NATO Defense College
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NATO and energy security after the Strasbourg - Kehl summit

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Introduction: the securitisation of energy supply

The international context of 2008 and 2009 has contributed significantly to the "securitisation" of energy supply. The war between Russia and Georgia in August affected European energy supplies by causing the temporary shut down of the Baku-Supsa pipeline. The NATO Secretary General thus noted that since the conflict threatened the sophisticated supply network of the Caucasus, it was also partly about energy supply.[2] The long-running dispute over gas pricing and transit tariffs between Gazprom and the Ukrainian state-owned company NAK Naftohaz Ukrainy, which led to an unprecedented cut off of gas supplies to European Union markets in January, underscored concerns in the Euro-Atlantic community about energy security.

But while this context emphasised the importance of a complex and often politically influenced problem, it has not clarified the tension between energy being a "security" problem or one of a mostly economic, technical and commercial nature.[3] Indeed, in many ways it has complicated the situation for NATO. A military security role for the Alliance becomes more relevant in certain ways and yet, simultaneously, NATO faces increasing risks of being dragged into other issues and disputes where it has little to contribute and where its contribution may aggravate the situation.

This paper briefly establishes the background to the NATO discussion about energy security. It then turns to examine the areas where the alliance can make a positive contribution to the wider energy security. Third, the paper assesses looks at the relationship between Gazprom and Naftohaz Ukrainy, and why this poses an ongoing problem, before drawing together some ramifications for NATO.

NATO and Energy Security

The framework of NATO's energy security position was underscored by the declaration released after the Alliance's Strasbourg-Kehl summit in April. Reflecting the process begun at the Riga summit (2006) of drafting a coherent and suitable role for the alliance, the declaration notes the principles agreed at Bucharest and a Report on "Progress Achieved". Thus the Alliance affirms its continuing support for "efforts aimed at promoting energy infrastructure security" and intention to "ensure that NATO's

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[2] Keynote speech by Jaap de Hoop Scheffer, "Energy Security in the 21st Century", 23 October 2008. www.nato.int

[3] The key points concerning the future security of energy supply remain well known. First, there is an ongoing need for much greater internal solidarity and coordination within the European market, first and foremost in the EU. Second, the strategic problem remains the efficient exploitation of energy resources – the current economic climate suggests a low investment period into both upstream exploitation and infrastructure projects. This indicates the likelihood of a stagnation in hydrocarbon production, particularly gas. These issues lie outside the NATO discussion, however, and are not discussed in this paper.

endeavours *add value* and are fully coordinated and embedded within those of the international community which features a number of organizations that are specialized in energy security" (emphasis added). The declaration points to the 'critical importance' of diversification of routes, suppliers and energy sources and interconnectivity of energy networks". Importantly, it also refers to the "disruption of the flow of natural gas in January [which] seriously affected a number of Allies and Partners".[4]

The diversification of Europe's energy supplies: NATO's added value

By linking the role of the alliance to the wider European discussion of diversification of routes, suppliers and energy sources, NATO "adds value" to the international effort in two ways. First, calls for diversification highlight the wider membership and partnership of the Alliance, including major producers and transit states – particularly of course, the USA, Canada and Norway, which are major energy producers and members of the Alliance but not the EU. It also provides an important window to the Arctic region, which will become an increasingly important element of the energy supply chain. Turkey, another NATO member, is a key energy transit state and major energy hub for European supplies – indeed it is crucial for plans for European energy diversification.[5] But at the same time Turkey has a complex relationship with the EU – so its NATO membership provides an important political and institutional mechanism for engagement.

Second, the search for diversification leads towards regions of greater political instability and greater vulnerability to conflict or terrorist and pirate attack. Thus there is a clearer need for coordinated military protection for such supplies and routes. This can be illustrated with reference to Nigeria, a key oil producer for NATO member states. Nigeria is an important focus for NATO attention given the violent activity and threats posed by the Movement for the Emancipation of the Niger Delta (MEND) which seeks greater control over Niger Delta oil production. Such activity clearly affects supplies, the effective exploitation of resources and the price of oil. A second example is that of piracy off the Horn of Africa, a problem which has become increasingly prominent in 2008. NATO deployed Operation Allied Provider from 24 October to 12 December 2008 and coordinated the handover to the EU's Operation EUNAVFOR Atalanta.[6] While piracy is a problem for all shipping, its relevance to energy security was highlighted when pirates seized the MV Sirius Star, a super-tanker which carries about 25% of Saudi Arabia's daily oil production. A number of attacks have been launched on other tankers, including the Abdul Kalam Azad and the Kriti Episcopi.[7]

