

ENERGY SECURITY: A NEW BUZZWORD FOR EUROPE

Without ensuring its energy security, Europe will not have enough tools to be a serious global player. The answer to the question “is Europe ensuring its energy security?” is negative. If current trends continue, Europe will be more energy thirsty and more dependent on unreliable suppliers. On the other hand, attempts to build alternative energy supply routes for European markets face opposition by Russia. This paper argues that the EU should develop a common European Energy policy, collaborate with NATO in securing routes of supply from asymmetric threats, integrate energy rich countries like Azerbaijan and Kazakhstan into Euro-Atlantic structures, and develop stronger dialogue with Russia.

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...The real danger for Europe today is the oil crises, not the Bombs¹

Europe, visually safe, prosperous, and with its own say on major international issues, can lose this profile soon.² The single most important trigger for this risk may be energy security.³

Without ensuring its energy security, Europe will not have enough tools to be a serious global player, because energy matters are very much intermingled with those of political, economic, and military nature.

Having substantial energy resources allows countries to advance their interests more effectively, while those dependent on foreign oil and gas are vulnerable to pressures if unable to guarantee effective supply mechanisms.

Today's Russia is a good example on how energy resources have been smartly used to strengthen the country's global positioning. Huge energy revenues, pressure on foreign countries by leveraging energy and active purchase of the foreign energy infrastructure has moved Russia back to the world stage as a serious global player. President Putin made it very clear that Russia is a significant part of the new multipolar world at the Munich Security Conference this year where he criticized unipolarism. It is interesting that for quite a long time after the collapse of the Soviet Union, Russia was less vocal and less capable to claim the role it has today despite having a huge nuclear arsenal, conventional forces, political tools and other policy instruments. Only after the rise of oil and gas prices and the pursuit of the energy-focused policy was Russia able to act in such a way.

Is Europe's Energy Security Ensured?

Given the importance of energy security, the question of whether Europe is ensuring it should be raised. The answer to this question is NO. And there are several reasons to claim this. First of all, European countries are overly dependant on energy imports and have very few energy suppliers, Middle East countries and Russia are among the major ones.

¹ Rephrased from Robert. J. Lieber who asserts "...the real danger for France today is the oil crises, not the SS-20". Robert J. Lieber "Energy, Economics and Security in Alliance Perspective", *International Security*, Vol. 4. No:4. (Spring 1980), pp. 139-63.

² Europe will be analogous to EU in this article. In terms of the link between energy issues and global role, the EU with its organizational structure and common policies is relevant beyond Europe as a geographical phenomenon.

³ In this article, while the term "energy" is limited to oil and gas, the term "energy security" refers to the ensuring uninterrupted flow of needed amount of oil and gas resources to the given market at an affordable price and in a long run.

The EU is the world's largest importer of oil and gas, importing 82 percent of its oil and 57 percent of its gas. Russia supplies almost half of Europe's natural gas and 30 percent of its oil.⁴ Middle East countries provide some 40 percent of Europe's oil and the second largest gas supplier to Europe after Russia is North Africa, while the share for Middle East is slowly rising.⁵

If current trends continue, Europe will be more energy-thirsty and more dependent on the traditional suppliers. By 2030, because of growing energy demand and declining domestic production, Europe will rely on imports for two-thirds of its energy needs. Dependence on imported oil will remain extremely high, reaching 94 percent in 2030. Dependence on imported gas will rise to 84 percent in 2030, and imports of solid fuels are projected to reach 59 percent in 2030.⁶

Second, both Russia and Middle East hardly seem reliable in the mid and long perspective. Russia's energy-driven policy, approach to gas supplies and pricing with former Soviet republics and other European countries is worrisome. "We feel very unsafe in terms of energy supplies," stated Polish Minister of Economy Wozniak in November 2006, talking about Russia's energy policy towards his country. "We respect Russia's interests, but no interest is served if Russia uses its great wealth, its oil and gas wealth, as a political weapon or that treats its independent neighbors as part of some old sphere of influence," said Condoleezza Rice speaking at the Historian's Conference on U.S.-Soviet Relations on October 22.

