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# PAPER SERIES

## SUMMARY

Unhindered access to energy resources is of vital importance to the wellbeing of national economy. It is one of the necessary conditions for the ability of state to provide basic services, as well as a fundamental requirement for state to maintain its economic, but also political sovereignty. The different degree of energy dependencies affect both the dynamics of relations and the nature of national sovereignty within the EU and the Alliance.

Energy security, nonetheless, remains contested priority among NATO members. Can NATO as an organization contribute to the Energy security of Europe?

Energy security is primarily domestic responsibility of each and every Member of the alliance and no state can or should be relying on the provision of their security by others in order to free-ride and reduce the necessary investment into defence, or energy security.

NATO is an excellent platform for developing and sharing of best practices as well as for cooperation and coordination in research and coping with energy security threats. Alliance members can use the existing Article IV to improve the resilience and protect their critical infrastructure.

## ENERGY SECURITY OF EUROPE AND NATO

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***“ The use of energy as a weapon is not a theoretical threat of the future; it is a current reality. Those who possess energy are using it as leverage against their neighbours. In the years ahead, the most likely source of armed conflict in the European theatre and the surrounding regions will be energy scarcity and manipulation. ”***

Richard Lugar April 30, 2007 Washington, D.C.

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Despite the fact that Energy security, not only of Europe, has recently become a cottage industry, with the term being (ab)used for anything and everything from “technical” critical infrastructure protection, through market creation and regulation to “political” aspects of energy diplomacy, and reprioritization of social welfare policies, there is especially in Europe, a real need to pay attention to this issue area. Nonetheless, the way we tackle the challenge of energy insecurity in Europe need not add to the problem itself, as it currently does.

Given the importance and the nature of the concept, it is being discussed at plethora of forums and by a vast number of actors, North Atlantic Treaty Organization being just one of them. Energy security, nonetheless, remains contested priority among NATO members. Can NATO as an organization contribute to the Energy security of Europe? This has especially been an important question during the times of vigorous discussions of new

Strategic Concept for the Alliance. Unhindered access to energy resources is of vital importance to the well being of national economy. It is one of the necessary conditions for the ability of state to provide basic services, as well as a fundamental requirement for state to maintain its economic, but also political sovereignty. When the access to energy sources is hindered, severe consequences occur. The immediate effects on the economy, and the well-being of private citizens is at stake.

Slovakia and Bulgaria, especially, have experienced in 2009 what exactly happens when import of natural gas halts, and there are no alternative supplies. Not only that the industrial production was severely hit (Slovakia), and ordinary citizens were left without heating during cold winter days (Bulgaria), the effects of lack, or uncertainty of reliable supplies of energy sources, have long term effects on the investment and location strategies of investors. This is of crucial importance especially



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for small open economies like most of the eastern members of the EU are.

Complete halting of energy supplies, as happened in case of gas imports via Ukraine from Russia in 2009 is a rare event. People in gas sector of Europe up until then have not even imagined this type of scenario. What is important, is not only the immediate effects when such an event happens, but rather the threat that such an event might happen again in the future. This logic of threat has worked in the past, and it will work in the future. The lingering fear, the ever-present awareness, that such an event might happen, and especially with the development of new supply routes that bypass most of the central and eastern members of the EU and the Alliance, create new fears of the pick-and-choose occurrences of such an events that could target with unprecedented precision particular countries for complete stoppage of gas inflows for 'technical' or 'commercial' reasons. The fact, that this is not just some sort of 'eastern' paranoia, is further supported by the findings of Swedish Defense Research Agency's Robert L. Larsson<sup>1</sup> study where over 55 incidents were counted since 1991, where Russia, the most important natural gas supplier to Central and Eastern Europe, used the "energy tool" in various form for both "political and economic" aims.

This new landscape for the NATO not only changes the dynamics of relations with partners outside of the Alliance and the nature of national sovereignty within the EU and the Alliance, it poses a new strategic challenge. The question is how should the allies tackle this challenge.

While energy security in its multiple meanings is important for all countries, Europe is in especially difficult position. Despite the work of the European Commission and the number of liberalization packages, it (still) lacks genuine common interconnected market for not only electricity, but oil and gas, as well. Perhaps the most difficult aspect of energy security for both the EU as well as NATO is that different partners and members face different challenges. Northern and Western parts of EU are relatively well off in terms of their options for alternative routes, as well as suppliers. The eastern parts of Europe, on the other hand, are dominantly dependent on single supply route controlled by a single company, paying higher prices not established

by at free market, but often negotiated at unequal terms. It is hard to overlook, seemingly unrelated fact, that top management of this very same company tends to be promoted to the highest government offices of the country where this company is based. It is also very hard to overlook, that the leaders of this country do not hesitate to point out that this very company is a useful tool of their foreign policy. In a situation like this, it is very hard to establish mutual trust.

While there is some common understanding across the EU about the need for security of critical infrastructure, there is no consultation of most sensitive projects affecting the energy security of one another. Recently EU has pledged 4 billion EUR on projects related to energy<sup>2</sup> out of which at least half can be considered having affect on improving energy security. The so-called southern and northern corridors, which are not part of this package, are perceived by some allies as a great economic opportunity, while others see them as direct threat to their national security. This situation does not help with cohesion of neither the EU, nor the Alliance.

There surely is lots of mistrust and fear. It is understandable that Berlin, as an importer of unmatched importance, does not see the political aspect of the energy relations with Moscow. The view from Bratislava, Prague, Sofia or Warsaw, nonetheless is very different. These countries are too small to be important for Russia as customers in their own right, and their primary importance so far has been as major transit countries on the way to the important customers west of their borders. This importance is about to diminish. In this new situation it is only understandable that they are looking mistrustfully towards the separate bilateral dealings between their western allies and eastern neighbours. This may be precisely the reason why some see the 'economic' cooperation inaugurated by Messrs Schroeder and Putin in 2005, a rerun of the 1939 Ribbentrop-Molotov pact. The consequences of the latter are known.

