

per Concordiam

Journal of European Security and Defense Issues

■ **IMPORTING NATURAL GAS**

Lithuania's LNG terminal

■ **TURKEY'S DILEMMA**

Reducing reliance on Russia

■ **EASTERN NEIGHBORHOOD**

Securing energy for EU partners

■ **FOCUS ON THE BALKANS**

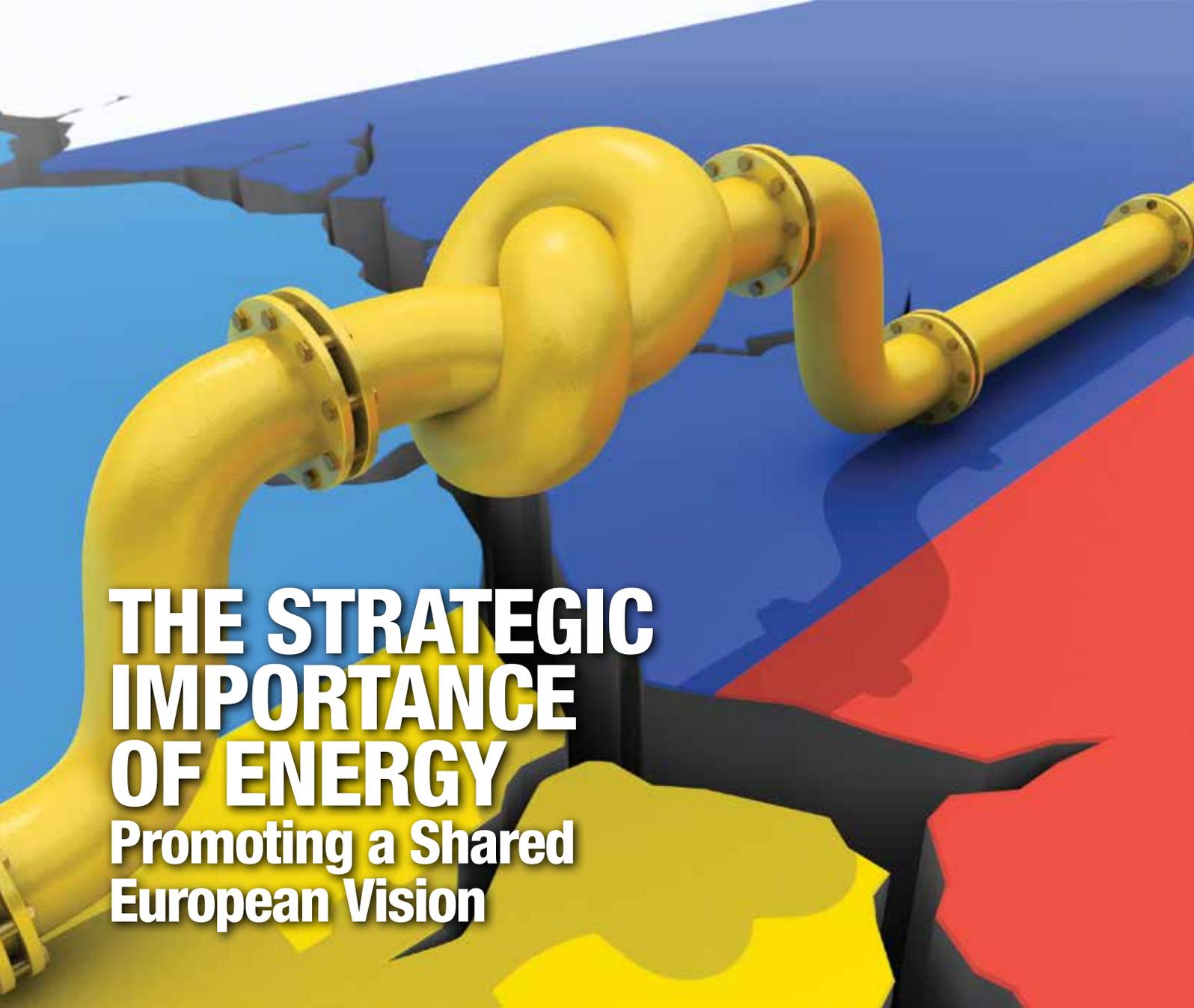
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Promoting a Shared
European Vision

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GEORGE C. MARSHALL
EUROPEAN CENTER FOR SECURITY STUDIES

Welcome to the 22nd issue of *per Concordiam*. This issue examines the vital role of energy security, including its impact on regional and global security. It is critical to understand energy security in the context of regional demand and dependency, as well as to consider important transit and supply routes. We have recently witnessed the immediate impact that withholding energy resources can have in areas such as Ukraine and Moldova. As energy dependency increases the strategic importance of energy sources and transit routes, it is essential to find ways to increase energy security through international partnerships, whole of government approaches, and long-term cooperation between national and regional actors.

Several Marshall Center alumni have contributed their expertise and regional perspectives to this issue. Rūta Bunevičiūtė, a Marshall Center alumna and former faculty member, developed the story topics for this issue and discusses the important role of governance in energy security. Ion A. Iftimie presents an article that analyzes the energy security situation of the European Union in the context of a Russian energy monopoly. Another Marshall Center alumnus, Georgi Gobechia, focuses on opportunities to create more secure energy supplies in countries that are party to the European Neighbourhood Policy: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Dr. Eric T. Young, a Marshall Center professor, discusses energy security challenges in Africa, offering an opportunity to compare energy dynamics across several continents.

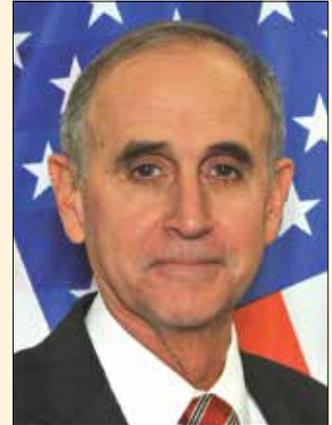
Other contributors to this issue lend their expertise and regional perspectives on this theme as well. Professor Dr. Oktay F. Tandırsever argues that the major challenge in energy security governance for Ankara is its growing energy dependence on Moscow. Dr. Arūnas Molis, Dr. Giedrius Česnakas and Julian Popov provide analysis of the energy security situations in two distinct European regions — the Baltic states and Southeast Europe — as well as the implications for a broader European context.

The Marshall Center continues to address transnational threats in a global context, including the impacts of energy security on Europe, Central Asia and beyond. Energy security is addressed in several of our existing resident and nonresident programs and is a topic also reflected in many of our new courses. Two important new resident programs scheduled for 2016 will address Europe's Eastern and Southern flanks, respectively. These courses will explore several serious challenges to stability and their impact on regional security, including energy resources, transit routes and other critical threats such as Russian aggression and ungoverned immigration into Europe from across the Mediterranean Sea.

I hope this issue increases dialogue on this complicated but important topic. As always, we at the Marshall Center welcome your comments and perspectives on these topics and will include your responses in future editions. Please feel free to contact us at editor@perconcordiam.org

Sincerely,

Keith W. Dayton
Director



Keith W. Dayton

Director, George C. Marshall European Center for Security Studies

Keith W. Dayton retired as a Lieutenant General from the U.S. Army in late 2010 after more than 40 years of service. His last assignment on active duty was as U.S. Security Coordinator to Israel and the Palestinian Authority in Jerusalem. An artillery officer by training, he also has served as politico-military staff officer for the Army in Washington, D.C., and U.S. defense attaché in Russia. He worked as director of the Iraqi Survey Group for Operation Iraqi Freedom in Iraq. He earned a Senior Service College Fellowship to Harvard University and served as the Senior Army Fellow on the Council on Foreign Relations in New York. Gen. Dayton has a bachelor's degree in history from the College of William and Mary, a master's degree in history from Cambridge University and another in international relations from the University of Southern California.

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per Concordiam

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and Defense Issues*

The Governance of Energy Resources

Volume 6, Issue 2, 2015

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The George C. Marshall European Center for Security Studies is a German-American partnership founded in 1993. The center promotes dialogue and understanding between European, Eurasian, North American and other nations. The theme of its resident courses and outreach events: Most 21st century security challenges require international, interagency and interdisciplinary response and cooperation.

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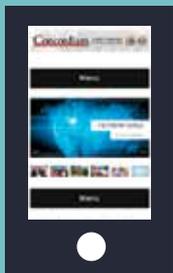
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A EUROPEAN ENERGY UNION

A RESILIENT UNION IS THE ONLY WAY FORWARD FOR CHEAPER, SECURE AND SUSTAINABLE ENERGY

By PETRAS AUŠTREVICIUS, Lithuanian member of European Parliament

The current state of the European Union's energy market is highly unsatisfying and resembles an unsustainable energy archipelago assembled from 28 mostly independent energy islands, each critically exposed to common security threats such as climate change, highly unsatisfying energy prices and sometimes extreme dependency on unreliable third-country suppliers.

The EU imports more than half its energy from third-party countries, spending more than 400 billion euros per year (more than Greece's debt), resulting in external energy dependency and uncompetitive energy prices. Moreover, as proven by the current crisis in Ukraine and previous gas interruptions in 2004 and 2006, importing energy from hostile foreign regimes, such as Vladimir Putin's Russia, endangers member states' national security and the EU as a whole by limiting the EU's bargaining scale and making it compromise with an aggressor.

The establishment of an authentic Energy Union based on the European Energy Security Strategy is one of the most ambitious achievements the European Commission has set for itself during the 2014-2019 term of President Jean-Claude Juncker. In light of previous failed attempts to create a single energy market, the viability of the Energy Union and the rhetoric surrounding it have been widely debated. We will briefly analyze this most forward looking EU project.

To begin with, in today's geopolitical context, revamping the EU energy strategy would not only enable economic gains by increasing the EU's economic bargaining power, it would inevitably have positive implications in the foreign policy and security fields as well.



European Commissioner for Energy Union Maroš Šefčovič, left, and EU Commissioner for Climate Action and Energy Miguel Arias Cañete meet in February 2015 to discuss the EU's strategy to achieve an Energy Union. EPA

The Energy Union is part of the EC vision "Europe 2020," which aims to deliver smart, sustainable and inclusive growth based on a competitive, low-carbon economy. It is not contested that, if EU wants to step up its economic growth, it is crucial to overcome foreign energy dependency and internal fragmentation by adopting a common European approach to energy policy and purchasing diplomacy.

To achieve those goals, the European Commission needs to tackle the market and geopolitical energy security nexus. This balance can be achieved only by member states showing enough political will and working in a common direction to reshape both internal and external dimensions of energy policy.

THE INTERNAL DIMENSION – AN EFFICIENT AND COMPETITIVE SINGLE MARKET

The current EU energy market still does not function in full accordance with free-market principles and suffers from overwhelming state regulation, leading to very little competition, an ineffective industrial sector and artificially high energy prices that endanger energy access. As an example, when Belgium faced a power shortage in 2014 despite an underutilized Dutch power plant operating only 8 kilometers from its border. This illustrates that fragmentation of the energy market and states' control over energy resources pose grave challenges to the energy supply chain. A competitive internal energy market would be capable of eliminating such energy islands and market distortions.

To create a well-functioning single energy market, the first step is liberalizing energy markets by eliminating obstacles such as distortive state regulations and developing interconnections to facilitate free trade. This goes hand in hand with stronger regulatory certainty within the EU and better enforcement of already existing internal market rules, namely the Third Energy Package. Liberalizing energy flows would make the energy market much more competitive and effective and reduce artificially calculated energy prices.

Energy security, competitiveness and sustainability rest on diversifying energy supplies and moderating energy demand. Relying on one energy supplier results in lack of competition and poses a security threat. Sources and supply routes should be diversified by taking into account the credibility of suppliers by regarding political and not just economic aspects. Development of indigenous energy sources, freedom for each country to decide its own energy mix and promotion of European industry participation in energy generation, transmission, distribution and interconnections should be encouraged. Demand and supply should be planned carefully to avoid excessive infrastructure and ensure cost-optimal supply. Setting common standards for smart grids would be a significant starting point to link producers with consumers.

Having sufficient energy infrastructure is required for a well-functioning energy market. Developing regional energy links — decentralizing energy — throughout the EU is crucial. Energy can be produced more effectively and the system made more resilient while at the same time providing business opportunities for local medium-size enterprises. Therefore, the commission should accelerate the implementation of regional gas and electrical infrastructure projects and, where necessary, capacity markets to ensure that supply is available when it is most needed. It should also establish regional smart grids and new energy storage mechanisms capable of handling more renewables and being integrated into the internal energy market. Moreover, the commission should promote the principle of cross-border solidarity and establish administrative and

communication channels so states can provide assistance to each other during energy shocks.

There are significant efforts already underway to start the integration of competitive electricity and gas markets. Excellent examples are the new gas interconnections between Central and Eastern European states and the Baltic region's electrical infrastructure links, Nordbalt and Lit Pol, which will complete the Baltic Interconnection Plan. In addition, despite gas dependency, positive measures are being implemented to counter politically motivated gas supply cuts, namely, in liquefied natural gas (LNG). Opening LNG terminals in Lithuania in 2014 and Poland in 2015, two countries very dependent on gas imported from Gazprom, and countries such as Croatia in 2020, shows that a range of new countermeasures and new import options, such as from Israel or the United States, are emerging.

In addition to energy security and independence, energy efficiency and sustainability are part of the EU's 2030 targets. The EU is aiming to improve energy efficiency by at least 27 percent and reduce greenhouse gas emissions at least 40 percent from 1990 levels by 2030. To achieve this, economic growth needs to be uncoupled from high energy consumption. Improving energy efficiency can significantly reduce energy consumption and result in sustainable economic gains. According to the commission, the EU's gas imports can be reduced 2.6 percent for every 1 percent in additional energy savings. Member states and cities should make better use of available EU funds and invest in renovating buildings, modernizing heating systems and facilitating cleaner public transportation. Improving vehicle performance is another means of improving energy efficiency.

The commission should create corresponding administrative mechanisms capable of monitoring and reporting implementation of its Efficiency Directive and facilitating implementation of EU energy efficiency legislation. Furthermore, facilitating the transition to renewables and smart infrastructure should favor market-based instruments, as this is the only way to achieve the most cost-effective results.

However, rapid private investment and pooling of EU resources is extremely important to efficiently balance sustainable energy. An investment in the energy market of at least of 1 trillion euros, needed to ensure full recovery from the economic crisis and a successful transition to renewable energy, is currently obstructed by regulatory problems. To draw more private investment, the EU should first address the problem of regulatory uncertainty. Strengthening EU governance mechanisms is crucial. This should encompass a regulatory framework with rules for competition and subsidy regimes, which if well organized and implemented, would increase competitiveness and transparency. The ENTSO-E information system, which provides information on the European energy sector, is a positive development. Such

data centralization will make energy strategy planning much easier and more transparent, which means easier information access to investors and more competitive prices for consumers.

Moreover, EU states should take advantage of available financial resources via instruments such as the European Regional Development Fund, Horizon 2020, and of access to the investment schemes of the European Bank for Reconstruction and Development and the European Investment Bank.

Finally, to increase energy efficiency and optimize energy network infrastructure, Europe has to work at developing new energy technologies. A sustainable, low-carbon economy will produce the benefits of cheap, efficient energy and environmental preservation. Environmental harm caused by rapid economic growth based on polluting practices cannot be eliminated by attempting to repair the damage later; it can only be eliminated by energy advancements and sustainable growth practices. This is well illustrated by market-based instruments such as the Emission Trading System.

Other measures to increase efficiency and empower consumers could include better energy efficiency and energy performance labeling.

THE EXTERNAL DIMENSION – A UNIVOCAL EU POSITION AND POLITICAL WILL

In recent years, member state governments and the commission have routinely stressed that EU energy policy has moved beyond the internal dimension; external energy policy has become a EU Common Foreign and Security Policy priority. An excellent example of this is the South Stream project, initiated by Russia but then canceled due to EU interference.

Indeed, the EU has stepped up external energy cooperation efforts by signing energy partnership agreements with such countries as Kazakhstan and starting energy dialogues with African and OPEC countries and developing Black Sea and Caspian Sea initiatives. However, a truly coherent qualitative approach — moving from a market-governance approach to a geopolitical external energy negotiations approach — is still missing and there is a need to develop a univocal European negotiation position vis-à-vis third countries, including key Western producer states that are still resisting.

While very important, short-term measures such as gas storage, development of reverse gas flow infrastructure and new terminals for LNG are not enough, especially for those extremely vulnerable member states that are dependent on a single external energy supplier. We must continue looking for long-term energy diversification solutions—meaning energy suppliers, sources and energy infrastructure. The EU is currently working to bring gas to Europe from Azerbaijan via the Southern Gas Corridor, which will be opened in a few years. It is also developing a Mediterranean gas hub and supply

infrastructure with Norway.

However, establishing a univocal position and acting collectively in energy and climate diplomacy fields enables member states to negotiate as a single block and expand their competitiveness through reciprocity outside the EU. Currently, the EU is disadvantaged since third-party supplier states tend to use dual-pricing practices for domestic and exported resources. Also, there is no globally binding agreement that would force countries outside the EU to produce energy complying with EU environmental standards. This creates a “race to the bottom” in which other non-EU states try to produce power as cheaply as possible at the expense of environmental standards, safety and social requirements to maintain a competitive advantage. Only by finding measures to tackle these two issues — reciprocity outside the EU and social and environmental compliance — can the EU broaden the playing field regarding third-country producers.

Moreover, EU members differ in their vulnerability levels, and some are more resilient than others to supply shocks. However, the EU is based on the overarching principle of solidarity, and any state jeopardizing the security of other member states weakens and endangers the security and the economy of the EU as a whole. It is important to eliminate undue obstacles to competitive behavior that limit both market entry and exit. To achieve this, the EU first needs to engage the political issues in some member states that cause those states to impinge on common EU energy interests. Additionally, for coherent energy diplomacy, the commission should create monitoring and reporting mechanisms for intergovernmental agreements to reduce the possibility of noncompliance with EU legislation.

Secure external energy relationships and adequate administrative mechanisms should be developed as a crucial part of the Energy Union, complementing internal cohesion and improving pan-European security from outside threats.

When assessing the power balance among member states, the energy dimension is too often overlooked. In this interdependent world where instability in one region inevitably has implications elsewhere, the EU needs to achieve energy independence and security objectives to improve resilience.

In spite of prevailing criticisms and doubts, there is a strong conviction that the Energy Union is a feasible project as long as there is sufficient political will among member states and the strategy is implemented gradually and consistently. In the long run, an Energy Union based on the three pillars of security, competitiveness and sustainability would make Europe much stronger from security and economic perspectives. Therefore, we must accelerate our efforts and remove obstacles to developing a genuine Energy Union based on regional energy networks and complemented by secure external energy relationships and a common bargaining strategy with third countries. □



THE GOVERNANCE OF ENERGY SECURITY

A SENSIBLE ENERGY POLICY REQUIRES A REGIONAL AND GLOBAL PERSPECTIVE

By RŪTA BUNEVIČIŪTĒ
European Affairs Committee Office

The majority of articles in this issue discuss energy security in Europe, with Europe or for Europe. Some recent developments provide useful case studies in European energy security: first of all that is the exposure of European energy vulnerability amid the developing crisis in Ukraine, and second, the evolution of energy governance in Europe.

Energy governance is a set of instruments and practices that make energy policies work. Governance can only be successful if it is based on a consensus of goals and objectives. Good governance stretches beyond government institutions and involves various actors. At the supranational level, energy security is on the agenda not only of the European Union, but also of the United Nations, the G7 or the Organization for Security and Co-operation in Europe, just to mention a few. At the subnational level, it benefits from the involvement of civil society organizations, private businesses, municipalities and even social networks.

Governments stand at the center of energy security governance. The International Energy Agency points out that more than 70 percent of global oil and gas reserves are nationally owned. National governments also control nearly half of

global power generation capacities via state-owned companies. But even when governments do not control either reserves or generation capacities, they still have a defining role in policies that can enhance or set back energy security within their states and beyond.

Governments have the power to formulate credible energy policies based on clear choices and implement those policies through appropriate regulatory frameworks and budgetary decisions that provide adequate energy sector investment. Neil Hurst and Antony Froggatt in their Chatham House report on the Reform of Global Energy Governance point out that governments must balance their priorities, taking into account security, available budgets, environment, resource revenues, innovation and diplomatic relations. The outcome of these decisions helps determine not only the stability of energy markets and the level of carbon footprint, but also the dynamics of democratic development and international relations in the energy field.

European energy security, at the level of the European Union, has been neglected through the years mainly because of the difference in national energy mixes and the structures of national energy markets

as well as European capitals' strong belief in common sense and mutually beneficial partnerships between energy producers and consumers. Unfortunately, this belief was flawed. A common European energy security policy began to develop in response to the economic and geopolitical concerns of the past decade.

Outstanding European achievements over the last few years include the advancement in liberalization of the European gas market and the use of pipeline reverse flows. Though energy was at the heart of the founding treaties and much has to be done to enhance energy efficiency, European energy security governance is still young, and European energy policy is criticized much more often than praised. Jacques Delors, an iconic figure in European integration, argues that the energy sector is no exception to the current weakness of the European political system, and also of national systems "marked by pervasive short-termism" where "the immediacy of politics and financial profit outweigh all other factors." The proposed European Commission Energy Union, whose scope is still to be determined, should serve as a catalyst for the necessary energy transition in Europe and must overcome fragmentation and isolation of more than just the energy markets.

The intensity and success of those cooperative frameworks vary from region to region. Southeast Europe still needs political consensus to unlock the enormous alternative resource potential that would make the region a qualitatively different policy player, free from outside political influence.

At the same time, the Baltic region has emerged as a flagship for energy security projects. The Notre Europe report agrees with other experts that the Baltic Energy Market Interconnection Plan is "a clear illustration how regional cooperation can lead to operational decisions and concrete results such as key interconnections being built improving regional integration and removing isolation of the Baltic States." It has not always been smooth, given often diverging interests of stakeholders and the proximity of a monopolist energy resource provider-GAZPROM. Yet the plan, the commitment and the EU funds exist to stimulate additional investment. The path is thorny and rough, but it works.

In a broader sense, regional energy security collaboration between the EU and neighboring countries is critically important to ensure inclusive and efficient energy security governance on both sides. This collaboration offers a broad

Governance is broader than government and can only be successful if it is based on a consensus of goals and objectives. Good governance stretches beyond government institutions and involves many actors.

Governments must answer the question of whether to do it alone or with others. Among other practices, successful governance in Europe involves the integration of cross-border infrastructure. Within a broader European framework, regional energy security cooperation is emerging. A study commissioned by the European Parliament policy department concludes that two important focal points for further development of the EU energy market are increased cooperation among network organizations and regional cooperation within the EU.

