



State of the Union: The EU, three months into Putin's war

by Camino Mortera-Martinez, 24 May 2022

Russia's invasion of Ukraine has shifted priorities and frayed alliances in the EU. It has also created winners and losers in Brussels.

It has been exactly three months since Russian President Vladimir Putin invaded Ukraine, triggering courageous and unexpectedly successful resistance from the Ukrainian people. Putin's war has shaken things up in Brussels, with both the EU institutions and the member-states responding nimbly. But now the EU's unity is starting to wear thin.

The war has had a massive impact on four policy areas: energy, EU enlargement, the economy, and defence and security. But it has had a surprisingly limited effect on two difficult files: rule of law and migration. Hitherto unbreakable friendships, such as Hungary and Poland's, have become strained; and for the first time in more than a decade, EU countries cannot look to Germany for leadership. The German president of the European Commission, however, is having a comparatively good war.

Of the four challenges facing the EU, energy is the most urgent, while enlargement is probably the trickiest. The economic consequences of the war for Europe, including rapidly rising costs of living, while dire, in some ways echo problems that the EU has dealt with before – particularly during its rather successful management of the economic fall-out of the COVID-19 pandemic. The supply of weapons to Ukraine has been an extraordinary tour de force for the EU, but did not come out of the blue: the Union had been preparing for a situation where it might want to do more than its usual military assistance measures. The European Peace Facility, a [little known pot of money](#) that allows the EU to supply weapons to other countries at a short notice, has been operational since July 2021.

Energy

The question of how to rapidly extricate Europe from its dependence on Russian oil and gas is as pressing as it is complicated: since the war began, Europe has paid [more than €58 billion](#) to Russia for oil and gas. Because of soaring energy prices, the EU is paying a premium of [around 54 per cent](#) for Russian fossil fuels in comparison to 2021. Revenues from fossil fuels account for a significant chunk of Russia's public budget ([40 per cent at 2021 prices](#)), so EU payments for oil and gas are not only helping Putin to fund

his war but also offsetting some of the impact of the current economic sanctions. Additionally, Putin has [asked buyers](#) to pay for gas in roubles, which helps to [prop up](#) Russia's currency.

EU countries are currently negotiating a sixth package of sanctions which should include oil, but not gas. This is a mistake. As the [CER](#) and [others](#) have argued, there is no easy way out of the Russian energy conundrum, but the EU should accelerate its phase-out of all fossil fuel imports from Russia as soon as possible. While a full embargo may be too much too soon for several member-states, the EU could consider imposing import tariffs on Russian gas.

In the meantime, even without new energy sanctions, the war in Ukraine has exacerbated pandemic-related supply chain bottlenecks and increased energy prices. Both contribute to inflation and rising costs of living in Europe. Higher prices for oil and gas disproportionately affect poorer households (which spend a larger part of their income on heating, for example) and those living in rural areas (who have little access to public transport and thus rely on cars). Europeans who were already wary of the Union's plans to fight climate change are now being told they have to give up their fossil-fuelled cars and turn to electric vehicles quicker than expected.

The response of EU leaders has been understandable but wrong: to counter energy price spikes, many governments have effectively subsidised the use of fossil fuels by cutting energy taxes, as opposed to using this opportunity to support consumers in transitioning away from them. This is what European Commission President Ursula von der Leyen is trying to do with her new '[REPower EU](#)' plan to reduce the EU's energy dependency and boost the use of climate-friendly energy sources. EU leaders should follow the Commission's lead, focusing on [making the use of green energy more affordable and easily accessible](#) for all Europeans, instead of spending money to prop up fossil fuels.

Enlargement

On April 8th, von der Leyen surprised officials in Brussels and EU capitals by handing over an EU membership questionnaire to Ukraine's President Volodymyr Zelenskyy in Kyiv. The questionnaire is a technical document to clarify the inner workings of the applicant country. The Commission uses the document to inform its advice on whether the EU should open accession talks. Filling out the questionnaire is often a long and tedious process. War-torn Kyiv, however, managed to deliver its answers within ten days, sparking suspicion that the European Commission may have drafted at least part of the responses to speed up the process. Von der Leyen wants to convince member-states to grant candidate status to Ukraine at their next summit in June.

The Commission's pressure on EU governments is working. Many think that Ukraine is not ready to join the EU yet, but they know the EU cannot afford to keep it in the waiting room for years, as it has done with other candidates like North Macedonia. That is why Emmanuel Macron has come up with the idea of a '[European political community](#)', which would bring together the EU and like-minded countries such as Ukraine, Moldova and Georgia, and also the UK. Macron's efforts to reconcile the EU's goodwill towards Ukraine with the harsh reality of EU accession are laudable, but he has so far offered little explanation of how such a political community would work. A good place to start would be former MEP Andrew Duff's idea of [affiliated membership](#), which would upgrade current agreements like the ones the EU has with Ukraine, the UK and Switzerland for example, by offering participation in more EU policies in exchange for a commitment to respect EU values and the EU's foreign policy positions.

