that diversification was in Poland's interests, see Poland, Centrum Badania Opinii Społecznej, *Opinia publiczna o kontrakcie z Norwegią na dostawę gazu do Polski*, BS/166/2001, Warsaw, September 2001

fuels) could have a negative impact on Poland. Whether the tools needed to address such energy security issues lay in the realm of the market or diplomacy (or a combination of both), the problems they engendered were invariably considered in an external context.

7.1.2 Exceptionalism and continued state ownership of the energy sector

The political sensitivity surrounding energy security issues meant that the Polish state retained control over much of the country's energy firms and infrastructure. Indeed, in the immediate aftermath of communism the state bureaucracy was already inextricably bound up with the functioning of the Polish economy – doing away with the centralised management structures in the heavily-subsidised coal mining sector while commercialising the barter-style gas and oil trade with Russia were no easy tasks. Despite the best efforts of neoliberals in post-Solidarity governments, the energy sector for the most part remained impervious to reforms. Although Poland pioneered the Eastern European variant of 'shock therapy' market reform, the energy sector was exempt from several of its provisions, mainly by virtue of the socioeconomic importance attached to coal production and the geopolitical sensitivity associated with dependence on Russia. Thus, the liberalisation of the energy market and the commercialisation of energy firms were significantly slower than in most other sectors of the economy.[14] Moreover, despite numerous debates in the legislature and executive about the prospects of privatisation, the Polish government consistently mooted private ownership of 'strategic' energy firms and infrastructure.[15] Even after EU accession negotiations had been concluded, the majority of entities operating on the Polish energy market remained *de facto* monopolies and faced very little competition from external market players. The concomitant

[14] Much of the general literature on Poland's transition to a market economy and the concomitant analysis of public-private relationships do not apply because it presupposes a certain trajectory that most energy firms and infrastructure simply did not follow. In most cases it was necessary to procure sector-specific reports and analyses of the impact of the transition on the energy sector.

[15] Only occasionally have neoliberal reformers managed to privatize energy assets, notably in the case of PKN Orlen (73%) and PGNiG (15%). But the State Treasury remains the majority owner in both cases, and has enacted provisions that give it powers of intervention and oversight.

lack of interconnections with other energy markets further discouraged ownership restructuring.

7.1.3 A blurry division between the state and the energy market

Though the energy sector remained in the hands of the state, there were few institutions to govern the relationship between state and market actors. A lack of formal regulatory provisions precluded structured patterns of interaction to arise amongst state agencies, public officials, state-owned enterprises and private stakeholders. Despite steps taken to address this problem (notably the passage of the Energy Law of 1997 and the establishment of an independent energy regulator), in practice the roles and responsibilities for creating energy security policies were largely open to interpretation. For example, as the proprietor of energy firms and infrastructure, the State Treasury – through company supervisory boards – could freely determine its level of involvement in the workings of these entities; officials therein could liaise with, delegate, or give free reign to enterprise managers in their formulation of commercial strategies or restructuring plans. In drafting Poland's energy policies, the Ministry of Economy had a similarly large degree of discretion in drawing upon the opinions and expertise of private stakeholders and other institutions (such as the Ministry of Finance, Foreign Affairs, or Environment). More generally, the freedom of state-owned energy firms such as PGNiG or PKN Orlen to operate independently of government intervention was determined less by the demands of the market than by the political orientations of the administration in power.

An important consequence of the lack of a clear framework for state-market relations was that several individuals ended up straddling the divide between the public and private spheres, as they carried out governing duties at the same time as performing various commercial functions for state-owned energy enterprises. This allowed different types of policy networks to arise during each government, since ministers and deputies were variably

involved in the supervision or management of commercialised energy firms.[16] For example, both former Minister of Industry and Trade Andrzej Lipko and former deputy Economic Minister Marek Kossowski became CEO of PGNiG after their respective stints in government. In the wake of the Yamal contract negotiations with Russia, undersecretary of the Economy Kazimierz Adamczyk took up the duties of President at EuroPolGaz, while Andrzej Arendarski, who had been the Minister for Foreign Economic Cooperation, became his deputy. The interpersonal linkages that accompanied these transfers created a personalised system of political and business interaction, largely unencumbered by institutional constraints or a clear demarcation of public and private spheres of activity.

7.1.4 A high turnover of state and market actors

The state's ownership and management of energy firms after socialism tied the fortunes of these firms not to the market but to the fate of the government in power. It became a common occurrence for a new incumbent government to shuffle boardrooms and remove business executives deemed to be operating against the national interest. The resulting appointment of key posts in the energy sector by way of political preference (such as the boards of PGNiG and PKN Orlen) ensured that the business strategy of national energy firms matched the political orientations of the government (or vice versa).

However, domestic politics in Poland was highly chaotic and constantly in flux. Indeed, no other Eastern European country has witnessed such a high turnover of ruling political parties and governing coalitions in the post-communist era, each with a reconfigured set of elites. Electoral politics followed a pattern in which parties and coalitions enjoyed power only briefly before handing it back to the other end of the political spectrum. This high level of swing from left to right and vice versa, coupled with the great deal of political attention paid to dependence on Russian energy, meant that state-owned energy firms had to endure frequent changes in personnel and strategy. At the same time, conflict

[16] It was less common for managers at state-owned energy firms to make the transition to politics.

amongst governing parties and coalitions over Poland's economic reforms created a high turnover of government officials *within* governments – particularly cabinet ministers who were often replaced in the wake of scandals or political tête à têtes.

The perennial rotation of individuals responsible for the management of the energy sector stymied the application of a consistent long-term national energy security policy, as it became standard practice to replace, rather than build upon the policy outputs of predecessors. This can partially explain why each of the seven major energy policy documents since 1990 has advanced a different set of strategies for ensuring energy security.[17] In this context, most of Poland's energy security projects – not just diversification but also provisions for strategic storage and investments in infrastructure – did not survive a change in government; in most cases they were either reversed or quietly taken off the policy agenda.

7.1.5 Lack of experience and subjective use of information

The absence of an institutionalised system for managing the energy sector contributed to a lack of adequate data and expertise that could be drawn upon for policy formation. Indeed, competence over Poland's energy policies spread across a wide range of institutions and individuals that were not necessarily experts in the field. As a consequence, outlooks on energy security were often informed by political ideology, bureaucratic position and party affiliation, which occasionally supplemented a sound technical knowledge of the needs and challenges of the Polish energy sector. Indeed, continued influence over 'strategic energy assets' and the lack of privatisation in this sector made it easier for energy policies to become linked to cabinet ministers' political interpretations concerning Poland's dependence on Russia. In some cases, energy security projects were centrally mandated by political executives who managed the activities of state-owned energy firms on the basis of subjective risk

[17] These are: Energy Policy Principles of the Republic of Poland for 1990-2010 (August 1990); Polish Energy Policy Principles by 2010 (October 1995); The Energy Law (April 1997); Guidelines for the Energy Policy of Poland until 2020 (February 2000); Assessment of Implementation and Amendment to the "Guidelines for the Energy Policy of Poland until 2020" (April 2002); Energy Policy of Poland until 2025 (January 2005) and the Energy Policy of Poland until 2030 (November 2009).

assessments. This problem was compounded by the fact that access to information for making policy recommendations was unregulated and subject to discretionary use; in fact, in many instances policy-makers referred to their own judgment or exercised a personalised form of delegation to preferred actors in the making of public policy. As a consequence, policy output often inadvertently conflated or distorted the fundamentals underpinning Poland's energy market, evoking sharp critiques from private industry, academic institutions and independent external assessments.

7.2 Drawing lessons from the Polish case

To what extent were the factors above present in other countries besides Poland, and in any case did they affect energy security policies? At the outset it must be noted that it is difficult in the social sciences to make generalisations from single case studies.[18] A longitudinal study of Poland's energy policies might have little in common with those of a comparable state over a similar period. Moreover, many of the variables identified in this thesis are, relative to other Eastern European states, unique to Poland (for example, frequent changes from left to right-wing governments coupled with a high level of state ownership of monopoly energy firms). In this vein, abstracting to the systemic international level, though theoretically useful, is in practice very difficult to sustain. Even in one state – e.g. Poland – there is much variation in the behaviour and policies adopted in response to international energy relations. Still, this is not to claim that there are no similarities between Poland and other Central and Eastern European states.

Indeed, the Baltic States, Hungary, Slovakia, Czech Republic, and Slovenia are also post-socialist states that are dependent on Russian energy and, like Poland, have nevertheless embraced democratic capitalism and joined the EU and NATO. In the process, their economies have moved away from wasteful communist-era energy consumption and production, at the same time moving towards less energy-intensive commercial activities.

[18] See George and Bennett 2005

The similar political and economic trajectories of these states, along with their shared communist past, can shed light on the reasons behind their energy security policies. Indeed, it is fairly clear why these states should be mindful of energy dependence on a former hegemon to which they were subordinate. Dependence in itself has not been the source of threat; rather, it has been derived from a shared historical suspicion of what is considered an opaque and neo-imperial supplier state – Russia.

However, even among the Central and East European countries, it is difficult to undertake a comparative study of their energy security policies, since every state has a different energy mix and a different state-market relationship. As such, a focus on external factors must not disregard or merely explain away the great deal of variation within these states – not only in the organisation of their energy markets but also in the strategic choices made to mitigate energy vulnerabilities. For example, Slovakia has followed a course resembling appeasement of Russian energy interests and has, as a consequence, maintained a high level of dependence on Russian gas.[19] Hungary and Czech Republic have privatised much of their energy sectors; the investment decisions taken by predominantly foreign energy firms have led to a larger proportion of imported fuels (particularly gas from Russia) in their respective total primary energy supplies. However, both Budapest and Prague have, like Warsaw often oscillated between conflict and cooperation with Moscow in the realm of energy politics. As for the Baltic States, on the whole they have tried to lessen dependence on Russia not by diversification of imports but by reducing gross energy consumption.

Although this variety in energy policy can be partly explained by referring to these states' relative positions in the regional energy supply chain, it is also essential to consider the characteristics of their domestic political economies. Exploring energy policies in Central and Eastern Europe not by a study of their relations with Russia but rather via a study of domestic political and economic relations would yield a more nuanced picture of energy politics in the region.

[19] For comparative analyses of the differences between CEE energy policies, see Orban 2008; Miller 2008

7.3 Reviewing the hypothesis

Contrary to prevailing wisdom, it has been demonstrated that Poland's energy security is more affected by domestic decision-making processes than by 'external' factors such as Russian energy actions or EU market rules. The political sensitivity of energy issues, the state's ownership of the energy sector, the blurry state-market relationship, the high turnover of personnel in energy firms and state institutions, and the lack of experience and adequate data for policy-making gave rise to different policy networks.

Poland's energy security can therefore be assessed not necessarily by virtue of analysing energy dependence but by defining the patterns of relations between energy policy stakeholders. To this end, this thesis made a first attempt at categorising the different types of state intervention in the Polish energy sector since the end of the Cold War. The term 'policy network' has been used to convey the idea that decision-making incorporated a wide range of stakeholders from both the public and private sectors. Three different types of policy networks have been identified – statist, liberal and corporatist, the rotation of which implied that the policy-making process was far from institutionalised or immutable.

Specific attention has been paid to the relationship between the core executive and the management structures in state-owned energy firms. In this context, policy networks arose because governments were weak and institutional arrangements between state and market actors under-developed. These conditions permitted an ad-hoc set of policy actors to arise in response to the energy security challenges identified by the executive in power. By virtue of the state's ownership of most of the energy sector, public officials responsible for energy security could decide how to manage this sector – e.g. an approach that was predominantly *dirigiste* (statist), *laissez-faire* (liberal) or a mixture of both (corporatist). The high level of energy security policy variation in Poland, which formed the central puzzle of this thesis, can be explained as a function of these three policy network types.

For statist policy networks, energy security was best ensured by diversifying Poland's oil and gas sources from Russia. Dependence on Russia was perceived in predominantly

geopolitical terms, and often associated with threats to Polish sovereignty and independence. Moreover, state-owned energy firms were seen as serving the national interest, such that consideration of the cost, competitiveness and efficiency of their operations receded to the background. Because security topped the energy policy agenda, market-based reforms were assessed in relation to their contribution to ensuring security of imported energy supplies. Such an approach was adopted in the conservative-nationalist PiS government, the post-Solidarity minority government of Jerzy Buzek, as well as during the brief term of Jan Olszewski.

For liberal policy networks, energy security was best ensured by allowing the market rather than the state to determine the optimal supply and demand balance for Poland. Liberals were loath to have politicians meddle in the affairs of energy firms; privatisation and foreign investments would eliminate the inefficiencies that made the overly-regulated market insecure in the first place. Liberals were ambivalent about the politics of gas and oil supplies, preferring decisions on diversification from Russia to be handled endogenously by the Polish energy market, rather than mandated centrally by the state. This position stemmed from a suspicion of any decision-making structures reminiscent of the hierarchical central planning behind socialism. It was advanced by the first two post-communist governments of Tadeusz Mazowiecki and Jan Bielecki, the market-oriented Freedom Union led by Leszek Balcerowicz, as well as the technocratic 'caretaker' government of Marek Belka.

For corporatist policy networks, energy security was best ensured by increasing interdependence with Russia. This position constituted the middle ground between the *laissez-faire* approach favoured by liberals and the *dirigiste* nature of statists. Decision-making was driven by closed consultation between public and private actors, a tandem that had a powerful influence on Poland's energy security outlook. Indeed, from the perspective of management boards in state-owned energy firms, long-term import arrangements from Russia not only ensured a continuous source of relatively affordable supply but also maintained their monopoly position on the Polish market. These two factors were considered by both state and business actors to be beneficial to energy security. This kind of

policy outlook, which accommodated Russian energy interests, was visible in the Suchocka, Pawlak, Oleksy, Cimoszewicz and Miller governments.

Domestic politics occupied a prominent place in the story of Poland's energy security. Indeed, this story has been told with reference to the struggles of market liberals against economic nationalists, economists against political strategists, technocrats against populists, privatisers against consolidators, private businesspeople against public officials, and so on. These struggles have been revealed across and within governments and can account for the many inconsistencies and contradictions embedded in national energy security policies. Indeed, how else could one explain Poland's indecision concerning diversification from Russia or its erratic commitments towards adopting EU energy market reforms? Without an awareness of the domestic political economy, it would be difficult to explain why Poland signed the long-term Yamal contract when its already modest consumption of natural gas was in sharp annual decline. It would also seem baffling for Poland to reject Russia's offer to build the Yamal-II gas pipeline, only to lobby for its construction a short while later. Similarly, it would be difficult to account for Poland's drive to reduce vulnerabilities brought about by a long-term take-or-pay contract with Russia by signing a nearly identical one with Norway. Finally, it would seem paradoxical for the PiS government to attempt to extricate Russia from Poland's energy sector whilst at the same time harshly criticising the Nord Stream pipeline that bypassed Poland.

All of these puzzles cannot be accounted for simply by assessing factors such as levels of import dependence, supply interruptions, price volatility or any number of material energy vulnerabilities. These factors are ultimately subjective and open to interpretation; responses to them rely on the outcomes of the numerous domestic struggles that have coloured Poland's political history since the end of the Cold War.

A note on the bibliography - This thesis has employed a number of different types of sources to gather empirical data and substantive analysis. Some of the sources used provide a lengthy and in-depth analysis of energy issues, whereas others provide basic yet useful coverage. Much of the latter include newspaper articles, op-eds, business reports and brief online coverage of key issues. To distinguish between these and more rigorous academic sources, this bibliography will be divided into two sections, the 'core' and 'supplementary' bibliography. The core bibliography will also include more general IR/political science literature, as well as primary sources.

Core Bibliography

Aalto, Pami, ed., *The EU-Russian energy dialogue: Europe's future energy security*, Aldershot, Ashgate, 2008

Aberbach, Joel; Rockman, Bert, "Conducting and coding elite interviews", *PS Political Science & Politics,* Vol. 35, No. 4, 2002, pp. 673-76

Adamczyk, Łukasz & Barański, Tymoteusz, "The Compatibility of the Polish State's golden shares with EC Law", *European Business Organization Law Review*, Vol. 11, 2005, pp. 95-124

Afeltowicz, Łukasz, "Zawłaszczone państwa, sieci społeczne i wyobraźnia socjologiczna: krytyczna analiza koncepcji", *Studia Socjologiczne*, Vol. 1 (196), 2010, pp. 69 - 105

Allison, Graham; Zelikow, P, *Essence of decision: explaining the Cuban Missile Crisis,* 2nd Edition, New York, Longman, 1999

Ananicz, Andrzej; Grudzinski, Przemyslaw; Olechowski, Andrzej; Onyszkiewicz, Janusz; Skubiszewski, Krzysztof and Szlajfer, Henryk, "Poland-NATO report", reprinted in *European Security*, Vol. 5, No. 1, pp. 141-166

Åslund, Anders, "Russian energy and the European Union: perspectives on Gazprom", *speech given before the European People's Party, European Parliament*, Brussels, May 15 2008

Atkinson, Michael & Coleman, William, "Strong states and weak states: sectoral policy networks in advanced capitalist economies" *British Journal of Political Science*, Vol. 19, No. 1, 1989, pp. 47-67

Austin, Greg & Schellekens-Gaiffe, Marie-Ange, *Energy and conflict prevention,* EastWest Institute, Madariaga European Foundation, 2007

Axelrod, Regina, "The European Energy Charter Treaty; reality or illusion?" *Energy Policy*, Vol. 24, No. 6, 1996, pp. 497-505

Bahgat, Gawdat, "Europe's energy security: challenges and opportunities", *International Affairs,* Vol. 82, No. 5, 2006, pp. 961–975

Balcerowicz, Leszek, "Transition to the market economy: Poland, 1989-1993 in comparative perspective", *Economic Policy*, Vol. 19, No. 19, December 1994, pp. 72-92

Baldwin, David, "Thinking about threats", *Journal of Conflict Resolution*, Vol. 15, 1971, pp. 71-78

Balmaceda, Margarita, *Energy dependency, politics and corruption in the former Soviet Union : Russia's power, oligarchs' profits and Ukraine's missing energy policy, 1995-2006*, New York, Routledge, 2008

Balmaceda, Margarita "Gas, oil and the linkages between domestic and foreign policies: the case of Ukraine", *Europe-Asia Studies*, Vol. 50, No. 2, March 1998, pp. 257-286

Balzacq, Thierry, "The three faces of securitization: political agency, audience and context", *European Journal of International Relations,* Vol. 11, No. 2, 2005, pp. 171-201

Baran, Zeyno, "EU energy security: time to end russian leverage", *The Washington Quarterly,* Vol. 30, No. 4, 2006

Barkin, J Samuel, "Realist constructivism", *International Studies Review,* Vol. 5, No. 1, 2003, pp. 325–342

Belka, Marek et al, "Transforming state enterprises in Poland: evidence on adjustment by manufacturing firms," *Brookings Papers on Economic Activity*, Vol. 1993, No. 1, 1993, pp. 213-270

Belkin, Paul, "The EU's energy security challenges" *CRS Report for U.S. Congress*, Foreign Affairs Division, Congressional Research Service, Washington DC, 2008

Bell, Janice, *The political economy of reform in post-communist Poland*, Cheltenham, Edward Elgar, 2001

Bennett, Andrew, "Building communities, bridging gaps: Alexander George's contributions to research methods", *Political Psychology*, Vol. 29, No. 4, 2008, pp. 489-507

Biblioteka Regulatora URE, *Jaki model rynku energii?*, Urząd Regulacji Energetyki, Warsaw, 2010, at http://www.ure.gov.pl/portal/pl/217/Jaki_model_rynku_energii.html accessed 21 December 2010

Biblioteka Regulatora URE, *Polska polityka energetyczna – wczoraj, dziś, jutro*, Urząd Regulacji Energetyki, Warsaw, 2010

Blazyca, George & Rapacki, Ryszard, "Continuity and change in Polish economic policy: the impact of the 1993 election", *Europe-Asia Studies*, Vol. 48, No. 1, January 1996, pp. 85-100

Blazyca, George & Kolkiewicz, Marek, "Poland and the EU: Internal disputes, domestic politics and accession", *Journal of Communist Studies and Transition Politics*, Vol. 15, No. 4, 1999, pp. 131 - 143

Bobiński, Krzysztof, "Poland's post election foreign policy – a turning point?" *Instytut Spraw Publiczynch,* Warsaw, 2007

Bobiński, Krzysztof, "Polish foreign policy 2005–2007", *Instytut Spraw Publiczynch,* Warsaw, 2007b