The most troublesome times for Europe regarding energy security were in 1973 and 1979, after the war in the Middle East and the revolution in Iran. Today, both the Middle East and Iran (read Greater Middle East) are the areas with great potential to go downwards rather than become stable. The Iran situation is evolving confrontationally, increasing tensions and leading to shaky oil and gas prices. The war in Iraq and current instability in this country is another irritant for energy prices. The decision by the Turkish parliament to authorize military actions against PKK terrorists in Northern Iraq has been among the reasons the oil prices climbed up to USD 90 per barrel recently. And there seems to be no way back to stability in the region in a short or mid-term.

Third, there is a rapidly growing demand for the oil and gas in booming economies of China and India, and the third largest world economy (by purchasing power) Japan heavily depends on Middle Eastern energy resources. Europe's oil demand in 2007 is just 0.1 million barrels (per day) more than in 2005, while increase in China for the same period equals 1.2 million barrels (per day).⁷ The U.S. Energy Information Administration says China accounted for 40 percent of the total growth in global demand for oil in the

⁴ Ariel Cohen, "Europe's Strategic Dependence on Russian Energy", *Backgrounder*, No: 2083 (Unpublished 5 November, 2007).

⁵ John Gault, "The European Union: Energy Security and the Periphery", *GCSP Occasional Papers*, No. 40, (August 2002). Available at: http://www.gcsp.ch/E/publications/Issues_Institutions/Int_Organisations/Occ_Papers/40-Gault.pdf,

⁶ Cohen (2007).

⁷ Calculations made using statistics by the US Department of Energy.

last four years; in 2003, it surpassed Japan as the world's second-largest oil consumer after the United States.⁸

This trend may divert a significant amount of resources from the major energy suppliers to these expanding markets; thus, limiting available resources for the European countries. China has recently started pursuing very active engagement with energy-rich regions of the world. African countries are a good example in this sense. In the first ten months of 2005, Chinese official sources say, Chinese companies invested a total of \$175 million in African countries, primarily on oil exploration projects and infrastructure.⁹

Fourth, there is a growing danger of asymmetrical threats to the uninterrupted flow of the resources. Middle Eastern nations and increasingly Russia are witnessing growing number of terrorist activities on their soil, while both Baku-Tbilisi-Ceyhan (BTC) and Baku Tbilisi Erzurum (BTE) operate along the areas, which are in proximity to uncontrolled or territories where terrorists operate. Last year, there were several reports that Ali Larijani, then secretary of the Iranian Supreme National Security Council, said that if the United States attacks Iran, retaliation will be on BTC. This statement was dismissed by the official MFA spokesman of Iran, but the resonance was quite far-reaching. On October 16, PKK terrorist organization reiterated a threat to attack the Baku-Tbilisi-Ceyhan oil pipeline, a day before Turkey's Parliament was to approve a motion allowing the government to attack PKK in Iraq.¹⁰

Moreover, attempts to build alternative energy-supply opportunities for the European markets are faced with opposition by Russia. The Russian President stated unequivocally at the Tehran summit on October 16, that there should be consent between all littoral states if pipelines underneath the Caspian Sea are to be built.¹¹

Recommendations

As it is seen from basic analysis, Europe's energy security is hardly ensured, therefore, significant steps to improve the situation are necessary.

The EU has tried to forge an effective response to its energy security concerns this spring with an action plan for 2007-9.¹² Addressing several important energy-related issues, the plan needs to be further developed to become comprehensive and effective enough. And

⁸ Esther Pan, "China, Africa, and Oil" Council on Foreign Relations, (18 January 2006). Available at: <http://www.cfr.org/publication/9557/>.

⁹ Pan (2006).

¹⁰ Dow Jones Newswires, 16 October 2007.

¹¹ It is interesting that while building Blue Stream with Turkey under the Black Sea and now with Nord Stream under the Baltic Sea, Russia did not seek consent, solving the issues only with countries, the national sectors of which the pipelines passed.

¹² BBC News, "Q&A: EU energy plans", Available at: <http://news.bbc.co.uk/2/hi/europe/4783996.stm>

the boosters should be based on the following key words: *attention, coordination, and partnership.*

Include energy security at the top of the EU and NATO agenda and adopt a coherent and coordinated energy policy: The Action Plan and extensive discussions on the issue did not put energy security on top of the agenda because some countries opted for a more national approach on energy issues. National energy policies need to be subordinated to common European policy.