Migration and the rule of law

The need to find creative answers to Ukraine's membership application has revived an enduring debate about a 'multi-speed' Europe both for the outer and inner circles of the EU. The Brussels institutions have been trying to find ways to deal with Poland and Hungary's breaches of EU values and disregard for ECJ rulings. Before Putin's invasion, the EU was [mostly preoccupied](#) with the Polish government's attacks on the independence of the judiciary and its refusal to abide by EU judicial decisions. But Poland's commendable efforts to assist Ukraine and its role at the forefront of the EU's response to the invasion have softened relations between Brussels and Warsaw (despite Poland's continuing breaches of EU law and values).

Hungary's Viktor Orbán, on the other hand, is being difficult – especially since he won re-election in a landslide victory in April. On April 5th, the European Commission triggered its new 'rule of law conditionality mechanism' against Hungary (a law that allows the EU to suspend funding to a member-state if it suspects the money is being used to breach the rule of law). Budapest is now blocking the EU's sixth package of sanctions against Russia, allegedly because it cannot find ways to disentangle itself from Russian oil fast enough. Critics of the EU's voting rules on foreign policy – which generally require unanimity among all EU member-states and can therefore be vetoed by any single country – are getting louder in the face of Orbán's antics.

Orbán's cosiness with Putin and his current refusal to toe the EU's line on Russia is dividing the 'Visegrad' group (Hungary, Poland, Slovakia and the Czech Republic). Some EU officials hope that this new animosity will help break the gridlock over Article 7 procedures – which allows for the voting rights of a member-state to be suspended in the event of a serious and persistent breach of EU values. Such a penalty requires the unanimous vote of all other member-states. The EU institutions have launched Article 7 procedures against both Hungary and Poland, but these have been blocked because of the alliance between Budapest and Warsaw. Neither is likely to change tack despite their falling out over relations with Russia: both could end up being penalised if one of them unblocks the process.

The European Commission is walking a fine line here. On the one hand, both Poland and Hungary will need financial support to deal with the consequences of Putin's invasion. On the other hand, problems with corruption and the rule of law in both countries are far from being resolved. The Commission is still withholding money from the recovery fund for Poland, because of doubts over Warsaw's willingness to properly audit how the money is spent. While the EU is channelling [money](#) to Poland so that it can deal with the flow of Ukrainian refugees, it is becoming clearer that more will be needed as the war rages on. Hungary says it will need €15-18 billion to modernise the country's energy infrastructure if it is to support oil sanctions. If the EU releases money to Hungary and Poland, it should insist on attaching it to rule of law requirements, including regular audits on how and where the money is spent and stringent public procurement procedures.

Putin's aggression is unlikely to solve disagreements over what EU migration policies should look like. If anything, it may actually make them more difficult. Fears of a looming food crisis in Africa are mounting after Russia seized or blockaded Ukraine's main ports in the Black Sea. Russia and Ukraine together supply [around 30 per cent of the world's wheat](#), but some parts of the world are more exposed to disruptions of supply than others. North Africa will be [particularly hit](#) if the war continues. Food scarcity will probably drive people out of their countries. The initial unity that was evident when the EU pushed through a law to protect Ukrainian refugees is unlikely to be repeated when it comes to unblocking some

of the trickier migration-related dossiers, like whether and how to distribute asylum seekers within the bloc and how to deal with irregular migrants, particularly if migrant flows increase.

Winners and losers beyond the battlefield

Putin's invasion has created winners and losers in Brussels. Poland has garnered significant goodwill and is likely to receive its share of the EU's post-pandemic recovery money. Ursula von der Leyen's particular leadership style – centralised and focused on the big files to the detriment of more technical dossiers – is suitable for steering a sometimes incohesive organisation like the EU through a war. Macron is another obvious winner: with German Chancellor Olaf Scholz mostly out of the picture and Britain out of the club, he has emerged as [the EU's most influential leader](#). His ideas may not always be workable, but at least he is daring enough to put them on the table.

Germany's Scholz, in comparison, has taken a big reputational hit in the past few weeks. The hesitations and wobbles with which the German government has faced both a gas embargo and the supply of weapons supply to Ukraine have eroded Berlin's political capital. Attacks have come from both eastern European countries, which accuse Germany of having been naive and complacent in its dealings with Putin; and southern countries, which are annoyed that Berlin, only too happy to have lectured them on austerity during the euro crisis, finds it so hard to accept that a major security crisis should result in significant costs to its economy.

Hungary, already isolated, is further alienating partners in Europe and beyond. [Those](#) who hoped that Putin's invasion would change voters' minds about illiberal leaders like Viktor Orbán turned out to be wrong. Orbán has moved from being a mere annoyance to a serious problem without an easy solution.

A third, a perhaps less obvious loser, is the EU's Green Deal. The need to phase out Russian gas much faster than foreseen has put a spanner in the works of the Union's 'Fit for 55' plan to reduce greenhouse emissions. Because many countries relied on gas as a transitional energy source while phasing out other, more polluting ones, like oil and coal, around a third of member-states are now pushing for a delay of the plan, according to senior diplomats.

Overall, the EU is holding up surprisingly well, three months into Putin's war. It has managed to swiftly agree on sanctions, channelled money and weapons to Ukraine and welcomed large numbers of those fleeing Putin's brutal aggression. EU leaders have taken brave decisions although much remains to be done, especially on energy. Crucially, neither the EU nor its allies have been able to stop Putin yet. The longer the war continues, the greater the strains on European unity will be. EU leaders have to prepare for the long haul and be willing to pull out all the stops in preserving their unity. The biggest beneficiary of division would be Putin.

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