Bobrowski, Ryszard, "Poland's wrong choice: the Polish political scene and its influence on the creation of the country's foreign and security policy", *International Issues & Slovak Foreign Policy Affairs* Vol. 16, No. 2, 2007, pp. 65 – 74

Bohi, Douglas & Toman, Michael, *The economics of energy security*, Massachusetts, Kluwer Academic Publishers, 1996

Bojarski, Wlodimierz, "Zapewnienie dostaw gazu,", *Rurociagi*, Nr 2-3, 1999

Bruce, Chloe, "fraternal friction or fraternal fiction? the gas factor in Russian-Belarusian relations", *Oxford Institute for Energy Studies*, NG 8, March, 2005

Buhbe, Matthes & Kempe, Iris, "Russia, the EU and the Baltic States – enhancing the potential for cooperation," Friedrich Ebert Stiftung, Moscow, 2005

Buras, Piotr, "Miedzy Europeizacja a Gazpromem: Niemcy, Rosja i bezpieczeństwo energetyczne" *Centrum Stosunkow Międzynarodowych,* Raporty i Analizy, Warsaw, No. 7, 2008

Buzan, Barry & Waever, Ole, *Regions and powers: the structure of international security,* Cambridge, Cambridge University Press, 2003

Buzan, Barry, *People, states and fear; an agenda for international security studies in the post-Cold War Era*, 2nd Edition, Boulder, Lynne Rienner, 1991

Capano, Giliberto, "Understanding Policy Change as an Epistemological and Theoretical Problem, *Journal of Comparative Policy Analysis*, Vol. 11, No. 1, 2009, pp. 7-31

Carlsnaes, Walter, "The Agency / Structure Problem in Foreign Policy Analysis" *International Studies Quarterly*, Vol. 36, No. 3, 1992, pp. 245-270

Carlsnaes, Walter, *Energy Vulnerability and national security: the energy crisis, domestic policy responses and the logic of Swedish neutrality*, London, Continuum, 1988

Carlsnaes, Walter, *Ideology and foreign policy: problems of comparative conceptualization*, Oxford, Blackwell, 1987

Carlsnaes, Walter, Risse, Thomas & Simmons, Beth, eds., *Handbook of international relations*, London, Sage Publications, 2002

Cawson, Alan, *Corporatism and political theory*, Oxford, Basil/Blackwell, 1986

Chalupec, Igor and Szymanski, Pawel, "PKN Orlen strategy update 2006-2009", 10 January 2006

Checkel, Jeffrey, "The constructivist turn in international relations theory", World Politics, Vol. 50, No. 2, 1998, pp. 324-348

Chester, Lyn, "Conceptualising energy security and making explicit its polysemic nature," *Energy Policy*, Vol. 38, 2010, pp. 887-895

Chmielewski, Adam, *Bezpieczeństwo energetyczne państwa geopolityczne uwarunkowania*, Warsaw, Marek Makuliński, 2009

Chmielewski, Piotr and Podolski, Antoni, "Skazani na konflikt? - stosunki polsko-rosyjskie po ukrainskiej pomaranczowej rewolucji," Seminarium, *Centrum Stosunkow Miedzynarodowych*, 16 March 2005

Cziomer, Erhard, *Międzynarodowe bezpieczeństwo energetyczne w XXI wieku*, Warsaw, Oficyna Wydawnicza AFM, 2008

Cohen, Raymond, "Threat perception in international crisis", *Political Science Quarterly*, Vol. 93, No. 1, 1978, pp. 93-107

Cohen, Benjamin, "The transatlantic divide: why are American and British IPE so different?", *Orfalea Center for Global and International Studies*, UC Santa Barbara, 2007

Coleman, Wendy & Potempa, Witold, "Prospects for polish foreign trade," *Carl Beck Papers in Russian and East European Studies*, No. 903, University of Pittsburgh Centre for Russian and East European Studies, 1991

Collins, Alan, ed., *Contemporary security studies,* Oxford, Oxford University Press, 2007

Coopers and Lybrand, "*Energy in Eastern Europe*," Consultants Report, Butterworth-Heineman, 1991, pg. 823

Cordell, Karl, ed., *Poland and the European Union; Europe and the nation state*, London and New York, Routledge, 2000

Correlje, Aad & van der Linde, Coby, "Energy supply security and geopolitics: markets and institutions versus regions and empires", *Energy Policy,* Vol. 34, 2006, pp. 532-543

Correlje, Aad & Van der Linde, Coby, "EU energy policy in a supply-constrained world", *Swedish Institute for European Policy Studies*, Issue 11, October 2008

Cowhey, Peter F, *The problems of plenty; energy policy and international politics*, California, California University Press, 1985

Curtis, Glenn E., ed. *Poland: a country study*, Washington, GPO for the Library of Congress, 1992 at http://countrystudies.us/poland/55.htm, accessed March 9, 2009

Cylwik, Andrzej, "Charakterystyka rozwoju gazownictwa polskiego w latach 1970-1998" in Cylwik, Andrzej and Blaszczyk, Barbara, *Charakterystyka wybranych sektorow infrastrukturalnych i wrazliwych w gospodarce polskiej oraz mozliwosci ich prywatyzacji*, CASE Reports, Nr. 27, Centrum Analiz Spoleczno-Ekonomiczynch, Warsaw, 1999, pp. 39-50

Cylwik, Andrzej et al, "Analysis of factors contributing to the adoption of competition law in Poland", paper presented at the *International Research and Policy Symposium on Competition Policy for International Development, Growth and Trade*, Centre for Economic Policy Studies, Brussels, December 9 - 10, 2005

Czyż, Anna, "What is the future of the Visegrad Group as an example of regional cooperation?" *Studia Universitatis Babes Bolyai European Studies* Issue 2, 2007, pp. 131-144

Dannreuther, Roland, *European Union Foreign and Security Policy: towards a neighbourhood strategy,* London, Routledge, 2004

Dienes, Leslie, Dobozi, Istvan and Radetzki, Marian, *Energy and economic reform in the former Soviet Union*, London, St. Martin's Press, 1994

Dobroczyńska, Agnieszka & Juchniewicz, Leszek "Regulacja jako substytut rynku w polskiej energetyce", in Kaja, Jan, ed., *Polityka Gospodarka*, No. 3, Szkoła Główna Handlowa, Warsaw, August 2000, pp. 7-16

Donnelly, Jack, *Realism and international relations*, Cambridge, Cambridge University Press, 2000

Dowding, Keith, "Model or metaphor? a critical review of the policy network approach", *Political Studies*, Vol. 43, 1995, pg. 136-158

Downs, Anthony, "An economic theory of political action in a democracy, *The Journal of Political Economy*, Vol. 65, No. 2, 1957, pp. 135-150

Duleba, Alexander, "From domination to partnership: the perspectives of Russian-Central-East European Relations," *NATO Research Fellowship Program*, Final Report, 1996-1998

Duncan, Peter, "Oligarchs, business and Russian foreign policy; from Yeltsin to Putin", *Centre for the Study of Economic and Social Change in Europe*, SSEES University College London, October 2007

Durka, Barbara, "Polsko-rosyjskie stosunki gospodarcze w latach 1997-2001", *Decydent*, Nr. 40, December 2002 at http://www.decydent.pl/archiwum/wydanie_85/polska---rosja_736.html accessed 12 March 2011

Duvanova, Dinissa, "Questioning institutionalism: business representation in Eastern Europe and the failure of Corporatism," paper presented at the *American Political Science Association Conference*, Chicago, USA, 30 August-2 September 2007

Dyson, Kenneth & Goetz, Klaus, *Germany, Europe and the politics of constraint*, Oxford, Oxford University Press, 2003

Eder, Klaus & Spohn, Willfried, *Collective Memory and European Identity; the effects of Enlargement and Integration,* London, Ashgate, 2005

Egenhofer, Christian et al, "Security of energy supply: a question for policy or the markets?", *Centre for European Policy Studies*, Working Party Report, Brussels, November 2001

Egenhofer, Christian et al, "Market-based options for security of energy supply", *Fondazione Eni Enrico Mattei*, International Energy Markets Report, 2004

Ellerman, Denny & Buchner, Barbara, "The European Union Emissions Trading Scheme: origins, allocation, and early results" *Review of Environmental Economics and Policy*, Vol. 1, No. 1, 2007, pp. 66–87

Energy Charter Treaty, at www.encharter.org

Energy Information Administration (EIA), "Privatization and the globalization of energy markets," *U.S. Department of Energy Report*, Washington D.C., October 1996

Energy Information Administration (EIA) "North-Central Europe", *Country Analysis Briefs,* Washington D.C., 2003

Europa Publications Limited, *Eastern Europe and the Commonwealth of Independent States, a political and economic survey*, 2nd Edition, 1994

Europa Publications Limited, *Eastern Europe and the Commonwealth of Independent States, a political and economic survey*, 3rd Edition, 1999

European Bank for Reconstruction and Development – EBRD, "Strategy for Poland", approved by the Board of Directors, 25 April 2006

European Union, 7th Framework Project, *REACCESS*, "Quantification of socioeconomic risk & proposal for an index of security of energy supply", Deliverable TN 4.5-1, September 2007

European Union, 7th Framework Project, *SECURE*, "Natural gas dependency and analysis of economic, physical, and social impact of natural gas supply disruption" Deliverable 5.2.1, 11 June 2009

European Union, Commission, Directive 98/30/EC *concerning common rules for the internal market in natural gas*, 22 June 1998

European Union, Commission, Directive 2001/80/EC *on the limitation of emissions of certain pollutants into the air from large combustion plants*, 23 October 2001

European Union, Commission, Directive 2002/91/EC *on the energy performance of buildings*, 16 December 2002

European Union, Commission, Directive 2003/54/EC *concerning common rules for the internal market in electricity and repealing Directive 96/92/EC*, 26 June 2003

European Union, Commission, Directive 2003/55/EC *concerning common rules for the internal market in natural gas and repealing Directive 98/30/EC*, 26 June 2003

European Union, Commission, Directive 2003/87/EC *establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC*, 13 October 2003

European Union, Commission, *External energy relations – from principles to action*, COM 2006, 690, Brussels, 12 October 2006

European Union, Commission, *Green Paper: towards a European Strategy for the security of energy supply,* COM 2000, 769, adopted by the EC on 29 November, 2000

European Union, Commission, *Green Paper: a European strategy for sustainable, competitive and secure energy*, COM (2006) 105, adopted by the EC on 8 March 2006

European Union, Commission, *Inquiry pursuant to Article 17 of Regulation (EC) No 1/2003 into the European gas and electricity sectors- Priority interconnection plan*, Commission Staff Working Document, SEC(2006) 1715, Brussels, 10 January 2007

European Union, Commission, *Proposal for a Regulation concerning measures to safeguard security of gas supply and repealing Directive 2004/67/EC*, Staff Working Document, SEC (2009) 979, Brussels, 16 July 2009

European Union, Commission, Regulation EU 994/2010 *concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC*, 12 December 2010

European Union, Directoire-Générale for Transport and Energy Networks, "Trans-European Energy Networks; Policy and Actions of the European Union", 1997, at http://ec.europa.eu/ten/energy/studies/doc/1997_info_brochure_ten_e_en.pdf, accessed 9 November 2009

European Union, Directoire-Générale for Transit and Energy Networks, "EU Energy in Figures", *European Commission Pocketbook, Figures and Main Facts,* 2008, at http://ec.europa.eu/energy/publications/statistics/doc/2008_energy_transport_figures.pdf, accessed 5 June 2009

European Union, Press Release, "Joint Declaration of the Cabinet of Ministers of Ukraine, the Council of Ministers of the Republic of Poland and the European Commission on the Support of the Euro-Asian Oil Transport Corridor Project", IP/03/758, Brussels, 27 May 2003

Eurostat, *Energy, transport and environment indicators*, European Commission Pocketbook, Luxembourg, 2008

Fallenbuchl, Zbigniew, "foreign trade in the process of transformation in Poland", *Atlantic Economic Journal*, Vol. 22, No. 2, June 1994, pp. 54-55

Fawn, Rick, ed., *Ideology and national identity in post-communist foreign policy*, London, Routledge, 2003

Federowicz, Michał, "Poland: councils under communism and neoliberalism", in Rogers, Joel and Streeck, Wolfgang, eds., *Works councils: consultation, representation and cooperation in industrial relations*, Chicago, University of Chicago Press, 1995

Federowicz, Michał, "Corporate governance and industrial relations in Poland", *UCL SSEES Working Paper,* No. 28, 2003

Fedorowicz, Krzysztof, "National identity and national interest in Polish Eastern Policy, 1989-2004", *Nationalities Papers,* Vol. 35, No. 3, 2007

Fierke, Karin, *Critical approaches to international security,* Cambridge, Polity Press, 2007

Fisher, Konrad, "Dywersyfikacja kierunków dostaw gazu do polski w latach 1997 – 2007," Praca magisterska, *Katedrze Historii Gospodarczej i Społecznej*, Warsaw, Nr. Albumu 31345, 2007

Finon, Dominique & Locatelli, Catherine, "Russian and European gas interdependence: could contractual trade channel geopolitics?", *Energy Policy*, Vol. 36, No. 1, 2008, pp. 423-442

Fordham, Benjamin, "The politics of threat perception and the use of force: a political economy model of U.S. uses of force", *International Studies Quarterly*, Vol. 42, No. 3, 1998, pp. 567-590

Frączek, Paweł, "Ocena bezpieczeństwa dostaw gazu ziemnego do Polski", *Zakład Ekonomiki i Organizacji Przedsiębiorstw*, Uniwersytet Rzeszowski, 2004

Francoeur, Nathalie, "The role of natural gas in Europe", *EU Enlargement Watch Report*, October 2000

Fredholm, Michael, "The Russian energy strategy & energy policy; pipeline diplomacy or mutual dependence?" *Conflict Studies Research Centre,* Russian Series, Vol. 5, No. 41, 2005

Gadowska, Kaja, "Political corruption in Poland*;* clientelism in the Silesian coal mining industry," *Forschungsstelle Osteuropa Bremen Arbeitspapiere und Materialien*, No. 65, March 2005

Gadowska, Kaja, 'Violence in the area of clientelistic and cronyistic networks' in Kusznir, Julia, ed., "Informal networks and corruption in post-socialist societies," *Koszalin Institute of Comparative European Studies*, Working Paper, No. 6, September 2006

Gardawski, Juliusz and Meardi, Guglielmo, "Keep trying? Polish failures and half-successes in social pacting", *Warsaw Forum of Economic Sociology*, Vol.1, No. 2, 2010, pp. 69-90

Gazprom, "Yamal-Europe", at http://www.gazprom.com/production/projects/pipelines/yamal-evropa/ accessed 4 March 2011

George, Alexander & Bennett, Andrew, eds., *Case Studies and Theory Development in the Social Sciences*, Cambridge M.A, MIT Press, 2005

George, Alexander and McKeown, Timothy, "Case studies and theories of organizational decision making" in Coulam, Richard and Smith, Robert, eds. *Advances in information processing in organizations*, Volume 2, Greenwich, JAI Press, 1985

Germany, Auswartiges Amt, “Rede von Bundesaußenminister Steinmeier anlässlich der Eröffnung der Reihe ‘Energiesicherheit und internationale Beziehungen’”, 16 February 2007, at http://www.auswaertiges-amt.de/DE/Infoservice/Presse/Reden/2007/070216-Energiekonferenz.html accessed 10 April 2010

Gilejko, Leszek, "Sectoral interest groups", *Warsaw Forum of Economic Sociology*, Vol.1, No. 2, 2010, pp. 49-69

Gilpin, Robert, *Global political economy: understanding the international economic order,* Princeton, Princeton University Press, 2000

Gnansounou, Edgard, “Assessing the energy vulnerability: Case of industrialised countries” *Energy Policy*, Vol. 36, 2008, pp. 3734–3744

Gniazdowski, Mateusz, “Polish foreign policy in the domestic press”, *Yearbook of Polish Foreign Policy,* Issue 01, Central and Eastern European Online Library, 2007, pp. 305-332

Goldstein, Judith, and Robert O. Keohane, eds., *Ideas and foreign policy: beliefs, institutions and political change*, Ithaca, Cornell University Press, 1993

Goldman, Marshall, *Petrostate: Putin, power and the new Russia*, Oxford, Oxford University Press, 2008

Goldthau, Andreas, “Rhetoric versus reality: Russian threats to European energy supply”, *Energy Policy,* Vol. 36, 2008

Gołębiewska, Marcelina, "W poszukiwania pewnej polityki", Wirualny Nowy Przemysl, 29 November 2004, at http://energetyka.wnp.pl/w-poszukiwaniu-pewnej-polityki,2190_2_0_0.html, accessed February 20, 2010

Gołębiewska, Marcelina, “Poland’s energy policy”, *Yearbook of Polish Foreign Policy,* Issue 01, Central and Eastern European Online Library, 2007

Gorska, Joanna, “Dealing with power; Poland’s energy policy towards Russia, 1989-2004”, *Working Paper,* Research Network 1989, Knowledge Base Social Sciences Eastern Europe, Vol. 23, 2009

Gourevitch, Peter, “Squaring the circle: the domestic sources of international cooperation” *International Organization*, Vol. 50, No. 2, 1996, pp. 349-373

Gourevitch, Peter, “The second image reversed: the international sources of domestic politics” *International Organization,* Vol. 32, No. 4, 1978, pp. 881-912

Grabowska, Miroslawa “System partyjny w budowie,” *Krytyka*, No. 37, Warsaw, 1991

Green, Donald and Shapiro, Ian, *Pathologies of Rational Choice Theory*, Yale, Yale University Press, 1996

Grzymala-Busse, Anna and Jones-Luong, Pauline, “Reconceptualizing the State: lessons from post-Communism”, *Politics Society*, Vol. 30, 2002, pp. 529-554

Gullner, Lutz, “Threat or Risk? The debate about energy security and Russia: five steps for a scientific research programme”, *Journal of Contemporary European Research*, Vol. 4, No. 2, 2008 pp. 149-153

Gwiazda, Adam “Poland’s natural gas import and utilisation policy”, *OPEC Review*, June 1997, pp. 133-147

Gwiazda, Adam, "Disintegration of Comecon; new perspectives for the Central European countries", *Global Economic Review*, Vol. 20, No. 2, 1991, pp. 77-91

Gwiazda, Anna, "Party patronage in Poland: the Democratic Left Alliance and Law and Law and Justice compared", *East European Politics and Society*, Vol. 22, 2008, pp. 802-827

Haney, Aoife & Pollitt, Michael, "New models of public ownership in energy", *Cambridge Electricity Research Group*, Working Paper in Economics, WP 1030, 1055, September 2010

Hanf, Kenneth, Scharpf, Fritz Wilhelm, eds. *Interorganizational policy making, limits to coordination and central control*, London, Sage, 1978

Hausner, Jerzy and Marody, Miroslaw, eds., *The quality of governance: Poland closer to the European Union?* EU Monitoring IV, Warsaw, 2000

Haviovic, Stephen and Moore, William, "Worker's councils, trade unions and industrial democracy in Poland", Economic and Industrial Democracy, Vol. 18, 1997, pp. 261-287

Heinrich, Andreas, "Poland as a transit country for russian natural gas; potential for conflict", *KICES*, Working Paper, No 9-10, September 2007

Helm, Dieter, ed., *The new energy paradigm*, Oxford, Oxford University Press, 2007

Helm, Dieter, "The Russian dimension and the EU's external energy policy", *Oxford Institute for Energy Studies*, Oxford, 2007b

Henderson, Karen, *Back to Europe; Central and Eastern Europe and the European Union*, London, Taylor and Francis, 1999

Heywood, Paul & Meyer-Sahling, Jan-Hinrik, "Corruption risks and the management of the ministerial bureaucracy in Poland", *Sprawne Pantswo Program*, Ernst & Young, Warsaw 2008

Hill, Christopher, "The geopolitical implications of enlargement" *Badia Fiesolana*, Florence, European University Institute, 2000

Hill, Christopher, *The changing politics of foreign policy*, London, Macmillan, 2002

Hollis, Martin and Smith, Steve, *Explaining and understanding international relations*, Clarendon Press, Oxford, 1991

Holsti, K.J., *International Politics; a framework for analysis*, 5th edition, New Jersey, Prentice Hall, 1988

Hoogeveen, Femke and Perlot, Wilbur, "Tomorrow's mores: the international system, geopolitical changes and energy", *Clingendael International Energy Programme*, Netherlands, December 2005