Seven coupled regional markets are emerging within the EU, with regional projects for integrating gas, oil and electricity infrastructures.

range of opportunities, from traditional fossil fuel contracts to unconventional solutions. The EU Eastern Partnership and the entire European neighborhood would only benefit if energy security topped its agenda.

A report from Chatham House and the Grantham Institute for Climate Change points out that global energy governance will work only if it is inclusive. Achieving this goal requires a period of confidence-building measures leading to fundamental reforms. This is why this magazine also examines energy security governance in Africa — to better understand energy governance challenges and opportunities in different parts of the world. □





BUILDING A

UNITED

ENERGY FRONT

European disunity allows Russia to manipulate gas pricing

[By ION A. IFTIMIE, Marshall Center alumnus]

In 2014, Jean-Claude Juncker, president of the European Commission, placed the resiliency of a European Energy Union among his top three priorities for the member states. “We need to pool our resources, combine our infrastructures and unite our negotiating power vis-à-vis third countries” from the East, he announced in July 2014, stating his political intentions for the next European Commission. Not coincidentally, Juncker’s comment came two months after the newly drafted European Energy Security Strategy listed “improving coordination of national energy policies and speaking with one voice in external energy policy” as one of the “eight key pillars that together promote closer cooperation beneficial for all member states.”

Under this key pillar, “a particular area of interest is gas, where increased EU political level engagement with prospective supplier countries would pave the way for commercial deals without jeopardizing the further development of a competitive EU internal market. In addition, in certain cases, aggregating demand could increase the EU bargaining power,” the strategy states. But when it comes to a common plan for the Energy Union, European Union Energy Commissioner Maroš Šefčovič noted in February 2015 that “Central and Eastern European countries — largely dependent on Russian imports and having had some ‘bad experience’ — are keener on the plan than Western EU members, who have seen no market disturbance and are paying lower import prices,” The Associated Press reported.

While the Energy Security Strategy recognizes the continent’s dependence on Russian natural gas, it offers no real solutions other than increasing imports of liquefied natural gas (LNG). Furthermore, despite Šefčovič’s new common plan for the Energy Union, Europe lacks a strategy to grapple with Russia’s natural gas pricing schemes and supply disruption threats to re-establish influence in Eastern and Central Europe. As noted in an *INSS Strategic Forum* in 2011: “At best, Europe must live with continuing energy insecurity; at worst, a total breakdown of negotiations between the supplier [Russia] and transit country [Ukraine] could leave many European countries without heat or electricity.” Both options are unacceptable scenarios for the EU, and this article suggests that a robust Energy Union cannot be realized without the cooperation of all EU member states.

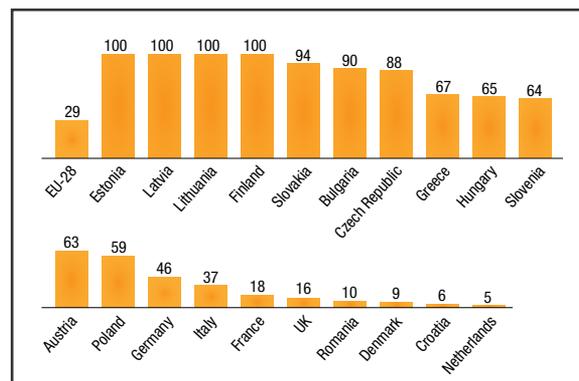
GEOGRAPHY OF NATURAL GAS DEPENDENCY

Reducing natural gas reliance is a top priority of the Energy Security Strategy because the EU is 65.2 percent dependent on imported gas. Furthermore, seven EU member states — Bulgaria,

Czech Republic, Estonia, Finland, Latvia, Lithuania and Slovakia — rely almost entirely on gas from Russia, which supplies at least 85 percent of these countries’ domestic natural gas consumption. These seven nations surpass, by at least 5 percent, Daniel W. Drezner’s energy dependence threshold outlined in his book, *The Sanctions Paradox: Economic Statecraft and International Relations*. It states that countries relying on a single supplier for more than 80 percent of their energy demands are more susceptible to coercion. This situation allows Russia to unilaterally set the price of natural gas without significant blowback from these EU member states.

The dependence on Russian natural gas of developed Western European nations differs significantly from that of developing Eastern and Central Europe and the Baltic states in two geographic respects: (1) proximity to Russia — the closer the nation, the more likely it is to be connected to Russian natural gas infrastructure and exports, and (2) access to affordable LNG supplies. Unlike the situation in Finland, the Baltic states, and Eastern and Central Europe, no one country holds a monopoly on natural gas piped to Western Europe. Furthermore, 21 operational LNG regasification terminals — a total of 191 billion cubic meters (bcm) in LNG import capacity — are located across eight countries, Eurogas reports. Together with an additional 65 bcm in LNG import capacity to be built over the next decade, LNG imports to Europe could make up a third of the 618 bcm of natural gas projected to be imported by continental Europe in 2030. Nevertheless, statistics indicate that by 2030, the Russian share of EU net imports could reach between 60 and 83 percent because member states might prefer unreliable, yet cheap, Russian gas to reliable, yet expensive, LNG imports.

Dependency rates (%) on Russian natural gas (2013 estimate)



Sources: Eurostat, Enerdata, Eurogas and Gazprom. Author’s calculations. Dependency rate is Russian natural gas imports divided by natural gas consumption (using Eurostat’s methodology of calculating the dependency rate, rounded to the nearest percent).

PER CONCORDIAM ILLUSTRATION



FSRU Toscana, an offshore-moored floating regasification plant, travels from Dubai to Livorno, Italy, where it is now permanently moored and used as a gas terminal and export point. REUTERS

OPPOSITION VOICES

Contrary to the belief that Europe will become hostage to a large energy supplier, two academics view the threat as exaggerated. “Has the dependence on Russian gas given Moscow political leverage over countries to the West? There is little sign of this,” Harvard University professor Andrei Shleifer and University of California, Los Angeles, professor Daniel Treisman wrote in *Foreign Affairs* in 2011. The two scholars argued that there is little evidence to suggest “a more sinister design in the Kremlin’s foreign policy — to re-impose Russian hegemony over the former Soviet states, and perhaps an even greater portion of Eastern Europe, by means of economic and military pressure.” Their main argument, made prior to the Russian annexation of Crimea, was an economic one — that Russia needs to sell its gas to Europe more than Europe needs to buy it.

“It is Russia’s dependence on the European market — and not the other way around — that is most striking. Europe, including the Baltic States, is the destination for about 67 percent of Russia’s gas exports (other former Soviet countries buy the other 33 percent) ... Given the extent to which Russia’s income and budget depend on this trade, losing its European clients would be a calamity.”

Shleifer and Treisman argue that the LNG market and the shale gas revolution knocked Russia’s gas industry “off balance” — a view shared by various EU officials. Former U.S. Undersecretary of Energy John Deutch wrote in 2011 that the results of the natural gas revolution will be that “countries that export large amounts of natural gas will suffer from lower than expected revenues and a reduced ability to use energy as a tool of foreign policy.”

Likewise, a multitude of journalists, scholars,

and scientists have written articles suggesting that decreased reliance on Middle Eastern resources could in fact enhance each region’s energy security. “Natural gas is not being affected by the global-geopolitical winds,” Christine Birkner wrote in *Futures* magazine. In Europe, the interpretation of data by these policy scholars could not be further from the truth.

PROBLEMS WITH OPPOSING ARGUMENTS

First, Shleifer and Treisman are incorrect in their assessment that Russia needs to sell its gas to Europe more than Europe needs to buy it. As illustrated in the EU Energy Security Strategy, Europe does not have a united energy policy and does not yet have a fully integrated energy market and infrastructure. In energy trade relations with Russia, each EU member state must be examined independently, which reveals that the Baltic states and many Eastern and Central Europe countries need to import Russian natural gas more than Russia needs to sell it to them.

For example, 90.3 percent of Bulgaria’s natural gas comes from Russia, but that amounts to only 1.2 percent of total Russian natural gas exports. If Russia decided to cut the supply of natural gas to Bulgaria, Bulgarians would greatly suffer, while Russia would simply recoup its losses by slightly increasing its natural gas exports to other European nations.

Second, the LNG market and the shale gas revolution did nothing to knock Russia’s gas industry off balance, as Shleifer and Treisman argued. Within the EU, LNG is available mostly to Western European nations. The 21 operational LNG regasification terminals are in Belgium, France, Greece, Italy, the Netherlands, Portugal, Spain and the United Kingdom. If Greece is counted as part of Eastern and Central Europe, then the Revithoussa LNG Terminal, with a capacity of 5.3 bcm per year, is the only operational LNG regasification terminal in that part of Europe. Furthermore, the two other LNG projects in Eastern and Central Europe being considered were initiated by the two Eastern and Central European countries that are least dependent on natural gas imports, Romania and Poland, representing only 2.3 percent of natural gas that will be imported to continental Europe by 2020.

The Swinoujscie LNG terminal could supply Poland with 7.5 bcm per year by 2018, while the Azerbaijan-Georgia-Romania Interconnector would supply Romania with 8 bcm per year.

The remaining Eastern and Central European nations would stay almost entirely dependent on Russian gas. Even in those states with access to LNG terminals, the high costs of transporting LNG makes Russian gas more affordable, despite its unreliability. The Revithoussa LNG Terminal, for example, only processes between 0.51 and 0.68 bcm annually of its 5.3 bcm capacity, and Greece's dependency ratio on Russian natural gas was still 67.5 percent as of 2013.

GEOPOLITICS OF NATURAL GAS

In 1858, Abraham Lincoln prophetically warned that the U.S. was becoming a house divided, emphasizing that “a house divided against itself cannot stand.” In 2011, then-EU Energy Commissioner Günther Oettinger said “the energy challenge is one of the greatest tests” for the EU, primarily because of the lack of agreement on a common plan among member states.

While Russian natural gas imports represent 28.7 percent of the EU's natural gas consumption — less than 7 percent of the EU's overall energy consumption — it also represents 66.1 percent of Russia's overall natural gas exports. Simple arithmetic dictates that a complete shutoff of Russian natural gas to Europe would hurt the Russian economy more than the EU's economy, but it would also bankrupt the industry of the Baltic states, Finland and most Eastern and Central Europe countries. Because the price they would pay is significantly higher, these nations are less likely to stand united with the West against Russia beyond just words. In such cases, Russia would need only to find a reason to renegotiate the price of natural gas with these nations to silence them. Because of natural gas pipeline politics, the EU remains divided between East and West.

But these divisions between the center and the periphery of the EU — between old and new Europe — originate in the history and the geography of the Eurasian supercontinent. Nations such as Germany and France have historically carried out bilateral relations with Russia on equal footing, while conducting business with the countries in between from a position of superiority. Diana Bozhilova, a postdoctoral research fellow at the London School of Economics, explains this type of relationship, which continues at different echelons today, by the fact that the EU's center — broadly composed of Western European countries — has more experience dealing with Russia than Eastern and Central Europe:

“Old Europe ... is relatively more experienced with international high politics through the conduct of two world wars. Moreover, there exist historical elements of equality in the internationalization of their respective relationships with both the former USSR and Russia throughout much of the twentieth century. As a result, their ‘knowledge’ of and experience with bilateral relations with Russia is invariably greater than that occurring between the CEECs and Russia.”

Both Russia and the European center continue to see international politics as “a series of tête-à-têtes between great powers,” Mark Leonard and Nicu Popescu wrote in a 2007 European Council on Foreign Relations article. They seduce each other with economic incentives in spite of the political consequences to the countries in between — which more often than not are viewed as “costly distractions,” Edward Lucas wrote in his 2008 book *The New Cold War: Putin's Russia and the Threat to the West*. This is particularly true of Russia's relationship with Germany, where the emergence of Russia as a more assertive player in international relations coincided with improved dynamics in political and economic relations between the two nations.

Despite fighting two world wars against each other, Russia's special relationship with Germany dates back to the 18th century, when Russian Czaress Catherine the Great allowed German nobles to control the Baltic provinces and encouraged German farmers to inhabit the Volga basin. Economic and political ties continued to strengthen in prerevolutionary Russia, when royal families intermarried and Germany invested plenty of capital in Russia. This historic relationship was renewed after Germany's reunification, particularly due to eastern Germany's dependence on Russian natural gas.

In recent years, collaboration on projects such as the construction of Russia's Nord Stream gas pipeline beneath the Baltic Sea to Germany, a pipeline that is meant to bypass Poland and Ukraine and thus decrease their geostrategic influence, further emphasized that Germany places its relationship with Russia before its relations with other Eastern and Central European nations. Former German Chancellor Gerhard Schröder, whom Moscow recruited as CEO of Nord Stream by paying him a substantial salary, personally championed the newfound Russo-German economic alliance by testifying that Germany “must be a partner of Russia if we want to share in the vast raw material reserves in Siberia. The alternative for Russia would be

to share these reserves with China,” Daniel Freifeld wrote in his 2009 *Foreign Policy* article.

Radek Sikorski, then-Polish minister of foreign affairs, compared the new Russo-German relationship and the Nord Stream project to the Molotov-Ribbentrop Pact. That nonaggression treaty between Germany and the Soviet Union at the start of World War II divided Eastern and Central Europe into Soviet and German spheres of influence, allowing each country to annex chunks of Poland.

RUSSIAN DECEPTION

In its relations with Germany, the Russian leadership, particularly President Vladimir Putin, proved to be masterful at deception. He convinced the German political class that Russia is a reformed regional power and a credible European partner, effectively changing the narrative/rhetoric in the German public sphere from Russia as antagonist threat to Russia as protagonist partner. Ironically, given Russia’s recent annexation of Crimea, Russian Prime Minister Dmitry Medvedev previously declared that “the highly efficient cooperation between Russia and Germany in the international arena [has benefited] the strengthening of global and regional stability and security,” a 2011 *International Affairs* article reported.

Throughout the EU, this cognitive dissonance with regard to Russia is to blame for Russia’s military interventions in Ukraine. While Putin provided economic incentives to Germany by opening his country’s markets to German companies — Daimler Chrysler, BMW, Deutsche Bank, etc. — at the same time he took advantage of this friendship to increase his grasp over the Eastern and Central European natural gas market. And, with Germany remaining Russia’s largest market for gas, it is unlikely that Germany will forgo Russia’s economic incentives for the sake of Eastern and Central European anxieties, even though in the long term this economic alliance will cause political disunity within the EU. The lack of political agreement between the old and new Europe, particularly in the field of natural gas, means that Russia increasingly sets the terms of the debate, and many Eastern and Central European member states fear the EU will not support them if Russia uses economic coercion.

Improvements in Russo-German commercial relations have been followed by progress in business relations between Russia and France. The planned sale by France, a NATO member, of Mistral-class warships to Russia also gave birth to a strong Franco-Russian relationship that is best described

through the prophetic words of former French President Charles de Gaulle: “for France and Russia to be united means being strong, being separated means being in danger. Indeed, this is an immutable condition from the viewpoint of geographical location, experience and common sense.”

Correspondingly, the French position — despite recent support for economic sanctions against Russia — has been that “close ties with Russia can be regarded not only as a means of augmenting the power of France within the European Union but also the power of Europe itself.”

This close relationship persuaded the two nations to dedicate the names of the year 2010 to each other, according to a 2011 *International Affairs* article by Marina Arzakanyan and Tatyana Zvereva:

“At the end of the twentieth and beginning of the twenty-first-centuries, Russian-French relations with their long traditions became a strong monolith of political, economic, scientific, educational, literary and art affairs. The two states have entered a stage of privileged partnership. This prompted the governments of both countries to declare 2010 the Year of Russia in France and the Year of France in Russia.”

DIFFERENT APPROACHES TO RUSSIA

But Europe’s core alone cannot be blamed for EU divisions. Leonard argued that EU member states were already divided over their relationship with Russia, and Russia is slowly emerging as the victor in its relations with the EU. To prove this point, Leonard divided EU member states into five categories that differentiated each country’s partnership with Russia — particularly with regard to European policies: Trojan horses, strategic partners, friendly pragmatists, frosty pragmatists and new cold warriors. According to Leonard and Popescu:

“‘Trojan Horses’ (Cyprus and Greece) who often defend Russian interests in the EU system, and are willing to veto common EU positions; ‘Strategic Partners’ (France, Germany, Italy and Spain) who enjoy a ‘special relationship’ with Russia which occasionally undermines common EU policies; ‘Friendly Pragmatists’ (Austria, Belgium, Bulgaria, Finland, Hungary, Luxembourg, Malta, Portugal, Slovakia and Slovenia) who maintain a close relationship with Russia and tend to put their business interests above political goals; ‘Frosty Pragmatists’ (Czech Republic, Denmark, Estonia, Ireland, Latvia, the Netherlands, Romania, Sweden and the United Kingdom) who also focus on business interests but are less afraid than others to speak out against Russian behavior on human rights or other issues; and ‘New Cold

Warriors' (Lithuania and Poland) who have an overtly hostile relationship with Moscow and are willing to use the veto to block EU negotiations with Russia.”

Not surprisingly, in March 2011, then-Lithuanian Energy Minister Arvydas Sekmoka accused Russia of often putting “political and economic pressure” on the Lithuanian government. Looking at 2013 data, Russia did indeed charge the new cold warriors higher natural gas rates than other EU countries for taking steps to break away from Russia’s natural gas monopoly, while Russia’s strategic partners paid significantly less for Russian gas.

Unfortunately, it may take the Baltic states, Finland, and other Eastern and Central European EU member states years, if not decades, to break free from dependence on Russian natural gas, while Europe’s core will continue to enjoy the benefits of cheap natural gas from Putin’s Russia at the expense of the periphery. Ultimately, EU member states must understand that their lack of unity will only contribute to Russia’s grand strategic political goal of weakening the EU’s geostrategic position and asserting Russian control over its traditional sphere of influence. With this in mind, a 2009 report published by the U.S. Council on Foreign Relations concluded that “no magic bullet will rescue Europe from its dependence on Russia for the foreseeable future.”

CONCLUSION

The EU must consolidate its bargaining power in its natural gas negotiations vis-à-vis Russia, Edward Christie, Pavel Baev, and Volodymyr Golovko wrote for FIW-Research Reports in March 2011. To date, however, this common energy policy “is seriously hampered by member states’ efforts to defend their sovereignty: based on differing energy mixes, differing suppliers, and differing priorities the member states pursue national energy strategies that are only barely compatible with each other. Despite a perceived similarity of the challenges, the member states face and the strategic objectives they ascribe to a common energy policy (security of supply, stable prices, and environmental protection), they nevertheless adhere to national strategies, which make them pull the common energy policy into opposite directions,” according to a 2011 article published by the Center for Applied Policy Research. Ultimately, a divided Europe that does not have a common energy security policy and a strong institution to enforce it, is not only a weak



Spanish Prime Minister Mariano Rajoy Brey, European Commission President Jean-Claude Juncker, French President Francois Hollande and Portuguese Prime Minister Pedro Passos Coelho meet in Brussels in December 2014. The EU banned all investment and cruise ships from Crimea’s ports as punishment for Russia’s annexation from Ukraine. AFP/GETTY IMAGES

Europe, but also a household whose members represent a liability for the EU.

Zeyno Baran, director of the Center for Eurasian Policy and a senior fellow at the Hudson Institute, wrote in a 2007 *Washington Quarterly* article: “Russia, the European Union’s primary natural gas provider, has deliberately taken advantage of this lack of cohesion to gain favorable energy deals and heighten European dependence on Russian supplies.” Most Eastern and Central European countries — Europe’s periphery — are vulnerable to Russia’s use of natural gas pricing as an instrument of coercion, and they are bound to remain so without the support of Europe’s center: Germany, France and Italy.

While Russia can afford to set the price of natural gas supplies to individual countries because of the asymmetric interdependence in the trade of natural gas between these states and Russia, Russia could not use natural gas pricing as an instrument of coercion against a united Europe. The consolidation of bargaining power in Europe would then mean that Russia needs to export its natural gas to Europe as a whole just as much, if not more than, than Europe as a whole needs to import it from Russia. □

ION A. IFTIMIE is the author of Natural Gas as an Instrument of Russian State Power. It appears on NATO’s recommended reading list and was originally published with the Strategic Studies Institute under the pen name Alexander Ghaleb. Westphalia Press, an imprint of the Policy Studies Organization, republished a second edition in 2015 using the author’s actual name.



TURKEY'S ENERGY STRATEGY

The country's attempts to wean itself from Russian gas affect Euro-Atlantic security

By Professor Dr. Oktay F. Tanrisever,
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Turkey's energy strategy, which has been shaped jointly by the Ministry of Energy and Natural Resources and the Ministry of Foreign Affairs, seeks to find secure, reliable and cost-effective supplies for its energy-hungry industry. The Energy Market Regulatory Board, on the other hand, sets the rules for the energy sector as a whole. Its rules ensure fair competition for all investors, public and private, as well as domestic and international. This body contributes to the Europeanization of market norms and principles in this sector.

Having an energy strategy is important for Turkey, a significant NATO ally strategically located in the southeastern part of the Euro-Atlantic region. Achieving harmony between the domestic and external dimensions of Turkey's energy strategy is essential for enhancing Turkey's overall energy security. The strategy's central elements include the security of supplies and the diversity of sources in addition to energy efficiency and greater use of renewable resources.

Turkey's location helps it play a constructive role in the energy security of the Euro-Atlantic region. To the east are the energy-rich Caspian Sea and the Persian Gulf regions; to the west are the economically developed European markets of the eastern Mediterranean, with its high demand for energy. Turkey seeks to construct as many oil and natural gas pipelines as possible to provide a safer and cheaper way to carry energy from east to west.

Although Turkey defines its energy strategy in close cooperation with the United States and the European Union, the nation's main weakness stems from Ankara's increasing dependence on Russian energy. Poland, the Baltic states, Greece, Austria and Germany also have high levels of dependence on Russian oil and gas. This reliance puts these countries at risk, especially considering the ongoing Ukrainian crisis, rooted in Russia's strategy to undermine Ukraine's drive for Europeanization.

As Russia becomes increasingly interventionist, Turkey's energy strategy becomes even more important to the Euro-Atlantic nations' need for energy security. It is essential for Ankara to coordinate energy security policies with the Euro-Atlantic world. A greater coordination among Turkey, the U.S. and the EU is important to prevent Russia from exploiting Turkey's energy vulnerabilities.

Moscow's use of European energy vulnerabilities has become a key characteristic of Russian foreign policy. Immediately after the Ukraine-Russia natural gas crisis of early 2006, the EU started to take energy security very seriously.

Brussels began to emphasize the need to develop a coordinated and common EU position on energy trade with Russia. The EU Commission has already published a green paper and strategic paper on energy security to foster coordination. NATO and the EU, as the two major multinational institutions of the Euro-Atlantic world, have also enhanced coordination.