By emphasising its naval capabilities, NATO can bring a capacity that the other major energy organizations, including the EU and International Energy Agency (IEA) do not possess – thus the Alliance can "add value" to the wider international energy security effort. NATO's Maritime Situational Awareness facilitates the monitoring of activity on

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[4] Strasbourg-Kehl Summit Declaration, 4 April 2009. Paragraph 59. www.nato.int. For a more in depth examination of the decisions taken at Bucharest and NATO's energy security role, see this author's *Energy Security: NATO's Limited, Complementary Role*. NATO Defence College Research Paper, No.36, May 2008. www.ndc.nato.int

[5] Major routes include the Turkish Straits, the Baku-Tbilisi-Ceyhan (BTC) and Baku-Tbilisi-Erzurum pipelines (BTE) are key "alternative" routes. The Nabucco pipeline project also plans a route through Turkey. The collection of so many routes through one state might raise the question of the extent to which this is true "diversification". This point becomes all the more salient given Turkey's strategic energy relationship with Russia.

[6] de Hoop Scheffer, "Energy Security in the 21st Century", www.nato.int; "NATO Hands Over Counter-Piracy Operation to EU", 15 December. www.nato.int.

[7] The Kriti Episcopi called on the EUNAVFOR which responded and thwarted the attack.

the high seas and the sharing of data among NATO navies. NATO is also able to provide coordination of naval assets to protect oil and gas shipments, for instance to protect Liquified Natural Gas (LNG) tankers on the high seas. To be sure, there are limitations to what a consensus-bound organization can do to project its power and important questions remain – not the least of which is who would pay for the alliance to protect the assets of independent companies. Nevertheless, the intention to diversify energy sources, routes and types – particularly given the increasing the role of LNG in energy supplies – will only increase the use of sea lanes and the need to protect them with naval assets.

The ongoing Ukraine-Russia gas dispute: a risk for NATO

But at the same time as it tries to cast this complementary military security role, the Alliance risks becoming entangled in other problems where different organizations play the main roles and in which NATO has little if any constructive role. Indeed, by becoming involved, it may exacerbate the very problem it seeks to address. This is particularly so regarding the ongoing gas price problem between Gazprom and Naftohaz Ukraini, the ramifications of which have already had a major impact on gas supplies to European (including NATO member) states. Strikingly, despite the long-running nature of the problem and more immediate clear warning signs in December, the cut off – let alone its rapid escalation – appeared to surprise many in the Euro-Atlantic community.

The resolution of the immediate problem in January, which centred on the inability to agree a gas price for Russian gas supply to Ukraine and a tariff for the transit of Russian gas to Europe before the expiry of previous agreements on 31 December,[8] has not resolved an important underlying issue – Naftogaz Ukraini's ability to pay for gas supplies to Ukraine. Senior Russian officials, including the President and Prime Minister, point to three interlinked problems. First, the agreement in January stipulates that Naftogaz Ukraini must complete payments for monthly gas imports by the seventh day of the following month. While this has not been broken, in late May Prime Minister Putin noted Moscow's concerns about the Ukrainian side's ability to make the payments.[9] May's imports have been paid.[10] But it seems possible that this tension will emerge more or less monthly, particularly given the impact of the international financial crisis on the Ukrainian economy. President Medvedev stated that if Naftogaz Ukraini does not abide by this agreement, Russia would be forced to impose 100% pre-payment on future gas supplies – with the concomitant ramifications for potential gas supply limitations for Ukraine and the European market.[11]

Second, Deputy Prime Minister Igor Sechin observed in early June that Ukraine has not begun to fill its underground gas storage, and noted that this may create problems for gas transit in the winter.[12] The point here is that, by failing to store sufficient gas now, Ukraine would be obliged to draw on the gas in transit to European markets in case of a

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[8] Useful examinations of this complex dispute can be found in Roberts, J. *Russia and the CIS: Energy Relations in the Wake of the Russia-Ukraine Gas Crisis*. Paris: EUISS, February 2009 & Pirani, S., J. Stern & K. Yafimova, *The Russo-Ukrainian Gas Dispute of January 2009: a Comprehensive Assessment*. Oxford Institute for Energy Studies Paper, NG27. February 2009.