Hopf, Ted, "The promise of constructivism in international relations theory", *International Security*, Vol. 32, No. 1, 1998, pp. 171-200

Hudson, Valerie, "Foreign Policy Analysis: actor-specific theory and the ground of international relations", *Foreign Policy Analysis,* Vol. 1, 2005, pp. 1-30

Hudson, Valerie, *Foreign Policy Analysis: classic and contemporary theory,* New York, Rowman & Littlefield, 2007

Hudson, Valerie, *Political psychology and foreign policy,* Boulder, West View Press, 1992

Hunter, Richard & Ryan, Leo, *From autarchy to market; Polish economics and politics, 1945-1995*, Praeger, Connecticut, 1998

Hunter, Richard & Ryan, Leo, "The legacy and prospects of Polish privatisation", *International Research Journal of Finance and Economics*, Issue 21, 2008, pp. 124-130

Ikenberry, John, "The irony of state strength: comparative responses to the oil shocks in the 1970s, *International Organization*, Vol. 40, No. 1, 1986, pp. 105-137

International Energy Agency, *The energy policy of Poland,* Country Report, OECD, Paris, 1990

International Energy Agency, *The energy policy of Poland,* Country Report, OECD, Paris, 1994

International Energy Agency, *Energy prices and taxes,* 1st quarter 1999, OECD, Paris

International Energy Agency, *Energy prices and taxes,* 1st quarter 2010, OECD, Paris

International Energy Agency, *Energy policy review of Hungary 2006*, OECD, Paris, 2007

International Energy Agency, *The energy policy of Poland*, Country Review, OECD, Paris, 2011

Jackson, Marvin & Biesbrouck, Wouter, eds*., Marketization, restructuring and competition in transition industries of Central and Eastern Europe*, Avebury Ashgate, Aldershot UK, 1995

Jackson, John Edgar, *The political economy of Poland's transition: new firms and reform governments*, Cambridge, Cambridge University Press, 2005

Jankowski, Dominik, Współpraca energetyczna Polski z państwami bałtyckimi," *Amicus Europae*, Biuletyn Opinie, No. 3, Warsaw, February 2008

Jasiecki, Krzysztof, *Elita biznesu w Polsce: drugie narodziny kapitalizmu*, Warsaw, IFIS-PAN, 2001

Jasiecki, Krzysztof, "Lobbing w USA, Europie Zachodniej i Polsce: podobieństwa i różnice" *Studia Europejskie*, Nr 4, Warsaw, 2002, pp. 117-134

Jasiewicz, Krzysztof, "Polish Politics on the eve of the 1993 elections: towards fragmentation or pluralism", *Communist and Post-Communist Studies*, Vol. 26, No. 4, December 1993, pp. 387-411

Jedras, Jakub, "Poland: cutting the Russian connection", *Transitions Online,* Vol. 12, No. 9, 2003

Jervis, Robert. *Perception and misperception in international politics,* Princeton, Princeton University Press, 1976

Jick, Todd, "Qualitative and quantitative methods; triangulation in action", *Administrative Science Quarterly,* Vol. 24, No. 4, 1979, pp. 602-611

de Jong, Jacques J. & Tönjes, Christoph, "Perspectives on security of supply in European natural gas markets" *Clingendael International Energy Programme*, Working Paper, August 2007

Juchniewicz, Leszek and Dobroczynska, Agnieszka, "Konkurencyjny rynek energii czy I komu jest potzebny?" in Urząd Regulacji Energetyki, *Jaki model rynku energii?*, Seria wydawnicza Biblioteka Regulatora, Warsaw, 2001

Kaczmarski, Marcin, *Bezpieczeństwo energetyczne unii europejskiej*, Warsaw, Wydawnictwo Akademickie i Profesionalne, 2010

Kaliski, Maciej & Stasko, Dominik, "Rola krajowej infrastruktury paliwowo-surowcowej w kształtowaniu bezpieczeństwa energetycznego Polski" *Rurociągi,* Nr 2-3, 32, 2003

Kaliski, Maciej & Stasko, Dominik, "Zależność importowa polski w zakresie dostaw gazu ziemnego", *Rurociagi*, Nr 2-3, 36, 2004

Kant, A.D & Kaan, H. "Strengthening the Polish energy administration; conditions for establishment of an efficient and effective energy department" *Task Force on integrated Energy and Environmental Planning Report*, ECN-C-97-011, February 1998

Katzenstein, Peter, ed., *Between power and plenty: foreign economic policies of advanced industrial states*, Madison, University of Wisconsin Press, 1978

Katzenstein, Peter, "International relations and domestic structures: foreign economic policies of advanced industrial states", *International Organization,* Vol. 30, No. 1, 1976, pp. 1-45

Katzenstein, Peter, *Small states in world markets: industrial policy in Europe*, Cornell, Cornell University Press, 1985

Katzenstein, Peter, ed., *The culture of national security: norms and identity in world politics*, New York, Columbia University Press, 1996

Katzenstein, Peter, Keohane, Robert O. & Krasner, Stephen D. "International organization at fifty: exploration and contestation in the study of world politics", *International Organization,* Vol. 52, No. 4, 1998, pp. 645-685

Kazimierski, Andrzej, "Jacek Socha, former Minister of the Treasury: faces of privatisation", *Polish Market Online*, 31 March 2006, at http://www.polishmarket.com.pl/document/:12067?p=%2Flate%2F, accessed 14 May 2010

Kazin, Philip, ed., *The North European Gas Pipeline: political and economic implications for Russia and the EU,* St. Petersburg, Baltic Mosaic, 2006

Keohane, Robert & Nye, Joseph, *Power and Interdependence,* 2nd edition, New York, Longman, 1987

Keohane, Robert O., *After hegemony: cooperation and discord in the world political economy*, Princeton, Princeton University Press, 1984

Keohane, Robert O., *Neorealism and its Critics*, Columbia University Press, New York, 1986.

Keohane, Robert & Milner, Helen, *Internationalization and domestic politics,* Cambridge, Cambridge University Press, 1992

Kenis, Patrick & Schneider, Volker, "Policy networks and policy analysis: Scrutinizing a new analytical toolbox" in B. Marin & R. Mayntz, eds., *Policy networks: Empirical evidence and theoretical considerlations*, Boulder Colorado, Westview Press, 1991, pp. 25-59

King, Gary; Keohane, Robert; Verba, Sidney, *Designing social inquiry*, Princeton, Princeton University Press, 1994

Knorr, Klaus ed., *Historical dimensions of national security problems*, Lawrence, University Press of Kansas, 1976

Kochanek, Ewelina, "Bezpieczeństwo systemu przesyłu i dysrybucji gazu w polsce, *Bezpieczeństwo Narodowe,* I –IV, 5-6, 2007, pp. 386-396

Kolankiewicz, George "Consensus and competition in the eastern enlargement of the European Union", *International Affairs*, Vol. 70, No. 3, July 1994, pp. 477-495

Kolodko, Grzegorz, ed., *The Polish miracle: lessons for the emerging markets*, Aldershot, Ashgat, 2005

Kosiewski, Piotr, ed., *Polska i świat*, Fundacja Batorego, Warsaw, 2007

Kotlowski, Alexander, "Russian energy strategy and transit routes in Eastern Europe – a view from Warsaw, *Oil Gas and Energy Law*, No. 2, 2009

Kraus, Janina "Gospodarka paliwowo-energetyczna w polsce - próba oceny", *Konferencji w Agencji Techniki i Technologii*, 30 November 2000

Krautkraemer, Jeffrey & Toman, Michael, "Fundamental economics of depletable energy supply", *Resources for the Future*, Discussion Paper 03-01, Washington, 2003

Král, David, Řiháčková, Věra & Weiss, Tomáš, *Views on American foreign policy; the Atlanticism of political parties in Central and Eastern Europe*, Europeum Institute for European Policy, Prague, 2008

Kriesi, Hanspeter, Adam, Silke & Jochum, Margit, "Comparative analysis of policy networks in Western Europe" *Journal of European Public Policy*, Vol. 13, No. 3, 2006, pp. 341 - 361

Kubacka, Teresa "Gazownictwo i rynek gazu obecnie" in Urząd Regulacji Energetyki, *Jaki model rynku energii?*, Seria wydawnicza Biblioteka Regulatora, Warsaw, 2001

Kudelko, Mariusz, "Internalisation of external costs in the Polish power generation sector: a partial equilibrium model" *Energy Policy*, no. 34, 2006, pp. 3409–3422

Kulczycka, Joanna & Lipinska, Aleksandra, "Barriers to the liberalisation of the Polish energy-sector", *Applied Energy*, no. 76, 2003

Kulhánek, Jakub, Chen, Man-Hua & Thim, Michał, eds., "Energy security in Central and Eastern Europe", *Association of International Affairs*, Open Society Fund, Prague, 2008

Kuczyński, Waldemar, "Stanie Państwa I Działaniach Rządu w Latach 1997 – 2001", *Kancelaria Prezesa Rady Ministrów*, Warsaw, 2001

Kuźniar, Roman, ed., *Poland's security policy 1989-2000,* Warsaw, Scholar Press, 2001

Kuźniar, Roman "Geopolitics and Poland's Security Policy", *the Polish Quarterly of International Affairs*, Issue 1, 2008, pp. 55-70

Kwiecień, Marzanna "Strategia urynkowienia gazownictwa" in Urząd Regulacji Energetyki, *Jaki model rynku energii?*, Seria wydawnicza Biblioteka Regulatora, Warsaw, 2001

Lake, David A., "Anarchy, hierarchy, and the variety of international Relations" *International Organization*, Vol. 50, No. 1, 1996, pp. 1-33

Lang, Kai-Olaf, "Polens Energiepolitik: Interessen und Konfliktpotentiale in der EU und im Verhaeltnis zu Deutschland", *Stiftung Wissenschaft und Politik SWP, Studie,* Berlin, July 2007

Lang, Kai-Olaf, "Poland and the east" *Stiftung Wissenschaft und Politik SWP,* Comment 23, Berlin, June 2005

Larsson, Robert, "Nord Stream, Sweden and Baltic Sea security" *FOI Report,* Swedish Defence Research Agency, Stockholm, March 2007

Larsson, Robert, "Tackling Dependency: The EU and its energy security challenges", *FOI Report,* Swedish Defence Research Agency, Stockholm, October 2007b

Laux, Jean-Kirk, review of Wilks, Stephen & Wright, Maurice 'Comparative government-industry relations: Western Europe, the United States, and Japan', *Canadian Journal of Political Science*, Vol. 21, 1988, pp. 63-631

Ławacz, Małgorzata, "Chronicle of Poland's international relations in 2006", *Yearbook of Polish Foreign Policy, Issue 1, 2007*, pp. 335-363

Leblanc-Wohrer, Marion, "Poland" in Pannier, Dominique, ed., *Corporate governance of public enterprises in transitional economies*, Washington DC, World Bank-IBRD, 1996, p. 42

Legro, Jeffrey W. & Moravcsik, Andrew, "Is anybody still a realist?" *International Security*, Vol. 24, No. 2, 1999, pp. 5-55

Lehmbruch, Gerhard and Schmitter, Phillipe, eds., *Patterns of corporatist policy-making*, Beverly Hills CA, Sage, 1982

Lewiner, Colette, ed., "European energy markets observatory", *Capgemini*, 10th Edition, November 2008

Lobell, Steven, Ripsman, Norrin & Taliaferro, Jeffrey, *Neoclassical Realism, the state and foreign policy*, Cambridge, Cambridge University Press, 2009

Lohmann, Heiko, *The German path to natural gas liberalisation: is it a special case*?, Oxford, Oxford Institute for Energy Studies, 2006

Longhurst, Kerry & Zaborowski, Marcin, *Old Europe, New Europe and the Transatlantic Security Agenda*, London and New York, Routledge, 2005

Longhurst, Kerry & Zaborowski, Marcin, *The new Atlanticist; Poland's foreign and security policy priorities*, Oxford, Blackwell, 2007

Loschel, Andreas, Moslener, Ulf, & Rubbelke, Dirk, eds., "Energy security—concepts and indicators," *Energy Policy*, Editorial Issue, Vol. 38, 2010, pp. 1607–2074

Lott, Anthony, *Creating insecurity: realism, constructivism and US security policy*, London, Ashgate, 2004

Luciani, Giacomo, "Security of supply for natural gas markets; what is it and what is it not?" *Centre for European Policy Studies,* Indes Working Papers, No. 2, March 2004

Luft, Gal & Korin, Anne, ed., *Energy security challenges for the 21st century; a reference handbook*, Santa Barbara, CA, Praeger Security International, 2009

Majcherkiewicz, Tatiana and Gadowska, Kaja, "Political clientelism in public administration; a case study of institutional changes in the post-communist state of Poland", paper presented at the 13th NISPA Annual Conference, *Democratic Governance for the XXI Century: Challenges and Responses in CEE Countries*, Moscow, 19-21 May 2005

March, James & Olson, Jonah, "Institutional perspectives on political institutions", *Governance: An International Journal of Policy and Administration,* Vol. 9, No. 3, 1996

March, James & Olson, Jonah, "The institutional dynamics of international political orders", *International Organization*, Vol. 52, No. 4, Autumn 1998, pp. 943–969

Mazurkiewicz, Joanna, "Bezpieczeństwo energetyczne Polski," *Polityka Energetyczna,* Vol. 11, No. 1, 2008, pp. 313-322

Gasteyger, Curt, ed, *The Future for European Energy Security,* London, Frances Pinter, 1985

McGarity, Arthur, ed., *Poland's transition to a market economy: prospects for energy efficiency and conservation*, National Research Council, Washington, 1994

McGowan, Francis, "Can the european union's market liberalism ensure energy security in a time of 'economic nationalism'?", *Journal of Contemporary European Research,* Vol. 4, No. 2, Special Issue on Energy Supply Security in the 'New Europe', June 2008, pp. 90-106

McMenamin, Iain, "Parties, promiscuity and politicisation: business-political networks in Poland", *European Journal of Political Research,* Vol. 43, No. 4, 2004, pg. 657–676

McSweeney, Bill, *Security, Identity and Interests; a Sociology of International Relations*, Cambridge, Cambridge University Press, 1999

Meaney, Connie, "Foreign experts, capitalists and competing agendas: privatisation in Poland, the Czech Republic, and Hungary", *Comparative Political Studies*, Vol. 28, No. 2, 1995, pp. 275-305

Meyers, Stephen, Salayf, Jurgen and Schipper, Lee, "Energy use in a transitional economy; the case of Poland", *Energy Policy*, Vol. 22, No. 8, 1994, pp. 699-713

Michałowski, Witold, "Jamałgate", *Rurociagi*, No. 1, 2003 at http://www.rurociagi.com/spis_art/2003_1/jamalgate.html accessed October 12 2009

Millard, Frances, "Nationalist themes in Polish politics, 1989-1993", *Journal of Contemporary European Studies*, Vol. 2, No. 4, 1994, pp. 43-55

Millard, Frances, *Polish Politics and Society*, London and New York, Routledge, 1999

Millard, Frances, "Poland's politics and the travails of transition after 2001: the 2005 elections" *Europe-Asia Studies*, Vol. 58, No. 7, 2006, pp. 1007-1031

Miller, Leszek, "Czerwony na gazie", Oficjalny Blog Polityczny, 5 February 2008 at http://leszek-miller.blog.onet.pl/Czerwony-na-gazie, accessed 12 February 2010

Miller, Leszek, "Woźniak na gazie", Oficjalny Blog Polityczny, 5 January 2009 at http://leszek-miller.blog.onet.pl/1,DA2009-01-05,index.html, accessed 12 February 2010

Miller, Ryan, "Central Europe's energy security schism", *Center for European Policy Analysis* – CEPA, Washington DC, July 2008

Milner, Helen, "Rationalizing politics: the emerging synthesis of international, American, and comparative politics", *International Organization,* Vol. 30, No. 1, 1998, pp. 759-786

Milov, Vladimir, Coburn, Leonard & Danchenko, Igor, "Russia's energy policy, 1992-2005" *Eurasian Geography and Economics*, Vol. 47, No. 3, 2006, pp. 285-313

Monaghan, Andrew, "Russia and the security of Europe's energy supply: security in diversity?", *Conflict Studies Research Centre,* Defence Academy of the UK, Special Series, 2007

Monaghan, Andrew, "Russia's Energy Diplomacy: a political idea lacking a strategy?" *Southeast European and Black Sea Studies*, Vol. 7, No. 2, 2007b pp. 275 - 288

Moravcsik, Andrew, "Taking preferences seriously: a liberal theory of international politics", *International Organization*, vol. 51, no. 4, Autumn 1997, pp. 513-553

Moravcsik, Andrew, *The choice for Europe: social purpose and state power from Messina to Maastricht*, New York, Cornell University Press, 1998

Myant, Martin & Cox, Terry, eds., *Reinventing Poland: economic and political transformation and evolving national identity*, London, Routledge, 2008

Naimski, Piotr, "Energy diversification strategy for Poland", speech given at Columbia University, 17 September 2007

NATO, "Visit by the sub-committee on east-west economic cooperation and convergence", *Mission Report*, Warsaw, 27-8 April 2006 at http://www.nato-pa.int/default.Asp?SHORTCUT=966, accessed 1 June 2010

Niebisz, Elżbieta, "Problemy i koszty okresu przejściowego" in Urząd Regulacji Energetyki, *Jaki model rynku energii?*, Seria wydawnicza Biblioteka Regulatora, Warsaw, 2001

Nowak, Czesław, "Poland energy policy; present state and future outlook", *Annual Review of Energy Environment*, Vol. 16, 1991, pp. 365-77

Nowakowski, Jerzy Marek, "Skandal: jak to jest z bezpieczeństwem energetycznym Polski?", *Przewodnik Katolicki*, No. 9, 2004

O'Brennan, John, *The Eastern Enlargement of the European Union - An empirical, conceptual and institutional analysis,* New York, Routledge, 2006

Ochman, Cornelius, Alexy, Ignatiev & Shopin, Petr, "Polish-Russian Relations" *Koszalin Institute of Comparative European Studies,* Working Paper, March 2007

OECD, "Conclusions and Recommendations for Poland reviewed and approved by the Working Party on Environmental Performance", *OECD Environmental Strategy for the First Decade of the 21st Century*, January 2003

Orban, Anita, *Power, energy and the New Russian Imperialism*, Connecticut, Praeger, 2008

Ost, David, *The defeat of Solidarity: anger and politics in postcommunist Europe*, Ithaca, Cornell University Press, 2005

Ost, David, "The politics of interest representation in post-communist East Europe," *Theory and Society*, Vol. 22, 1993, pp. 453-485

Ost, David, "Illusory corporatism in Eastern Europe: neoliberal tripartism and Postcommunist class identities," *Warsaw Forum of Economic Sociology*, Vol.1, No. 2, 2010, pp. 91-122

Overhaus, Marco, ed., "Dealing with dependency: the European Union's quest for a common foreign energy policy", *Foreign Policy in Dialogue,* Vol. 8, No. 20, 2007

Oyrzanowski, Bronisław & Paleczny-Zapp, Magda "From one economic ideology to another: Poland's transition from socialism to capitalism", *International Journal of Politics, Culture and Society,* Vol. 7, No. 1, 1993, pp. 43-55

Parker, David, "Poland - regulatory reform in the postal and energy Sectors", *OECD Country Studies*, 2002

Pascual, Carlos & Elkind, Jonathan, *Energy security; economics, politics, strategies and implications*, Washington DC, Brookings Institution Press, 2009

Perovic, Jeronim, Orttung, Robert & Wenger, Andreas, eds., *Russian energy power and foreign relations; implications for conflict and cooperation*, New York, Routledge, 2009

Pirani, Simon, Stern, Jonathan & Yafimava, Katja, "The Russo-Ukrainian gas dispute of January 2009: a comprehensive assessment" *Oxford Institute for Energy Studies*, NG 27, February 2009

Płecha, Anna, "Powiązania handlowe z rosyjskim sektorem paliw płynnych i gazu ziemnego w świetle bezpieczeństwa energetycznego Polski," *Praca magisterska, Szkoła Główna Handlowa*, Warsaw, Nr albumu 26134, 2006

Podolski, Antoni "Gaz narodowy czy europejski? Polityczne i historyczne uwarunkowania percepcji wybranych wyzwań dla bezpieczeństwa energetycznego RP 2007", *Centrum Stosunków Międzynarodowych*, Raport i Analizy, Vol. 2, No. 7, 2007