Turkey's role in Euro-Atlantic energy security seems to be as a bridge between Europe and the rich energy resources to its east and south. Not surprisingly, Russia and Iran oppose Turkey's energy strategy and the Euro-Atlantic energy security perspective. The potential for competition between Turkey and Russia, as well as Iran, is evident since Turkey's unique position challenges Russian and Iranian hegemony over the energy transportation routes of the other Caspian states: Azerbaijan, Kazakhstan and Turkmenistan.



Russian President Vladimir Putin, left, and his Turkish counterpart, Recep Tayyip Erdogan, attend a press conference in the presidential palace in Ankara, Turkey, in December 2014. Among the topics discussed was Russian gas shipments to Turkey. EPA

In aligning its energy strategy with European energy security policy, Turkey is contributing to the policy of diversification of resources. Turkey's geographical position enables it to foster interdependencies in the region, politically and economically, and to serve as a conduit to Europe, Eurasia and the Middle East. Nevertheless, to realize this energy strategy, Ankara needs to develop sustainable energy relations with the countries of the Caspian Sea region so that they can bypass Russia and Iran.

As Russia becomes increasingly interventionist, Turkey's energy strategy becomes even more important to the Euro-Atlantic nations' need for energy security. It is essential for Ankara to coordinate energy security policies with the Euro-Atlantic world. A greater coordination among Turkey, the U.S. and the EU is important to prevent Russia from exploiting Turkey's energy vulnerabilities.

NEIGHBORHOOD ENERGY DIPLOMACY

For its ambitious energy strategy to work, Turkey also needs to engage in sophisticated diplomacy with neighboring regions, in addition to the Caspian Sea nations: the Middle East and the eastern Mediterranean. The Caspian Sea region represents the backbone of Turkey's energy diplomacy toward its neighbors, which combines the energy interests of the Caspian Sea countries with those of the Euro-Atlantic countries in such a way that Turkey becomes a regional energy hub.

The Baku-Tbilisi-Ceyhan (BTC) oil pipeline and Baku-Tbilisi-Erzurum (BTE) natural gas pipeline are core elements of Turkey's energy diplomacy. Ankara aligns its energy policies with those of Azerbaijan and Georgia, which are both oriented toward the Euro-Atlantic world. Azerbaijan and Georgia have serious conflicts with Russia over ethno-territorial conflicts in Abkhazia, South Ossetia and Nagorno-Karabakh. These conflicts established the geopolitical rationale for them to resist Russian hegemony in the Caucasus in the post-Soviet era.

In close cooperation with Azerbaijan, Georgia and the U.S., Turkey succeeded in bringing Azerbaijan's crude oil and natural gas to Turkey through the BTC and BTE pipelines. The successful realization of these projects has reduced Russia's influence over Azerbaijan's energy resources and Turkey's dependence on Russia by enabling Baku to bypass Russia for access to international energy markets and Turkey to diversify its energy.

Turkey and Azerbaijan have sought to supply the European natural gas market from Azerbaijan's Shah Deniz 2 natural gas field. After a long period of deliberations, Turkey and Azerbaijan agreed to construct the Trans-Anatolian Pipeline (TANAP). Major energy companies such as BP and Statoil are also contributing to this project. TANAP is expected to be operational by 2018. The Trans-Adriatic Pipeline (TAP), linking Turkey to Greece, Albania and Italy, will distribute this gas from Azerbaijan to the internal European energy market.

The successful realization of the BTC and BTE pipelines in the last decade has shifted the priority of extending these pipeline networks to the east and south in the current decade. In the east Caspian Sea region, Kazakhstan and Turkmenistan do not enjoy Azerbaijan's geographical advantages to export energy to Europe via Turkey. In fact, Kazakhstan and Turkmenistan, geopolitically denied access to European energy markets, remain largely dependent on Russia to export their energy. Their only other option is to export energy to Asian markets, orienting them toward China and India.

Moscow assumes it can keep the post-Soviet Caspian states within its sphere of influence if they are dependent on Russia to export oil and gas. Its effectiveness in playing Azerbaijan and Kazakhstan against Turkmenistan and Iran over the status of the Caspian Sea made Russia a key player in the development of regional hydrocarbon resources. Moscow also controlled the export pipelines for Kazakhstan, Turkmenistan and Azerbaijan. By manipulating conflict over the status of the Caspian Sea, Moscow prevents the realization of the Trans-Caspian pipeline, which would transport Kazakhstan's and Turkmenistan's energy to Europe.

In the Caspian region, Iran's policies seem to be aligned with Russia's. Tehran helps Moscow block realization of an East-West energy corridor between the energy producing countries in the region and consumers in Europe, via Turkey. In theory, the interim agreement on Iran's nuclear program with the Group of 5+1 countries has the potential to change Iran's long-term anti-Western policy. This could weaken Russia's position.

Pipes slated for the South Stream gas project are stored in Mülheim, Germany, in December 2014. Russia's Gazprom announced it was canceling the trans-Black Sea pipeline project that same month. EPA





Turkish Energy Minister Taner Yildiz, left, attends a news conference with Iraqi Oil Minister Adel Abdel Mehdi in Baghdad in January 2015. Iraq exported 375,000 barrels of oil per day for the first three months of 2015 from oil fields in and around the Kurdish region. REUTERS

Since Turkey has largely failed to transport an adequate amount of natural gas from the Caspian Sea to Europe via pipeline, it needs to find additional natural gas sources from the Middle East and the eastern Mediterranean. In the Middle East, only Iraqi energy resources are close enough geographically to contribute to Turkey's strategy of completing an East-West energy corridor. Agreements in 2014 between Turkey and the Kurdistan Regional Government (KRG) created significant opportunity not only for regional energy cooperation, but also for linking the natural gas resources of Iraq with the European Southern Energy Corridor. In addition to the existing Kirkuk-Yumurtalik oil pipeline, a new, already-operational oil pipeline and a planned natural gas pipeline between the KRG and Turkey will enhance the prospects for Turkey's East-West energy corridor.

The eastern Mediterranean, with its considerable proven natural gas reserves, has become another important region for Turkey to realize its East-West energy corridor. Although the development of these resources already has increased regional rivalries, exporting natural gas from Israel and Cyprus to Europe via Turkey seems to

be the most cost-effective option and a basis for regional energy cooperation. To facilitate this, Ankara should prioritize the normalization of relations with Israel, as well as the peaceful settlement of the Cyprus conflict.

RUSSIA'S DEPENDENCY STRATEGY

A major challenge to Turkey's energy strategy stems from the increasing dependence of Turkey and other Eastern European countries on Russian energy supplies, as well as Russia's tendency to manipulate this dependency to extend regional influence. Russia's use of energy as a foreign policy tool creates significant risks to Euro-Atlantic energy security.

Turkey's energy trade with Russia dates to the late 1980s, when Ankara agreed to import natural gas from the then-Soviet Union through a natural gas pipeline known as the "western route" passing through Ukraine, Moldova, Romania and Bulgaria. Turkey's energy cooperation with Russia intensified after the realization of the Blue Stream natural gas pipeline project, signed in 1997. The Blue Stream pipeline provides Turkey with Russian natural gas through a direct pipeline under the Black Sea. However, Blue Stream

has increased Turkey's dependence on Russian gas considerably. Gazprom, Russia's state-controlled natural gas company and one of the biggest energy companies in the world, seems to be interested in acquiring a significant share of the natural gas distribution networks inside Turkey as well.

In addition to natural gas, Russia is also a key crude oil supplier to Turkey. Turkey's dependence on Russia's oil increased as Turkey decided to shift its imports from Iran to adhere to internationally agreed sanctions against Iran's noncompliance with the nuclear nonproliferation regime. Russian oil companies have also shown great interest in Turkey's dynamic fuel oil sector. One of Russia's leading oil companies, Lukoil, entered Turkey's energy market by buying the Akpet retail fuel company.

Turkey's energy dependence on Russia grew with the decision to build a nuclear plant for generating electricity in Mersin Akkuyu. Turkish Energy Minister Tamer Yildiz and Russian Deputy Prime Minister Igor Sechin signed an agreement in May 2010 to build the power plant. The project has been criticized as environmentally risky, especially after the Japanese Fukushima disaster in 2011. Environmentalists note that Turkey is in an earthquake zone and that the country lacks expertise in verifying nuclear power safety measures. Russia's reputation for nuclear safety has suffered since the Chernobyl nuclear accident.

BREAKING DEPENDENCE

The energy strategies of Turkey and Russia are very competitive and clearly rival each other. Turkey's strategy of creating an East-West energy corridor, labeled the Southern Energy Corridor by the EU, is a vital alternative to Europe's dependence on the Russian-controlled Eastern Energy Corridor. The strategic importance of the Southern Energy Corridor is that it could enable the EU to diversify energy supplies and minimize dependence.

EU-Russia differences over the supply of natural gas to Southeastern Europe put Turkey's energy strategy to a test in recent years. The planned Nabucco project, to be constructed between Turkey and the Austrian natural gas hub in Baumgarten, passing through Bulgaria, Romania and Hungary, was designed to rival the Russian natural gas project South Stream, which follows the same route except that Romania is replaced by Serbia.

Although the Nabucco project's main problem was its failure to secure an adequate natural gas supply — Azerbaijan's Shah Deniz 2 field could meet only half of Nabucco's capacity — its strength was in the endorsement of the European Commission. In contrast, while the South Stream project is not endorsed by the European

Commission, its strength lies in abundance of Russian natural gas.

In a surprising move, Turkey's construction approval for South Stream, under the Turkish Exclusive Economic Zone in the Black Sea in December 2011, strengthened Russia's position in the politics of pipelines in the Black Sea region. Although Russia is clearly the main beneficiary of this deal, Turkey would have some gains and losses. Turkey is believed to benefit mainly by receiving a considerable reduction in the price of Russian natural gas from the Western route.

After the Ukraine crisis, Russia admitted that the South Stream pipeline could not be realized because of Gazprom's noncompliance with the EU's Third Energy Package guidelines as well as economic sanctions imposed over its annexation of the Crimea and its role in destabilizing Eastern Ukraine. To make Turkey more vulnerable to Russia, Russian President Vladimir Putin announced in December 2014 that the South Stream project would be redefined as "Turkish Stream." This was a clear blow to Ankara's declared strategy of becoming a European energy hub as an alternative to Russia. It weakens Turkey's commitment to the EU Southern Energy Corridor as well as to the TANAP project. In addition, the deal is likely to reduce Russia's dependence on Ukraine, which will be bypassed by the proposed "Turkish Stream" natural gas pipeline. This project could make Turkey more vulnerable to Russian pressures. Therefore, this is not good news for Turkey's energy security or for Turkey's regional and nonregional Euro-Atlantic partners.

CONCLUSION

As an emerging energy hub with growing industrial production, Turkey views energy security as critically important for overall Euro-Atlantic energy security. Nevertheless, Turkey's energy diplomacy has been limited by a lack of adequate capabilities to play this vital role. Its overdependence on Russia undermines not only Turkey's energy security, but also the Euro-Atlantic world as a whole since it makes Turkey, an important NATO ally, vulnerable to Moscow's manipulations.

To enhance its energy security, Turkey should increase coordination of its energy strategy with NATO and the EU. Only through such coordination can Turkey realize its role as the regional hub of the Euro-Atlantic for energy resources from the Caspian Sea, Middle East and the eastern Mediterranean. Although Turkey has made significant progress in Europeanizing its energy sector, the opening of the energy chapter in the negotiations for full EU membership could also further contribute to the energy security of Turkey and its allies. □



POWERING

SOUTHEAST EUROPE

The region should focus on cooperation in producing and distributing energy

BY JULIAN POPOV, *energy policy advisor*

Smoke billows from the towers of a coal-powered power plant in Obilić, Kosovo. Coal remains a heavy contributor to the energy supply of many Southeast Europe countries.

REUTERS

The Schuman Declaration that laid the foundations of the now vast and complex European Union had one main objective: to prevent another devastating conflict in Europe. And it had one main mechanism for achieving its objective — making war “materially impossible.”

The founding fathers of the EU knew painfully well — “unthinkable” is not enough. Europe was recovering from two consecutive world wars that at some moment in time had been unthinkable. However, they did happen. We are now witnessing another unthinkable conflict unfolding in front of our eyes — the aggressive erosion of Ukraine.

The rational agreements that were supposed to make future European conflicts unthinkable are failing. And in this degradation of the post-war European order, energy is playing a key part.

ENERGY PRESSURE

Ukraine runs one of the least energy-efficient economies. The energy waste and the distorted, or even nonexistent, energy market made the country highly dependent on energy imports from Russia. The amalgamation of the political and the energy-sector elites made the country highly vulnerable to external influence.



Southeast Europe, a region that extends from Italy to Turkey, might not be an immediate target for a Russian, or any other, external destabilizing ambition, but historically the region has proven to be highly susceptible to conflicts that could spill beyond its borders.

In a 2006 interview, just before Bulgaria joined the EU, Vladimir Chizhov, then-Russian ambassador to the EU and a former deputy foreign minister, said that he hoped Bulgaria would be a Russian Trojan horse in the EU. This may have been a slip of the tongue. The statement, however, remains to this day a symbol of how Russia treats, or would like to treat, countries in the Balkans. Energy projects are the bloodstream of such a strategy.

SOUTH STREAM

Southeast Europe is traditionally an attractive target for Russian influence. The recent saga of the South Stream gas pipeline project, which was supposed to cross the Black Sea and enter the EU on the Bulgarian coast, was yet another reminder of Russia's nostalgic imperial aspirations. The highly politicized pipeline project grew more and more expensive, its projected cost reaching an estimated 7.4 million euros per kilometer. Analysts suggest comparable infrastructure would cost just over 2 million euros per kilometer if built in Germany, where land and labor are considerably more expensive. While the precise numbers could be debated, it is clear that every kilometer carried a vast price tag above any commercial justification.

The bloated cost supported activities and interests that were heavily influencing political decisions, and even legislative processes, in a number of countries. The negotiations regarding South Stream in Bulgaria have been blamed for the collapse of a major bank in the country and even the government in 2014. South Stream is just one example, though probably the most dramatic. Nuclear projects, coal power plants and large hydroelectric projects are often justified without transparent political debate or commercial logic.

BALKAN FRAGMENTATION

The political fragmentation of Southeast Europe produces the best environment to enable the Trojan horse theory. For a region that gave management theory the term "Balkanization," meaning internal organizational division, this is not surprising.

Today, some Southeast European countries lack a solid common platform for a coordinated energy policy. Some countries are part of the EU; others are not. Some countries are part of the Energy Community; others are not. Various conflicts mark the history of the region, where most people have a distorted but remarkably strong memory of past wrongs.

South Stream is an intriguing reminder of regional fragmentation. It is difficult to say to what extent the pipeline would have brought energy security or economic benefits to the region. However, had the countries affected by the project acted collectively and transparently, the pipeline would probably not have been canceled, and its cost would have been comparable to that of similar infrastructure in Western Europe.

Electricity generation overcapacity is another reminder of problems arising from the region's fragmentation. Countries such as Bulgaria or Romania have an excess of generation capacity. Others — Turkey and some Western Balkan countries — cannot always meet their power supply needs. The lack of a developed regional power market does not allow generation capacity to be shared properly. As a result, some countries will continue to experience power cuts while others will develop additional capacity by building isolated plants that won't pay a return on the significant investment.

RENEWABLES

Southeast Europe enjoys by far the richest economically viable renewable energy potential in Europe. It has plentiful wind, abundant biomass and geothermal energy, and up to 50 percent higher solar irradiation



This dry shoreline in April 2014 at the confluence of the White Drin and Black Drin rivers near Kukes, Albania, is normally covered by water. Albania, which relies almost entirely on hydroelectric generation, saw water flows cut by 40 percent from drought, demonstrating the need for regional cooperation in energy provision. REUTERS

than areas in Germany where some of the largest European photovoltaic solar power plants are located. Southeast Europe is also the only European region where the significant potential for hydroelectric power generation is not fully developed. The hydro potential of the region offers a good solution for plugging holes in intermittent generation from other renewables sources.

Renewables are a clean and indigenous energy source that could significantly increase the energy security of Southeast Europe, create jobs and make the region a valued contributor to EU climate mitigation objectives. To benefit fully from this renewable resource, much closer regional coordination is required, not least because of the need to compensate for intermittent generation.

Southeast Europe is a politically vulnerable and economically promising region, with the Balkans offering the most economical option for a foreign power wishing to destabilize Europe. Its energy security is not simply a matter of guaranteeing uninterrupted national energy supplies; it is also a matter of reducing national and regional security risks.

Going back to the Schuman declaration,

Europe needs an arrangement that would make using energy to destabilize Europe “materially impossible.” Europe needs formalized Southeast European energy cooperation that would closely interlink energy infrastructure and markets. The question is, however: What kind of infrastructure and what kind of markets?

IT'S NOT ABOUT GAS

When we talk about energy security, we tend to focus on natural gas. There are good reasons for this. Many countries are highly dependent on gas, and it is usually imported through cross-border pipelines with a high level of political sensitivity. The picture, however, is more complicated.

Southeast Europe includes countries with high levels of gas consumption — Austria, Italy, Romania and Turkey — and countries with low levels of gas consumption — Albania, Bulgaria, Greece, Kosovo and Serbia. It's unlikely gas prices will significantly increase in the near future.

First, gas is not price competitive with Southeast Europe's biomass. Many countries in the region do not have developed infrastructure that could bring gas to most homes. The cumulative investment to connect the majority of



Two pipes mark the site where Serbia began construction of its section of the South Stream natural gas pipeline to bring Russian gas to Southeast Europe. Bulgaria halted work on its section in August 2014 because it does not meet European Union competition laws, causing indefinite postponement of the project. AFP/GETTY IMAGES

households to the gas network is huge.

Second, new energy-efficiency policies are starting to work. They not only reduce energy use, but also bring deep energy system changes. From 2018, the new Near Zero Energy (nZEB) standard for new buildings will be introduced across the EU. This will mean that gas would most likely not be needed in new buildings.

The nZEB standard, as well as other high-efficiency building standards, are starting to have an effect outside the EU. The new building standards, including retrofitting older structures, could make electricity much more efficient for heating and could reduce reliance on gas.

We are witnessing a parallel trend of electricity, not just in buildings, but transport. We might treat electric cars as an eccentric and expensive novelty (as we treated digital photography and mobile phones 20 years ago), but they will soon

significantly impact the energy system.

In that sense, the most probable cause of increased gas consumption in Europe would be replacing coal and lignite power plants with gas generation. This is particularly relevant for Southeast Europe, where domestic gas infrastructure is very limited and lignite deposits abundant.

Gas, of course, will continue to play an important role in the foreseeable future. In order for the gas trade and infrastructure agenda not to be hijacked, the region must develop a functioning gas market to guide infrastructure development.

ELECTRICAL NETWORK IMPROVEMENTS

For Southeast Europe, energy security cannot stop at gas, even if the region develops a fully liberalized gas market, an objective still far beyond the horizon. Developing a functioning regional electricity market should be a priority. The reason is simple. Southeast Europe has limited deposits of natural gas. It does, however, have a widely varied and well-developed power-generation sector spanning hydroelectric and renewables.

Given the trend for building and transport electrification, the region will benefit hugely from well-connected transborder power grids, a liberalized power market and proper integration of growing renewables generation capacity.

Contrary to popular opinion, renewables will reduce wholesale power prices and open opportunities for stable and lower, market-driven consumer power prices. This development, however, is difficult to achieve simply in the framework of national power systems. Renewables generation needs a larger territory for sharing, storage and balancing of the system, including across time zones. Properly structured regional energy cooperation is required for the utilization of hydroenergy. Currently, the region is strewn with conflicts or disagreements that block the mutually beneficial development of available hydro resources. Regional cooperation is needed to ensure the environmental sustainability of hydroenergy potential.

ENERGY EFFICIENCY

The first question should be: How much energy does the region need? There is not a simple answer, but one thing is clear — Southeast Europe does not use energy efficiently. Low energy efficiency represents an additional and significant energy burden. Romania and Bulgaria are the two least energy-efficient countries in the EU. Most of the Western Balkans score no better. Finding a workable and scalable model for reducing energy intensity will provide economically and socially attractive energy security in the region.

This is much easier said than done. A major problem is the low energy efficiency of housing stock. Residential properties are mostly privately owned, and finding a way to develop large-scale energy-retrofit projects for residential buildings is proving hard. Most residential retrofitting for energy efficiency is now done by private owners and municipalities, but it could become a regional initiative. Climate conditions, building standards, materials and skills are similar throughout the region. Heating and cooling systems also share similarities. A regional initiative for retrofitting buildings would be complex and initially unattractive for financial institutions, but the return in terms of economic activity, social benefits and energy security would be huge.

ENERGY UNION

These opportunities and ideas have been floating around for some time, but only serve as partial solutions for a region that has been traditionally seen as troublesome and — as far as energy is concerned — as a corridor connecting Central Europe with alternatives to Russia gas sources.

Following the Ukrainian crisis, the EU embraced creating a European Energy Union. Essentially, this would strengthen the resilience of Europe against energy supply interruption and the use of gas imports for geopolitical ends. The idea quickly evolved beyond gas and is now moving toward a deeper coordination of all key European energy policies. A regional approach to energy infrastructure and market integration with a specific focus on Southeast Europe have taken an important place in the concept.

The Energy Union should recognize the full complexity of Southeast European energy policy integration — from development of a common concept for gas and power infrastructure and markets, through regional energy efficiency policy to research and development. In any case, it is essential that regional energy integration is based on a strong governance arrangement with proper involvement of the European Commission and the Vienna-based Energy Community Secretariat to develop a common approach for bringing the region together.

TURKEY

In the process of integrating energy systems and policies in Southeast Europe, one big question remains: What is Turkey's role? In composing a European energy policy, it is easy to ignore Turkey. The energy chapter for Turkey's

accession to the EU has still not been opened. Turkey has a tense relationship with Cyprus regarding gas exploration in the Eastern Mediterranean and some now see Turkey as siding with Russia on South Stream.

These are not reasons to ignore Turkey, which is a natural part of the European energy system. One reason is its place as the main part of the Southern Gas Corridor, but Turkey also is an EU electricity trading partner, and that relationship has excellent potential for expansion.

Turkey has an ambitious renewables programs and plans to install 20 gigawatts of wind capacity by 2023. The country could offer vast renewables potential to the region and beyond. Integrating Turkey into regional energy cooperation initiative as part of the Energy Union process is essential.

RUSSIA

Russia cannot be omitted when discussing a Southeast Europe energy security agenda. Russia is widely seen as an aggressor, often using or protecting energy interests with its behavior. This view is not unjustified. This should not mean that Southeast Europe, or the rest of Europe, should work toward cutting energy supplies from Russia. Regarding Russia, the main task should be to reduce to a minimum the Trojan horse mentality of Russian energy policy and force Russia to play according to the rules of the energy market.