In 1974, as a response to the oil crisis, Europe created the International Energy Agency, which started monitoring and analyzing world energy markets. Today, common European energy policy similar to those on fishing and agriculture is needed. Unless common approach, regulations, and mechanisms exist, national energy policies will prevail.

Moreover, the EU should cooperate with NATO in implementing its energy policy. For that, EU-NATO coordination mechanisms, including high level joint Council, planning and reaction tools need to be developed. There are three elements of NATO, which make this necessary.

One is the membership of the United States. The U.S., sharing very similar values has the same position as Europe on the necessity to diversify energy supplies. It has arguably the most successful energy policy, which effectively ensuring the country's energy security in the long run. Having United States institutionally and policy-wise engaged with common European energy policy can create a strong transatlantic energy link.

Second is the Turkish membership to NATO. Turkey is a significant transit country for the Caspian oil and gas, key to the diversification of energy supplies to Europe. Given the current uneasy relations between EU and Turkey on several issues, including membership prospects and the matter of Armenia, close EU-NATO energy coordination can smooth the cooperation venue and boost alternative energy flow to Europe.

Lastly, NATO is a military alliance and current global trends require military actions on unconventional ground, including fighting terrorism. Terrorists tend to have soft targets, including pipelines, and NATO can play an important role as a primary response organization. The EU may need a long time to have its own capabilities to deal with terrorist threats on energy infrastructures, and it would not be cost effective as it would be a duplication of efforts and not cost-effective.¹³

Forge stronger partnerships with emerging significant suppliers: Here, Kazakhstan and Azerbaijan are amongst the first to consider.

¹³As David Deese (1979) mentions, the role of the defense departments was put forward as a key to succeed in ensuring energy security since the late 1970s. Today nobody doubts it, because the military played a great role together with other non-military institutions. NATO should also understand that it is time to embrace this issue. See: David A. Deese, "Energy: Economics, Politics, and Security", *International Security*, Vol. 4, No. 3 (Winter, 1979-1980), pp. 140-153.

In May 2007 the U.S. Energy Information Administration projected that by 2015 Caspian basin energy production could reach 4.3 million barrels per day, concluding that in addition to the region's proven reserves of 17 billion to 49 billion barrels, (comparable to Qatar at the lower estimate and Libya on the high end), the region could contain an additional reservoir of hydrocarbons up to 235 billion barrels of oil, roughly equivalent to a quarter of the Middle East's total proven reserves. The Caspian's potential natural gas reserves could yield another potential 328 trillion cubic feet of gas.¹⁴

The EU Action Plan suggests improvement of relations with these countries, but it is not enough. More integration of these nations into the European and Euro-Atlantic structures is needed to lead them to further develop their political, economic structures, and very importantly, a stronger civil society. The more Kazakhstan and Azerbaijan intergrate with the West, the more secure the flow of Caspian energy resources to the Euro-Atlantic area will be.

Go for global partnerships: China, India, and Japan should be engaged: This will make the unavoidable clash of energy interests in the future more manageable. Regular NATO-EU-China, NATO-EU-India and NATO-EU-Japan meetings are needed in order to discuss contemporary global and regional affairs, including energy. Indeed, a wide array of issues of mutual concern should be on the table in order to demonstrate a serious approach by NATO to these nations. It will be a mistake to limit discussions purely on energy issues, because the solutions to clashes of interests may lie in different dimensions.

Russia, which will inevitably remain one of the major energy suppliers for Europe, should not be ignored. High-level, equal-footing dialogue with Moscow needs to be established. There are lots of suspicions on both sides towards each other's intentions today. But they need to be overcome. Mutual dependence is the framework in which cooperation should continue and expand. Energy cooperations require long-term commitments, and in long-term relations the most important factor is trust. Brussels and Moscow must persuade each other of their goodwill and create a dialogue mechanism to forge trust and offer verification tools.

¹⁴ John C.K. Daly, "Analysis: Caspian pipeline wars", *UPI International*, (17 Aug. 2007). Available at: http://www.upi.com/International_Security/Energy/Analysis/2007/08/17/analysis_caspian_pipeline_wars/5034/