Poland, Centrum Badania Opinii Społecznej, *Opinia publiczna o kontrakcie z Norwegią na dostawę gazu do Polski*, BS/166/2001, Warsaw, November 2001

Poland, Centrum Badania Opinii Społecznej, *Nadzieje i obawy związane z rokiem 2006,* BS/18/2006, Warsaw, January 2006

Poland, Centrum Badania Opinii Społecznej, *Opinie o budowie elektrowni jądrowych w polsce a zagrożenia światowym kryzysem energetycznym*, BS/108/2006, Warsaw, June 2006

Poland, Centrum Badania Opinii Społecznej, *Opinie o sprawie polskiego weta przeciw rozmowom UE–Rosja*, BS/192/2006, Warsaw, December 2006

Poland, Centrum Badania Opinii Społecznej, *Polska – Rosja. bezpieczeństwo energetyczne i opinie o wzajemnych stosunkach*, BS/105/2007, Warsaw, June 2007

Poland, Departament Energetyki Ministerstwo Gospodarki, *Information on the state of energy security of the state and measures undertaken by the government in that regard*, adopted by the Sejm, 29 January 2002

Poland, Główny Urząd Statystyczny, *Gospodarka paliwowo-energetyczna w latach 2006/2007*, Informacje i opracowania statystyczne, Warsaw, 2008

Poland, Kancelaria Prezesa Rady Ministrów, "Premiera Leszka Millera otworzył targi przemysłu naftowego i gazownictwa", Press Release, Warsaw, 25 September 2002 at http://www.poprzedniastrona.premier.gov.pl/archiwum/2130_7411.htm, accessed 7 February 2008

Poland, Kancelaria Prezesa Rady Ministrów, "Expose of Prime Minister Marcinkiewicz" [speech given at the Sejm to request a vote of confidence] Warsaw, 10 November 2005 at http://www.kprm.gov.pl/english/_i/dokumenty/sp.pdf, accessed 4 February 2009

Poland, Kancelaria Prezesa Rady Ministrów, "Prime Minister Marcinkiewicz and Chancellor Merkel discussed solidarity in energy issues", *Press Release*, Warsaw, 9 May 2006 at http://www.kprm.gov.pl/archiwum/english/2130_7900.htm accessed 12 May 2008

Poland, Komitet Ekonomiczny Rady Ministrów (KERM), *Raport w sprawie dostaw gazu ziemnego do 2010 r.,* dokument Ministerstwa Przemysłu i Handlu, nr 2, 20/II/93, 1992

Poland, Komitet Ekonomiczny Rady Ministrów, *Komunikat po KERM*, Warsaw, 3 March 2000 at http://www.poprzedniastrona.premier.gov.pl/archiwum/1937_2733.htm, accessed 10 April 2011

Poland, Komitet Ekonomiczny Rady Ministrów, "Informację na temat rynku paliwowego w Polsce" in *Komunikat po KERM*, Warsaw, 3 March 2000 at http://www.poprzedniastrona.premier.gov.pl/archiwum/1937_2733.htm, accessed 11 April 2011

Poland, Komitet Ekonomiczny Rady Ministrów, "Aktualizacji programu restrukturyzacji organizacyjnej państwowego przedsiębiorstwa użyteczności publicznej Polskie Górnictwo Naftowe i Gazownictwo" in *Komunikat po KERM*, Warsaw, 3 March 2000 at http://www.poprzedniastrona.premier.gov.pl/archiwum/1937_2733.htm, accessed 11 April 2011

Poland, Ministerstwo Gospodarki, *the Energy Sector – Membership in the European Union*, Appendix 2, Warsaw, March 2002

Poland, Ministerstwo Gospodarki, Pracy i Polityki Społecznej, *Restructuring of the hard coal mining sector during the period 2004 – 2006 and Strategy for the period 2007 – 2010*, Warsaw, adopted by the Council of Ministers 27 April 2004

Poland, Ministerstwo Gospodarki, *The standpoint of the Government of the Republic of Poland on the Green Paper: a European Strategy for Sustainable, Competitive and Secure Energy*, Warsaw, October 2006

Poland, Ministerstwo Gospodarki, *Policy of the Government with respect to the oil industry in Poland,* Warsaw, 6 February 2007

Poland, Ministerstwo Gospodarki, "Wicepremier Pawlak: Bezpieczeństwo energetyczne kraju powinniśmy oprzeć na własnych surowcach", *Press Release*, 9 September 2009 at http://www.mg.gov.pl/Wiadomosci/Archiwum/Wicepremier+Pawlak+Bezpieczenstwo+energetyczne+kraju+powinnismy+oprzec+na+wlasnych+surowcach.htm accessed 6 March 2011

Poland, Ministerstwo Przemysłu i Handlu, *Zalozenia polityki energetycznej Rceczyspospolitej Polskiej na lata 1990-2010*, Warsaw, adopted October 1, 1990

Poland, Ministerstwo Skarbu Państwa, *Strategia dla przemysłu naftowego w Polsce*, Warsaw, 24 September 2002

Poland, Ministerstwo Skarbu Państwa, *Privatization lines for treasury assets in 2004*, Warsaw, 28 August 2003

Poland, Ministerstwo Skarbu Państwa, *Corporate Governance of State-Owned Enterprises in Poland,* October 2005

Poland, Ministerstwo Skarbu Państwa, *Privatization lines for treasury assets in 2008*, Warsaw, 26 September 2007

Poland, Ministerstwo Spraw Zagranicznych, *Strategia bezpieczenstwa Rzeczypospolitej Polskiej*, 2000

Poland, Ministerstwo Spraw Zagranicznych, *Chronicle of Poland's international relations in 2002* at http://www.msz.gov.pl/publications/2002/cd3/6_Publications_and_analyses/6.2.2_The_Polish_Quarterly_of_International_Affairs_2002(2)/Kronika.rtf

Poland, Ministerstwo Spraw Zagranicznych, *Non-paper with Polish proposals concerning policy towards new Eastern neighbours after EU enlargement*, January 2003, in "Proceedings of the conference EU Enlargement and Neighbourhood Policy," Stefan Batory Foundation in co-operation with the Ministry of Foreign Affairs, Warsaw, 20-21 February 2003, pp. 85-98 at http://www.batory.org.pl/doc/nowi_se.pdf, accessed 7 June 2008

Poland, Ministerstwo Spraw Zagranycznych, *National Security Strategy of the Republic of Poland*, Repertory No. 106/2007, Warsaw, November 2007

Poland, Ministerstwo Spraw Zagranicznych, *Strategia bezpeiczenstwa Rzeczypospolitej Polskiej,* 2007 at http://www.kprm.gov.pl/s.php?doc=1087, accessed on 5 May 2008

Poland, Najwyższa Izba Kontroli, *Informacja o wynikach kontroli zaopatrzenia w gaz ziemny*, Warsaw, KGP/DG/41100/01, February 2002

Poland, Najwyższa Izba Kontroli, *Informacja o wynikach kontroli zaopatrzenia w gaz ziemny*, Warsaw, KGP/41017/02, July 2004

Poland, *Projekt Narodowego Planu Rozwoju 2007-2013*, at http://www.funduszestrukturalne.gov.pl/informator/npr2/npr.htm, accessed 5 December 2008

Poland, Rada Ministrów, *Rozporządzenie w sprawie określenia przedsiębiorstw państwowych o szczególnym znaczeniu dla gospodarki państwa, których prywatyzacja wymaga zgody Rady Ministrów*, Dziennik Ustaw, Nr 82 poz. 477, adopted 16 November 1990

Poland, Rada Ministrów, *Uchwala w sprawie Komitetu Ekonomicznego Rady Ministrów*, Monitor Polski, Nr 18, poz. 222, 12 April 1995

Poland, Rada Ministrów, *Założenia polityki energetycznej Polski do 2010 roku,* Warsaw, adopted 17 October, 1995

Poland, Rada Ministrów, *Programu restrukturyzacji i prywatyzacji sektora naftowego*, Warsaw, adopted 15 July 1995

Poland, Rada Ministrów, *w sprawie szczególnego trybu zbycia należących do Skarbu Państwa akcji niektórych spółek powstałych z przekształcenia przedsiębiorstw państwowych*, Dziennik Ustaw, Nr. 12, poz. 66, adopted 6 February 1996

Poland, Rada Ministrów, *Ustawa o komercjalizacji i prywatyzacji*, Dziennik Ustaw, Nr 118 poz. 561, adopted 30 August 1996

Poland, Rada Ministrów, *Rozporządzenie w sprawie przekształcenia państwowego przedsiębiorstwa użyteczności publicznej "Polskie Górnictwo Naftowe i Gazownictwo" z siedzibą w Warszawie w jednoosobową spółkę Skarbu Państwa*, Dziennik Ustaw, Nr. 116, poz. 553, adopted 30 September 1996

Poland, Rada Ministrów, *Prawo energetyczne,* Dziennik Ustaw, Nr. 54, poz. 348, adopted 20 June 1997

Poland, Rada Ministrów, *Rozporządzenie w sprawie określenia przedsiębiorstw państwowych oraz jednoosobowych spółek Skarbu Państwa o szczególnym znaczeniu dla gospodarki państwa*, Dziennik Ustaw, Nr 126 poz. 806, adopted 25 September 1997

Poland, Rada Ministrów, *Założenia polityki energetycznej Polski do roku 2020,* Warsaw, adopted 22 February 2000

Poland, Rada Ministrów*, Rozporządzenie w sprawie minimalnego poziomu dywersyfikacji dostaw gazu z zagranicy*, Dziennik Ustaw, Nr 95 – 5427, poz. 1041 and 1042, adopted 24 October 2000

Poland, Rada Ministrów, *Assessment of implementation and amendment to the "Guidelines for the Energy Policy of Poland until 2020,* Warsaw, adopted 2 April 2002

Poland, Rada Ministrów, *Restructuring And Privatisation Program For Polish Oil And Gas Company (PGNiG S.A.*), adopted 13 August 2002

Poland, Rada Ministrów, *Energy Policy of Poland until 2025,* Warsaw, adopted 4 April 2005

Poland, Rada Ministrów, *Ustawa o szczególnych uprawnieniach Skarbu Państwa oraz ich wykonywaniu w spółkach kapitałowych o istotnym znaczeniu dla porządku publicznego lub bezpieczeństwa publicznego,* Dziennik Ustaw, Nr 132, poz. 1108, adopted 19 July 2005

Poland, Rada Ministrów, *w sprawie Pełnomocnika Rządu do Spraw Dywersyfikacji Dostaw Nośników Energii do Rzeczypospolitej Polskiej*, Dziennik Ustawa, Nr 239, poz. 2011, adopted 29 November 2005

Poland, Rada Ministrów*, uchwałę w sprawie działań mających na celu dywersyfikację dostaw nośników energii*, Nr 3/2006, adopted 3 January 2006

Poland, Rada Ministrów, *Sprawozdanie z wyników nadzoru nad bezpieczeństwem zaopatrzenia w gaz ziemny za okres od dnia 3 maja 2005 r. do dnia 30 czerwca 2006 r,* Monitor Polski, Nr 33, poz. 384, 30 May 2007

Poland, Rada Ministrów, *Energy Policy of Poland until 2030*, Warsaw, adopted 10 November 2009

Poland, Sejm Debate, 04.06.1992, *Sprawozdanie Komisji Polityki Gospodarczej*, 1 kadencja, 17 posiedzenie, 1 dzień

Poland, Sejm Debate, 04.01.1992, *Informacja ministra finansów oraz ministra pracy i polityki socjalnej o skutkach ostatnich podwyżek cen energii elektrycznej, gazu i centralnego ogrzewania,* 1 kadencja, 5 posiedzenie, 2 dzień

Poland, Sejm Debate, 13.02.1992, *punkt porządku dziennego,* 1 kadencja, 8 posiedzenie, 1 dzień

Poland, Sejm Debate, 08.05.1992, *informacja ministra spraw zagranicznych o polityce zagranicznej Rzeczypospolitej Polskiej,* 1 kadencja, 14 posiedzenie, 3 dzień

Poland, Sejm Debate, 23.01.1993, *Pierwsze czytanie rządowego projektu ustawy o przekształceniach własnościowych niektórych przedsiębiorstw państwowych o szczególnym znaczeniu dla gospodarki państwa*, 1 kadencja, 35 posiedzenie, 3 dzień

Poland, Sejm Debate, 29.04.1993, *Informacja rządu o polityce zagranicznej Polski*, 1 kadencja, 43 posiedzenie, 1 dzień

Poland, Sejm Debate, 15.05.1993, *Informacja rządu na temat koncepcji przekształceń własnościowych w sektorze paliwowym*, 1 kadencja, 44 posiedzenie, 3 dzień

Poland, Sejm Debate, 23.01.1993, *Pierwsze czytanie rządowego projektu ustawy o przekształceniach własnościowych niektórych przedsiębiorstw państwowych o szczególnym znaczeniu dla gospodarki państwa*, 1 kadencja, 35 posiedzenie, 3 dzień

Poland, Sejm Debate, 19.10.1994, *Sprawozdanie Komisji Polityki Gospodarczej, Budżetu i Finansów o projekcie uchwały Sejmu Rzeczypospolitej Polskiej o założeniach polityki społeczno-gospodarczej na 1995 rok*, 2 kadencja, 32 posiedzenie, 1 dzień

Poland, Sejm Debate, 20.01.1995, *14 punkt porządku dziennego: Interpelacje i zapytania,* 2 kadencja, 41 posiedzenie, 3 dzień

Poland, Sejm Debate, 10.01.1996, *Założenia polityki energetycznej Polski do 2010 roku wraz z załącznikiem pt. "Sytuacja obecna i prognozy zaopatrzenia Polski w energię na tle Unii Europejskiej i świata"*, 2 kadencja, 69 posiedzenie, 2 dzień

Poland, Sejm Debate, 27.09.1996*, Informacja rządu o polityce zaopatrzenia Polski w paliwa płynne i gazowe*, 2 kadencja, 89 posiedzenie, 3 dzień

Poland, Sejm Debate, 25.10.1996, *Informacja prezesa Rady Ministrów na temat warunków kontraktu gazowego z Rosją w przyszłości polskiego sektora paliwowo-energetycznego i zagrożeń dla bezpieczeństwa państwa*, 2 kadencja, 91 posiedzenie, 3 dzień

Poland, Sejm Debate, 06.12.1996, *Sprawozdanie Komisji Systemu Gospodarczego i Przemysłu oraz Komisji Ustawodawczej o rządowym i poselskim projektach ustaw Prawo energetyczne*, 2 kadencja, 95 posiedzenie, 3 dzień

Poland, Sejm Debate, 11.04.1997, *Informacja premiera rządu pana Włodzimierza Cimoszewicza o stanie zagrożeń strategicznych interesów Polski i jej bezpieczeństwa w sektorze energetycznym*, 2 kadencja, 104 posiedzenie, 4 dzień

Poland, Sejm Debate, 26.10.2000, *23 punkt porządku dziennego: Pytania w sprawach bieżących,* 3 kadencja, 89 posiedzenie, 2 dzień

Poland, Sejm Debate, 26.10.2000, *Pytania w sprawach bieżących*, 3 kadencja, 89 posiedzenie, 2 dzień

Poland, Sejm Debate, 09.01.2002, *Rozpatrzenie wniosku o wyrażenie wotum nieufności ministrowi skarbu państwa Wiesławowi Kaczmarkowi*, 4 kadencja, 10 posiedzenie, 1 dzień

Poland, Sejm Debate, 25.02.2002, *Informacja rządu na temat działań podejmowanych przez rząd Rzeczypospolitej Polskiej w celu zapewnienia bezpieczeństwa energetycznego Polski*, 4 kadencja, 12 posiedzenie, 2 dzień

Poland, Sejm Debate, 26.09.2002, *Wniosek o wyrażenie wotum nieufności ministrowi infrastruktury Markowi Polowi*, 4 kadencja, 30 posiedzenie, 2 dzień

Poland, Sejm Debate, 28.02.2003, *Sprawozdanie Komisji Skarbu Państwa oraz Komisji Sprawiedliwości i Praw Człowieka o poselskim projekcie uchwały o powołaniu komisji śledczej do spraw zbadania zgodności umów prywatyzacji majątku państwowego, umów międzynarodowych i podpisywanych w związku z nimi umów handlowych w latach 1990-2002 z zasadami bezpieczeństwa energetycznego i paliwowego państwa polskiego*, 4 kadencja, 42 posiedzenie, 4 dzień

Poland, Sejm Debate, 30.01.2004, *Informacja prezesa Rady Ministrów w sprawie przyczyn odwołania ministra skarbu państwa Piotra Czyżewskiego oraz w sprawie przygotowania i planów prywatyzacji grupy G-8*, 4 kadencja, 67 posiedzenie, 6 dzień

Poland, Sejm Debate, 20.02.2004, *Informacja rządu w sprawie możliwych zagrożeń i działań zapobiegających destabilizacji bilansu energetycznego kraju*, 4 kadencja, 68 posiedzenie, 4 dzień

Poland, Sejm Debate, 17.02.2005, *Informacja Rządu Rzeczypospolitej Polskiej w sprawie renegocjacji Traktatu Gazowego z Rosją w oparciu o raport Najwyższej Izby Kontroli,* 4 kadencja, 97 posiedzenie, 3 dzień

Poland, Sejm Debate, 19.07.2006, *Przedstawienie przez Prezesa Rady Ministrów programu działania Rady Ministrów z wnioskiem o udzielenie jej wotum zaufania,* 5 kadencja, 22 posiedzenie, 2 dzień

Poland, Sejm Debate, 07.05.2008, *Informacja ministra spraw zagranicznych o założeniach polskiej polityki zagranicznej w 2008 r.*, 6 kadencja, 15 posiedzenie, 1 dzień

Poland, Sejm Debate, 09.01.2009, *Informacja Prezesa Rady Ministrów na temat bezpieczeństwa energetycznego Polski w związku z przerwaniem dostarczania gazu ziemnego z Rosji przez terytorium Ukrainy*, 6 kadencja, 33 posiedzenie, 3 dzień

Poland, Sejm Debate, 23.09.2010, 15 *punkt porządku dziennego: Informacja bieżąca*, 6 kadencja, 74 posiedzenie, 2 dzień

Poland, Sejm Interpelation, 29.01.1998, Minister Przemysłu i Handlu Janusz Steinhoff, *w sprawie kontraktu na budowę rurociągu gazowego Jamał-Europa Zachodnia oraz odszkodowań proponowanych właścicielom ziemi*, nr 96

Poland, Sejm Interprelation, 26.07.2000, Prezesa Rządowego Centrum Studiów Strategicznych Jerzy Kropiwnicki, *w sprawie Zespołu ds. Dywersyfikacji Dostaw Gazu*, nr 4277

Poland, Sejm Interpelation, 15.11.2000, Minister Przemysłu i Handlu Janusz Steinhoff, *w sprawie polityki gazowniczej Polski i budowy gazociągu norweskiego*, nr 4912

Poland, Sejm Interpelation, 20.05.2001, Podsekretarz stanu Andrzej Karbownik, *w sprawie przywrócenia jednolitego stanowiska przedstawicieli rządu w radzie nadzorczej i wyeliminowania przesłanek mogących świadczyć o układach lobbistyczno-korupcyjnych w PGNiG oraz w spółkach dostarczających gaz*, nr 5725

Poland, Sejm Interpelation, 06.12.2010, Ministra skarbu państwa Aleksander Grad, *w sprawie gazociągu Nord Stream*, nr 19131

Poland, Urząd Regulacji Energetyki, *Activity Report,* Warsaw, 30 October 2000

Poland, Urząd Regulacji Energetyki, *Information on the state of energy security of the state and measures taken by the government in that regard,* accepted by the Sejm, Warsaw, 14 February 2002

Poland, Urząd Regulacji Energetyki, *Annual Report to the European Commission,* Warsaw, 31 July 2006

Poland, Urząd Regulacji Energetyki, *Activity Report,* Warsaw, 31 October 2007

Poland, Urząd Regulacji Energetyki, *Polska polityka energetyczna - wczoraj, dziś, jutro*, Warsaw, Bibliotece Regulatora URE, July 2010

Poland, Zespół do Spraw Polityki Energetycznej, *Polityka energetyczna Polski do 2025 roku*, materiał roboczy do konsultacji*,* 6 December 2004