These rules are tough on Russia for two reasons. First, Russia depends excessively on energy exports for its economic survival. Second, gas consumption in Europe is falling, and energy diversification is growing. Russia is facing big risks to its gas export position, which it is trying to defend by nonmarket means. Everyone loses from this approach, including Russia. In that sense, defending the EU's market is an essential approach to reducing the energy, political and territorial security risks for European countries.

COOPERATION AND SECURITY

For most of the countries of Southeast Europe, the security of the gas supply is not as serious a problem as many are trying to suggest. The debate of "gas from Russia or gas not from Russia" is a fake dilemma. Energy solutions in the region are much more complex than dependency on Russia or cooperation with Russia.

These solutions can only be addressed by a strong Southeast European energy cooperation arrangement that covers the full spectrum of current and expected future energy developments. Such arrangements require a high level of transparency, effective operational mechanisms and a regulatory framework that would encourage rapid market-based development of the energy sector.

In that way, Southeast Europe will make its destabilization not just unthinkable, but also materially impossible. And that will block one of the main avenues to destabilizing the rest of Europe. □

REDUCING Energy Reliance

LITHUANIA'S LIQUEFIED
NATURAL GAS TERMINAL
DIVERSIFIES ENERGY SUPPLIES
IN THE BALTIC STATES



Floating storage regasification unit Independence is escorted to the liquefied natural gas (LNG) terminal in Klaipėda port in October 2014. Lithuania can survive without Russian gas now that the LNG terminal opened, redrawing the energy map of the Baltic states. REUTERS



In 2014, six European Union member states — Bulgaria, Estonia, Finland, Lithuania, Latvia and Slovakia — were more than 90 percent dependent on Russian natural gas. Five of those countries were among the seven EU states paying the most for natural gas. Pricing is only one side of the coin — another is geopolitical pressure placed on dependent consumers. But after Russia cut gas supplies in 2009, priorities changed. The EU implemented its Third Energy Package, the Southern Gas Corridor initiative received political and financial attention from the EU, and an Energy Union ceased to be only a dream. Europe refocused on consumer needs and worked to diversify supplies. Increasing the use of renewables, improving coordination with suppliers and creating regional gas and electricity markets became political priorities. Consequently, the necessary energy infrastructure was developed at a speed not previously seen. Europe started preparing for gas supply disruptions.

In this context, expectations for liquefied natural gas (LNG) are high among both civilians and experts. It is hoped that establishing market-based conditions will trigger diversification of the gas supply, which would lower prices and make supplies more secure. In the long term, LNG infrastructure is expected to change gas sector rules of the game by allowing consumers to choose suppliers, which helps prevent energy from being used for political purposes. Trust, strong commitments, fair contracts and transparent prices are expected to guarantee win-win relations between consumer and supplier.

These expectations are quite logical. First, global trade of LNG has been rising since 2000: Only 142.95 billion cubic meters (bcm) of LNG were traded in 2001, but it grew to 325.3 bcm in 2013. Over the same period, European imports of LNG increased from 33.53 bcm to 51.5 bcm. By the end of 2014, 23 LNG terminals were operating in Europe, with five more under construction and 36 planned. LNG technologies proved able to bring global market forces into traditionally regional natural gas markets that had been dominated by regional suppliers.

In Lithuania's case, the expectations weren't empty. Diversification of gas supplies allowed consumers to reduce price, keep one supplier from monopolizing the market and at least partially equalize the negotiating power of consumers and suppliers. Essentially, dependency is replaced by interdependency. Expanding market principles reduced the role of states and allowed the laws of economics to govern, further limiting the use of energy resources as tools of foreign policy.

Lithuania's natural gas sector

Natural gas is strategically important for the nation. In 2015, it was the primary fuel for heat production in centralized, district heating systems — the main method of heating in Lithuania. It is also the primary fuel for domestic electricity production, especially after the Ignalina Nuclear Power Plant was closed in 2009. Additionally, the cost and supply of natural gas are extremely important to Lithuania's energy intense industries. In this context, it is worth noting that Lithuania's natural gas infrastructure was developed in the 1960s and 1980s with supply from Russia, via Belarus, and no supply alternatives nor any connection to Western European gas networks. The only outside connection is with Latvia, which can supply gas to Lithuania in case of emergency from its Inčukalns underground gas storage facility. The price of natural gas deliveries to Lithuania has been rising for many years. The increase

CORRELATION BETWEEN NATURAL GAS DEPENDENCY AND NATURAL GAS PRICE



Source: Composed by authors. Based on Eurogas, Statistical Report 2014, P.6. Accessed: http://www.eurogas.org/uploads/media/Eurogas_Statistical_Report_2014.pdf and on Quarterly Report on European Gas Markets. Accessed: http://ec.europa.eu/energy/sites/ener/files/documents/201410_q3-4_quarterly_report_gas_market.pdf

PER CONCORDIAM ILLUSTRATION

started in 2002, and even Gazprom’s 37.1 percent acquisition in 2004 of vertically integrated natural gas monopoly *Lietuvos Dujos* did not prevent the rise. From 2009 to 2014, Gazprom charged Lithuania 9.5 percent more for gas than it did Germany, which is several thousand kilometers farther from Russia than Lithuania is. Lithuania’s role as a reliable transit country — Gazprom’s gas is delivered to Kaliningrad district through Lithuania — did not make a positive impact, either. Lithuania suffered greatly from the unfair pricing policy of a single gas supplier, politically motivated cuts of energy supplies and blackmailing of domestic politicians, who have come under enormous pressure to leave the system as is.

Lithuania’s LNG terminal

Gazprom has applied its unfair pricing policy and abuse of its dominant position to Latvia and Estonia as well. Thus, it wasn’t surprising when the Baltic states jointly began to investigate possibilities for constructing an LNG terminal. For a long time, however, the idea of a regional LNG terminal was not realized. In July 2010, the Lithuanian government decided that state-owned oil company Klaipėdos Nafta would implement the LNG terminal project alone. It was also decided that the LNG terminal would be a flexible floating storage regasification unit (FSRU). In June 2011, the FSRU was ordered from Hyundai Heavy Industries in South Korea and later named “Independence,” indicating the goal of the LNG terminal — to become independent from a single supplier. On October 27, 2014, the FSRU docked in Klaipėda port and a few days later underwent testing. Since the end of December 2014, Independence has operated commercially, supplying Lithuanian consumers and also selling gas to Estonia.

Supply of LNG to the Klaipėda terminal became

possible in August 2014 when Lithuania’s state gas company, LITGAS, signed a five-year contract with Norway’s Statoil for a minimum volume of 0.54 bcm of natural gas annually. For the first time in the history of the region’s gas market, the gas price was linked not to the oil price index, but to the National Balancing Point (NBP), Great Britain’s natural gas exchange index. The exact price formula is not disclosed, but it is flexible, and in addition to the NBP index, it involves sales margins by Statoil, transportation costs and various tariffs.

Delivered LNG is more expensive than pipeline gas, but from a financial standpoint the project has been successful from the beginning. Clear proof that it was changing pricing policy came when Gazprom “surprisingly” agreed to cut its price 20 percent immediately after it became clear that the LNG terminal would stay open. There is no doubt that other factors, such as legal disputes with Gazprom, also played a role, but the importance of the terminal should not be underestimated. Lithuanian consumers pay 108 million euros for the terminal annually, but they now pay much less for natural gas. In fact, this would be true even if natural gas were not supplied via the new LNG terminal — the discount on Gazprom’s gas has already compensated for a considerable portion of the project’s costs. It is important to note that opening market relations allowed for the creation of a regional gas market that would further increase transparency in the gas industry, lower the price and help to establish related business activities such as bunkering and storage.

It is noteworthy that the regasification capacity of the FSRU in Klaipėda is 4 bcm per year. Natural gas consumption in Lithuania is only 2.3 bcm annually. Therefore, the LNG terminal can not only satisfy Lithuania’s needs, but also up to 90 percent of the natural gas needs in all three

Baltic states. And the development of related businesses, such as establishing a hub for ship fueling and conducting bunkering activities, are already being discussed. In other words, the LNG terminal could supply fuel for ships visiting Klaipėda port and/or fill smaller LNG transport vessels that would supply LNG to other eastern Baltic ports such as Ventspils and Riga, and those in Estonia and Poland. LNG could be distributed regionally using road transportation as well. Bunkering and similar activities are expected to increase utilization of the terminal by 10 percent and reduce maintenance costs for Lithuanian consumers.

One of the preconditions for the LNG terminal to function was guaranteed access to the gas transmission and distribution network, i.e., pipelines. Since the Lithuanian gas sector was vertically integrated — Gazprom was not only the supplier of gas, but also controlled the pipelines — energy sector reform was required. Therefore, the Lithuanian Parliament adopted a law on natural gas, based on the EU Third Energy Package's principles and requirements, that led in 2013 to the partition of vertically integrated natural gas monopoly Lietuvos Dujos into three separate companies: Lietuvos Dujos, Lietuvos Duju Tiekimas and AmberGrid. Lietuvos Duju Tiekimas was allowed to supply gas to individual consumers; Lietuvos Dujos manages the local pipeline network; AmberGrid became a transmission system operator that implements strategic projects and manages main pipelines. Before this reform, the state bought back shares from E.ON, a German energy company, and later from Gazprom, putting the major gas company, then Lietuvos Dujos, back under state control. Unbundling was needed because the LNG terminal could not have become operational if the company controlling the pipelines could refuse pipeline access to gas from the LNG terminal.

The LNG terminal is only the first step in creating a regional gas market for Lithuania and the Baltic states. The Baltic Energy Market Interconnection Plan (BEMIP) anticipates the establishment of an open and integrated regional energy market in the natural gas sector that is also integrated into the EU internal energy market. In this regard, BEMIP foresees several key projects that would allow the Klaipėda LNG terminal to become regionally important. The first is enhancing the capacity of the Klaipėda-Kiemenai pipeline from Klaipėda to the Latvian border, which is essential for the second project, the enhancement of the Latvia-Lithuania gas interconnection. Expanding bidirectional interconnection capacity would increase cross-border trade and usage of the underground gas storage (UGS) facility in Inčukalns. The third project is modernization and expansion of Inčukalns UGS. Finally, modernizing the bidirectional Estonian-Latvian interconnection would ensure the flow of gas south-north and north-south — essential to ensure natural gas supplies for all the Baltic states without using Russian infrastructure. Construction of the gas interconnections between Lithuania and Poland, the GIPL, and between Estonia and Finland, the Baltconnector, contributes to this vision of a regional gas market.

In October 2013, the European Commission adopted a

list of 248 key energy infrastructure projects called projects of common interest (PCIs). Baltic gas interconnections were labeled as PCIs, which means they can expect financial support for their development and accelerated implementation. In November 2014, the list of PCIs to receive financial assistance under the Connecting Europe Facility instrument was presented with the next call for financing applications expected in 2015. The Klaipėda-Kiemenai gas pipeline was placed on this list as a project that will receive the maximum financial assistance of 27.6 million euros for construction.

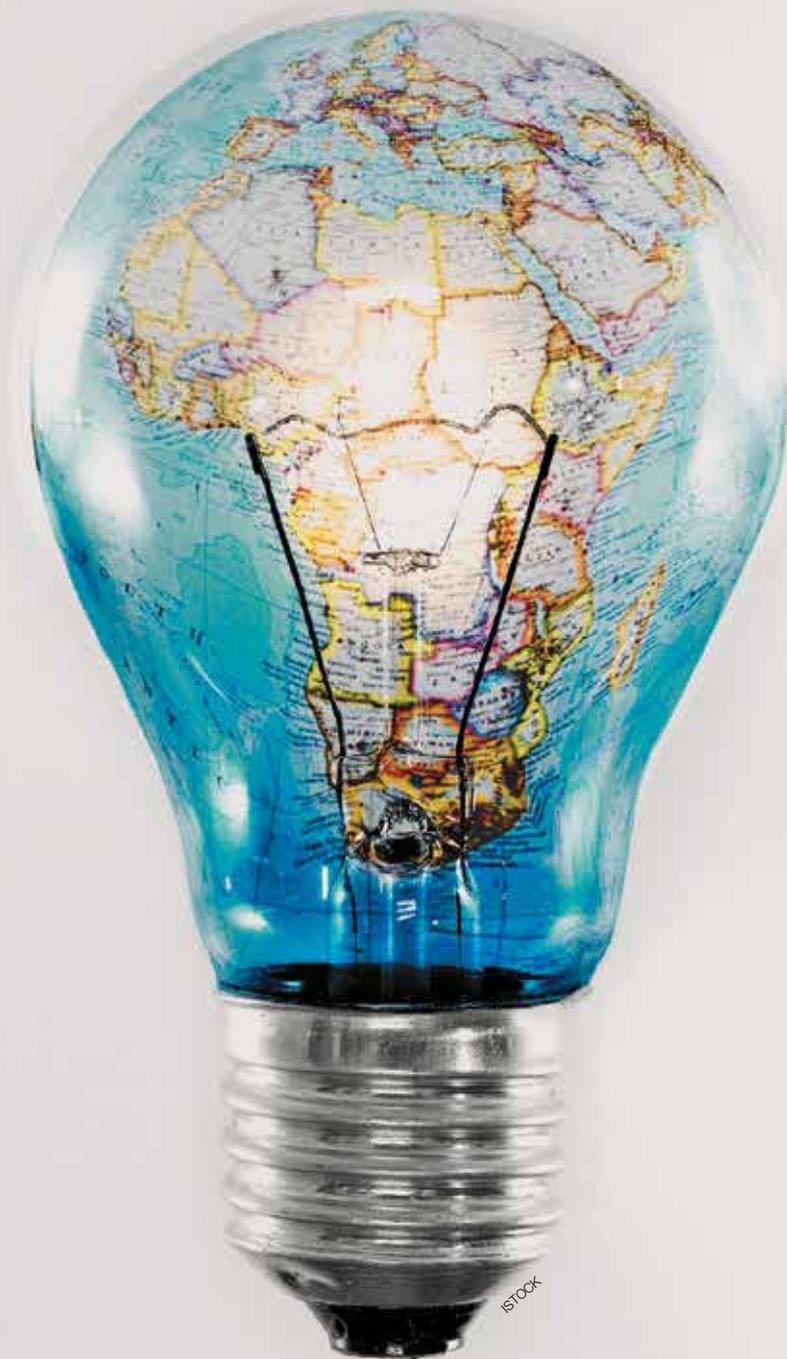
Once construction is completed, the next important step is to agree on the rules for the regional gas market. Even without clear trading rules, LITGAS, which trades LNG from the terminal, was able to sign agreements with two Estonian energy companies, Eesti Energia and Reola Gaas, to supply natural gas. Closer cooperation between the Baltic states and Finland should lead to the establishment of a joint natural gas exchange that would continue downward pressure on gas prices and increased energy security. To achieve this, the governments of the Baltic states and Finland have started negotiating laws and regulations that promote market rules in the region. This will make natural gas markets in the region transparent and allow for the formation of objective prices — benefiting consumers and most competitive suppliers.

Conclusions

- The gas supply crisis motivated Europe and changed the way citizens, companies and governments inside the EU think. The crisis boosted cooperation and accelerated EU reforms. However, to implement concrete strategic projects, states must demonstrate political will and have the courage to take associated risks.
- With other LNG terminals in the region still in the planning stage — indicating serious obstacles — the LNG terminal in Klaipėda has potential regional importance. But to reach fulfillment, it is essential that Latvia implement the EU Third Energy Package. Without it, there would be no possibility of supplying natural gas to Latvian pipelines and using the Inčukalns UGS. The liberalization of the Latvian natural gas market is expected in 2017.
- The Lithuanian LNG terminal was developed to reduce dependency. It aims to benefit from cooperation with Gazprom and from new relationships with Statoil and other players on the LNG market. Benefits of pipeline-gas diversification are already there: less room for political pressure and better market relations lead to lower prices and more flexible contracts. Consumers gain power and become stronger in negotiations.
- After completing “hard” projects such as terminals and interconnections, the Baltic states should discuss mechanisms and rules of “soft” cooperation that should lead to the creation of a common regional gas market. A functioning market is the shortest way to transform overdependence into interdependence without confrontation. □



AFRICA'S ENERGY SECURITY



EFFECTIVE GOVERNANCE CAN HELP AFRICA CAPITALIZE ON ENERGY OPPORTUNITIES





“The pipeline of clean energy projects [in Africa] is long and growing: hydro, wind, solar, even geothermal. All sources of energy have to be tapped: doing it right of course, ensuring all safeguards, social and environmental are respected.”

– African Development Bank President Donald Kaberuka

By **DR. ERIC T. YOUNG**, Marshall Center

Africans consume little energy. Outside of South Africa, the average African consumes enough electricity to power just one light bulb for six hours. The continent’s electrical capacity is less than that of Spain. But the future is a different story. New sources of energy are coming online, and consumers in Africa’s rapidly growing economies are demanding more energy daily. It is not surprising, then, that energy security is a rapidly growing concern on the continent.

While Africa has long been a major energy exporter to the West, domestic demand has recently grown dramatically from a booming African population and rapid economic growth. Indeed, Africa’s potential as an energy producer is immense. Yet the gap between supply and demand, especially in the field of electricity, is wide and will likely remain so for the near future. This is due in part to lack of infrastructure and technology, but also due to poor governance over several decades. Governance is likely to be key to harnessing Africa’s energy potential and effectively employing it for economic growth, political development and security. In the resource-rich regions of East Africa, the Congo Basin and the Gulf of Guinea, governance and energy security are intimately linked, but also unbalanced. Correcting this imbalance will be one of Africa’s primary challenges in the decades to come.

Broadly defined, energy security concerns the relationship between national security and the availability and access to resources for energy production and consumption. Challenges arise from the often uneven distribution of energy resources and the government’s perceptions of national security. On the other hand, governance, most simply defined, refers to all processes of governing and formal or informal organization whether through laws, norms, power or language. Thus, governance in the context of energy security involves not only multiple national governments, but importantly, international organizations and the private sector. It concerns the availability of a diverse set of resources within a state and outside of the state, the ability to produce energy, and ultimately the people’s ability to consume this energy. The financial affordability of energy for the state and citizens is a vitally important part of these relationships.

AFRICA'S ENERGY SECURITY LANDSCAPE

In the past 15 years, the energy outlook in Africa has changed dramatically. Energy use has grown by 45 percent as new sources of energy have been discovered and made available and most African economies have grown. Historically, the focus of African energy has been the export of crude oil, mostly from the Gulf of Guinea, as well as natural gas from North Africa. Coal and hydroelectric power production ran a distant third and fourth. But the energy landscape is changing rapidly. There is huge potential for the development of African energy production, for both a rapidly growing domestic market and the continually growing export market. For example, although Africa holds 13 percent of the world's population, the continent accounts for only 9 percent of world-wide energy consumption. Africa is struggling to keep up with demand.

With the discovery of new sources and the advent of new technologies, the diversity of energy sources in Africa has been growing rapidly in recent years. Worldwide, 30 percent of new oil and gas discoveries have been in Africa. Ghana and Côte d'Ivoire in the west and Kenya and Uganda in the east have recently begun exploiting previously untapped sources. Mozambique and Tanzania have discovered huge natural gas reserves and, fortunately for both countries, they are relatively close to growing markets in Asia. Growth in renewable resources also has great potential — from free-flowing hydropower in central Africa to untapped solar power in the Sahara and wind power along the seacoasts. New hydropower plants in the Democratic Republic of the Congo (DRC), Ethiopia, Mozambique and Guinea will soon bring down the price of electricity and reduce dependence on petroleum-powered generators. By 2040, geothermal sources in East Africa are expected to become the second-largest source of energy, while off-grid and mini-grid hydro, solar and wind systems will power many homes and businesses.

While this progress is important, both energy use and the continent's population are changing. The United Nations projects that the African population will increase from its current 1.1 billion to 1.9 billion by 2050, and to 4.1 billion, or one-third of the global population, by 2100. Africa's impressive recent economic growth, with a continental forecast average of 5.2 percent in 2014, is being fueled in part by new energy sources. They also are fueling new investments outside the energy sector, creating a virtuous cycle of economic growth in several African countries. Many of the fastest growing countries in Africa, including Angola, Ghana and Nigeria, are energy producers. Others such as Tanzania and Mozambique soon will be. And this growth is expected to continue and will inevitably result in growing domestic demand. According to some estimates, by 2040 African economies should quadruple, with energy demand growing by 80 percent. The positive economic outlook and prospects for development in the energy sector are offset by considerable economic challenges and

resource constraints. Internal demand for energy in Africa is likely to outpace production, while many African countries will be unable to tap domestic potential and continue to rely on energy exports.

The demand for energy in Africa, particularly electricity, is greatly outpacing supply. Electrification is ongoing, but slow. By some estimates, 950 million Africans will have gained access to electricity by 2040, but due to population growth, 500 million — approximately the number without electricity today — will remain in the dark. There remains a high dependence on biomass, particularly wood and charcoal, and this will only increase with population growth. This in turn will lead to further deforestation and high incidents of health problems, particularly among women and children, who are constantly exposed to inefficient and hazardous cooking stoves.

Energy demand is outpacing supply for several reasons. Most obviously, Africa's population growth remains high; indeed it is the highest in the world, seriously hindering the capacity of energy production to keep pace. Also, somewhat paradoxically, infrastructure development has not kept pace with Africa's recent economic surge. Power transmission and distribution systems are outdated and underdeveloped: losses in the transmission and distribution of electricity in Africa are double the world average. At the same time, tariffs on electricity in Africa are among the highest in the world. Also, few new major energy infrastructure development projects have come online and investment in renewable resources has been slow. While many African governments are now tackling regulatory and political roadblocks, these efforts have not kept pace with local demand or the demand from investors seeking access to new energy sources. Simultaneously, political instability and corruption constantly hinder energy exploitation and the ability of these countries to use resources for the greatest benefit.

Africa's energy outlook is complicated by persistent global demand for energy. The Paris-based International Energy Agency forecasts a 37 percent increase in energy demand by 2040. This expectation has resulted in export-driven and foreign-led investment in Africa's energy sector. Two out of every \$3 invested in the energy sector in Sub-Saharan Africa have been for the development of resources for export. According to the Africa-based Standard Bank Group: "Given that it is estimated that Africa's oil production will increase from 9.4-million barrels per day (bpd) in 2011 to 12-million bpd by 2020, one can expect massive inward FDI [foreign direct investment] flows into the continent's oil and gas sectors over the next six years." With countries from China to Canada and corporations from British Petroleum to Norwegian Statoil investing heavily in Africa, local investors and African governments are often unable to focus on the domestic market. Financing of resource exploitation comes mostly from an international community that seeks energy for its own use, while African countries do not have sufficient resources to meet local demand.