In this context, some, especially those that can care less, or think that their countries are in a better position than others, say that energy security should be taken care of by each and every country alone. Others propose EU to take care of it. Yet, another group, especially after the NATO's summit in Riga in November 2006, think that energy security is a

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<sup>1</sup> Nord Stream, Sweden and Baltic Sea Security (2007), <http://www.i.umich.edu/UMICH/ceseuc/Home/ACADEMIC/Research%20Projects/Energy%20Security%20in%20Europe%20and%20Eurasia/Nord%20Stream.%20Sweden%20and%20Baltic%20Sea%20Security.pdf> p.80.

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<sup>2</sup> <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/804>

concern for NATO and the alliance should do something about it.

Energy security policy is an undisputed national responsibility, just like law enforcement and defence are. Regardless of this, NATO makes sense as a common defence organization for countries sharing same values. Could it make sense as a framework for common energy security?

Yes and no. While the Alliance is already active on many fronts and increases the energy security, there is still a room for improvement. Currently NATO is working on improving energy security especially through employing capabilities, like the ones tested during operation Steadfast Jaguar in 2006, Allied Provider in 2008, Allied Protector in 2009 or the ongoing Operation Ocean Shield, for securing freedom of the seas. Nonetheless, expecting that NATO could or should turn into pipeline and tanker police is far-fetched, just like expecting that the cold-war era system of NATO pipelines (CEPS) should be extended to cover commercial consumption across all NATO members.

In the same manner, NATO does not need to renegotiate the article V to include energy, already now there is a sufficient legal base within article IV to provide for the necessary coordination and consultation, should there be political willingness. While article V works as deterrence in 'hard (symmetric) security' the deterrence would not work for the provision of energy security. The 'energy weapon' is much more subtle and threat of article V would not tackle the real underlying problem of mutual trust, lack of resilience and opaque usage of energy sensitivity or threats thereof by the largest supplier.

The real problem is the lack of political cohesion, sufficient commitment to invest in improvements of security, and lack of shared perception of threat. While secretary Clinton earlier this year in Paris assured that United States remains committed to the security of Europe, and one of the aspects that she reiterated was the indivisibility of security in Europe. Do we, Europeans realize the need for indivisibility of our own energy security? Are we not creating the problem ourselves?

Sure, energy security is something that each and every Member of the alliance should take care of. No state should be relying on the provision of their security by others in order to free-ride and reduce the necessary investment into defence, or energy

security. This logic has also been underlying principle of hesitation of many to commit to solidarity in energy security. Yes, solidarity should not mean free-riding on partners' tax-payers, nonetheless cooperation is needed to provide ability to stand side by side while facing common threats across all sectors.

Answers to these questions are especially important in the times of concluding the discussion of the new strategic concept. How can we assure the cohesion of alliance and the ability to engage threats if political and economic sovereignty of some of our allies is depending on the good will of a single company controlled by a leaders of a country sharing neither our strategic culture nor our liberal values?

How can we provide for our own energy security without endangering our own economic interests and spinning off the spiral of mistrust? Discussion and transparent communication is a good start. Since we all, within the Alliance as well as our partners outside of NATO, share threat against the critical infrastructure, this is where we can cooperate regardless the disagreement on broader values and views. Critical infrastructure protection is also an excellent opportunity for engaging with Russia and other partners outside of EU and NATO. If we can establish working relations in this rather 'technical' area, fears of abusing the technical problems for political aims could be mitigated.

Besides protecting the existing critical infrastructure, NATO can be an excellent platform for developing best practices for security and resilience of new (smart) types of energy infrastructure which is to be built. The new challenges of energy demands, will be met through developing and deploying super (and/or) smart electricity grids, this will create not only new opportunities for economic efficiency gains, but also new security vulnerabilities. NATO is best placed to be at the forefront of tackling this intersection of cyber and energy security challenges.

The direct business cooperation between large producers and large consumers makes business sense, but we need also political sensitivity to the implications these dealings have on smaller allies and partners. While there is the economic efficiency rationale, we also need to pay attention to the security and transparency rationale. While we cannot expect that Berlin will give up its opportunity to import gas directly via the Baltic sea bed, and at the same time it does not make sense for Moscow to give up the opportunity to bypass to extranumerary transit countries, we have to seek solutions that will increase

not only the economic efficiency but that will increase the efficiency and reliability of energy trade as a whole. This is of interest not only to customers, but also to the producers. Some of our allies and member of the EU might fear the enemies of the past war, but we all are threatened by the enemies of the war to come.

We do not need new legal frameworks, or international regimes, we need to utilize what we have first. What we need is demonstration of good will and benevolent intent, so that we can move beyond our yesterday's fears. Nonetheless, at the same time we should be increasing the resilience of our critical infrastructure in Europe, to prepare for the new threats to come. This can be done not only via building new import routes, but also by meaningfully liberalizing our domestic markets and interconnecting our fragmented national markets to create single united energy market across Europe. This market can provide us with the necessary transparency for negotiating fair prices. If we also succeed in managing and regulating this market well, the energy security will also be priced transparently at market level. This can be an answer to those fearing that the solidarity is a cover for free-riding. It could also pave the way for utilizing most efficient sources of energy. Nonetheless, neither comes for free. Security has a value, and therefore we should be ready to pay a price for it.

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