Poland, Yamal Contract, *Porozumienie miedzy rzadem rzeczpospolitej Polskiej a rzadem federacji Rosyjskiej o budowie systemu gazociagow dla tranzytu gazu Rosyjskiego przez terytorium rzeczpospolitej Polskiej i dostawach gazu rosyjskiego do rzeczpospolitej Polskiej*, Warsaw, 25 August 1993, at http://www.europolgaz.com.pl/1.htm

Poland, Yamal Contract, *Protocol between the Government of the Russian Federation and Government of the Republic of Poland on institutional activities aimed at enforcing the agreement between the Government of the Russian Federation and the Government of the Republic of Poland on Russian gas transit through Polish territory and Russian gas deliveries to Poland dated 25 August 1993* [translated from Russian], Warsaw, 18 February 1995, in Biblioteczka Wydziału Promocji Handlu i Inwestycji Ambasady RP w Moskwie Ambasada, "Umowy Polska-Rosja", Tom 2, Moscow, June 2008

Poland, Yamal Contract, *Addition to the Protocol between the Government of the Russian Federation and Government of the Republic of Poland on institutional activities aimed at enforcing the agreement between the Government of the Russian Federation and the Government of the Republic of Poland on Russian gas transit through Polish territory and Russian gas deliveries to Poland dated 25 August 1993* [translated from Russian], Warsaw, 12 February 2003, in Biblioteczka Wydziału Promocji Handlu i Inwestycji Ambasady RP w Moskwie Ambasada, "Umowy Polska-Rosja", Tom 2, Moscow, June 2008

Polskie Górnictwo Naftowe i Gazownictwo - PGNiG, *Annual Reports*, 2005-2009

Polskie Górnictwo Naftowe i Gazownictwo, "Stanowisko PGNiG SA w sprawie gazociągu północnego", *Archiwum aktualności*, Warsaw, 21 November 2002

Polskie Górnictwo Naftowe i Gazownictwo, "Komunikat PGNiG S.A. w sprawie artykulow we 'Wprost' oulikowanych 3.11.2003", *Archiwum aktualności*, Warsaw, 3 November 2003

Polskie Górnictwo Naftowe i Gazownictwo, "Komunikat PGNiG S.A.", Warsaw, 26 February 2004

Polskie Górnictwo Naftowe i Gazownictwo, *Prospekt Emisyjny*, Warsaw, 31 December 2004

Polskie Górnictwo Naftowe i Gazownictwo, "Dane o działalności Emitenta", *Prospekt Emisyjny PGNiG S.A.*, Chapter 5, Warsaw, 2005

Polskie Górnictwo Naftowe i Gazownictwo, "Convocation of the Extraordinary Shareholders' Meeting of PGNiG S.A. for 12 December 2005 and the declaration of Mr. Marek Kossowski, President of the Management Board of PGNiG S.A.," Current Report No. 125/2005, Warsaw, 17 November 2005

Polskie Górnictwo Naftowe i Gazownictwo, *Financial statements for the period ending 31 December 2005*, Warsaw, 31 March 2006

Polskie Górnictwo Naftowe i Gazownictwo, *Sprawozdanie zarządu z działalności spółki PGNiG S.A. za rok 2006*, Warsaw, 3 April 2007

Polskie Górnictwo Naftowe i Gazownictwo*, PGNiG w liczbach, at* http://www.pgnig.pl/pgnig/ri/751/777*,* accessed on 3 January 2010

Pomorska, Karolina, "The impact of enlargement: Europeanization of Polish foreign policy? tracking adaptation and change in the Polish Ministry of Foreign Affairs", *The Hague Journal of Diplomacy,* No. 2, 2007, pp. 25-51

PKN Orlen, *Annual Reports*, 2003-2008

PKN Orlen, "Komunikat prasowy", Centrum Prasowego, Warsaw, 5 February 2004

PKN Orlen, *Resolution regarding the recall from the Supervisory board of Polski Koncern Naftowy ORLEN S.A.*, No 40, Ordinary general shareholder meeting of Polski Koncern Naftowy Orlen S.A., 27 June 2006

Poznański, Kazimierz, "Privatisation of the Polish economy; problems of transition" *Soviet Studies*, Vol. 44, No. 4, 1992, pp. 641-664

Pravda, Alex & Zielonka, Jan, *Democratic consolidation in Eastern Europe*, Oxford, Oxford University Press, 2001

Prizel, Ilya, *National identity and foreign policy; nationalism and leadership in Poland, Russia and Ukraine*, Cambridge, Cambridge University Press, 1998

Prizel, Ilya & Michta, Andrew, *Polish foreign policy reconsidered; challenges of independence,* Basingstoke, Macmillan, 1995

Putnam, Robert, "Diplomacy and domestic politics: the logic of two-level games", *International Organisation,* Vol. 40, No. 1, 1988, pp. 427-460

Rathbun, Brian, "A rose by any other name: neoclassical realism as the logical and necessary extension of structural realism", *Security Studies*, Vol. 17, No. 2, pp. 294 - 321

Reisinger, William M., *Energy and the Soviet Bloc; Alliance Politics after Stalin*, Cornell, Cornell University Press, 1992

Resende, Madalena Meyer, *The unintended effects of Europe on Central and East European party systems: Poland and beyond*, Tallinn, Tallinn University Press, 2009

Rhodes, R.A.W, & Dunleavy, Patrick, eds. *Prime minister, cabinet and core executive*, New York, St. Martin's Press, 1995

Rider, Christine & Zajicek, Edward, "Mass privatization in Poland; processes, problems and prospects", *International Journal of Politics, Culture and Society*, Vol. 9, No. 1, 1995, pp. 133-148

Ritchie, Alistair et al, "Review relating to the Large Combustion Plant Directive: a report for European Commission", *Environment Directorate General*, Emtek Ltd., 2005

Rose, Gideon, "Neoclassical realism and theories of foreign policy" *World Politics,* Vol. 51, No. 1, 1998

Rose, Amanda, "Extraordinary politics in the Polish transition", *Communist and Post-Communist Studies*, No. 32, 1999, pp. 195-210

Rousseau, David, *Identifying threats and threatening identities; the social construction of realism and liberalism*, Stanford, Stanford University Press, 2006

Russia, Ministry of Industry and Energy, *Energeticheskaia strategia Rossii na period do 2020 goda* [Russia's Energy Strategy for the Period up to 2020], Government decree no. 1234, 28 August 2003

Sakwa, Richard, *The quality of freedom: Khodorkovsky, Putin, and the Yukos affair*, Oxford, Oxford University Press, 2009

Sanford, George, "Overcoming the burden of history in Polish foreign policy", *Journal of Communist Studies and Transition Politics,* Vol. 19, No. 3, 2003, pp. 178-203

Sapir, Andre, *Fragmented power: Europe and the global economy*, Brussels, Bruegel Books, 2007

Scheepers, Martin et al, "EU standards for energy security of supply; updates on the Crisis Capability Index and the Supply/Demand Index" *ECN-CIEP Joint Report*, 07-004, April 2007

Schimmelfennig, Frank & Sedelmeier, Ulrich, eds., *The Europeanization of Central and Eastern Europe*, London, Cornell University Press, 2005

Schoenman, Roger "Captains or pirates? state-business relations in post-socialist Poland," *East European Politics & Societies,* Vol. 19, No. 1, 2005, pp. 40-75

Schmitter, Philippe, "Still the Century of corporatism?" *The Review of Politics*, Vol. 36, 1974, pp 85-131

Schweller, Randall, *Unanswered threats: political constraints on the balance of power*, Princeton, Princeton University Press, 2006

Seleny, Anna, *The political economy of state-society relations in Hungary and Poland: from communism to the European Union*, Cambridge, Cambridge University Press, 2006

Shaffer, Brenda, *Energy politics*, Pennsylvania, University of Pennsylvania Press, 2009

Sheehan, Michael, "The emerging pattern of international relations in Eastern Europe," in Europa Publications Limited, *Eastern Europe and the Commonwealth of Independent States*, 1999, 4th Edition

Sikorski, Radosław & Saryusz-Wolski, Jacek, "Punkt zapalny", *Publicystyka Opinie*, September 7, 2005, at http://new-arch.rp.pl/artykul/568269_Punkt_zapalny.html, accessed July 5, 2008

Slay, Benjamin, "The dilemmas of economic liberalism in Poland", *Europe-Asia Studies*, Vol. 45, No. 2, 1993, pp. 237-257

Slay, Benjamin "Mass Privatisation: better late than never?", *Transition*, Vol. 1, No. 14, 1995

Smith, Alan H, "Eastern European Economies" in Europa Publications Limited, *Eastern Europe and the Commonwealth of Independent States, a Political and Economic Survey*, 3rd Edition, 1999

Smith, Keith C., *Russian energy politics in the Baltics, Poland, and Ukraine – A new stealth imperialism,* Washington DC, Centre for Strategic International Studies, 2004

Smith, Steve, "Wendt's world", *Review of International Studies*, Vol. 26, 2000, pp. 151-163

Smith, Steve, Hadfield, Amelia, & Dunne, Tim; *Foreign policy: theories, actors, cases*, Oxford, Oxford University Press, 2007

Snyder, Richard, Bruck, H.W, & Sapin, Burton, *Foreign policy decision-making (revisited)*, New York, Palgrave Macmillan, 2002

Socha, Mieczyslaw and Sztanderska, Urszula, "Restructuring and industrial policy in Poland", *MOCT-MOST Economic Policy in Transition Economies*, Vol. 4, 1994, pp. 71-106

Spero, Joshua, *Bridging the European divide; middle power politics and regional security dilemmas,* Maryland, Rowman & Littlefield Publishers, 2004

Staniszkis, Jadwiga, *The dynamics of the breakthrough in Eastern Europe; the Polish experience*, Berkeley, University of California Press, 1991, available in e-book format at http://publishing.cdlib.org/ucpressebooks/view?docId=ft4g50067w

Staniszkis, Jadwiga, *Postkomunizm*, Gdańsk, Slowo Obraz Terrytoria, 2005

Stein, Janice-Gross, "An agenda for political psychology: Alexander George as architect, engineer and community builder" *Political Psychology*, Vol. 15, No. 1, March 1994, pp. 1-15

Sterling-Folker, Jennifer, "Realist environment, liberal process, and domestic-level variables" *International Studies Quarterly,* Vol. 4, No. 1, 1997, pp. 1–25

Stern, Jonathan, "Gas-OPEC: A distraction from important issues of Russian gas supply to Europe", *Oxford Energy Comment,* Oxford Institute for Energy Studies, February 2007

Stern, Jonathan, "The Russian-Ukraine gas crisis of 2006", Oxford Institute for Energy Studies, January 2006

Stern, Jonathan, *The future of Russian gas and Gazprom*, Oxford, Oxford University Press for the Oxford Institute for Energy Studies, 2005

Stevens, Paul, "The shale gas revolution – hype and reality", *Chatham House Report*, September 2010

Steves, F. "Poland and the international system: external influences on democratic consolidation" *Communist and Post-Communist Studies,* Vol. 34, 2001, pp. 339–352

Stone, Randall, *Lending credibility: the International Monetary Fund and the post-Communist transition*, Princeton, Princeton University Press, 2002

Strange, Susan, "Protectionism and world politics", *International Organization*, Vol. 39, No. 2, 1985 pp. 233-259

Strange, Susan, *States and markets,* 2nd Edition, London, Continuum, 1994

Strange, Susan, "Wake up Krasner! The world *has* changed," *Review of International Political Economy*, Vol. 1, No. 2, 1994, pp. 209-219

Strange, Susan, *The retreat of the state,* Cambridge, Cambridge University Press, 1996

Strzelczyk, Joanna, *Ucieczka ze Wschodu. Rosja w Polskiej Polityce, 1989-1993,* Warsaw, Oficyna Wydawnicza RYTM, 2002

Stulberg, Adam N, *Well-Oiled diplomacy*, New York, State University of New York Press, 2007

Styczek, Janusz, "Relations between Poland and Germany", Y*earbook of Polish Foreign Policy,* Issue 01, Central and Eastern European Online Library, 2007, pp. 92-100

Swiatkowski, Lucja, "Polish mass privatisation; the debate goes on" *Beyond Transition Newsletter about Emerging Economies*, the World Bank Group, April, 1995

Swieboda, Pawel, "A delicate balancing act between East and West", *Transition*, Vol. 1, No. 14, 1995, pp. 1-28

Szczerbiak, Aleks, "Electoral politics in Poland: the parliamentary elections of 1997", *Journal of Communist Studies and Transition Politics*, Vol. 14, No. 3, 1998, pp. 58-83

Szczerbiak, Aleks, "Poland's unexpected political earthquake: the September 2001 Parliamentary Election", *Journal of Communist Studies and Transition Politics*, Vol. 18, No. 3, 2002, pp. 41 – 76

Szczerbiak, Aleks, "The Polish centre-right's best hope: the rise and fall of Solidarity Electoral Action", paper presented at the *ECPR General Conference*, Marburg, Germany, 18-21 September 2003

Szczerbiak, Aleks, "'Social Poland' defeats 'liberal Poland'? The September-October 2005 Polish parliamentary and presidential elections", *Journal of Communist Studies and Transition Politics*, Vol. 23, No. 2, 2007, pp. 203 - 232

Szlagowski, Piotr, "Bezpieczeństwo energetyczne Polski 2010" *Raport Otwarcia*, The Kosciuszko Institute of European Integration, Kraków-Brussels, 2010

Tarnogórski, Rafael, "The North European Gas Pipeline: legal aspects" *The Polish Quarterly of International Affairs*, No. 1, 2006 pp. 104-118

Terry, Sarah, "Poland's foreign policy since 1989: the challenges of independence" *Communist and Post-Communist Studies*, Vol. 33, 2000, pp. 7–47

Tilly, Charles, "Means and ends of comparison in macrosociology," *Comparative Social Research*, Vol. 16, 1997, pp. 43-53

Tokarzewski, J. & Bednarski, R., "Perspektywy rozwoju gazownictwa w Polsce", *IV Konferencja "Racjonalizacja u.ytkowania energii i srodowiska"*, Szczyrk, 1996, str. 165

Tokarzewski, J. and Bednarksi, R., "Gas Prospects in Poland", *The Silesian International Conference on Coalbed Methane Utilisation*, Proceedings, Volume I: Polish Foundation for Energy Efficiency, Katowice, 5-7 October 1994

Tökes, Rudolf, "From Visegrad to Kraków: cooperation, competition and coexistence in Central Europe', *Problems of Communism*, Vol. 60, No. 6, pp. 100-114

Umbach, Frank, "Europe's Next Cold War", *IP Global Issues*, Berlin, 2006

Underhill, Geoffrey, "State, market, and global political economy: genealogy of an (inter-?) discipline", *International Affairs,* Vol. 76, No. 4, 2003, pp. 805-824

Unge, Wilhelm et al, "Polish-Russian relations in an Eastern dimension context" *FOI Report,* Swedish Defence Research Agency, Stockholm, 2008

United Nations, "International trade statistics for 1998", *Department of Economic and Social Development*, Statistics Division, New York, 1999

Urge-Vorsatz, Diana et al, "Energy in transition: from the iron curtain to the European Union", *Energy Policy*, Vol. 34, 2006, pp. 2279–2297

Vagliasindi, Maria, "Governance arrangements for state-owned enterprises", World Bank Sustainable Development Network, Policy Research Working Paper, No. 4542, March 2008, p. 14-5

Van de Graaf, Thijs & Dries, Lesage, "The International Energy Agency after 35 years: reform needs and institutional adaptability" *Review of International Organisations,* Vol. 4, 2009, pp. 293-317

Van der Linde, Coby, "Study on energy supply security and geopolitics", *Clingendael International Energy Programme*, Report for DG-TREN, 2004

Victor, David, "The Belarus connection: exporting Russian gas to Germany and Poland", *Geopolitics of Gas Working Paper Series,* James A. Baker Foundation, Washington, 2004

Victor, David, Jaffe, Amy and Hayes, Mark, eds., *Natural gas and geopolitics*, Cambridge, Cambridge University Press, 2006

van Waarden, Frans, "Dimensions and types of policy networks", *European Journal of Political Research*, Vol. 21, 1992, pp. 29-52

Waever, Ole, Buzan, Barry & de Wilde, Jaap, *Security: a new framework for analysis,* Boulder, Lynn Rienner, 1998

Waligórski, Michał, "Polityka energetyczna państwa jako sektorowa polityka administracyjna", *Biuletyn Urzędu Regulacji Energetyki*, Nr. 4, 2008

Walt, Stephen, *The origins of alliances*, Ithaca, Cornell University Press, 1987

Waltz, Kenneth, "International politics is not foreign policy", *Security Studies,* Vol. 6, No. 1, 1996

Waltz, Kenneth, *Theory of international politics,* New York, McGraw-Hill, 1979

Wawrzyński, Wojciech, "Nośniki energii i ich rynek jako sektor determinujący bezpieczeństwo energetyczne polski, europy i świata," *Praca magisterska, Ośrodku Badań Integracji Europejskiej Uniwersytetu Gdańskiego*, Nr albumu 91732, 2001

Wendt, Alexander, "The agent-structure problem in international relations theory", *International Organization*, 41(3), 1987, pp. 335-370

Wendt, Alexander, "Constructing international politics", *International Security*, Vol. 20, No. 1, 1995, pp. 71-81

Wendt, Alexander, *Social theory of international politics,* Cambridge, Cambridge University Press, 1999

Wiarda, Howard, *Comparative politics*, Maryland, Rowman & Littlefield, 2007

Wieloński, Andrzej & Machowski, Janusz, "Bezpieczeństwo energetyczne Polski," in *Procesy transformacji wybranych przemysłów w Polsce i na świecie*, Prace Komisji Geografii Przemysłu, Nr 10, Warsaw, 2008, pp. 86-92

Williams, Michael C., "Words, images, enemies: securitization and international politics", *International Studies Quarterly,* Vol. 47, 2003, pp. 511-531

Williamson, Peter, *Varieties of corporatism: a conceptual discussion*, Cambridge, Cambridge University Press, 1985

Woehrel, Steve, "Russian energy policy toward neighbouring countries", *CRS Report for U.S. Congress, Foreign Affairs Division,* Washington, Congressional Research Service, 2006

Wolfgang Mostert Associates, "ERG Energy Restructuring Group, an Evaluation", *Final Report for PHARE and Polish Ministry of Industry and Trade*, May 1995 at http://www.mostert.dk/pdf/ERG Poland.pdf

World Bank, "Poland Energy Restructuring Program, main report", *Joint UNDP/World Bank Energy Sector Management Assistance Programme (ESMAP)*, Vol. 1, No. 153/93, January 1993

World Bank, "Poland Energy Restructuring Program, the natural gas sector", *Joint UNDP/World Bank Energy Sector Management Assistance Programme (ESMAP)*, Vol. 3, No. 153/93, January 1993

World Bank, "Poland: Country Assistance Review", Volume 1 - Main Report, 14 April 1997, at http://www.worldbank.org/ieg/transitioneconomies/caes/poland_cae.pdf, accessed 25 March 2011

World Bank Group, *Natural gas: private sector participation and market development*, International Bank for Reconstruction and Development - IBRD, Washington DC, 1999

Wright, Maurice, "Policy community, policy network and comparative industrial policies," *Political Studies,* Vol. 36, 1988, pp. 593-612

Wyciszkiewicz, Ernest, "'One for All – All for One'; The Polish perspective on external European energy policy", in Overhaus, Marco, ed., *Dealing with Dependency: The European Union's Quest for a Common Foreign Energy Policy*, Foreign Policy in Dialogue*,* Deutsche Aussenpolitik, Vol. 8, No. 20, 2007

Wyciszkiewicz, Ernest, G*eopolityka rurociągów współzależność energetyczna a stosunki międzypaństwowe na obszarze postsowieckim*, Warsaw, Polski Instytut Spraw Międzynarodowych (PISM), 2008

Wyn Jones, Richard, *Security, strategy, and critical theory,* Boulder, Lynne Rienner, 1999

Yee, Albert, "The causal effects of ideas on policies", *International Organization*, Vol. 50, No. 1, 1996, pp. 69-108

Yergin, Daniel "Ensuring energy security", *Foreign Affairs,* Vol. 85, No. 2, 2006, pp. 69-82

Youngs, Richard, "Europe's external energy policy: between geopolitics and the market", *Centre for European Policy Studies*, Working Document No. 278, November 2007, pp 11-15

Zaborowski, Marcin, "Power, security and the past: Polish-German Relations in the context of EU and NATO enlargements", *German Politics,* Vol. 11, No. 2, 2002, pp. 165 – 188