South African entrepreneur Nonny Mathildaseti lights a stove at her bakery and cafe in Masiphumelele in February 2015. She was forced to switch to gas while contending with power outages from struggling South African power utility Eskom. EPA

IMPROVING ENERGY SECURITY GOVERNANCE

Reconciling these divergent trends will be key to providing energy security to Africa. This reconciliation will likely depend upon improving energy security governance. This involves accountability and transparency in the energy sector, regulatory and judicial reform governing energy, the democratization of control over and access to energy, and in some regions of the continent, securitization of energy. Benign dictatorships using energy resources to benefit the country, and themselves, is mostly a thing of the past, and there have been great strides in governance in Africa.

Democracy and the rule of law — including free and fair elections, democratic transitions and militaries under civilian control — have become the norm in many countries and are making inroads in many others. Curbing corruption and resolving conflicts are challenges several countries are confronting head-on. However, progress has faltered in many major energy-producing countries. Several of Africa's energy exporters and potential producers now rank among those countries with the worst governance. According to the 2014 Ibrahim Index of African Governance, several of those countries rated as having the worst governance of the continent's 52 countries are energy producers, including oil-producers Chad at 49, the DRC at 47, Equatorial Guinea at 45, Angola at 44 and Nigeria at 37, and natural gas and oil producer Libya at 43.

TRANSPARENCY AND ACCOUNTABILITY

A lack of accountability and transparency in several African countries, leading to widespread corruption, furthers energy insecurity. This is particularly true in oil-producing

countries, which suffer from the so-called “oil curse.” Despite having abundant oil reserves and the possibility for strong economic development, growth in these energy-rich countries is slow or nonexistent and corruption is rampant. Five African countries that are major oil producers/exporters — Angola, Chad, Libya, Sudan and South Sudan — are also among the 20 countries with the highest levels of perceived corruption.

Corruption in the energy sector is not confined to the oil industry, but can be pervasive throughout the life-cycle of energy development and exploitation. As Petter Matthews, director of the Construction Sector Transparency Initiative International Secretariat, told the *Guardian* in 2014: “[T]he decision-making process for ... large energy projects in sub-Saharan Africa is often characterised by poor project appraisal systems, a high degree of informality and an absence of effective management. They are also often subject to undue political influence for personal or political gain. Where this occurs there is a high risk for corruption.”

Greater accountability and transparency in the energy sector would likely promote resource exploitation and economic development. This is far from simple and will require comprehensive, long-term solutions including not only anti-corruption measures and new legal regimes, but also investment in government institutions and the ability to formulate and implement policy and regulations in the energy sector. There are signs of movement in this direction. International corporations, especially those in the oil sector, are realizing transparency and accountability are vital for long-term profits and are getting involved. Initiatives such as the Extractive Industries Initiative (EITI), a worldwide coalition of governments, civil society and corporations working to improve openness around revenues from natural resources, is one such example. Ghana, Guinea and Liberia publish oil, gas and mining contracts online, and 12 African countries are compliant with the Transparency Initiative Standards of the EITI.

REGULATORY REFORM AND REGIONAL COOPERATION

In addition to increasing accountability and transparency, regulatory reform will also be required to improve regional cooperation. Most states have realized the need for legal harmonization in other areas of security, such as terrorism and transnational crime, but in energy security, realization has been slower. Demand-driven regulatory reform will also be key to ensuring African energy security. As mentioned, tariffs in Africa's electrical sector are high, while inefficient state control over the energy sector is the norm. Regulatory regimes governing the energy sector in many African countries are outdated and cumbersome, inhibiting FDI and slowing infrastructure development.

Regional economic communities are progressively taking steps to open borders, enable trade by breaking down state-unique regulations, and enable legal cooperation between countries. Such regional cooperation in the energy sector is equally vital because many energy resources straddle regions and national boundaries. For

oil-rich landlocked countries such as South Sudan and Uganda, access to foreign markets via the sea necessitates good relations with coastal neighbors. Hydropower in one country may have considerable downstream effects in one or more other countries — consider Ethiopia’s Grand Ethiopian Renaissance Dam and its impact on South Sudan, Sudan and particularly Egypt. Improving governance in regional cooperation on energy security is also about democratizing control of and access to Africa’s energy resources.

DEMOCRATIZATION OF CONTROL AND ACCESS

The democratization of energy control and access will affect energy security into the future. Access to power is vital for development and prosperity. In Africa, uninterrupted power supply has increasingly become

the expectation rather than the exception, even if it is not always realized in practice. In South Africa, where electrical access and consumption far exceed that of the rest of the continent, “load shedding,” or intentional interruption of the power supply, has become common and a critical political issue. Urban areas are easier to electrify and supply, and continued urbanization aids this trend; however, there is a risk that the rural populace will be left behind. At the same time, greater access to power promotes business and facilitates development. African companies view the lack of an uninterrupted power supply as the greatest impediment to growth.

Democratization is also about control and equitable distribution of benefits, particularly with respect to oil proceeds. After years of frequent inequity in the



distribution of the proceeds from oil exports, local and international pressure on governments and international petroleum corporations is beginning to change this. For example, the Uganda-based nongovernmental organization African Institute for Energy Governance is involved in government capacity building, research and lobbying for equal access to and sustainable development of Uganda's petroleum wealth. New oil exporters such as Ghana and Côte d'Ivoire and new gas exporters such as Tanzania and Mozambique are moving cautiously in the exploitation of their reserves to better ensure that earnings are used for the greater good and national development. A few countries are also looking to the future. In October 2012, Angola created a sovereign wealth fund, like those in Norway and some Arab countries, with startup capital of \$5 billion, to ensure future economic

South Africa's state-run power utility, Eskom, operates the continent's only nuclear power plant, Koeberg Nuclear Power Station, outside Cape Town. Eskom's inability to meet electricity demand has resulted in rolling blackouts called "load shedding." EPA



prosperity. The more Africans have access to energy and the more this control is democratic, the more likely energy security governance will take hold.

THE IMPACT OF ENERGY INSECURITY

In many countries, energy production, processing and distribution are considered part of the nation's critical infrastructure and are afforded state protection, whether by soft security, such as creating redundancies and assuring financial health, or hard security, such as providing physical security or virtual protection. If raw materials such as oil and gas are the prime, or nearly sole, export earner, the state is likely to become even more involved in providing security. Nowhere is the latter more evident than in Africa, where national militaries often protect dams, processing plants and oil rigs.

However, the growing diversity of transnational threats — from piracy to cyber threats to terrorism — has strained many African security forces and lessened their ability to protect expanding energy infrastructure and sources. There are few other regions where such hard security issues in the energy sector have such an impact. Even a relatively minor event can have considerable long-term negative impacts. Take the January 2013 attack on the in-Amenas gas facility in Algeria. Ninety-eight percent of Algeria's export earnings came from hydrocarbons, and the plant accounted for 6 to 7 percent of its gas and condensate. The attack by a splinter group of al-Qaida in the Islamic Maghreb, which killed about 40 international and Algerian workers, took the plant offline for over a year and forced the Algerian government to invest more in its military presence in the desert.

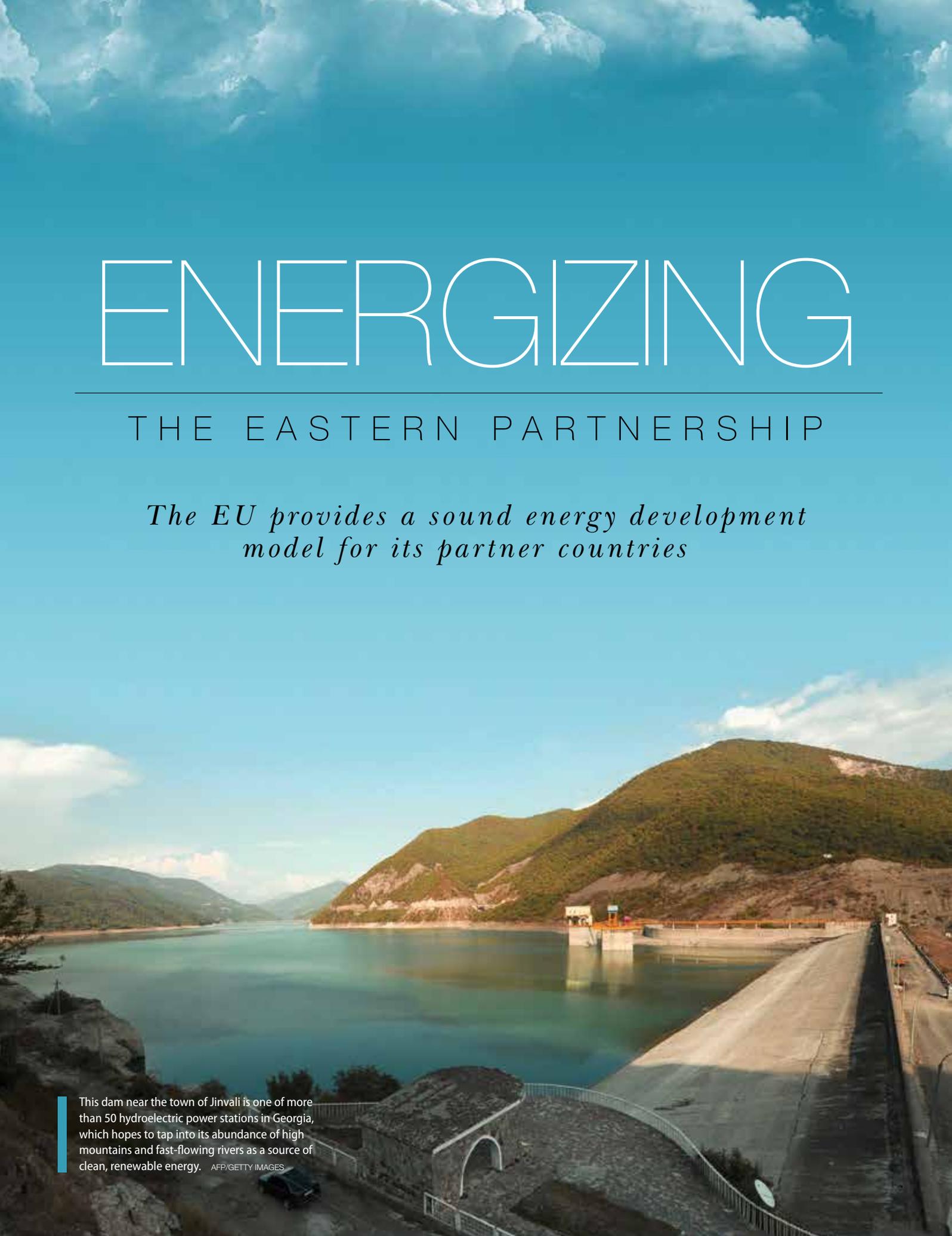
The impact of insecurity in the energy sector also impedes long-term development. Nigeria may be an extreme case, but is nevertheless instructive. Nigeria, Africa's largest economy and oil producer, loses 150,000 barrels of oil each day, at a value of \$5 billion annually, to theft by a variety of Niger Delta militant groups. Such a loss is staggering. If Nigeria could invest \$5 billion over the next 15 years, all Nigerians could enjoy electricity. As important as it is to protect critical infrastructure such as energy facilities, this must be done within the framework of the rule of law. Security forces that are corrupt, abusive and politicized lose popular support and increasingly forfeit international assistance, reducing growth and prosperity. Thus, where energy security is securitized, the governance of security is vital.

Ensuring that recent economic progress continues will depend on more Africans receiving uninterrupted power and the wealth from energy resources equitably shared by all Africans. The challenges are significant, given the need for infrastructure development. Yet more important is the need for regulatory and legal reform and political will to ensure accountability and transparency, the further democratization of energy access, and, where needed, the securitization of energy in Africa. □

ENERGIZING

THE EASTERN PARTNERSHIP

The EU provides a sound energy development model for its partner countries



This dam near the town of Jinvali is one of more than 50 hydroelectric power stations in Georgia, which hopes to tap into its abundance of high mountains and fast-flowing rivers as a source of clean, renewable energy. AFP/GETTY IMAGES

Energy development is a strategic priority of the Eastern Partnership (EaP). In recent years, the European Union has been intensively working with EaP countries, but their reluctance to develop and use new renewable energy opportunities has been a roadblock to strengthening energy security in the region.

Compared to the rest of the world, the EU has few energy supplies of its own, forcing it to adjust its energy policy goals. In the past decade, energy supply diversification has spurred tension in the EU. EaP countries can benefit from this hard-earned experience.

The main goal of the EU's Energy Community is to create an energy market with uniform prices for energy resources and electric power. Community members pledged to liberalize their energy markets and implement basic EU standards for electric power, natural gas, the environment and renewable energy. Moldova and Ukraine are among the Eastern partner countries that are full members of the Energy Community. Georgia is a candidate, and Armenia has observer status.

Besides creating an integrated energy market with new members, the EU set the logical and strategic goal to establish close ties with other Eastern European countries. Within the framework of the European Neighbourhood Policy, the European Commission adopted the EU's new EaP initiative in late 2008, aimed at developing relations with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

The Energy Community and the EaP are mutually beneficial projects that enable EU countries to ensure their own energy security and provide an opportunity for EU neighbors to join the unified European energy market. The Eastern Partnership for Energy Security's thematic platform includes ensuring stable deliveries of energy, introduction of energy-saving

technologies and extensive use of renewable energy. In 2014, Georgia, Moldova and Ukraine signed Association Agreements with the EU that represented a new stage of cooperation and development.

EaP countries have different potentials, priorities and capabilities, including in the energy industry. Azerbaijan, with its wealth of experience mining hydrocarbons, can act as an exporter of energy resources. Georgia is a reliable transit country with an important exporting role from the shores of the Black Sea and has great potential in hydroelectric power and energy resource storage. Ukraine and Belarus are important transit countries in deliveries of gas to the EU. But this is the past. Conditions are changing from the traditional approaches of the energy industry to reinforce energy security and new opportunities. Anyone who is late will miss out.

ARMENIA (nuclear power)

During Soviet times, Armenia produced twice as much electricity per year as it does today. It generates 40 percent of its power from nuclear and 30 percent from gas-fired power stations. The remainder is from hydroelectric and other renewable sources. Armenia has no oil refining industry. All petroleum products are imported.

Plans for construction of a new nuclear power station remain on the table despite the EU's concern over safety. The currently operating plant reactor is the only one in the world that resumed operation after a complete shutdown and is located in an active seismic zone. It was to be shut down by 2016, but in 2014 the government decided to extend its operation until 2026 because of construction delays for the new nuclear power station.

In 2007, Armenia adopted the Program for Energy Conservation and Introduction of Renewable Energy Sources. Hydroelectric power is considered the most promising because

Armenia operates 162 small hydroelectric power stations with a total capacity of 277 megawatts (MW) and has issued licenses for the construction of 65 more with an estimated capacity of 131 MW.

The first wind farm network in the Caucasus was built in Armenia in 2005 with a capacity of 2.64 MW. The total capacity of currently profitable wind farms is estimated at 490 MW. By comparison, the capacity of a generating unit within a nuclear power station is 407 MW; however, wind is less efficient than uranium.

In 2014, the Ministry of Energy and Natural Resources approved a program aimed at building the country's first solar power stations, projects lasting an estimated five to six years. Development of geothermal power is promising. Among renewable sources, geothermal plants in Armenia will be more efficient since, unlike hydro and wind, they are able to operate at base-load capacity.

AZERBAIJAN (oil and gas)

The first oil well gushed in Azerbaijan in 1846. And according to a 2010 speech by Azerbaijan President Ilham Aliyev, the world's first offshore oil production occurred in Azerbaijan in 1949.

Azerbaijan possesses significant energy potential. Fossil-fuel power stations provide 85 percent of its power, with the remainder produced by hydroelectric stations. Thanks to energy efficiency measures, electricity consumption has decreased considerably but it is estimated that up to 40 percent more of the country's energy resources could be saved.

Azerbaijan's energy is delivered to Europe and world markets by seven pipelines — three oil pipelines toward Russia, Georgia and Turkey and four gas pipelines toward Turkey, Georgia, Russia and Iran. The Baku-Tbilisi-Ceyhan oil pipeline and the Baku-Tbilisi-Erzurum gas pipeline play a special role in regional and European

energy security. For Azerbaijan, energy security involves diversification of delivery routes, and for Europe, it is diversification of sources.

In 2019, Azerbaijan will begin transporting an additional 10 billion cubic meters of gas to Europe, and these volumes will increase over time. “We believe that the ‘Southern Gas Corridor’ will satisfy a minimum of 10 percent and possibly 20 percent of the European demand for gas,” Malena Mard, head of the EU delegation in Azerbaijan, said at a June 2014 energy conference in Baku. Gas will be exported to Turkey and on to European markets through the expansion of the South Caucasus Gas Pipeline and construction of the Trans-Anatolian (TANAP) and the Trans-Adriatic (TAP) gas pipelines.

The Caspian region holds sufficient energy to satisfy a considerable portion of the gas needs of Europe and China. The International Energy Agency estimates that Azerbaijan has enough oil and gas to supply exports over the next two decades.

Plans to expand renewable energy started in 2003 with a presidential decree to accelerate the generation of wind power. Construction of the first wind farm was planned but never materialized.

In December 2014, Azerbaijan announced plans to build a nuclear power station to be completed by 2020. This also impeded the development of renewable sources. Despite the so far insignificant use of wind energy in Azerbaijan, interest is increasing. The Gobustan Experimental Hybrid Range was created in 2011, which includes a 2.7 MW wind farm, a 1.8 MW solar power station, and a 1 MW biofuel plant. Renewable energy potential in Azerbaijan by source: solar, 5,000 MW; wind, 4,500 MW; bioenergy, 1,500 MW; geothermal, 800 MW; and small hydroelectric power stations, 350 MW.

BELARUS (fossil fuel)

Belarus is dependent on external energy supplies, but also possesses two oil refineries. The country currently generates the bulk of its energy using fossil-fuel power stations. It envisions

diversification of the energy sector to include the development of hydroelectric power, construction of a nuclear power station and the use of local types of fuel.

Belarus produces approximately 30 billion kilowatt-hours (kWh) of electric power, but consumes 38 billion kWh, according to the Belarusian National Statistical Committee. Belarus is a country virtually without internal energy reserves. Most of the known oil deposits have been depleted, and production, which currently covers about 30 percent of the country’s domestic needs, is in decline.

The only fossil fuel not in decline is peat, theoretically a renewable resource, which has minimum potential for replenishment in the short- or medium term. Peat is used primarily in households and still meets 25 percent of total energy needs.

Fossil-fuel power stations are the foundation of Belarus’s electric industry, generating 99 percent of all electricity. The largest one generates more than 40 percent of all electric power, using gas and fuel oil.

Belarus devotes little attention to alternative energy. Belarusian experts believe that alternative energy will not become commercially attractive in the world for another 15-20 years; therefore, renewable energy is not considered a realistic alternative to Russian gas and oil at this time.

Belarus instead decided to build a nuclear power station, to be completed by 2018. It and several coal-powered stations will enable the country to reduce its dependency on natural gas as the main source of energy production by 2020, according to Lithuania’s Centre for Geopolitical Studies.

The country’s first wind farm—the largest in the Commonwealth of Independent States—was launched in May 2011 with a capacity of 1.5 MW. It meets local household needs, but due to the prevalence of low-velocity winds, the wind-power potential for Belarus is insignificant. According to the European Bank for Reconstruction and Development, Belarus also has “weak potential for use of solar energy.”

Biofuel is a more successful type of renewable energy in Belarus. The country has more than 10 biofuel plants. The largest, which was commissioned in 2012, has a capacity of 4.8 MW, inferior only to the biofuel complex in Penkun, Germany.

GEORGIA (hydroelectric)

Georgia is an energy-dependent country in which 75 percent of the energy resources are imported. Its predominant natural resource is water. Georgia has the largest hydroelectric power station in the Caucasus, which generates up to 30 percent of its required electric power needs. Of the country’s 26,000 rivers and streams, 300 have energy importance. Their annual potential is estimated at 15,000 MW.

More than 50 small hydroelectric power stations are operating, with 10 more under construction and several dozen more planned in the next decade. As a result, an additional minimum installed capacity of 3,000 MW will be created. The United States, Turkey, Norway and India are investing in this sector, but the main projects are financed by the government of Georgia.

By 2014, the country’s total electric power production capacity will have increased to as much as 3,300 MW per year. More than 90 percent of Georgia’s electricity consumption is being met from domestic sources. Georgia has two operating fossil-fuel power stations with a total capacity of up to 400 MW.

The Baku-Tbilisi-Ceyhan, one of the longest pipelines in the world at 1,768 kilometers, runs through Georgia. The Western route Baku-Supsa Oil Pipeline and the Baku-Tbilisi-Erzurum Gas Pipeline are also in operation.

Despite Georgia’s sizable reserves of oil and gas, production is not being developed commercially. Investors have been geared toward making a quick profit, which does not facilitate the extensive use of new technologies.

Renewable energy resources other than hydroelectric power stations have been virtually unused. Georgia has considerable wind energy potential, with projected capacity estimated at up to 2,000 MW. In 2015, Georgia plans



This wind turbine near Kisielice in northern Poland is part of Eastern Europe's transition to renewable energy. Kisielice achieved 100 percent use of renewable energy in 2014.

AFP/GETTY IMAGES

to begin construction on solar power stations and wind farms in the north with a capacity of up to 400 MW.

Since the end of the last century, Georgia has used solar energy to heat water, but due to high equipment costs this process is not widespread. Considering the country's location, the effectiveness of solar radiation is quite high, with most regions having as many as 280 sunny days a year. According to expert calculations, use of solar energy in Georgia is most feasible in mountainous regions and remote places.

The potential of geothermal waters, up to 250 wells, also merits attention, but the comparatively low temperature makes it impossible to use them in electric power production. Considering the low production cost, using the wells to supply hot water is possible.

MOLDOVA (fossil fuel)

Fossil-fuel-powered electricity is the primary energy source in Moldova.

The entire electrical system is synchronized with Ukraine's. Moldova does not have oil refineries and depends almost completely, 91 percent, on imported energy resources. Electricity, gas and coal are supplied by Russia and Ukraine.

Oil products, mainly from Romania, account for about 40 percent of Moldova's energy imports. Virtually all natural gas is imported from Russia, but in 2014, the Iasi-Ungheni Gas Pipeline was opened from Romania. Within two years, it will provide a complete alternative source of gas.

Three fossil-fuel and three hydroelectric power stations providing a capacity of 1,195 MW are in operation. The Moldova regional power station, one of the largest fossil-fuel power stations in Europe, provides roughly half of the country's needs.

Inefficient use of energy is a serious problem. In 2012, a new energy strategy was adopted. It plans to maximize

use of domestic potential to produce electric power and increase the share of renewable energy sources to 25 percent by 2030.

Moldova's geographic and natural conditions favor energy development and production based on biomass. Solar energy also has great potential. The country has a fleet of solar collectors sufficient to provide an annual supply of electric power to nearly 100 apartments. The use of wind power is currently local in nature and based primarily on private initiative using low-power wind turbines. However, in the late 19th century, Moldova was the world's fifth largest user of wind power and had more than 6,000 windmills.