[9] Statement by Prime Minister Putin, 29 May 2009. http://premier.gov.ru/events/2956.html

[10] Meeting of Prime Minister Putin with Alexei Miller, CEO of Gazprom, 17 June 2009. http://premier.gov.ru/eng/events/3054.html

[11] Beginning of Working meeting with Deputy Prime Minister Igor Sechin, 3 June 2009. http://www.kremlin.ru/eng/speeches/2009/06/03/1648_type82913_217202.shtml

[12] Ibid.

shortfall of direct supplies to Ukraine. Moscow refuses to provide credit for gas for filling Ukrainian storage facilities.

Third, Sechin also noted the “uncertainty” created when the EU and Ukraine signed a gas pipeline declaration in March. He argued that the changes to the management of Ukrainian gas transport make it “impossible for Gazprom to unilaterally finance its Ukrainian partners”.[13] This highlights the wider tensions over “responsibility”. European Commission President Jose Manuel Barroso considers the problem to be “mainly between Russia and Ukraine”. Medvedev however argues that this is “not just a problem for Russia and Ukraine as some people occasionally try to paint it” and insists that the EU plays a role in supporting Ukraine financially. Significantly, Moscow has proposed that the EU consider different options for financing supplies – and “*if the European financial institutions decide that this kind of work is possible*, then the Russian Federation will consider how much it can contribute” (emphasis added).[14] This is an important point: Moscow increasingly paints the EU as the actor who should take more responsibility – having decried the EU’s inability to respond appropriately in January.[15]

These are the Russian positions – and of course those of Ukraine and the EU differ. Ukrainian Prime Minister Yulia Timoshenko, for instance has stated on 16 June to the EU that there will be no new dispute since a ten year deal with Gazprom has been reached and that gas storage is being filled. A delegation of European energy experts is conducting a mission to Ukraine and will submit its findings to the EU Coordination Group on gas which in turn will have a bearing on whether the EU provides credit to Ukraine (though Barroso has noted the limits of available funds). However, the Russian position emphasises that while the impact of a dispute may have security ramifications, the causes lie in economic, technical and commercial realms, underscored as they may be by political tensions in the case of a dispute. Thus they lie within the EU’s remit, not that of the Alliance – as illustrated in January, when even though the dispute took on a political hue as it escalated, the Alliance remained silent and the EU was the primary actor.

Conclusions

The explicit mention of the impact of the January dispute in the Strasbourg-Kehl Declaration appears to change the situation for NATO, however, suggesting that because of its impact on member states, such a dispute may be an Alliance problem. This opens an important gap between intentions and capabilities.

There appears to be a sense in Europe that, now it is summer, gas disputes matters less, not least given the long list of other priorities. But a resumption of the dispute should not come as a surprise. Despite Kyiv’s protestations to the contrary, the impact of the financial crisis on the Ukrainian economy suggests that Naftogaz Ukraini will face difficulties in paying – especially if the oil price continues to rise, taking gas prices up with it (gas prices are index linked to oil prices and a rise in oil price now will be reflected in higher gas prices this winter and next spring).

But it remains unclear what “added value” role the Alliance might be able to play in resolving them, beyond the purely internal approach of encouraging member state governments to fulfill their gas storage commitments (which should be a regular role

[13] Ibid.

[14] Ibid.

[15] There is an interesting parallel here with Moscow’s emphasis on the EU’s responsibility for monitoring the ceasefire lines in Georgia.

regardless of any imminent gas dispute). To be sure, the economic, technical and commercial aspects of the dispute took on a political and then even a security aspect in January. But this should not be an incentive to the Alliance to become involved in what is essentially an EU issue – a NATO intervention is likely only to serve to entrench the established political positions, particularly in Moscow, but also in Kyiv, and drive a deeper wedge into the dispute.

NATO therefore risks finding itself internally split over the issue – since it may prove difficult to achieve consensus across the alliance on whether NATO could respond, let alone how. Externally, NATO risks either seeming to be unwilling or unable to fulfill its stated agenda by inaction or being drawn into an escalating situation in which it has little capacity to act. Instead, greater emphasis on and clearer definition of the more military security-focused role that NATO can play becomes every more necessary.