Zaborowski, Marcin, *Germany, Poland and Europe; conflict, cooperation and Europeanization*, Manchester, Manchester University Press, 2005

Zaczek, Damian, "Interesy z sąsiadem, wywiad z Aleksander Gudzowaty," *Decydent*, Nr. 14, October 2000 at http://www.decydent.pl/archiwum/wydanie_47/interesy-z-sasiadem_203.html, accessed 25 March 2011

Zakaria, Fareed, "Realism and domestic politics*", International Security,* Vol. 17, No. 1, 1992, pp. 177-198

Zarycki, Tomasz, "Uses of Russia: the role of Russia in the modern Polish national identity", *East European Politics and Societies,* Vol. 18, 2004, pp. 595-627

Zemplinerová, Alena "Privatisation of network industries: the case of the Czech energy sector", 14th plenary session '*Managing Commercial Assets under State Ownership*', Advisory Group on Privatisation, OECD, Budapest, 19-20 September 2000

Zielonka, Jan, *Security in Central Europe: sources of instability in Hungary, Poland and the Czech and Slovak republics with recommendations for Western policy*, London, Brassey's for the International Institute for Strategic Studies, 1992

Zielonka, Jan, *Europe as Empire: the nature of the enlarged European Union,* Oxford, Oxford University Press, 2006

Zientara, Piotr, "Polish Government policy for coal, 1989-2006", *International Journal of Energy Sector Management*, Vol. 1, No. 3, 2007, pp. 273-294

Żmijewski, Krzysztof, "The energy policy of Poland in the context of EU membership", *Warsaw Institute for Sustainable Development,* Friedrich Ebert Stiftung, 2007

Zubek, Voytek, "The phoenix out of the ashes: the rise to power of Poland's post-communist SdRP" in *Communist and Post-Communist Studies,* Vol. 28, No. 3, 1995, pp. 275-306

Zubek, Radosław "A core in check: the transformation of the Polish core executive", *Journal of European Public Policy*, Vol. 8, No. 6, 2001, pp. 911-932

Zubek, Radosław, "Parties, rules and government legislative control in Central Europe: the case of Poland," *Communist and Post-Communist Studies,* Vol. 41, No. 2, 2008, pp. 147-161

Zubek, Radosław & Goetz, Klaus, "Performing to type? how state institutions matter in East Central Europe", *Journal of Public Policy*, Vol. 30, No. 1, 2010, pp. 1-22

Key interviews

Stanisław Cios, Department of Economic Policy, Polish Ministry of Foreign Affairs, Warsaw, 7 July 2010

Andrzej Czerwiński, Member of the Sejm, *Platforma Obywatelska,* Warsaw, 8 July 2010

Adam Gawęda, Member of the Sejm, *Prawo i Sprawiedliwość*, Warsaw, 21 April 2009

Wojciech Jasinski, former Minister of Treasury, Płock, 20 April 2009

Marcin Lowenstein, Head of Strategy, Polskie Górnictwo Naftowe i Gazownictwo, Warsaw, 5 July 2010

Grzegorz Markiewicz, Head of Gas Purchasing, Polskie Górnictwo Naftowe i Gazownictwo, Warsaw, 19 April 2009

Janusz Michałski, Chief Expert, Department of Energy, Polish Ministry of Economy Warsaw, 22 April 2009

Piotr Naimski, former deputy Minister of Economy, Warsaw, 8 July 2010

Jacek Piechota, former Minister of Economy, Warsaw, 5 July 2010

Małgorzata Szymańska, Head of Oil and Gas Unit, Department of Energy, Polish Ministry of Economy, Warsaw, 20 April 2009

Józef Zych, Member of the Sejm, *Polskie Stronnictwo Ludowe*, Warsaw, 7 July 2010

Supplementary Bibliography:

Alexander's Gas and Oil Connections, "Why is there no Oil for Odessa-Brody pipeline?" Vol. 9, Issue 14, 21 July 2004, at http://www.gasandoil.com/goc/news/ntr42915.htm accessed 5 June 2007

BBC News, "Gas cut: how Europe is coping", 8 January 2009 at http://news.bbc.co.uk/2/hi/europe/7815113.stm accessed 12 October 2010

BBC News, "Nord Stream gas pipeline underwater construction starts", 9 April 2010 at http://news.bbc.co.uk/2/hi/8607214.stm, accessed 12 October 2010

Bankier.pl, "PKN Orlen podpisal list intencyjny o budowie i eksploatacji ropociagu Brody-Płock," *Internet Securities Businesswire*, 5 August 2003, at http://www.bankier.pl/wiadomosc/PKN-Orlen-podpisal-list-intencyjny-o-budowie-i-eksploatacji-ropociagu-Brody-Ploc-826401.htm , accessed 1 March 2011

Bernstein, Richard, "Glum days in Poland: graft, Russophobia and worse", *New York Times*, 26 January 2005

Biedrzycka, Anna, "Po podpisaniu kontraktu norweskiego Premier w roli sprzedawcy Równocześnie zawarto kontrakty długoterminowe i otworzono rynek gazu dla stron trzecich", *Rynek Gazu*, 5 October 2001, at www.rynekgazu.pl/filez/gieron727857260.pdf, accessed 27 September 2008

Bojarski, Wlodimierz, "Wątpliwa strategia zaopatrzenia kraju w gaz", *Rczeszpospolita*, April 11, 1996

Castle, Steven, "Poles angry at pipeline pact," *The Independent*, 1 May 2006 at http://www.independent.co.uk/news/world/Europe/poles-angry-at-pipeline-pact-476320.html, accessed 4 February 2008

Centrum Informacji o Rynku Energii - Cire "Wycena była prawidłowa; z Markiem Kossowskim, prezesem PGNiG" 27 October 2005 at http://www.cire.pl/pliki/2/wycena.pdf, accessed 10 March 2008

Centrum Informacji o Rynku Energii - Cire, "Rozmowa z Markiem Kossowskim – Prezesem PGNiG S.A.", 10 May 2004 at http://www.cire.pl/rozmowy/index.html?d_id=13072&d_typ=4, accessed 27 July 2009

Chemical Industry News and Intelligence, "Chemicals at forefront of Polish/Soviet barter deal", 7 October, 1991, at http://www.icis.com/Articles/1991/10/07/14462/chemicals-at-forefront-of-polishsoviet-barter-deal.html, accessed March 3, 2009

Country Monitor, "Speeding up privatization?", Vol. 11, No. 1, New York, January 13 2003

Czarnecki, Jacek, "Gaz tylko Rosji. Upadł projekt Britania, Norwegowie zawiesili negocjacje", *Rzeczpospolita*, 24 November 1994

Dakowski, Mirosław, "Zró nicowanie nośników energii oraz ich cen i kierunków dostaw a niezawisłosc Polski," at http://www.dakowski.pl/index2.php?option=com_content&do_pdf=1&id=118 accessed 5 February 2010

Economist Intelligence Unit, "Lithuania politics – energy policy in disarray" *EIU Views Wire*, New York, 4 June 2009

Economist, Lech Kaczyński obituary, 15 April 2010, at http://www.economist.com/node/15905901, accessed 20 April 2010

Energia XXI, *Dodatek reklamowy do Rzeczpospolitej*, Nr 62 (5532) 14 March 2000 at www.geoland.pl, accessed 14 January 2011
Energia XXIV, *Dodatek reklamowy do Rzeczpospolitej,* Nr 214 (5684) 13 September 2000
Energia XXVI, *Dodatek reklamowy do Rzeczpospolitej*, Nr 61 (5834) 13 March 2001
Energia XXVIII, *Dodatek reklamowy do Rzeczpospolitej*, Nr 218 (5991) 18 September 2001
Energia XXIX, *Dodatek reklamowy do Rzeczpospolitej,* Nr 296 (6069) 19 December 2001
Energia XXXI, *Dodatek reklamowy do Rzeczpospolitej*, Nr 139 (6216) 17 June 2002
Energia XXXII, *Dodatek reklamowy do Rzeczpospolitej*, Nr 217 (6294) 17 September 2002
Energia XXXIII, *Dodatek reklamowy do Rzeczpospolitej*, Nr 295 (6372) 19 December 2002
Energia XXXVII, *Dodatek reklamowy do Rzeczpospolitej,* Nr 294 (6674) 18 December 2003
Energia - Środowisko XLV, *Dodatek promocyjno-reklamowy do Rzeczpospolitej*, 13 September 2005
Energia - Środowisko XLIII, *Dodatek promocyjno-reklamowy do Rzeczpospolitej,* 20 March 2007
Engelberg, Stephen, "Gas lines form in Poland to beat rising price" *New York Times*, 2 September, 1990
Euractiv, "Commission clears E.ON-Endesa merger", 25 April 2006 at http://www.euractiv.com/en/energy/commission-clears-eon-endesa-merger/article-154692, accessed 11 Feb 2009
Eurasia Daily Monitor, "Ukraine's multi-vector energy policy", Vol. 1, Issue 55, 19 July 2004
Financial Times, "Warsaw must cut political interference in public sector jobs" London Edition, 23 August 2004
Gazeta Wyborcza, "Kulisy afery Orlenu - raport Giertycha", 13 December 2004
Gazeta.pl, "Kaczyński bloguje: 'W sprawie Nord Stream rząd jest bierny i bezwolny'", 1 March 2011 at http://wiadomosci.gazeta.pl/Wiadomosci/1,80271,9181572,Kaczyński_bloguje___W_sprawie_Nord_Stream_rzad_jest.html accessed 8 March 2011
Gołębiewska, Marcelina, "W poszukiwaniu pewnej polityki...", *Wirtualny Nowy Przemysł*, 29 November 2004, at http://energetyka.wnp.pl/w-poszukiwaniu-pewnej-polityki,2190_2_0_0.html, accessed April 10, 2008
Grzeszak, Adam and Ostrowski, Marek, "Taniec na rurach", *Polityka*, Nr. 42 (2576), 21 October 2006
Guardian News, "Russia and Germany start work on £8bn pipeline under the Baltic", 9 April 2010 at http://www.guardian.co.uk/business/2010/apr/09/russia-launch-baltic-gas-pipeline, accessed 14 October 2010
Hausner, Jerzy, "Strachy na Lachy?", January 15 2007 at http://jerzyhausner.bblog.pl/, accessed June 12, 2008
Interfax, "Polish prime minister in favour of Russian gas transit through Poland," 19 December 2001
International Herald Tribune, Poland takes security as main goal of foreign policy, 12 May 2007
Jeziorski, Michał, "Gas Diplomacy", *Warsaw Voice*, 7 June 2006, at http://www.warsawvoice.pl/WVpage/pages/article.php/11553/article, accessed 3 February 2009
Kaźmierczak, Piotr, "Jak zapewnić stałe dostawy," *Rzeczpospolita*, 2 February 1997
Kosc, Wojciech, "New man takes Polish government's electric chair", *Transitions Online*, 2 March 2004
Kramer, Andrew, "Russian gas pipeline heightens East Europe's fears", *New York Times*, 12 October 2009 at http://www.nytimes.com/2009/10/13/world/europe/13pipes.html?_r=1&em accessed 9 November 2010
Kupchinsky, Roman, "Ukraine: Odesa-Brody Pipeline Potential Still Unused", *Radio-Free Europe*, 12 January 2007
Łakoma, Agnieszka, "Koniec pewnej ery", *Rzeczspospolita*, 22 January 2010
Łakoma, Agnieszka, "Dodatkowe kompetencje dla rzadu," *Rzeczpospolita*, 16 November 2006
Łakoma, Agnieszka, "Kontrakt norweski podpisany", *Rzeczpospolita,* 4 September 2001
Łakoma, Agnieszka "Posłowie nie wierzą" *Rzcezspospolita,* 16 March 2004
Lelyveld, Michael, "Russia: Poland-Ukraine Pact Angers Moscow," *Radio Free Europe,* July 7 2000
Lepper, Andrzej, "Nabici w rurę", *Samoobrona*, 2007 at http://www.samoobrona.org.pl/pages/07.Publikacje/01.Listaleppera/08/ accessed 7 September, 2010
Lewandowski, Janusz, "Pytanie o program," *Rzeczpospolita*, No. 133, 10 June 1997
Loza, Tihomir et al., "Poland: Orlen Commission begins work", *Transitions Online*, 7 July 2004
Majewski, Michał and Reszka, Pawel, "Gazowi ludzie", *Rzeczpospolita*, 21 December 2000
Majewski, Michał and Reszka, Pawel, "Gaz z Norwegii? Jeszcze chwileczkę", *Rzeczpospolita*, 19 February 2001
Majewski, Michał and Reszka, Pawel, "Moja Reymontowska Krzywda; wywiad z Aleksandrem Gudzowatym," *Rzeczpospolita*, 20 February 2001b

Majewski, Michał and Reszka, Pawel, “Pan Gudzowaty przeszkadza; wywiad z Andrzejem Lipko, prezes zarządu Polskiego Górnictwa Naftowego i Gazownictwa”, *Rzeczpospolita*, 20 February 2001c
Marcinkiewicz, Kazimierz “Jeden za wszystkich, wszyscy za jednego,” *Rzeczpospolita,* 10 February 2006
Meller, Stefan “Jêzyk polityki i racja stanu,” *Rzeczpospolita,* 1–2 April 2006 at http://www.msz.gov.pl/Jezyk,polityki,i,racja,stanu,5152.html accessed 5 March 2010
Miecik, Igor, “Kim jest pan Rusiecki, Polska droga do rosyjskich posiadłości – ciąg dalszy", *Polityka*, nr. 10 (2235), 4 March 2000
Miecik, Igor, "Spadek po Panu Tadeuszu", *Polityka*, Nr. 11 (2289), March 17 2001
Minkiewicz, Wladyslaw, “Poland wants share of CIS trade," *RFE/RL Daily Report*, 11 April, 1992
Money.pl, “Gazprom wznowil dostawy gazy”, 20 February 2004, at http://www.money.pl/gospodarka/wiadomosci/artykul/gazprom;wznowil;dostawy;gazu,34,0,41762.html accessed 23 September 2009
Morka, Artur, “Uprzywilejowany skarb państwa”, *Rzeczpospolita*, nr 167, 20 July 1999
Morka, Artur, “Weryfikacja gazowej polityk”, *Rzeczpospolita*, 20 March 1999
Mulvey, Steven, "Poles in war of words over voting*", BBC News*, 21 June 2007 at http://news.bbc.co.uk/2/hi/europe/6227834.stm, accessed 4 February 2010
Nefte Compass, "Poland: Gdańsk Refinery sell-off saga takes new twist", 14 May 2003
New York Times, “Russian Gas Shortfalls Idle Polish Industry”, 30 January, 1992, at http://www.nytimes.com/1992/01/30/world/russia-s-gas-cut-off-idles-poland-s-industry.html accessed 19 June 2009
Nykiel, Henryk, “Future of coal mining, export issues discussed; interview with Henryk Pyszny, director of Węglokoks Foreign Trade Agency”, *Foreign Broadcast Information Service*, JPRS-EER-92-023, 2 March 1992
Oil and Gas Journal, “Natural Gas to gain market share in Poland”, Vol. 96, No. 2, 12 January 1998
Olejnik, Monika “Bronisław Geremek - Gosc Moniki Olejnik,” *Salon Polityczny Trojki,* Warsaw, 2000
Olejnik, Monika, “Maciej Gierej: scenariusz Giertycha jest prawdopodobny” Wirtualna Polska Wiadomosci, 12 December 2004
Olsza, Magdalena, “Zmiany personalne w PGNiG i restrukturyzacja… Pod presją czasu”, *Energia Gigawat*, July 2003
Orlicz, Michał, ”Rząd straszy Gazpromem”, *Tygodnik Solidarnosc*, Nr. 21 (922), 26 May 2006 at http://www.tygodniksolidarnosc.com/2006/21/24_rza.html accessed 20 October 2010
Oxford Analytica, “Eastern Europe: Gas Integration”, *Daily Brief Service*, 29 July, 1997
Oxford Analytica, “Poland: Energy sector reform slows”, *Daily Brief Service*, 28 December 2000
Oxford Analytica, “Poland: Gas diversification prompts controversy”, *Daily Brief Service*, 11 September 2001
Oxford Analytica, “Poland: Government set to allow gas pipe bypass”, *Daily Brief Service,* 22 September 2000
Oxford Analytica, “Poland: Oil Restructuring”, *Daily Brief Service*, 8 February, 1996
Oxford Analytica, “Poland: Russian Gas”, *Daily Brief Service,* 1 October, 1996
Oxford Analytica, “Poland: Warsaw stops two largest oil groups merging”, *Daily Brief Service,* 21 July 2003
Perkins, Stephen, “Energy Policies for Poland”, *The OECD Observer*, No. 170, June/July 1991
Polish Market Online, "Strategic partnership links Poland with Ukraine", 4 April 2004 at http://polishmarket.com.pl/document/:10619?pmlang=en/The+great+benefits+cooperation+can+bring.html, accessed 5 February 2010
Polska Agencja Prasowa – PAP, “Deputy Minister Signs Russian Trade Agreement”, 24 December 1991, *Foreign Broadcast Information Service,* JPRS-EER-91-026, 12 January 1992
Polska Agencja Prasowa – PAP, “Kaczmarek: utraciłem zaufanie do zarządu PGNiG” 17 December 2001
Popova, Nadezhda, “Lech Kaczyński: “Dlya nas rossiysko-germanskie otnosheniya nikogda ne budut chastnym delom dvukh gosudarstv” [Lech Kaczyński: ‘For us the Russo-German relationship will never be a private affair of these two states’], *Izvestia*, 14 October 2005 at http://www.izvestia.ru/person/article2875196/index.html, accessed 12 March 2011
Radio Free Europe, “Minister Resigns over Letter to Gazprom”, *Poland, Belarus & Ukraine Report*, Volume 2, Number 19, May 23, 2000
Ratajczyk, Andrzej, “Russian Gas,” *Warsaw Voice*, 10 May, 1998

Rigzone, “Polish Oil and Gas Company joins SKANLED consortium,” 22 June 2007 at www.rigzone.com/news/article.asp?a_id=46807, accessed 12 March 2009
Rzeczpospolita, “Drawbacks of Stock Sales Pointed Out,” 10 February, 1992 [English Translation] *Foreign Broadcast and Information Service*, JPRS-EER-92-027, 6 March 1992
Rzcezspospolita, “Prezes Ciechu odwołany”, 3 August 1994 at http://new-arch.rp.pl/artykul/22736_Prezes_Ciechu_odwolany.html, accessed 4 March 2010
Rzcezspospolita, “Węglowa roszada”, 30 May 1995, at http://archiwum.rp.pl/artykul/55618_Weglowa_roszada.html accessed 20 March 2011
Rzeczpospolita, "Wyniki były dobre, więc prezes odwołany," 31 May 1995 at http://archiwum.rp.pl/artykul/55710_Wyniki_byly_dobre_wiec_prezes_odwolany.html accessed 30 May 2009
Rzeczpospolita, No. 48, 26 February 1996
Rzeczpospolita "Co Lezy W Interesie Polski; Sprawa gazociągu Rosja - Polska – Słowacja,” 12 July 2000
Rzeczpospolita, “Rozmowy ministra Cimoszewicza w Moskwie,” 7 February 2003
Sains, Ariane, “Poland’s joining in Ignalina II hinges on 25% ownership share, *Nucleonics Weekly,* Vol. 47, Issue 10, 21 December 2006
Spiro, Nick, “Poland’s power sector strategy in disarray,” *Platts - Energy in East Europe*, Issue 02, 15 November 2002
Spiro, Nick “Crunch time for Polish coal”, *Platts - Energy in Eastern Europe*, Issue 03, 29 November 2002
Starobin, Paul and Turek, Bogdan, "A slippery patch for Russian oil", *Bloomberg Business Week Online*, 13 January 2003 at http://www.businessweek.com/magazine/content/03_02/b3815070.htm, accessed 12 March 2008
Swidzinski, Jacek, “Expectations and reality; an interview with Janusz Steinhoff” *Polish Markets Online*, 21 November 2005, at http://polishmarket.com.pl, accessed January 12, 2009
Szymczycha, Dariusz, "Komisja ostateczna", *Rzeczspospolita*, 5 November 2004
The Sarmatian Review, “Interview with Jan Olszewski”, No. 3, 1997, pp. 477-480
Tokarzewski, J., ”Perspektywy dostaw gazu ziemnego”, *Dodatek reklamowy Rzeczypospolitej*, 12, XI, 1997; Nafta & Gaz Biznes, “Rozmowa z A. Findzinskim, Z gazociagiem do Europy,” August 1997, pg. 34
Turek, Bogdan, “Sale in sight for Rafineria Gdańska?” *Platts – Energy in East Europe*, Issue 2, 15 November 2002
Walewska, Danuta, “Future Oil and Gas Imports Outside Russia Considered”, *Rzeczpospolita*, 22 January 1991 [English translation] Foreign Broadcast Information Service, JPRS-EER-92-021, 25 February 1992
Warsaw Business Journal, "Nuclear power for Poland, but at what price?" 28 January 2011 at http://www.wbj.pl/article-52963-nuclear-power-for-poland-but-at-what-price.html accessed 12 February 2011
Warsaw Business Journal, “Rotch Energy consortium purchase of RG one step closer”, 10 May 2002 at www.wbj.pl, accessed 18 September 2010
Warsaw Voice, "Foreign Minister urges calm debate on EU treaty", 16 May 2007, at http://www.warsawvoice.pl/WVpage/pages/article.php/14786/article, accessed 7 December 2008
Warsaw Voice, “EU-Russia Relations: Polish veto sparks row”, 22 November 2006 at http://www.warsawvoice.pl/view/13046/ accessed 7 December 2007
Warsaw Voice, “Gas Reduction”, 20 February 2003 at http://www.warsawvoice.pl/view/1321, accessed 22 September 2008
Warsaw Voice, “PKN Orlen Quest for Oil”, 1 September 2004
Wasilewski, Patryk, “Poland says to halt gas monopoly privatisation”, *Reuters UK*, 13 December 2006 at http://uk.reuters.com/article/idUKL1322633220061213, accessed 5 April 2009
Wróblewski, Andrzej “Broń gazowa. Co nam dyktuje budowę rurociągu: rozwaga czy fobie?” *Polityka*, Nr 4 (2282), January 27 2001, pp. 30-1
Wróblewski, Andrzej, “Dlaczego gazociąg z Rosji do Europy Zachodniej nie może być rurociągiem przyjaźni”, *Polityka*, Nr. 45, 2270, 4 November 2000
Zagrodzka, Danuta “Premier’s Adviser on Trade and Fuel Discussions with Soviets; interview with undersecretary of state Waldemar Kuczynski”, *Gazeta Wyborcza,* 3 December, 1989 [English Translation] *Foreign Broadcast and Information Service*, JPRS-EER-90-017, 8 February 1990
Zalewska, Luiza and Majewski, Michail, “Siemiątkowski odeslal J&S ad acta”, *Rzeczpospolita*, 3 December 2004
Zalewska, Luiza, “Kto zarabia na gazowych kontraktach z Rosją”, *Rzeszpospolita*, 20 March 1998