UKRAINE (fossil fuel)

Ukraine is an energy-short country. It produces only 25 percent of the gas and 20 percent of the oil it requires. The country obtains the bulk of its fossil fuels (about 85 percent) from

Russia. Its energy infrastructure is in serious need of repair and modernization, requiring an investment of \$100 billion. Forty percent of generating capacity is obsolete.

Ukraine has become one of the most energy-consuming economies in the world. According to the Ukrainian state statistical service, in 2013, Ukraine's energy usage consisted primarily of natural gas at 34.8 percent, coal and peat at 34.6 percent, and nuclear at 19.2 percent. The main fossil-fuel power stations are located in the Donbass, the site of the ongoing separatist conflict. The Zaporozhe Nuclear Power Station is the most powerful in Europe and second in the world, producing 6,000 MW. Hydroelectric power stations operate on the Dnieper and near Kiev.

Increasing the production of domestic gas is promising. The country has substantial gas reserves, but production has been stagnant for 20 years as imports have grown. Ukraine buys more gas than any other country in Europe.

Ukraine has underground storage facilities, the volume of which exceeds the equivalent combined capacity of all the leading countries of Western Europe. It is no coincidence that experts are discussing the prospects of creating a Central European gas hub based on Ukrainian storage facilities. The gas transport system makes Ukraine the main transit route for Russian gas to Europe, but Russia has announced it will be completely shut off in 2019.

Nuclear power is a strategically important element of the energy supply. In the 1970s and 1980s, the Soviet Union began building nuclear power stations in Ukraine. Chernobyl was the first. Four nuclear power stations operate in Ukraine today, with plans to build new ones by 2030.

Environmental factors limit development of electric power generation. Emissions from this sector account for about 30 percent of all solid particles entering the atmosphere,

comparable with metallurgy enterprises and outpacing all remaining sectors of industry. They are the main sources of acid rain. Construction of hydroelectric power stations on the Dnieper has resulted in large areas being flooded, and reservoirs have raised the ground water level.



Armenia's Metzamor nuclear power station near Yerevan is located on an active seismic zone and is the only nuclear power plant in the world to be reopened after a complete shutdown. AFP/GETTY IMAGES

Ukraine is the leader among EaP countries in the pace of renewable energy development. Its energy strategy through 2030 assumes a fourfold increase in the use of renewable energy. Wind energy potential is estimated at 330,000 MW, 60 times the installed capacity of Ukrainian electric power stations.

Solar energy has also been developed more in Ukraine compared to other EaP countries. In 2010 to 2011, Ukraine increased solar energy production 75-fold. In 2012, an Austrian company built what was then the world's largest solar power station in Crimea, with a capacity of 105 MW. Prior to Russia's annexation of the peninsula, renewable sources accounted for 20 percent of Crimea's electrical generation.

NEW OPPORTUNITIES

In recent decades, the world economy has changed significantly with the depletion of easily accessible fossil fuels, the development of new technologies, the transition of developed economies to the post-industrial age and the awareness of global environmental problems.

Given the considerable advantages of renewable sources, there is little growth in this area. According to former U.S. President Bill Clinton, this is because the existing energy sector, operating on oil and coal, is well-organized, well-financed and well-connected politically, while new energy is decentralized, short of financing and less influential.

But it is gradually becoming ever more obvious that the future belongs to renewable energy, which we must work on today so as not to be late tomorrow. Fears of worsening environmental problems create new incentives for investing in renewable energy. In the last century, concerns were expressed about excessive dependence on imports, but worries about climate change rarely influenced politics.

According to data from the International Energy Agency, coal accounts for 42.2 percent of carbon dioxide emissions into the atmosphere; oil, 36.6 percent; gas, 19.8 percent; and all renewable energy sources together, only 0.4 percent. Efficient provision of incentives for using renewable sources combined with active environmental policies have enabled Western European countries to cut carbon emissions by 20-25 percent. France and Sweden have reported reductions of 60 percent.

Without state subsidies, energy production from renewable sources has not been commercially profitable. But in 2014, the renewable energy sector in the U.S. achieved a revolution: In some instances, the cost of electricity generated using renewables fell below that obtained from traditional gas- and coal-fired power stations, thanks to less expensive technologies and new approaches to financing and operating these facilities. And this is without counting state support.

Renewable energy has become a rapidly growing sector of the economy. According to estimates from the International Energy Agency, renewable energy production is increasing 10-20 percent annually in some EU countries. Germany leads the development of all types of renewable sources. Norway

(64.7 percent), Sweden (46.8 percent), Latvia (33.1 percent) and Finland (31.8 percent) are also leaders. Scotland announced plans to go completely “green” by 2020, and Denmark plans to move to 100 percent renewable energy usage. The Polish town of Kisielice achieved 100 percent use of renewable energy in 2014.

EaP countries are considerably dependent on fossil fuels, while environmental problems are increasingly threatening. Given this situation, the advantages of renewable energy are underestimated. When there is significant energy dependence, new opportunities must be used to strengthen energy security, which, in addition to environmental and other advantages, may contribute to economic growth and job creation.

The cheapest form of energy today is nuclear power, but the operation of older plants and the construction of new plants is increasingly expensive and potentially dangerous. It is difficult to guarantee high economic performance. The supply of raw materials, equipment, technical maintenance and waste recycling are fundamental issues.

CHANGING TIMES

Given the changes in world energy, renewable energy should be introduced more aggressively. Experts predict that by 2035 the demand for oil in the world will have fallen by 13 million barrels a day from 30 million today. Even the world’s largest oil and gas companies are increasingly developing renewable sources. In 2014, the Rockefeller Family Fund announced it would sell shares in oil and coal companies to invest in renewables.

In EaP countries, Belarus has an abundance of peat and timber, but they cannot be replenished quickly and replace oil. And if we continue to cut down forests worldwide, absorption of carbon dioxide gas will decrease drastically. For Belarus, hydroelectric power is costly and inefficient.

Over the last decade, Georgia has actively introduced economically feasible energy. Construction of hydroelectric power stations is booming, and although it is considered a renewable

source, it is the most undesirable for safety and ecology reasons, especially given Georgia’s capacity for producing high quality drinking water. It is inadvisable to completely abandon hydroelectric power with its low generation costs. In the country’s overall energy balance, hydroelectric power stations should have a stabilizing role, but not a main one.

Due to the lack of its own energy resources, Moldova’s energy security is shaky. The EU also has quite modest energy resources, but it is using the new opportunities fairly effectively. In 2012, Germany achieved a world record for total electric power current capacity from solar batteries, approximately equivalent to 20 nuclear reactors.

In 2014, Ukraine encountered a critical energy shortage problem, although the problem of the country’s dependence on imports from a single source has existed for decades. Experts note that Ukraine has the worst record in Europe in developing solar energy. Solar power stations can be built throughout Ukraine — a serious incentive for European companies interested in new markets.

CONCLUSION

We should not underestimate the role of traditional energy sources, which constitute the foundation of energy production in the medium term. But there is no alternative to renewable energy sources for EaP countries in the near future. There must be an integrated approach. EaP countries are in transition. New environmental threats will appear, and developing energy policies while demand increases for traditional resources will be difficult. These governments have never encountered such problems before.

EaP countries have the opportunity to effectively use the existing potential provided by the EU in developing renewables and energy efficiency. But it is extremely important that they begin using their own renewable resources without waiting for assistance.

The pace of development and the future of renewable sources in EaP countries depends completely on the level of government support.

Reasonable subsidies, which will help attract investment in renewable energy sources, are essential. But a balance must be maintained since excessive subsidies worsen energy security. Unreasonable subsidies and the artificial lowering of energy prices encourage wasteful consumption, increase energy price instability, stimulate counterfeiting and smuggling of fuel, and undermine the competitiveness of renewable energy sources and more efficient energy technologies.

Development of new technologies must also be a priority for governments. Investment in oil production is falling. This creates new conditions and opportunities for the development of renewables. According to the UN World Energy Development Program, developed countries in the 21st century will be those that aggressively sought wind energy.

The limited nature of the hydrocarbon resource base and conflict over these resources are forcing an increasing number of countries to turn to nuclear energy. But the most progressive countries, including European countries, are gradually abandoning nuclear energy. A whole series of international development banks are refusing to finance nuclear programs, pointing to their lack of competitiveness and increased risks.

EaP countries must rely on European experience and the know-how of independent analytical centers. They need to develop ambitious strategies for the development of renewable energy, which will enable them to accelerate development.

To strengthen energy security, it is extremely important for EaP countries to cooperate with each other in the development of renewable energy.

EaP countries are limiting freedom of action because it involves difficult issues of responsibility. But for a government, there is nothing more important than accepting responsibility to build a better future. As noted by Frank Crane, a 20th century clergyman and columnist: “Responsibility is the thing people dread most of all. Yet it is the one thing in the world that develops us.” □



OPERATION ATLANTIC RESOLVE

A case study in effective communication strategy

By Jesse Granger

When Lt. Gen. Donald Campbell, then commanding general of U.S. Army Europe (USAREUR), finished speaking in Tallinn, Estonia, on April 22, 2014, the reaction of the audience was one that neither he, nor anyone in the room, would likely forget.

The charity dinner brought together a mix of elites from Tallinn and the Estonian military to support the children of those killed or seriously injured while serving the Estonian Defense Forces. Campbell's attendance was requested by Maj. Gen. Riho Terras, Estonian Defense Forces commander, and Estonian President Toomas Hendrik Ilves ahead of a deployment of U.S. paratroopers to Estonia, Latvia, Lithuania and Poland.

The operation had not been announced publicly, so only a few in the room knew of the ongoing work to implement the troop movement over the next 48

hours. Before Campbell rose to deliver his remarks, President Ilves asked him to tell the audience of the U.S. plans to send troops to Estonia. Campbell complied, departing from his script to reveal that American forces were inbound to train with their Estonian counterparts indefinitely. The audience expressed relief as they stood to applaud the general. Some in the crowd openly wept.

When Russian forces seized control of the Crimean Peninsula from Ukraine in late February 2014, it was a reminder to NATO nations on Russia's border of the benefits of the military alliance. NATO responded in early March by exercising military air and sea options. The U.S. deployed F-16 fighter aircraft and Air Force personnel to Poland for training exercises, stepped up air policing over the Baltic states, and enhanced maneuvers and joint-exercise

participation by a U.S. guided-missile destroyer in the Black Sea. For U.S. Air Force Gen. Phillip Breedlove, commander of U.S. European Command (EUCOM) and NATO's supreme allied commander, Europe, the first few moves were relatively simple. "The tougher piece is, how do we do the assurance piece on the land?" Breedlove told The Associated Press. "Because these are measures which are more costly [and,] if not done correctly, might appear provocative." The U.S. would have to proceed cautiously to shore up support for its NATO allies without escalating an exceedingly tense situation.

A few weeks later, roughly 600 U.S. paratroopers from the 173rd Airborne Brigade, based in Italy, were en route to Poland, Latvia, Lithuania and Estonia as part of what would later be dubbed Operation Atlantic Resolve. According to Breedlove, a company-size contingent of airborne infantry in each of the four countries would hardly be an obstacle against the "force of about 40,000" Russian troops massed on Ukraine's border at the time. But, that was not the point. Operation Atlantic Resolve's goal was to achieve a tactical objective and, perhaps more important, a communications objective.

USAREUR's coupling of tactical and information strategy offers a model for applying communication strategy to future operations. The presence of U.S. boots on the ground was the core tactical condition intended to signal U.S. commitment to NATO's Article 5 obligations and of itself would have no trouble generating headlines. Lacking proper context, though, the move could have resulted in disaster if it was "erroneously perceived as a precursor to violence, a unilateral U.S. effort, or provocative to the Russians," according to Col. Rumi Nielson-Green, USAREUR public affairs officer at the time. The success or failure of Operation Atlantic Resolve would hinge on aggressive, timely communications. Specifically, this meant facilitating media coverage, ensuring transparency to the American public and combating misinformation.

The emphasis on communication was clear at the highest level of U.S. and partner governments. When announcing the deployment from the Pentagon, Department of Defense spokesman Rear Adm. John Kirby spoke not in terms of military maneuver, but of messaging. Furthermore, news of the deployment broke deliberately ahead of the official announcement. Polish Minister of Defense Tomasz Siemoniak walked into the offices of The Washington Post and revealed part of the U.S. plan following a meeting at the Pentagon.

"One of the most important things we did was acknowledge early on that there was going to be a heavy public affairs component to it and get the capabilities we needed on the ground in the Baltics and Poland," Lt. Gen. Campbell said.

Operation Atlantic Resolve was an opportunity to demonstrate that the principle of pairing military and

information in operational planning could work in practice. Subsequently, the USAREUR command and staff mobilized around maximizing media coverage, enabling public affairs operations to get the message out.

Within 48 hours of the order being issued, USAREUR deployed public affairs personnel to Poland before the first deployed U.S. forces arrived. The team would need every minute to coordinate with host-nation defense officials, U.S. embassy country teams and international media; facilitate coverage of the impending disembarkation events; and arrange senior leader engagements with the media.

"Originally, the plan was for our guys to jump in at night. We had to go back to them and tell them, 'That's not going to work. Media can't cover something they can't see,'" said Maj. Mike Weisman, public affairs officer for the 173rd Airborne Brigade. The plan changed to daytime aircraft landings and ceremonies to create conditions that would maximize opportunities for the media to get imagery that reinforced the message: U.S. and host-nation forces standing shoulder to shoulder.

Consequently, when the 173rd's Company C, 1st Battalion (Airborne), 503rd Infantry Regiment, streamed out of two C-130 Hercules aircraft at Swidwin Air Base in Poland, cameras were waiting. Photographers with Polish national daily publications and regional television outlets jockeyed for the best shots with international wire photographers such as Agence France-Press, Getty Images and Reuters.

The public affairs teams' efforts to ensure imagery and information were quickly available to tell the story accurately were right on the mark, according to Sean Gallup, chief photographer of Germany News for Getty Images. Gallup, whose photos were some of the first publicly available from the ceremony in Poland, later shared his perspective of the U.S.-Poland military event. "I would say the visual impression the event created was that the U.S. had sent a serious military unit but was not pursuing a confrontation," Gallup wrote in an email. What Gallup and the rest of the media saw was exactly the message that the Department of Defense, U.S. EUCOM, USAREUR and the 173rd intended to convey. Despite occasional coverage that described the U.S. action as "escalatory" or "provocative to Moscow," this was a minority view.

Campbell's reception at the charity dinner in Tallinn illustrated that the mere arrival of U.S. forces was enough to assure a roomful of Estonian spectators of the U.S. commitment to its allies. The general could not visit every venue in Poland, Latvia, Lithuania and Estonia, though, nor could a company of airborne infantry. But media reports could. □

A longer version of this article was published in the January-February 2015 issue of Military Review.

THE BENEFITS OF CIVILIAN-MILITARY COOPERATION

German military missions to Bosnia, Kosovo and Afghanistan highlight the need for civilian involvement

By Dr. Sebastian von Münchow, Marshall Center
Photos by EPA

The senior civilian representative (SCR), a Foreign Office diplomat, shares the leadership in international stabilization efforts in Afghanistan with the military commander of Regional Command (RC) North. Both represent the Federal Republic of Germany — one the Armed Forces on a mission abroad, the other the civilian aspects of Berlin's foreign policy. Experts on foreign and security policy are familiar with this arrangement, but very little of it is public knowledge. What is the idea behind it? What is the value added? What are the overlaps between the SCR's work and that of the general staff in the field? What is the potential for friction?

The atmosphere in the room is rather tense. The commander of RC North and the SCR do not like to be kept waiting. They are sitting in the commander's field office in Mazar-e Sharif, reviewing their meeting with two Afghan dignitaries the day before. The objective had been to welcome the provincial governor installed by the government in Kabul. And since in Afghanistan nothing substantial happens without the local military commander present, the general of the Afghan National Army (ANA) in the region had also been invited. So the Germans and their highest ranking representatives had gone to the provincial capital: the commander of RC North representing the Bundeswehr and the SCR representing the executive's civilian side.

Both are well aware of how delicate the situation is. The governor from Kabul is a Pashtun with close ties to then-President Hamid Karzai, and the region he is supposed to govern is populated mainly by ethnic Turkmen and Uzbeks. So what kind of welcome would he receive from a population highly critical of the Pashtun-dominated security structures? To defuse the situation, the Germans had prepared a memorandum of understanding containing customary phrases about the peaceful coexistence of different ethnicities as well as the promise that, if all sides cooperated, they would be rewarded with additional money for reconstruction. And yet, both the new governor and the ANA general, also belonging to the Pashtun minority, had refused to sign the "key leader engagement" memorandum.

The Afghan general explained in a supercilious tone that this was patronizing behavior and completely unacceptable. There were none of the eagerly anticipated

pictures in the local news, no photos of an Afghan and a German civilian signing a document and presenting it to the camera with conciliatory words. So the diplomat got in touch with Berlin late that night and had the promised funds canceled. In the morning, he informed the provincial governor. As a result, the Pashtun general got terribly upset. He turned to his International Security Assistance Force (ISAF) counterpart, the commander of RC North, accusing the Germans of breach of promise and trust and pointing out the fragility of the security situation — not a good sign so soon before the withdrawal of the Bundeswehr. The only thing the German diplomat and German general could do was wait to see how the Afghans would react.

Training scenario

Situations like these might occur in Afghanistan at any time. The one described here was part of a command post exercise of the 1st German Armored Division that took place in Wildflecken in April 2014. The objective of the Crystal Eagle 13 exercise was to familiarize the division with elements of civil-military cooperation relevant to transition periods as well as with support measures required in a multinational environment. The scenarios were designed to reflect the anticipated state of affairs in Afghanistan in late 2014 and early 2015.

The exercise was organized by the Multinational Corps Northeast, the NATO Baltic Corps based in Szczecin, Poland. Danes, Poles, Germans and others convincingly and enthusiastically played the roles of Afghan officials. For the first time, the SCR was made part of the division staff. While the Brisk Taurus exercise at the beginning of 2013

An Afghan boy watches a German Armed Forces soldier patrol the Char Darreh district, near Kunduz, Afghanistan, during the NATO-led International Security Assistance Force mission. Civilian-military cooperation played a large role in Germany's successful engagement.



featured a military commander and his lower-ranking political advisor; exercise Crystal Eagle 13 was based on the actual situation in RC North's headquarters, where the commander of the German military contingent had a civilian of equal rank at his side.

Lessons from history

So what are the origins of this arrangement? Close cooperation between military and civilian elements in a stabilization mission is not exactly a new thing. With the United Nations Transitional Authority in Cambodia (UNTAC) in 1992-93, it became clear that large-scale missions with a mandate for reconstruction and democratization require coordination between the military and the political side. Back then, the mission included armed, blue-helmeted UN military forces and thousands of civilian experts under the auspices of the UN and Chief of Mission Yasushi Akashi.

On the other hand, during the international intervention in Bosnia and Herzegovina, which started in 1996, the civilian and the military parts of the mandate were kept separate. NATO's Stabilisation Force's (SFOR) mission was responsible for peacekeeping based on the enforcement measures laid out in Chapter VII of the UN Charter. The responsibilities of the International Police Task Force (IPTF) – the UN-sponsored international police advisory mission – the Organization for Security and Co-operation in Europe (OSCE) and the political lead agency in the region, the Office of the High Representative (OHR), were derived from the Dayton Agreement.

For the Bundeswehr, this was its first large-scale, out-of-area mission. Compared to other nations, the Germans lacked experience when they got together with representatives from the European Union, the OSCE and nongovernmental organizations to identify duplication of effort in the geographically overlapping parts of their areas of responsibility. Officers affiliated with civil-military coordination (CIMIC) learned it was mutually beneficial to coordinate efforts with civilian counterparts in the international community. Officers and civilian experts managed to avoid wasting funds – something that generally happens if the money gets distributed with a shotgun approach – by exchanging precise information on measures to facilitate the reintegration of returning refugees and by identifying infrastructure such as houses, bridges and schools that could be rebuilt only with the help and expertise of the Bundeswehr.

Very often these initially informal exchanges resulted in successful return projects that credit everyone who contributed: relief organizations, the OHR, the OSCE, the IPTF and the Bundeswehr. In numerous discussions with the civilian-side field offices, CIMIC officers discovered where civilian organizations offered different political assessments than their own. And, in turn, the civilian side profited from the German military's perspective. This sharing of views proved particularly useful for threat assessments. Over the course of the mission, the commander of the German

camp in Rajlovac was supported by political advisors, usually Bundeswehr experts with a background in political science or regional studies. Their advice to the commander included, for instance, information on where a local discussion partner fit into the overall political hierarchy.

The interdependence of the civilian and military components of post-conflict peace-building became even more obvious during the Kosovo missions involving the Kosovo Force (KFOR) and the United Nations Interim Administration. UN Security Council Resolution 1244 placed Kosovo under temporary UN administration. For the first time, the Bundeswehr was assigned its own area of responsibility in the south of Kosovo. Since security, administration and enormous reconstruction funds were all inextricably linked, NATO, the UN, the EU and the OSCE intensified coordination efforts. The Bundeswehr set up the J9 CIMIC staff division at corps level, whose main task has been civil-military interaction. Over the last decade – and particularly influenced by the KFOR and the ISAF missions – new positions for advisors directly subordinate to the commander were created, such as those of a cultural advisor or a foreign area expert, who provide information on issues such as religion, the economy and possible grievances and sensitivities of local dialogue partners.

The Afghan example

In contrast to advisors, the civilian representative is equal in rank to the contingent commander and is not a member of the Bundeswehr or Ministry of Defense. Mazar-e Sharif provides a good illustration of this: An organizational chart would show the mission headquarters at the top with two arrows pointing in different directions underneath. One connects the civilian representative to the German Embassy and the Foreign Office; the other links the commander to NATO headquarters, the Joint Operations Command and the Defense Ministry in Berlin. This structure implies that disagreements can only be settled at the top, i.e., at the interagency level in the capital. Therefore, it is highly recommended to start the coordination and harmonization process at the field headquarters.

For the Foreign Office, it made sense to have a representative at the headquarters of the German-led contingents. The German area of operation was constantly scrutinized by the media, which means that anything that happens there – the failure of rehabilitation measures in the conflict-ridden region, waste of resources or, in the worst case, a resurgence of violence – will be associated with the Bundeswehr. An expert was needed to control distribution of aid, monitor costly large-scale projects such as the construction of the international airport in Mazar-e Sharif or act as mediator between political dignitaries. Also, it was not necessary for the Bundeswehr's area of operation and the host country's capital to overlap geographically. In Afghanistan, they do not. But, by having the SCR in the field, the Foreign Office profited from firsthand information about what goes on in the German area

of responsibility, something that German diplomats at the embassy in Kabul were too far away to provide.

