

Finland Embraces Russia on Energy as EU Seeks Distance

By [The Moscow Times](#)

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Helsinki/Oslo — Despite European Union calls for member states to curb ties with Russia over its aggression toward Ukraine, Finland looks set for closer links with Moscow in energy.

A fraught project with French-German consortium Areva-Siemens has helped prompt Finnish nuclear consortium Fennovoima to look to Russia's Rosatom for a planned reactor while Finland also aims to begin power exports to Russia next year.

The projects come at a time when the European Union has called on EU member states to suspend planned energy agreements with Russia due to its aggression toward Ukraine.

Finnish Prime Minister Alexander Stubb acknowledges that his country must walk a fine line with Moscow but has rejected criticism from political opponents who say his office is soft on Russia.

"We must oppose the 'divide and rule' games that Russia is constantly playing with the EU," he said last week when meeting with German Chancellor Angela Merkel in Berlin.

At the same time, Stubb said Finland's long border and trade ties with Russia meant it must take a "very pragmatic and common-sense approach in all of our Russia policies."

Angered by the government's backing of the Rosatom nuclear project, the Green Party quit the ruling coalition last month.

Green Party leader Ville Niinisto accused the government of "Finlandization," a charged term used during the Cold War to describe the former Soviet Union's strong influence on Finnish politics.

The parliament is set to hold a first debate on the nuclear project on Oct. 14, with the final vote expected in early December.

It would involve Fennovoima building a 1,200-megawatt nuclear reactor at Pyhajoki in northern Finland sourced from Rosatom, which will also take a stake in a project expected to cost 4-6 billion euros.

The government has tried to soothe concerns, and Rosatom has said Moscow will not use nuclear power as a political weapon.

Areva Factor

There is also a commercial back story to the Rosatom deal, following a decade-long delay and huge cost overruns on another nuclear project in Finland, the Olkiluoto-3 plant being built by Areva-Siemens.

The International Chamber of Commerce's arbitration court is currently processing a dispute in which Areva-Siemens is seeking 2.7 billion euros in compensation from Finnish consortium TVO. The latter, which involves Finnish firms including utility Fortum, UPM-Kymmene and Stora Enso, has submitted a counter claim of 1.8 billion euros.

"It is one of the biggest conflicts in the history of the construction sector," Areva chief operating officer Philippe Knoche said in February.

Still, some analysts question the timing of the move to Rosatom given frosty relations between the European and Russia over Ukraine. Japan's Toshiba also sought to supply Fennovoima.

"The Fennovoima decision increases long-term economic interdependence between Finland and Russia at a time when there is no sound basis to predict the EU's relationship with Russia in the future," said Antto Vihma, senior analyst at the Finnish Institute of International Affairs.

Power Deal

And the nuclear project is not the only sign of Finland increasing its ties with Moscow in energy.

Finland aims to strike a deal with Russia to export electricity through a connector cable from next January, during the same winter months in which much of Europe is most worried about a possible disruption to Russian gas supplies over the crisis in Ukraine.

Top Finnish utility Fortum has also said it is sticking to plans to invest 4.2 billion euros in Russia by the end of next year.

"Business continues as usual. ... One can say that Russia is one of Fortum's home markets," said spokeswoman Helena Aatinen.

Russian operations accounted for 22 percent of Fortum's sales in the year to June and 15 percent of its profits.

Finland has also cast a vote of confidence in its natural gas ties with Russia, last week indefinitely postponing a planned liquefied natural gas (LNG) import terminal that could have allowed it to diversify away from its complete dependence on piped Russian supply.

In contrast, Poland and Lithuania have invested heavily in LNG import terminals to allow them to take shipped imports from Qatar and Norway.

Yet like other EU countries, Finland has not escaped the impact of sanctions imposed on Russia. Its economy is struggling, and the government recently cut its economic forecasts for 2014 and 2015 due to the impact from the Ukraine crisis.

Moscow's response to EU sanctions have hurt Finnish exports to Russia including food and the weakened Russian ruble has also hit Finnish revenues, including Fortum's, in Russia.

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