Zalewski, Pawel, “Bronimy naszych interesów” *Rczespospolita*, 14 November 2006 at http://new-arch.rp.pl/artykul/649144_Bronimy_naszych_interesow.html accessed 11 October 2009
Zawadka, Grazyna, "Trójkąt Buchacza wciąż traci", *Rzeczpospolita,* 23 August 2008, at http://www.rp.pl/artykul/180524.html, accessed 5 February 2011
Zielenski, Zdzislaw, “Trade with Post-Soviet Countries Examined’, *Wroclaw Slowo Polski*, 27 January, 1992 [English Translation] *Foreign Broadcast Information Service*, JPRS-EER-92-027, 6 March 1992

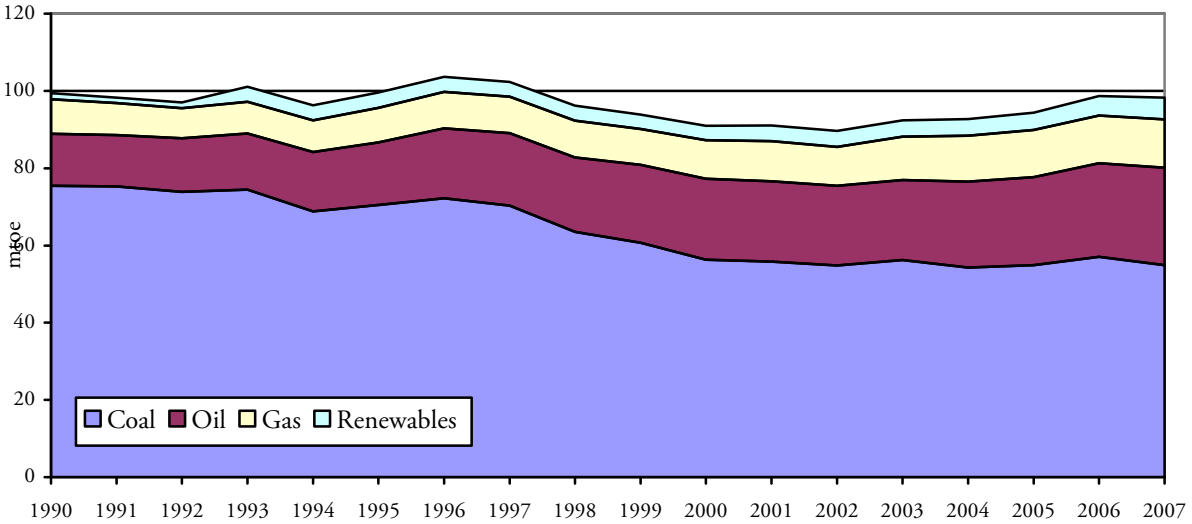
APPENDIX

A.1 Main Energy Statistics for Poland, 1990-2006

Mtoe	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Production	99.38	95.74	94.31	97.40	97.49	99.40	98.89	100.16	88.05	84.40	80.30	81.05	80.75	80.47	79.47	79.26	78.56
Solid fuels	94.46	90.72	89.23	89.18	89.31	91.10	90.91	92.07	79.62	76.05	71.30	71.43	71.17	70.85	69.20	68.88	67.58
Oil	0.18	0.17	0.26	0.29	0.36	0.37	0.45	0.49	0.88	1.08	1.43	1.58	1.37	1.35	1.53	1.50	1.47
Gas	2.38	2.66	2.56	3.27	3.10	3.17	3.14	3.20	3.25	3.10	3.31	3.49	3.57	3.61	3.93	3.88	3.88
Nuclear																	
Renewables	1.60	1.36	1.50	3.93	3.85	3.92	3.88	3.87	3.88	3.76	3.81	4.08	4.14	4.16	4.32	4.55	5.05
Industrial waste	0.77	0.84	0.78	0.74	0.87	0.84	0.51	0.51	0.42	0.41	0.45	0.47	0.49	0.50	0.48	0.45	0.58
Net Imports	2.31	4.04	4.18	2.89	0.05	-0.01	5.57	6.64	8.16	9.67	10.26	9.54	10.23	12.14	13.53	16.91	19.65
Solid fuels	-18.91	-14.32	-14.80	-16.51	-19.33	-21.20	-18.10	-18.29	-16.87	-15.61	-16.31	-16.30	-15.60	-14.72	-14.97	-12.75	-12.29
Oil	14.54	12.88	13.99	14.95	14.64	15.62	17.63	18.53	18.87	19.48	20.51	19.24	19.76	20.23	21.17	22.15	24.05
Gas	6.77	5.71	5.33	4.67	4.98	5.81	6.30	6.58	6.45	6.22	6.61	7.18	6.68	7.50	8.12	8.53	8.90
Electricity	-0.09	-0.23	-0.35	-0.21	-0.23	-0.24	-0.27	-0.19	-0.30	-0.42	-0.55	-0.58	-0.61	-0.87	-0.80	-0.96	-0.94
Renewables																-0.06	-0.07
Derived heat																	
Gross Inland Consumption	100.08	98.85	97.46	101.62	96.87	100.16	103.85	102.65	96.33	93.89	90.91	90.96	89.58	91.98	92.43	93.87	98.27
Solid fuels	75.41	75.24	73.87	74.47	68.82	70.50	72.19	70.26	63.51	60.74	56.36	55.82	54.80	56.23	54.26	54.92	57.04
Oil	13.46	13.31	13.90	14.54	15.34	16.15	18.10	18.78	19.27	20.15	20.89	20.79	20.63	20.70	22.28	22.73	24.23
Gas	8.94	8.33	7.76	8.15	8.22	8.99	9.45	9.42	9.51	9.26	9.96	10.38	10.11	11.26	11.88	12.23	12.37
Nuclear																	
Renewables	1.60	1.36	1.50	3.93	3.85	3.92	3.87	3.87	3.92	3.75	3.80	4.08	4.14	4.16	4.32	4.49	4.99
Other (****)	0.68	0.61	0.43	0.53	0.64	0.60	0.24	0.33	0.12	-0.01	-0.10	-0.11	-0.11	-0.37	-0.32	-0.51	-0.36
Elec. Generation (TWh)	136.31	134.71	132.75	133.87	135.35	138.99	143.17	142.79	142.79	142.13	145.18	145.62	144.13	151.63	154.16	156.94	161.74
Coal (TWh)	130.34	128.71	126.56	127.64	128.35	131.69	135.37	134.62	134.10	133.16	135.89	134.97	132.95	140.66	141.61	143.68	148.61
Oil (TWh)	1.57	1.54	1.45	1.57	1.68	1.52	1.76	1.89	1.89	1.88	1.92	2.40	2.38	2.46	2.51	2.39	2.44
Gas (TWh)	0.84	0.61	0.75	0.71	1.18	1.59	1.73	1.86	1.88	2.30	2.71	3.25	3.94	4.36	5.03	5.05	5.02
Nuclear (TWh)																	
Renewables (TWh) (*)	1.87	1.86	1.93	1.85	2.09	2.24	2.33	2.56	2.91	2.66	2.33	2.78	2.77	2.25	3.07	4.17	4.31
Other (TWh) (***)	1.70	1.99	2.06	2.09	2.05	1.96	1.98	1.86	2.02	2.13	2.34	2.22	2.09	1.91	1.94	1.65	1.36
Final Energy Consumption	59.65	60.29	59.24	64.30	62.09	63.52	65.81	65.30	59.78	58.44	55.19	55.73	54.08	55.87	57.12	57.32	60.16
by fuel/product																	
Solid fuels	17.07	19.19	19.28	22.75	20.54	23.30	23.66	21.90	17.25	16.23	13.73	13.25	12.33	11.53	11.37	11.35	12.42
Oil	9.14	9.26	9.58	10.32	11.06	11.62	13.21	14.54	14.68	15.67	14.92	14.79	14.64	16.28	17.40	17.87	18.42
Gas	7.99	7.17	6.92	7.03	7.23	7.73	7.53	8.02	7.69	7.20	7.45	7.68	7.60	7.96	8.34	8.40	8.61
Electricity	8.26	7.68	7.43	7.44	7.33	7.70	8.02	8.14	8.16	7.92	8.32	8.33	8.21	8.44	8.58	8.50	8.85
Renewables	1.11	0.89	0.95	3.47	3.35	3.73	3.64	3.62	3.62	3.48	3.53	3.75	3.81	3.84	3.89	3.83	4.23
Derived heat & Industrial waste	16.08	16.09	15.08	13.29	12.59	9.44	9.74	9.08	8.38	7.95	7.25	7.94	7.49	7.80	7.54	7.37	7.63
by sector																	
Industry	25.26	22.73	20.89	21.70	21.18	22.72	24.19	23.98	21.14	18.47	18.89	17.36	16.57	17.28	17.85	16.46	17.35
Transport	7.36	7.56	7.74	7.60	7.99	8.28	9.28	9.66	9.53	10.56	9.20	9.19	9.00	10.21	11.35	12.12	13.43
Households	18.13	20.42	21.26	25.46	24.04	23.28	22.90	22.09	19.79	19.86	17.52	19.22	18.10	17.67	17.66	18.38	19.18
Commerce, etc.	8.91	9.57	9.36	9.53	8.88	9.24	9.44	9.57	9.32	9.56	9.58	9.96	10.41	10.70	10.26	10.37	10.21
Non-Energy Uses	4.22	3.39	3.15	3.20	3.40	3.72	4.00	4.04	3.95	3.58	4.32	3.78	3.58	4.09	4.20	4.47	5.02
CO_2 Emissions (Mt) (**)	371	369	361	367	363	368	377	370	342	331	322	319	308	318	318	320	333
Energy intensity (toe/M€ '00)	781	830	798	802	726	702	685	632	565	527	489	484	470	464	443	434	428
CO_2 intensity (tCO_2/toe)	3.70	3.74	3.71	3.61	3.75	3.67	3.63	3.60	3.55	3.53	3.55	3.50	3.43	3.46	3.45	3.40	3.39
Import dependency, %	2.3	4.1	4.3	2.8	0.1	0.0	5.4	6.5	8.4	10.2	11.3	10.5	11.4	13.2	14.6	18.0	19.9
Energy per capita (kgoe/cap)	2648	2606	2562	2664	2534	2617	2712	2681	2516	2453	2376	2378	2343	2408	2421	2460	2577
CO_2 per capita (kg/cap)	9806	9738	9493	9629	9493	9609	9837	9657	8939	8656	8426	8331	8047	8337	8342	8376	8725

Source: Eurostat 2008

A.2 Poland's Total Primary Energy Supply, 1990-2007



Source: Eurostat 2008

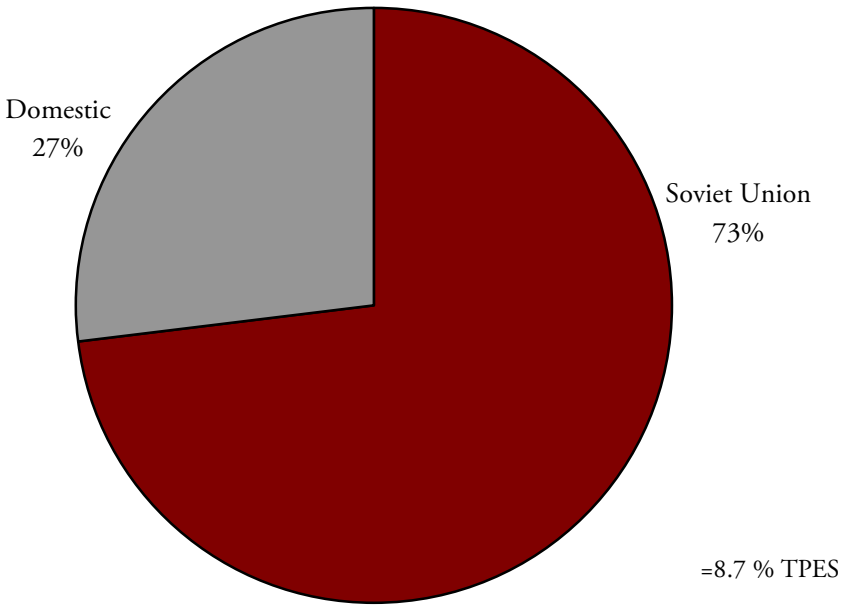
A.3 Gas imported in Poland in compliance with import contracts, 2007-2008



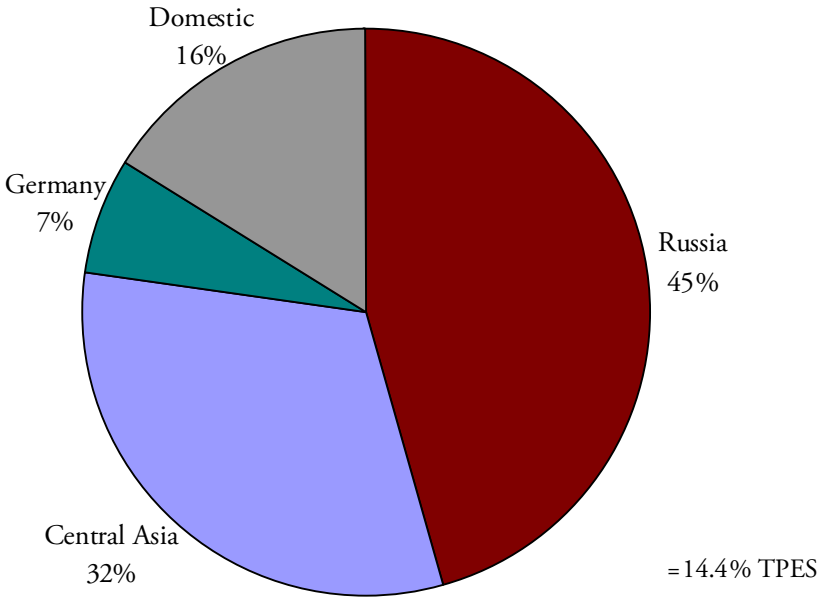
Entry Point	Supplier	Quantity
Tietierowka	Gazprom Export	0.07 bcm
Kondratki	Gazprom Export	2.75 bcm
Wysokoje	Gazprom Export	2.32 bcm
Drozdowicze	Gazprom Export	2.41 bcm
Drozdowicze	RosUkrEnergo	2.33 bcm
Lasow	VNG, E.On Ruhrgas	0.95 bcm
	Total	10.83 bcm