The presence of the SCR constitutes a decisive advantage in the area of responsibility because he is the spokesman for civilian authorities in the region. In post-conflict areas, local armed forces are usually seen as guardians of law and order even years after hostilities have ended. The administrative and the justice systems, on the other hand, are met with much skepticism, and it takes a lot of patience to build these institutions gradually. So a high-ranking civilian representative of the German government is a person of high symbolic value, someone who is able to emphasize the primacy of politics in discussions with Afghan partners. Military peace-keeping will remain the task of the Bundeswehr, but democratization, the rule of law, reconstruction or the frequently mentioned good governance fall within the area of competence of the civilian representative.

There may, of course, be occasional frictions between the contingent commander and the civilian representative. No matter their nationality, generals tend to find it easier to agree among themselves on situation assessments, priorities and courses of action, which is most likely a result of training, career and professional ethics. They bear the brunt of all responsibilities, for their troops as well as for the security in their area of responsibility while operating in the stressful environment of a post-conflict situation. Nevertheless, the primacy of politics has to be restored in the long run. To put it differently, the judicial, executive and legislative branches will at some point assume control over the armed forces. It helps to have a civilian representative reminding everyone inside and outside the military camp of this long-term objective.

Another value to this arrangement is that the civilian representative's work often overlaps that of the division staff. As far as CIMIC is concerned, his role is to support reconstruction projects. In the area of reconnaissance or psychological operations, the representative can make important contributions by sharing his views on local authorities, politicians and dignitaries. And his work complements the efforts of the political, legal, public affairs and cultural advisors in the area of responsibility. The SCR is also the main point of contact for personnel of international organizations such as the United Nations Assistance Mission in Afghanistan and nongovernmental organizations. There is room for improvement — particularly in coordination with nongovernmental organizations keen to preserve their independence — because in the Bundeswehr's area of responsibility many synergy effects had yet to be explored.

Conclusion

Academics and policymakers are beginning to understand that the international community is no longer particularly interested in large-scale missions such as those in Kosovo and Afghanistan because of hostility toward the donor states' personnel and the meager success of their efforts, so it might seem like a waste of time to think about how to enhance the



German Foreign Minister Frank-Walter Steinmeier, right, speaks with Gen. Volker Wierer during a debate in December 2014 about German deployment in Afghanistan. Close cooperation between Germany's ministries of defense and foreign affairs aided the mission to stabilize northern Afghanistan.

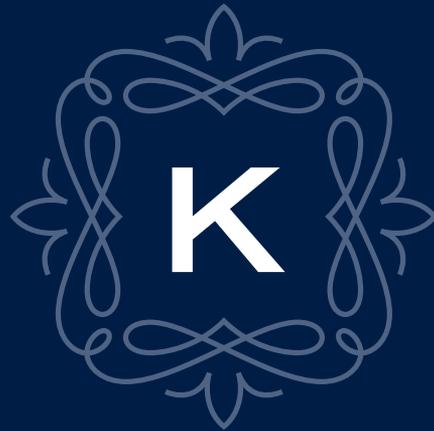
role of the SCR at the Bundeswehr commander's side.

But after 2014 that negative impression changed. One reason was that the economy improved in Afghanistan's Northern provinces. Another point is worth mentioning: German and Afghan casualties in RC North were less than in other parts of the country. The political situation in the North is more stable, which may indeed be due to the close link between the military leadership and the civilian representative.

In case of future large-scale international interventions, including a SCR in post-conflict rehabilitation efforts from the very beginning would make sense. Whenever German soldiers are on a mission abroad, Germany's foreign and development policies need to become involved. It would therefore be unreasonable not to include SCRs in the efforts when their work has proved useful.

In the training scenario mentioned at the start of this article, the Afghan side finally agreed to discuss a compromise. The four protagonists had another meeting, which allowed everyone to save face. In the end, the much awaited photos were produced showing four decision-makers from two executive branches, two men in uniform, two civilians, Germans and Pashtuns, signing the memorandum. From the diplomat's point of view, the primacy of democratically legitimate policymaking was restored. The new Pashtun governor was pleased to receive international recognition and make good use of the media to talk about the extra funds he was able to raise for his province. The generals agreed that the military code of honor had been respected.

It goes without saying that such scenarios are always somewhat artificial. Nevertheless, the members of the Baltic Corps who participated in the ISAF mission confirmed that the facts and sensitivities of the scenario had been inspired by real life experiences in Afghanistan. This scenario considerably contributed to the success of exercise Crystal Eagle 13. Everyone agreed they learned a lot from each other. □



*The country reviews its security institutions
to determine roles and missions*

SECURING KOSOVO



By Faruk Geci, director, Directorate of Policy and Plans,
Ministry of the Kosovo Security Force

The Republic of Kosovo,

the newest country in the Western Balkans, became a sovereign state on February 17, 2008, after 10 years under international administration. Kosovo has managed to build its institutions — especially its security institutions — by recognizing the importance of continuous improvement in their capacity to provide safety and security for its citizens. As part of that process, in March 2012, the government initiated the first Strategic Security Sector Review (SSSR) — a whole-of-government review of its security institutions. The purpose of the SSSR was to conduct a comprehensive analysis of all aspects of security in Kosovo to evaluate current and future security challenges, clearly define the roles of each institution to avoid duplication and maximize institutional capabilities, and identify capabilities to provide for the safety and security of Kosovo. Through this analysis, the SSSR has produced strategic-level policy guidance and concrete recommendations for Kosovo's security sector.

Kosovo aspires to be an integral part of regional and global security structures, in particular the European Union, NATO, the Organization for Security and Co-operation in Europe and the United Nations. It also desires to maintain and promote peaceful neighborly relations to enhance stability and confidence among nations in the region. Indeed, Kosovo's national security is closely related to regional and Euro-Atlantic security.

EVALUATING INSTITUTIONS

The comprehensive SSSR process included security sector institutions such as the Kosovo Security Force (KSF), the police and the intelligence services, as well as the responsible ministries of KSF, foreign affairs, interior, justice, finance, health, education, environment and infrastructure. Kosovo established the SSSR Inter-ministerial Working Group, a cross section of security sector actors. As the first post-independence review in Kosovo, the SSSR has emphasized local leadership and ownership, with the ultimate objective of making security sector institutions more efficient, effective and accountable to Kosovo's citizens.

Each institution involved in the SSSR defines

its legal basis and its roles and missions and offers recommendations for the continued consolidation of Kosovo's security institutions. Given the importance of a well-coordinated approach to SSSR implementation, the prime minister's office will play a central role in prioritizing and overseeing the implementation of SSSR recommendations and ensuring that implementation remains affordable and transparent.

Through a thorough and methodical analysis conducted over two years, the SSSR revealed the need to gradually develop capabilities to assume greater responsibilities to meet Kosovo's obligation to safeguard sovereignty and territorial integrity. The SSSR recommends the development of necessary capacities and the dissolution of those not required and provides recommendations for necessary legislative changes.

The SSSR considered the macroeconomic overview of the years 2014 to 2018. The economic structure (gross domestic product components as percentage of overall GDP) is assumed to remain widely constant. Real GDP for 2014 is expected to increase by 4.1 percent from the previous year, and real average annual growth from 2014 to 2018 is expected to be 4.8 percent, driven by increased consumption. Throughout the period covered by the SSSR, the government will continually evaluate the progress of security sector reforms and make budget and financial adjustments as necessary, including extending the implementation time of programs if budgetary forecasts require such adjustments.

FOREIGN PARTNERSHIPS

This requires that the government take note of global, regional and local perspectives of state security. Distant developments may have an impact on national security. As a result, the security of the state is closely connected to and dependent upon the security of the region and wider Europe. Peace and stability in Europe and beyond depend on cooperation between states, either bilaterally or multilaterally or within inter-governmental organizations. Regional cooperation in the security sector is necessary not only to combat common threats, but also to overcome the legacy of the past and minimize internal and external tensions and threats. It is self-evident



Members of the Kosovo Security Force march in Pristina during a celebration marking six years of Kosovo independence on February 17, 2014.

REUTERS





NATO Secretary-General Jens Stoltenberg, center, reviews an honor guard of the NATO-led peacekeeping mission in Kosovo in January 2015 in Pristina.

AFF/GETTY IMAGES



that Kosovo can be secure only if the region and Europe are secure.

Finally, Kosovo must look to the future to be able to address all levels of security challenges. Now is the time to lay foundations on which Kosovo's government can build capacities to defend the state long term in a realistic, affordable and holistic manner. Our vision in Kosovo is to be a force for stability and security, not only at home, but also in the region and wider Europe.

The government has developed a successful partnership with international missions in Kosovo, such as NATO's Kosovo Force (KFOR) mission, the EU Rule of Law Mission and other international instruments. Kosovo is grateful for the significant role that international institutions have played in developing and strengthening Kosovo's security sector and rule of law capacities and, more broadly, in establishing a safe and secure environment. As the presence of international

institutions diminishes, it is important for Kosovo to continue the consolidation and strengthening of its security sector.

OBJECTIVES

The national security interests and objectives of the Republic of Kosovo are independence, sovereignty and territorial integrity; constitutional order; sustainable economic development; life, welfare, property and safety of the citizens; and regional stability and membership in international organizations. These interests and objectives form the basis for the mission and tasks of current and future national institutions and security institutions in particular.

From a strategic viewpoint, Kosovo is a small, new country in the Balkans, bordered by other small countries. As globalization shrinks the world, Kosovo is not immune to associated risks and threats. On one hand, the security environment in Kosovo and the

OBJECTIVES

of the

SSSR

- 1 Define Kosovo's strategic objectives and the security and defense policies of the Republic of Kosovo.
- 2 Define the strategic security environment and possible security risks and threats.
- 3 Analyze the current capacities of internal security institutions.
- 4 Define the capacities that internal security institutions will need in the future.
- 5 Recommend a process for developing necessary capacities and the dissolution of those not required, based on Strategic Security Sector Review (SSSR) capabilities analysis.
- 6 Provide guidance for developing a new National Security Strategy of Kosovo.
- 7 Recommend necessary legislative changes.
- 8 Establish security institutions based on SSSR recommendations and the National Security Strategy.

region is expected to be more placid, especially after the April 2013 agreement for the normalization of relations between Kosovo and Serbia. This has created a sense of progress and improved opportunities for economic development, peace, stability and regional security.

On the other hand, numerous ongoing difficulties demand understanding, dialogue and cooperation. In light of a broad spectrum of strategic circumstances, and considering the global, regional and internal environment, Kosovo's security institutions have taken a wider approach in terms of the strategic security environment.

CONCLUSION

The SSSR has identified numerous internal risks, including ethnic and religious extremism, natural disasters, unexploded ordnance/improvised explosive devices, proliferation of small arms, organized crime, economic underdevelopment, unemployment, weak security/justice institutions, corruption, contested/undetermined borders and misuse of natural resources. All these could threaten Kosovo's security and rule of law and damage the image of the country abroad.

Through its security and defense policies, Kosovo aims

to build a functional and modern security system. Kosovo's security will depend on developing sufficient capabilities in its institutions. Kosovo also aims to be both a beneficiary of and a contributor to Euro-Atlantic institutions. The presence of KFOR and other international security structures in Kosovo will allow time to develop a good foundation of internal security capabilities by respecting international agreements and the Constitution of the Republic of Kosovo.

Security policies are designed from internal, regional and global perspectives to preserve and promote national interests, both directly and indirectly. These policies will be achieved through short-, mid- and long-term planning. For example, the evolution of the Ministry for the Kosovo Security Force into the Ministry of Defense and particularly the transformation of the KSF into the Kosovo Armed Forces will be developed in three phases through 2024 based on a long-term plan that will allow time to establish, professionalize and modernize the force.

The transformation will occur in accordance with national interests; human, material and financial requirements; and opportunities for national development. Kosovo's primary concern is the security of its citizens, fostering a secure environment, establishment of security and defense structures, contributing to regional security and stability and contributing to international and global security.

The primary intention of the SSSR analysis is to provide the government of Kosovo with a set of recommendations for the transparent, balanced and affordable development of Kosovo's security institutions to meet current and projected security challenges.

Needs identified by the SSSR:

1. Review the National Security Strategy.
2. Draft a National Defense Strategy.
3. Review and revise the National Response Plan to reflect SSSR findings.

Recommendations:

1. Transition the KSF to the Kosovo Armed Forces with the mission to defend the nation's territorial integrity, provide military support to civil authorities during disasters and participate in international peacekeeping operations.
2. Transition the Ministry of the Kosovo Security Force to a Ministry of Defense with the responsibility of providing civilian oversight and guidance for the new Kosovo Armed Forces. Also, the Ministry of Internal Affairs (MIA) will work closely with the Ministry of Defense to transition responsibilities over time to the MIA in the field of emergency management. Given Kosovo's Euro-Atlantic aspirations and membership in regional and international organizations, the Ministry of Foreign Affairs will continue to increase its presence abroad as a key diplomatic pillar of Kosovo's security.
3. Create a NATO interministerial working group in the office of the prime minister to help develop a closer relationship with the Alliance, given Kosovo's Euro-Atlantic perspective and goal of improving relations with Euro-Atlantic institutions. □

SAFEGUARDING THE SEA

*Despite a focus
on the East,
Europe can't
neglect the
Mediterranean*

By *per* Concordiam Staff

Dating back to antiquity, the Mediterranean Sea has beneficially linked the people of three continents. However, in recent years, unrest on the Mediterranean seaboard has introduced an array of problems to Europe. Political revolutions and governmental instability in Libya, Egypt and other North African countries, as well as the civil war in Syria, have driven an unrelenting flow of refugees into Europe. Stubbornly high unemployment in Southern Europe — and across the sea in North Africa — has fostered extremism and despair.

These unwelcome trends are partly counterbalanced by some encouraging economic developments. Recent gas finds in the Mediterranean hold vast potential — with some saying the discovery might lead the way to European energy independence. Others speculate that solar panels that take advantage of the region's abundant sunshine could provide Europe with a significant amount of electricity.

NATO and the European Union continue to recognize the importance of these 21 politically, economically and religiously diverse nations, making collaboration on security issues challenging and critically important. While much of the security community has its attention on Eastern Europe, regional security continues to depend upon a stable Mediterranean. Such was the thinking behind the Alliance's Mediterranean Dialogue: Six non-NATO countries — Egypt, Israel, Jordan, Mauritania, Morocco and Tunisia — have agreed to work cooperatively with NATO to contribute to Mediterranean security and stability.

The EU has developed the European Neighbourhood Policy (ENP) to work with its southern and eastern neighbors. Twelve countries, including Azerbaijan, Egypt, Georgia and Morocco, have submitted ENP action plans to work toward common interests, including democracy, the rule of law, respect for human rights and social cohesion.

“The issues that are emanating into the NATO southern flank from the Middle East and North Africa could quite profoundly change life inside of Europe, not only Southern Europe, but well into Central and Northern Europe,” U.S. Gen. Martin Dempsey, chairman of the U.S. Joint Chiefs of Staff, said in a message to European NATO partners in 2014.

REFUGEES

The influx of migrants and asylum seekers picked up in the Mediterranean in the first half of 2014 could produce record numbers of unexpected arrivals in Southern Europe, according to Ewa Moncure of Frontex, the EU's border agency. It has not been unusual for the Italian Navy to pick up thousands over a weekend. Though they are using the Mediterranean as a gateway into Europe, many of these migrants had already completed arduous trips across Africa, the Middle East and Asia. Many have escaped conflict in places such as Syria and Eritrea and come to Europe in search of a better life.

EU governments have debated how to handle what they fear could be an inundation. Governments in Northern Europe have urged their Southern European counterparts to improve border control. Southern Europeans, in turn, seek support from the North to share the costs of providing for the recent arrivals. For example, Italian Interior Minister Angelino Alfano has said that without EU intervention, the country could not continue to patrol Libya's coast to interdict desperate migrants, the BBC reported in June 2014.

The United Nations is considering establishing refugee holding centers in North Africa and the Middle East. The U.N. High Commissioner for Refugees (UNHCR) suggests processing would-be immigrants outside of Europe because of the spiraling numbers. The idea has gained the support of Greece, among other nations. In the summer of 2014, thousands were preparing to make the sometimes treacherous journey across

Migrants seek refuge in Europe after a perilous Mediterranean Sea journey from the coast of Libya. EPA





the Mediterranean, the *Guardian* reported in June 2014.

Nevertheless, human rights and refugee advocates oppose the centers. “We would not be totally against external processing if certain safeguards were in place: the right to appeal, fair process, the right to remain while appeals take place,” UNHCR’s European director Vincent Cochetel said.

Although Greece’s 10.5-kilometer fence on the border with Turkey has been deemed effective, the closure of that route has driven migrants to undertake a more dangerous journey across the Aegean Sea. Hundreds had perished on this route by mid-2014, *The Wall Street Journal* reported. Bulgaria erected its own 30-kilometer fence in July 2014 — topped by coils of razor wire — covering a section of its 275-kilometer border with Turkey. Bulgaria insisted that, as one of the EU’s poorest members, it couldn’t accommodate 11,000 migrants who arrived illegally in 2013.

UNEMPLOYMENT AND IMMIGRATION

By mid-2014, the EU’s unemployment rate stood at nearly 12 percent. In Spain, the jobless rate has stood near 25 percent for years. Spaniards are leaving their country in droves to search for work abroad. Sixty-two percent of the country’s unemployed have been out of work for more than a year. In Greece, which also suffered heavily during the financial crisis, unemployment exceeded 27 percent in the first half of 2014.

The numbers are even worse for younger job seekers. As of 2014, 46 percent of Italian youth were unemployed. Close to half of Spain’s youth can’t find work, and in Greece, the youth unemployment rate approaches 6 out of 10 job seekers. College graduates have

been forced to take low-paying jobs just to have a paycheck. In 2010, Greece’s Eleanna Malemi graduated with a degree in international studies, but four years later she is working in a bar; she told CNBC in May 2014. “Young people here are disappointed because after so many years of studying and hard work, they feel lost and cannot make their dreams about the future come true,” Malemi said.

On the other end of the Mediterranean, youth unemployment in the Middle East and North Africa is among the highest in the world. Joblessness has driven people into the streets demanding a change in government. Youth unemployment “can fuel the fire of political violence and unrest,” the United Nations publication *Africa Renewal* wrote. Forty percent of those who join rebel movements say they were motivated to join because of the absence of job opportunities, a 2011 World Bank survey concluded.

Economists agree that immigrants can boost economic development and that host countries have benefited for many generations. Migrants can bring new skills to a country with a shortage in a particular area and fill jobs that natives reject. They also fill an age gap as Europe’s population grows older. The median age in the EU is 41.5, and Germany’s is 45.

North Africans fill many of those jobs, including nursing home positions that those born in Europe disdain. Philippe Fargues, director of the Migration Policy Centre at the European University Institute, explains the mixed messages that surround the topic of migration in Europe: “On the one side you have an economic crisis which has fueled anti-immigration sentiments everywhere in Europe. On the other side, you have a demographic crisis,” a *Financial Times* article reported.

In the United Kingdom, migrants fill one-fifth of jobs in key industries because British graduates lack the skills, according to a November 2013 Department for Business Innovation & Skills report. The UK government report states that 20 percent of workers in oil and gas extraction, aerospace manufacturing and computers, and electrical and optical engineering are migrants. “Many employers have been forced to look overseas for workers with the expertise and experience needed to sustain their business and it is clear that migration will continue to be an important source of engineering skills for some time to come,” the report stated.



NEW ENERGY SOURCES

Recently, exploratory drilling detected vast reserves of natural gas in the eastern Mediterranean. Although some security experts are concerned that this could be a source of conflict in the region, the findings suggest this low-cost source of energy is a golden opportunity for Egypt, Israel, Turkey, Cyprus, Lebanon, Syria and the Palestinian territories.

Europe would also benefit. In April 2014, the European Parliament performed an in-depth analysis on whether a natural-gas-producing eastern Mediterranean could export energy to Europe at large. The study pinpointed Cyprus as a potential gas supplier, along with Israel, to reduce EU reliance on Russian gas.

The region's gas potential has served as a diplomatic catalyst for Cyprus. "After decades of tension and division at home, Cyprus reasoned that billions in energy revenue and the potential for energy dependence would be enough to revive and stabilize reunification talks between the island's two parts after nearly 40 years of division," *Forbes* wrote in February 2014.

Although of less direct benefit to Europe at present, Mediterranean solar energy is a potentially huge contributor to regional economic stability. In Algeria, for example, new power generation projects featuring massive mirrors spread across the desert will satisfy much of that country's energy needs. EU officials

believe transmission lines under the Mediterranean could ultimately bring vital electricity to Europe's southern seaboard.

"The solar potential of Algeria is huge, enormous, because solar radiation is high and there is plenty of land for solar plants," Eduardo Zarza Moya of the Spanish public energy research center CIEMAT told *The Associated Press*. "The price of the land is low, it's cheap, and there is also manpower."

CONCLUSION

The Mediterranean has long been a transmission zone of cultures, religions and languages, and conflicts that emerge on one side of the sea rarely fail to spread to the other. This heavily traveled sea — and the critical countries that surround it — truly remains a "barometer of world politics." Europeans neglect this crucial region to their peril.

"The future of the southern Mediterranean countries is the great challenge of our times," Italian Foreign Minister Federica Mogherini wrote in a July 2014 article in *The Parliament Magazine*. "For historical reasons, we are anxious to maintain the links formed over the centuries through civilisation after civilisation. It is also close to our hearts because of the Mediterranean being a sea that both divides and, most importantly, unites us, and is thus a key in this region to ensuring stability, peace and security in Europe." □

Bulgarian Border Police guard the perimeter of a newly constructed barbed-wire fence on the Bulgarian-Turkish border. Bulgaria has been overwhelmed with the influx of asylum seekers and refugees from Syria.

AFP/GETTY IMAGES

THE RISK FROM RETURNEES



TERRORIST ATTACKS IN EUROPE HIGHLIGHT THE NEED TO MONITOR EUROPEAN EXTREMISTS FIGHTING ABROAD

By *per* Concordiam Staff

Faced with the prospect of 3,000 of its citizens fighting in Syria and Iraq, European governments are experimenting with different techniques to prevent returning fighters from waging war back home. These policies range from the severe — arrest, detention and loss of citizenship for returnees who had fought in the Middle East — to the softly sociological — counseling, rehabilitation and job placement for former jihadist recruits.

What the governments all have in common is a determination to confront the terrorist threat from radicalized fighters professing a violent strain of Islam. That threat was illustrated by the January 2015 murders at a magazine office in Paris committed by Islamic radicals who had been recruiting fellow extremists to fight in the Middle East. Europeans have most often joined the Islamic State of Iraq and Syria (ISIS) and al-Qaida.