Source: IEA 2011; PGNiG

A.4 Sources of Primary Gas Supply in Poland, 1990

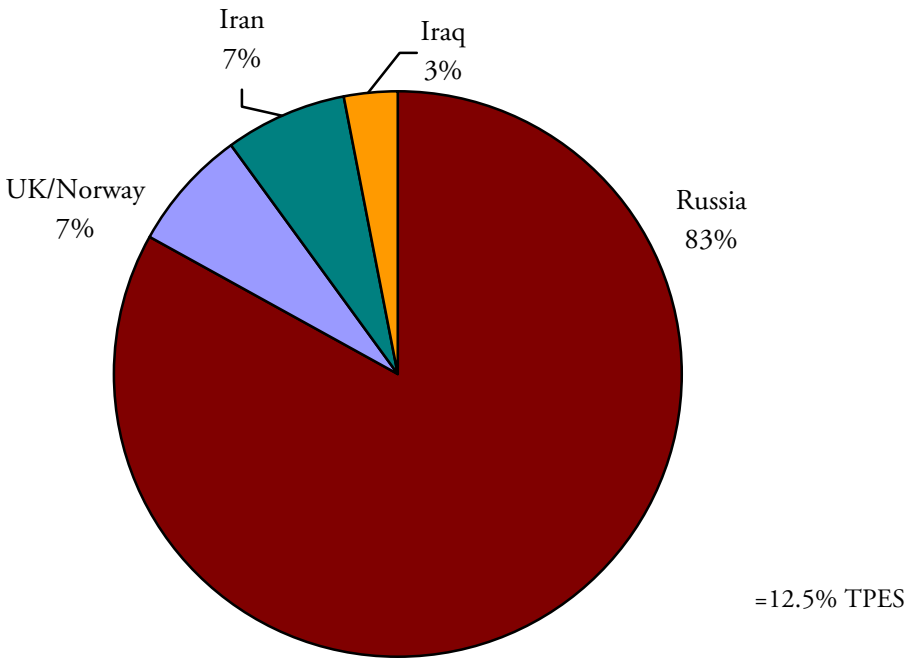


A.5 Sources of Primary Gas Supply in Poland, 2007

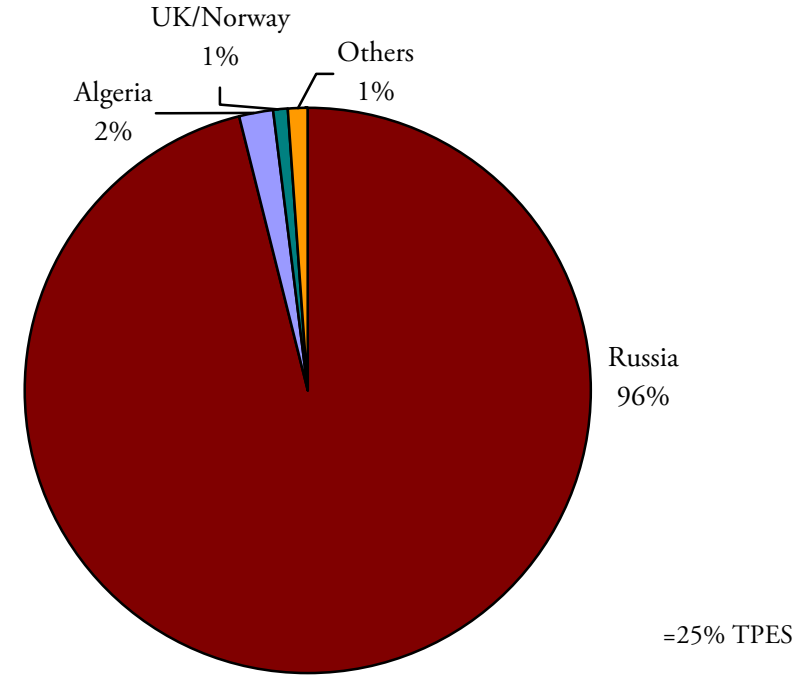


Sources: IEA 1994; 2011

A.6 Sources of Crude Oil Supply in Poland, 1990



A.7 Sources of Crude Oil Supply in Poland, 2007



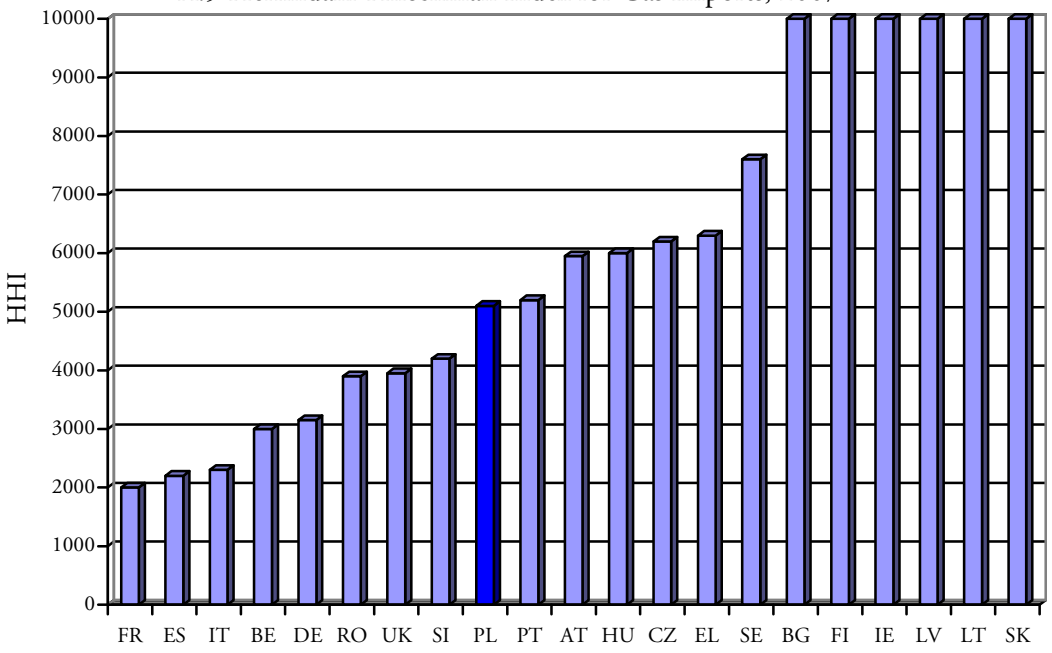
Sources: IEA 1994; 2011

A.8 EU-27 Energy Import Dependency, 2007

EU Member State	*Gross Energy Consumption* (mtoe)*	*Net Imports** (mtoe)*	*Energy Dependence*** (%)*
Cyprus	2.6	3	100%
Malta	0.9	0.9	100%
Luxembourg	4.7	4.7	98.9%
Ireland	15.5	14.2	90.9%
Italy	186.1	164.6	86.8%
Portugal	25.3	21.6	83.1%
Spain	143.9	123.8	81.4%
Belgium	60.4	53.5	77.9%
Austria	34.1	24.9	72.9%
Greece	31.5	24.9	71.9%
Latvia	4.6	3.2	65.7%
Lithuania	8.4	5.5	64%
Slovakia	18.8	12	64%
Hungary	27.8	17.3	62.5%
Germany	349	215.5	61.3%
Finland	37.8	20.9	54.6%
EU-27	1825.2	1010.1	53.8%
Slovenia	7.3	3.8	52.1%
France	273.1	141.7	51.4%
Bulgaria	20.5	9.5	46.2%
Netherlands	80.5	37.2	38%
Sweden	50.8	19.8	37.4%
Estonia	5.4	1.9	33.5%
Romania	40.9	11.9	29.1%
Czech Republic	46.2	12.9	28%
United Kingdom	229.5	49.3	21.3%
Poland	**98.3**	**19.6**	**19.9%**
Denmark	20.9	-8.1	-36.8%

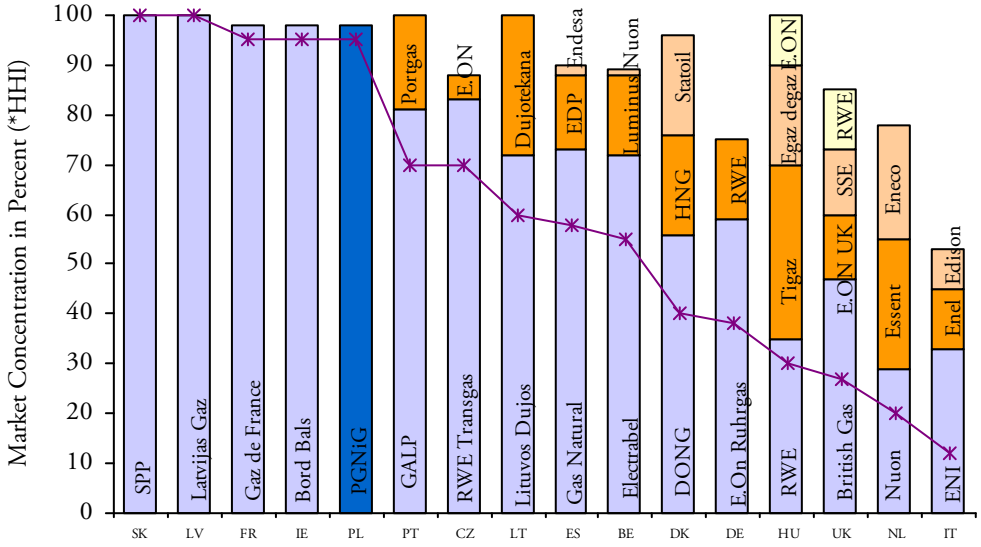
1) Primary production plus imports, minus exports
2) Total imports minus exports
3) Imports divided by gross consumption
Source: energy.eu

A.9 Herfindahl-Hirschman Index for Gas Imports, 2007



source: EU FP7 SECURE 2009

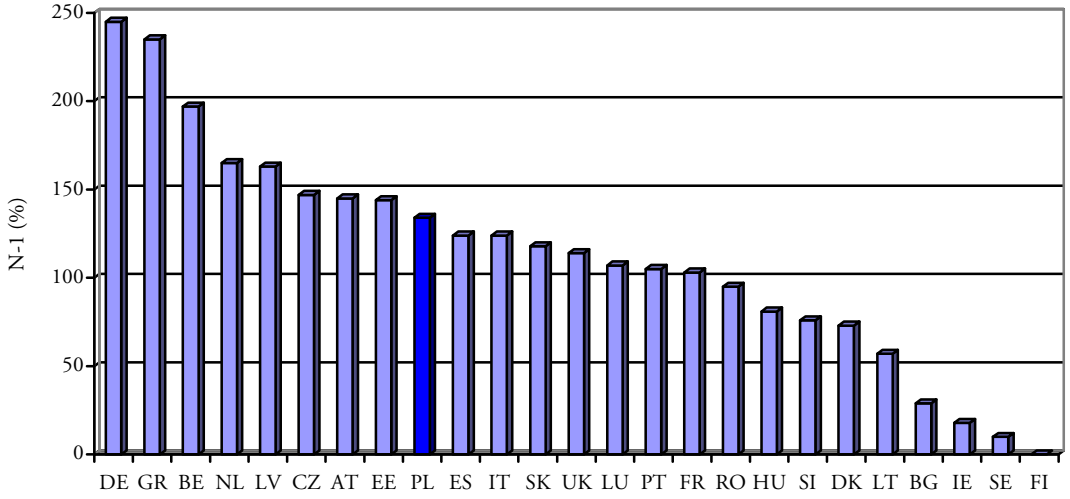
A.10 Herfindahl-Hirschman Index for Retail Gas Market, 2007



source: Lewiner 2008

The Herfindahl-Hirschman Index is used to measure market concentration. In the tables above, it is applied to two separate aspects of national gas markets – supply diversity and gas market monopolisation. The top chart shows the degree to which supplies are diversified both in sources and directions for selected EU members (the higher the figure, the less diversified); the bottom chart shows the market share of national incumbents (the marker displays showing the HHI index value x100).

A.11 The N-1 indicator for EU Member States*



source: European Commission 2009

The N-1 indicator is used to demonstrate the technical ability of an EU member state to cope with the failure of its single largest gas-supplying infrastructure during a day of exceptionally high gas demand. The higher the percentage, the more the country is able to weather a supply crisis (100% being the minimum target required by EU legislation). This formula is calculated by referring solely to quantifiable, technical parameters (e.g. production, storage, LNG and piped gas capacity over a statistically high level of daily gas demand). As shown, Poland is in the top ten set of countries able to withstand such a crisis. *excluding Malta and Cyprus

A.12 Original Text:

Agreement between the Government of the Republic of Poland and the Government of the Russian Federation on the Construction of a Gas Pipeline System for the Transit of Russian Gas through the Territory of the Republic of Poland and Supplies of Russian Gas to the Republic of Poland

P O R O Z U M I E N I E

między Rządem Rzeczypospolitej Polskiej a Rządem Federacji Rosyjskiej o budowie systemu gazociągów dla tranzytu gazu rosyjskiego przez terytorium Rzeczypospolitej Polskiej i dostawach gazu rosyjskiego do Rzeczypospolitej Polskiej.

Rząd Rzeczypospolitej Polskiej
i
Rząd Federacji Rosyjskiej,
dalej zwane Stronami,
ustaliły co następuje:

Artykuł 1

Strony, pragnąc stworzyć warunki obopólnie korzystnej współpracy w projektowaniu, finansowaniu, budowie i eksploatacji systemu gazociągów tranzytowych na terytorium Rzeczypospolitej Polskiej dla dostaw rosyjskiego gazu ziemnego do Europy Zachodniej i do Rzeczypospolitej Polskiej, popierają utworzenie Spółki Akcyjnej przez polskie przedsiębiorstwo **Polskie Górnictwo Naftowe i Gazownictwo** z siedzibą w Warszawie i **Rosyjską Spółkę Akcyjną GAZPROM** z siedzibą w Moskwie w celu budowy i eksploatacji systemu gazociągów tranzytowych.

Artykuł 2

Spółka Akcyjna, wymieniona w Artykule 1 niniejszego Porozumienia, powołana będzie w Rzeczypospolitej Polskiej zgodnie z polskim ustawodawstwem .
Założycielami Spółki będą **Polskie Górnictwo Naftowe i Gazownictwo** i **Rosyjska Spółka Akcyjna GAZPROM**, którzy obejmą po 50% udziałów.
Założyciele uzgodnią warunki założenia, statut i inne niezbędne dokumenty Spółki Akcyjnej.
Odpowiedzialność Spółki Akcyjnej będzie ograniczona do wartości jej majątku.
Spółka Akcyjna rozpoczyna swoją działalność z dniem jej zarejestrowania w ustalonym trybie.
Założyciele mogą wprowadzać do Spółki Akcyjnej nowych uczestników i decyzje w tym zakresie założyciele będą podejmować wspólnie na zasadzie consensusu.

Artykuł 3

1. Strony wychodzą z założenia, że na terytorium Rzeczypospolitej Polskiej budowany będzie system gazociągów tranzytowych o docelowej zdolności przesyłu gazu ziemnego - do 67 mld m³ rocznie.
Wejście gazociągu na terytorium Rzeczypospolitej Polskiej - w rejonie miejscowości Kondratki na granicy białorusko-polskiej i wyjście - w rejonie miejscowości Górzyca na granicy polsko-niemieckiej. Przewidywana jest możliwość budowy odgałęzienia gazociągu w kierunku południowo-zachodnim.

2. Strony przewidują budowę gazociągu do Obwodu Kaliningradzkiego Federacji Rosyjskiej z terytorium Republiki Białoruś przez terytorium Rzeczypospolitej Polskiej.

3. Strona Rosyjska zapewnia stopniowe zwiększanie wielkości dostaw gazu ziemnego do Rzeczypospolitej Polskiej w ramach budowanego, zgodnie z niniejszym Porozumieniem , systemu gazociągów tranzytowych do poziomu 14 mld m³ rocznie w 2010 roku, ponad wielkości dostaw w ramach istniejącego obecnie systemu przesyłowego.
W latach następnych dostawy gazu ziemnego w wielkości do 14 mld m³ realizowane będą w okresie wspólnej eksploatacji systemu gazociągów tranzytowych.
Szczegółowe wielkości, warunki i terminy dostaw gazu ziemnego określane będą w stosownych kontraktach między podmiotami gospodarczymi Stron z uwzględnieniem możliwości określonych stanem technicznym systemu gazociągów przesyłowych.

Artykuł 4

Funkcja operatora gazociągów tranzytowych powierzona będzie przedsiębiorstwu Polskie **Górnictwo Naftowe i Gazownictwo** na podstawie umowy ze Spółką Akcyjną.

Artykuł 5

1. Strona Polska gwarantuje swobodny tranzyt gazu przesyłanego w ramach niniejszego Porozumienia i nie będzie podejmować działań, które mogłyby utrudnić transport gazu, dostarczanego dla przesyłania od punktu zdawczo-odbiorczego na granicy białorusko-polskiej do punktów zdawczo-odbiorczych na granicy polsko-niemieckiej.
Przy ograniczonych dostawach gazu przez Stronę Rosyjską na granicę białorusko-polską, wielkości tranzytu i dostaw do Rzeczypospolitej Polskiej będą obniżone proporcjonalnie do tych ograniczeń.
W przypadku niedotrzymania z winy Strony Polskiej lub firmy-operatora gwarancji dotyczących tranzytu, Strona Rosyjska ma prawo obniżyć wielkości dostaw gazu dla Strony Polskiej.

2. Strona Polska zapewni Spółce Akcyjnej, wymienionej w Artykule 1 niniejszego Porozumienia, traktowanie narodowe.

3. Strona Polska gwarantuje, że w stosunku do majątku Spółki Akcyjnej, wymienionej w Artykule 1 niniejszego Porozumienia, stosowane będą postanowienia Umowy między Rządem Rzeczypospolitej Polskiej a Rządem Federacji Rosyjskiej w sprawie popierania i wzajemnej ochrony inwestycji z 2 października 1992 r.

Artykuł 6

W celu realizacji projektu, wymienionego w Artykule 3 niniejszego Porozumienia, Strony będą wspierały **Polskie Górnictwo Naftowe i Gazownictwo, Rosyjską Spółkę Akcyjną GAZPROM** i tworzoną Spółkę Akcyjną, w pracach związanych z projektowaniem, dostawami niezbędnych maszyn i urządzeń, pracami budowlano -montażowymi i innymi usługami.
Projektowanie, wykonawstwo, dostawa materiałów, maszyn i urządzeń, będą realizowane przede wszystkim przez polskie podmioty gospodarcze na podstawie umów zawieranych ze Spółką Akcyjną na warunkach konkurencyjności.
Prace i dostawy, które nie będą mogły być realizowane przez polskie podmioty gospodarcze, będą mogły być realizowane przez rosyjskie podmioty gospodarcze na podstawie umów zawieranych ze Spółką Akcyjną na warunkach konkurencyjności.
Obie strony będą wspierały działania Spółki Akcyjnej w celu pozyskania kredytów na finansowanie budowy systemu gazociągów tranzytowych proporcjonalnie do wykorzystywanej mocy.

Artykuł 7

Budowa obiektów systemu gazociągów tranzytowych, o których mowa w niniejszym Porozumieniu, będzie realizowana według dokumentacji projektowej opracowanej zgodnie z obowiązującymi w Rzeczypospolitej Polskiej normami technicznymi, przepisami ekologicznymi i innymi przepisami prawa.

W przypadku konieczności dokonania zmian tych norm i przepisów Strony zgadzają się, że zmiany te powinny być dostosowane do norm technicznych, jakościowych i ekologicznych obowiązujących w państwach EWG.

Artykuł 8

Gaz ziemny dostarczany z Federacji Rosyjskiej do Rzeczypospolitej Polskiej systemem gazociągów tranzytowych dla potrzeb Rzeczypospolitej Polskiej nie będzie reeksportowany do krajów trzecich.

Artykuł 9

W przypadku wystąpienia siły wyższej powodującej niemożliwość wykonania przez jedną ze Stron obowiązków wynikających z niniejszego Porozumienia, Strony przeprowadzą stosowne konsultacje w celu podjęcia wzajemnie możliwych do przyjęcia decyzji dla przezwyciężenia zaistniałych przeszkód i zapewnienia wykonania niniejszego Porozumienia.

Artykuł 10

Dla wypełnienia ustaleń niniejszego Porozumienia podpisywane będą kontrakty między odpowiednimi polskimi i rosyjskimi podmiotami gospodarczymi, w których uzgadniane będą warunki handlowe i techniczne w zakresie tranzytu i dostaw gazu ziemnego.

Artykuł 11

1. Spory dotyczące interpretacji lub realizacji niniejszego Porozumienia będą rozstrzygane w drodze konsultacji między Stronami, które przy tym kierować się będą postanowieniami niniejszego Porozumienia oraz odpowiednich norm prawa międzynarodowego, a także uwzględniać postanowienia stosownych umów polsko-rosyjskich.

2. Jeśli spór nie będzie rozstrzygnięty w wyniku konsultacji przewidzianych w Ustępie 1 niniejszego Artykułu w rozsądnym czasie, lecz nie dłuższym niż 6 miesięcy, to Strony przystąpią do rozmów odnośnie możliwości zastosowania innych metod rozstrzygania sporów, jakie mogą wyniknąć w związku z interpretacją lub realizacją niniejszego Porozumienia, w tym arbitrażu i innych instytucji przewidzianych przez prawo międzynarodowe.

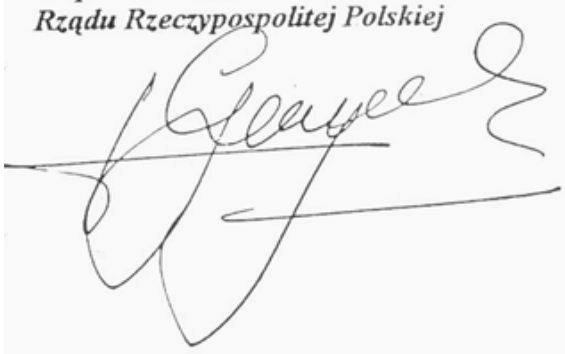
Artykuł 12

Niniejsze Porozumienie wchodzi w życie z dniem otrzymania ostatniej noty stwierdzającej, że zostały spełnione wymagania wewnątrzpaństwowe, niezbędne dla jego wejścia w życie.
Porozumienie zawarte jest na czas nieokreślony.

Sporządzono w Warszawie 25 sierpnia 1993 roku, w dwóch egzemplarzach, każdy w języku polskim i rosyjskim, przy czym oba teksty mają jednakową moc.

Z upoważnienia
Rządu Rzeczypospolitej Polskiej

Z upoważnienia
Rządu Federacji Rosyjskiej





Appendix Sources:

European Union, 7th Framework Project, *SECURE*, "Natural gas dependency and analysis of economic, physical, and social impact of natural gas supply disruption" Deliverable 5.2.1, 11 June 2009

European Union, Commission, *Proposal for a Regulation concerning measures to safeguard security of gas supply and repealing Directive 2004/67/EC*, Staff Working Document, SEC (2009) 979, Brussels, 16 July 2009

EuroPolGaz, *"Porozumienie między Rządem Federacji Rosyjskiej a Rządem Rzeczypospolitej Polskiej o budowie systemu gazociągów dla tranzytu gazu rosyjskiego przez terytorium RzeczypospolitejPolskiej i dostawach gazu rosyjskiego do Rzeczypospolitej Polskiej*", Warsaw, 25 September 1993, at http://www.europolgaz.com.pl/english/firma_geneza.htm

Eurostat, *Energy, transport and environment indicators*, European Commission Pocketbook, Luxembourg, 2008

International Energy Agency, *The energy policy of Poland,* Country Report, 1994

International Energy Agency, *The energy policy of Poland*, Country Review, 2011

Lewiner, Colette, ed., "European energy markets observatory", *Capgemini*, 10th Edition, November 2008

PGNiG - Polskie Górnictwo Naftowe i Gazownictwo, Annual Report, 2008 at http://www.pgnig.pl/pgnig/ri/838/10283/?r,article,Id=11338

子