“The problem with Syria is the scale, the number of people going,” Thomas Hegghammer, director of terrorism research at the Norwegian Defence Research Establishment in Oslo, told Bloomberg *Businessweek* in December 2014. “Even if the blowback ratio is low from Syria, the absolute numbers are going to be relatively high. ... We are going to have radical Islamic communities in Europe for another generation — substantial ones.”

PREPARING FOR THE WORST

The Syrian civil war has drawn larger numbers of radicalized European Muslims than earlier conflicts such as those in Iraq, Afghanistan, and Bosnia and Herzegovina. Europol Director Rob Wainwright dubbed the ISIS returnees, who could eventually number as many as 5,000, Europe’s greatest security threat in more than a

decade. The prospect that many of these battle-hardened extremists will return to Europe with a taste for inflicting violence has inspired governments to act.

Austria, Belgium, France, Germany, the Netherlands, Norway and the United Kingdom have been conspicuous in their expanded use of surveillance, arrest and detention for returning ISIS fighters, especially those who have expressed hostility toward their home countries. Pinpointing exact numbers is difficult, but officials suspect more than 1,000 Austrian, Belgian, British, Dutch, French, German and Norwegian citizens have gone to Syria.

Germany has attempted to seize the passports of would-be jihadists to prevent them from traveling overseas, and Austria has debated stripping citizenship from the dozens of extremists returning home from Syria. Nationwide bans on ISIS’ black flag have become increasingly common. British Prime Minister David Cameron warned that anyone found with such paraphernalia could be arrested. “Working with our partners, we have stopped three UK terrorist plots in recent months alone,” Andrew Parker, chief of MI5, Britain’s domestic intelligence service, announced in January 2015.

Muslim communities in the Balkans also have supplied recruits for the Syrian civil war, forcing countries such as Albania, Bosnia, Kosovo, Macedonia and Serbia to update counterterrorism laws. Some of these Southeast European recruits have been lured to the Middle East less by ideology and more by cash bonuses offered by jihadist groups, news reports said.

Driving many of the legal changes are conspicuous terror attacks committed by Europeans regarded as ISIS and al-Qaida

French soldiers patrol on high alert in a Lyon shopping center after al-Qaida affiliates killed 16 people in Paris in January 2015. REUTERS



accomplices and sympathizers. The first known attack by a Syrian returnee occurred in May 2014, when a French-Algerian named Mehdi Nemmouche shot and killed four visitors to the Jewish Museum of Belgium in Brussels. Nemmouche had fought on the side of Islamic extremists in Syria and pledged to take the fight to Europe.

In early January 2015, two gunmen executed 12 people at the Paris offices of *Charlie Hebdo*, a humor magazine known for satirizing religion, including Islam. Those murders, as well as four related killings at a kosher supermarket, represented the worst single terrorist event in France in a generation. Within a week, al-Qaida had claimed credit for the atrocity.

A SOFTER APPROACH

Denmark can serve as a laboratory for an alternative approach that treats returning ISIS fighters more as wayward youth than potential terrorists. An experimental program in Aarhus, the country's second-largest city, provides counseling, job placement and free schooling for returning fighters professing views abhorrent to most Danes.

The Danish program started as a rehabilitation technique for neo-Nazis, but it was expanded to include Islamic extremists living in Aarhus' large Muslim community. As of early 2015, none of the returning fighters engaged in the program have been caught committing violence at home, but few seem repentant. Danish officials admit that most of the enrollees refuse counseling meant to steer them toward a less militant version of Islam.

"These are young people who have turned to religion at a very difficult time in their lives, and they are dealing with existential questions about going to fight for what they believe in," Aarhus Mayor Jacob Bundsgaard told *The Washington Post*. "We cannot pass legislation that changes the way they think and feel. What we can do is show them we are sincere about integration, about dialogue."

One such fighter featured in several articles was described as strutting down the streets of Aarhus — more hero than outcast — wearing military camouflage from his time in Syria. The 21-year-old son of Turkish immigrants admitted he longed for an Islamic caliphate and approved of executing captured Syrian and Iraqi soldiers. "I know how some people think. They are afraid of us, the ones coming back," the former fighter told *The Post* in late 2014. "Look, we are really not dangerous."

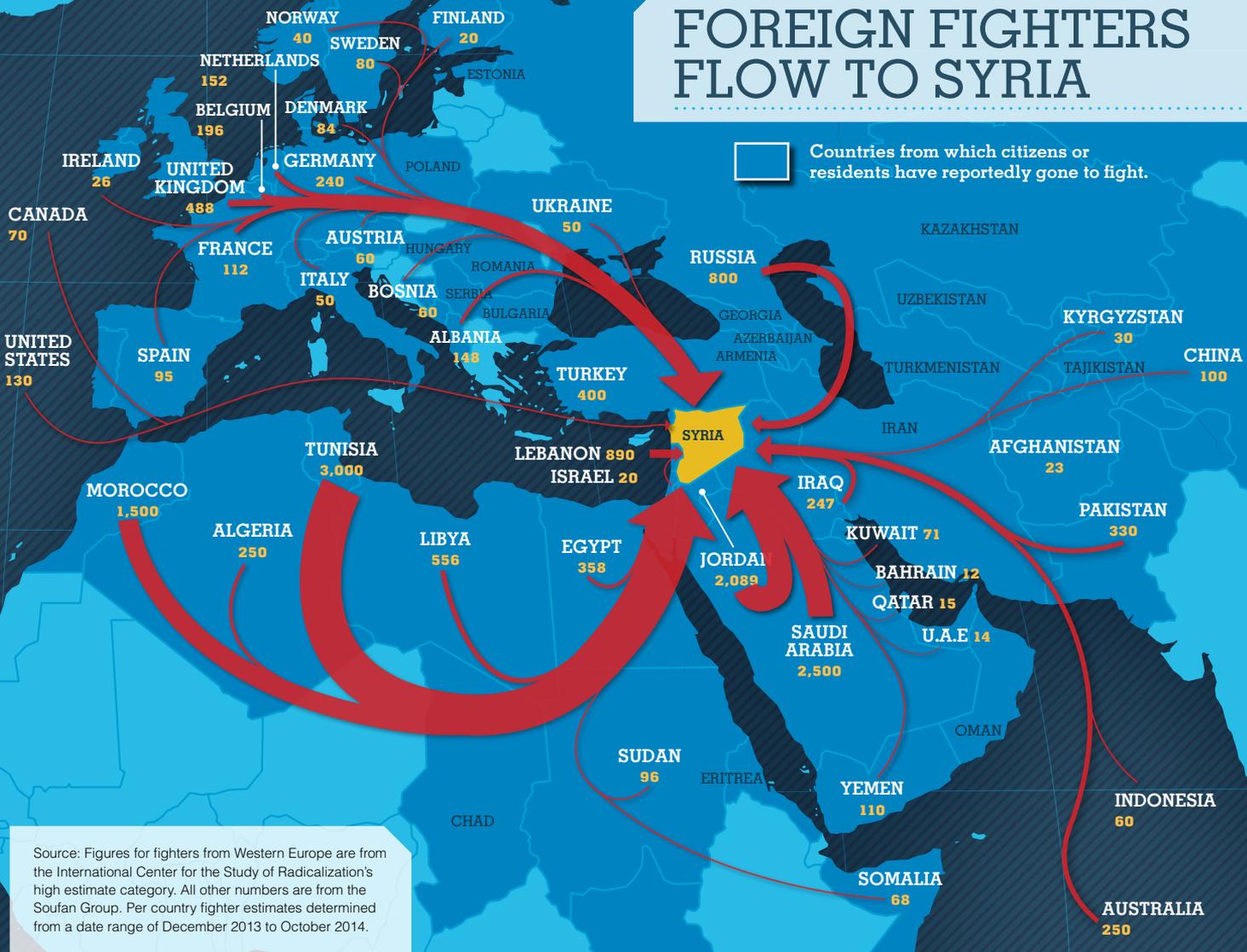
Even Germany and Britain, which have prosecuted some returning fighters, have left open the possibility of using techniques similar to Denmark's. In late 2014, William Hague, Britain's former foreign secretary, voiced support for the rehabilitation of returning fighters professing "good intentions." Nevertheless, German security officials told *The New York Times* that most of the 130 ISIS fighters who had returned to Germany by late 2014 retained their radical views and planned to return to the Middle East.

"Together, we have to — and we will — prevent these people leaving to export terror," German Interior Minister Thomas de Maiziere said at a meeting of his European counterparts in December 2014. "And we want to especially prevent their return as fighters to carry out attacks in Europe."

EXAGGERATED FEARS?

Critics of hard counterterrorism approaches believe that only a limited percentage of returning Islamic fighters are sufficiently motivated to plan attacks at home. In a 2013 study titled "Should I Stay or Should I Go?" that analyzed about 1,000 fighters from earlier jihadist conflicts, Hegghammer noted that only 11 percent of the fighters returned to Europe intending to commit acts of domestic terrorism. But if that same proportion is applied to the estimated 3,000 Europeans fighting for ISIS and al-Qaida, Europe could be facing hundreds of additional terrorists.

FOREIGN FIGHTERS FLOW TO SYRIA



Source: Figures for fighters from Western Europe are from the International Center for the Study of Radicalization's high estimate category. All other numbers are from the Soufan Group. Per country fighter estimates determined from a date range of December 2013 to October 2014.

PER CONCORDIAM ILLUSTRATION

Authors Daniel Byman and Jeremy Shapiro published an article in *Foreign Affairs* in late 2014 that argued that many European fighters will die in combat or gravitate to new non-European battlefields once Syria loses its allure. Those who do return to Europe will, by their use of social media, make themselves easy marks for counterterrorism forces.

The *Charlie Hebdo* attacks seemed to weaken Byman's and Shapiro's arguments. One of the French-born killers, Cherif Kouachi, was known to authorities and imprisoned in 2008 for recruiting fighters for action in Iraq. Viewed as a low security risk, Kouachi was released before completing his sentence and promptly left to train with jihadists in Yemen. The result was France's worst terrorist attack in decades.

Nevertheless, Byman and Shapiro weren't blind to a possibility such as the Paris shootings: "The fact that the threat presented by returning Western jihadists will be less apocalyptic than commonly assumed should not lull authorities into complacency. Terrorism is a small-number phenomenon: Even a few attackers can unleash horrific violence if they have the training and motivation."

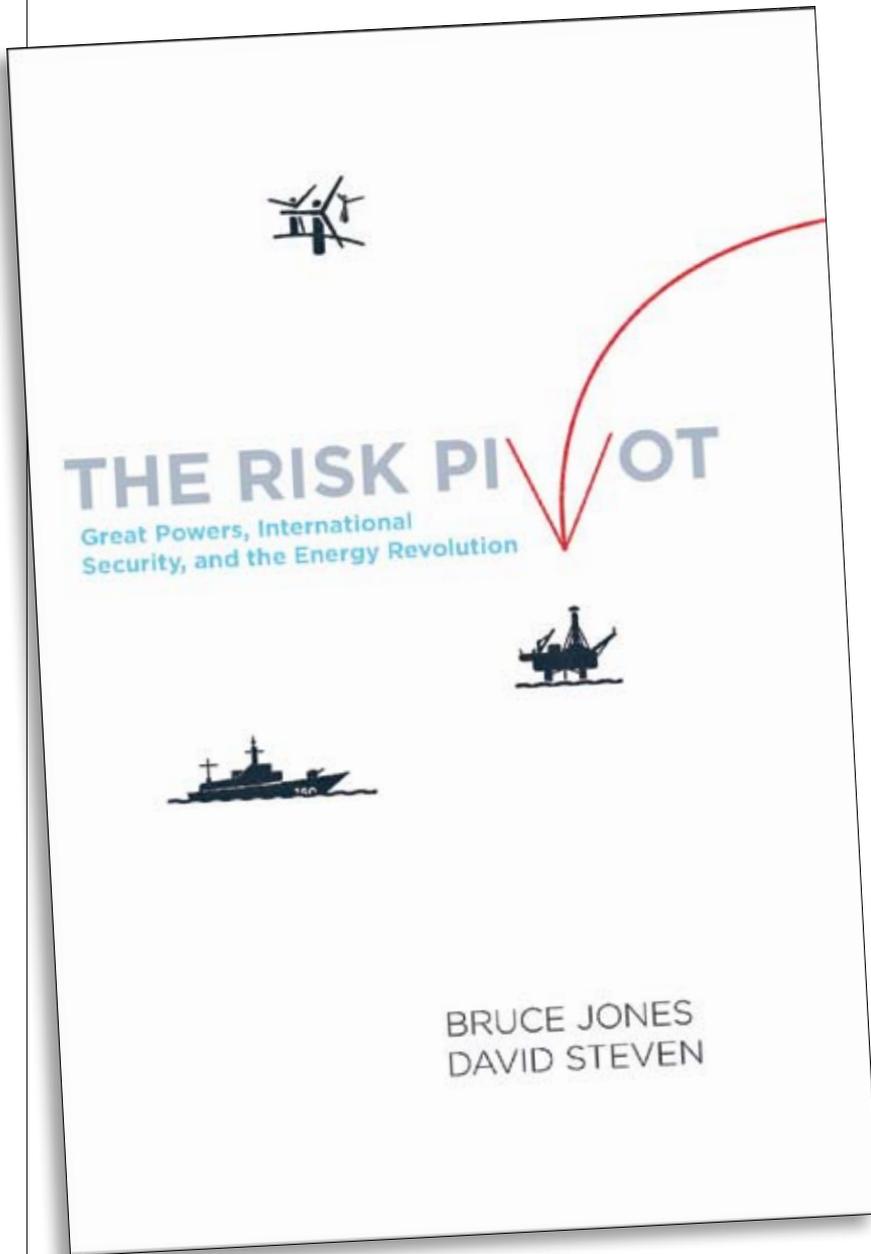
CONCLUSION

Horrors such as the Paris carnage will only intensify European governments' efforts to pre-empt terrorist attacks by returning ISIS and al-Qaida fighters. Among the options is the deradicalization approach offered by Denmark. But judging by the criminality of more than a few returning jihadists, few countries are placing their faith in soft approaches alone.

Even in Aarhus, the radical mosque accused of recruiting young Danes for overseas jihad has come under closer scrutiny for the role it played in inspiring Muslims to join ISIS in Syria and Iraq. European security forces will continue to play a critical role in preventing violence from would-be terrorists among the ranks of returning fighters.

As Belgium thwarted a major attack on its police forces in January 2015, Europol's Wainwright sized up the counterterrorism problem facing Europe: "The scale of the problem, the diffuse nature of the network, the scale of the people involved makes this extremely difficult for even very well-functioning counterterrorist agencies such as we have in France to stop every attack." □

Building a **Global Energy** Consensus



BOOK AUTHORS:

Bruce Jones and David Steven,
Brookings Institution Press,
November 2014

REVIEWED BY:

per Concordiam Staff

In February 1945, U.S. President Franklin Roosevelt met King Abdulaziz Ibn Saud of Saudi Arabia aboard a U.S. warship in the Suez Canal. Roosevelt, on his way home from the historic Yalta meeting with Churchill and Stalin, cemented an alliance with the Saudi king that would define a post-World War II geopolitical and economic order based on energy-fueled industrial production. Bruce Jones and David Steven, both foreign policy senior fellows at the Brookings Institution, open their book *The Risk Pivot: Great Powers, International Security, and the Energy Revolution* with this story to exemplify this new era in geopolitics, energy and international economics. The authors posit that, 70 years later, the world is now entering a new transformational period.

This transformation is focused on the rise of the world's new emerging powers, many of them in Asia, and takes a hard look at how energy

insecurity is fundamental to Chinese and Indian foreign policy. The authors note that “Asia’s appetite for resources comes with a cost. As energy flows to the region’s emerging powers — China and India in particular — so does risk.”

Risk Pivot views the challenges and opportunities of a transforming international energy system primarily from the United States’ perspective. But these issues are applicable to the entire world, and the book addresses current and historical management of energy risk with a special focus on Europe, China, India and Africa.

The rise of Asian economies is the first of six primary themes. The second and third examine, respectively, how the alternative energy revolution in the U.S. has improved its energy security and how that improvement offers the U.S. expanded strategic options. The fourth theme is on the impacts of the energy revolution on developing nations — what the authors refer to as the “rising middle”— especially newly resource-rich nations in Africa and elsewhere. It points out that an abundance of resources is not always an unmitigated blessing for fragile or politically unstable states.

The fifth theme, a common thread that runs through the book, is climate change and how it will affect the transformation of world energy usage, the environment, economics and politics, but mostly how cooperation among all stakeholders, including traditional and rising powers, is paramount to overcoming the challenges. The sixth theme looks at global energy and climate governance and offers ideas on cooperative governance arrangements, including the creation of new international institutions to monitor and manage multinational energy and climate agreements.

Chapter 2 of *Risk Pivot* addresses the first three themes, the energy insecurity of Asia’s rising giants

and how energy innovation has improved U.S. energy security and given it new strategic options. The authors argue that, rather than use its advantages to weaken rival China’s geopolitical position, the U.S. should use its position of strength to take a leadership role in helping China (and India) manage energy insecurity. They note that, despite confrontations between China and the U.S. and its allies in the South China Sea and East China Sea, China has been a constructive partner in combating piracy off Somalia and in efforts to improve energy security in the Middle East. They encourage using cooperation in these areas to show China the “positive-sum logic” of similar cooperation in East Asia and also urge the U.S. to push China toward global climate change agreements.

Jones and Steven examine resources and globalization in Chapter 3, especially how energy competition risks destabilizing the newly developing “global middle” countries. They acknowledge the dangers of rapid economic growth without institutional and political development to match. They also look at the relationship between energy and food resources and at how past food crises have been linked to energy crises and to the “unpredictable consequences of globalizing markets.” For example, the food crisis of the early 1970s was partially caused by high energy prices driving up the costs of fertilizer and transportation, and the 2008 spike in food costs were exacerbated by biofuel subsidies in the U.S. that diverted 30 percent of the corn crop to fuel production. They pay special attention to the specific challenges India faces as it attempts to transition from the “global middle” to a new economic power, and to Nigeria, the Middle East and Brazil.

In Chapter 4, the authors focus on the relationship between climate change and energy — clearly their

motivator for writing *Risk Pivot*. “Climate,” they write, “is primarily a geopolitical challenge, with profound implications for the world’s most powerful states and the way they relate to each other.” International progress in controlling carbon emissions through negotiations is difficult and must overcome conflict between established industrial nations, which emitted carbon freely during their high-growth periods, and nations like China, India or Brazil, which must be convinced to restrict emissions while still lagging behind in economic development.

There are no easy solutions to the climate change quandary, the authors agree, but in Chapter 5 they suggest creating a new system of international energy governance. The authors reject using current institutions, such as the International Energy Agency, because most are considered instruments of the West by the developing world; new institutions that include newly developing powers are required, they say. The proper approach should put “the private sector at the center of the strategy and implementation, with governments setting the policy framework and providing the necessary incentives and guarantees.” However, their suggested measures tend to rely on international institutional control over markets, which seems to contradict their pleas for private sector leadership.

As the authors emphasize, global problems require widespread cooperation, if not international consensus. *Risk Pivot* ambitiously proposes many potential frameworks for addressing problems from agricultural development to climate change, proposals that too often seem to rely on a historically improbable level of cooperation that would require nation states to look past immediate interests to achieve somewhat nebulous long-term international returns. □

Resident Courses

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PROGRAM ON APPLIED SECURITY STUDIES (PASS)

The Marshall Center's flagship resident program, a seven-week course, provides graduate-level education in security policy, defense affairs, international relations and related topics such as international law and counterterrorism. A theme addressed throughout the program is the need for international, interagency and interdisciplinary cooperation.

PASS 15-10

Sept. 28 -
Nov. 13, 2015

September							October							November									
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S			
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27	28	29	30				25	26	27	28	29	30	31					29	30				

PROGRAM ON CYBER SECURITY STUDIES (PCSS)

The PCSS focuses on ways to address challenges in the cyber environment while adhering to fundamental values of democratic society. This nontechnical program helps participants appreciate the nature of today's threats.

PCSS 16-1

Dec. 2 - 17 2015

December						
S	M	T	W	T	F	S
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PROGRAM ON COUNTERING NARCOTICS AND ILLICIT TRAFFICKING (CNIT)

The two-week resident program focuses on 21st-century national security threats as a result of illicit trafficking and other criminal activities.

CNIT 15-8

Aug. 19 -
Sep. 3, 2015

August							September						
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30	31						27	28	29	30			

PROGRAM ON TERRORISM AND SECURITY STUDIES (PTSS)

This four-week program is designed for government officials and military officers employed in midlevel and upper-level management of counterterrorism organizations and will provide instruction on both the nature and magnitude of today's terrorism threat. The program improves participants' ability to counter terrorism's regional implications by providing a common framework of knowledge and understanding that will enable national security officials to cooperate at an international level.

PTSS 15-7

July 9 -
Aug. 6, 2015

July							August						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
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24	25	26	27	28	29	30	30	31					

PTSS 16-4

Feb. 24 -
Mar. 23, 2016

February							March						
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						1						1	
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SEMINAR ON TRANSNATIONAL CIVIL SECURITY (STACS)

STACS provides civil security professionals involved in transnational civil security an in-depth look at how nations can effectively address domestic security issues that have regional and international impact. The three-week seminar examines best practices for ensuring civil security and preventing, preparing for and managing the consequences of domestic, regional, and international crises and disasters. The STACS will be offered once in FY 2015.

STACS 15-6

June 10 -
July 1, 2015

June							July						
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14	15	16	17	18	19	20	12	13	14	15	16	17	18
21	22	23	24	25	26	27	19	20	21	22	23	24	25
28	29	30					26	27	28	29	30	31	

SENIOR EXECUTIVE SEMINAR (SES)

This intensive five-day seminar focuses on new topics of key global interest that will generate new perspectives, ideas and cooperative discussions and possible solutions. Participants include general officers, senior diplomats, ambassadors, ministers, deputy ministers and parliamentarians. The SES includes formal presentations by senior officials and recognized experts followed by in-depth discussions in seminar groups.

SES 15-9

Sept. 14 - 18, 2015

September							
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SEMINAR ON REGIONAL SECURITY (SRS)

The three-week seminar aims at systematically analyzing the character of the example crises, the impact of regional actors, as well as the effects of international assistance measures. SRS 15-5 will concentrate on two traditionally unstable regions, looking at actual conflicts in the regions and efforts to achieve stability.

SRS 16-3

Jan. 21 -
Feb 11, 2016

January							February						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
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31													

PROGRAM ON SECURITY SECTOR CAPACITY BUILDING (SSCB)

The purpose of this three-week course for midlevel and senior security-sector professionals is to assist partner and allied countries, as well as states recovering from internal conflict, to reform and build successful and enduring security institutions and agencies.

SSCB 15-2

Jan. 22 -
Feb. 12, 2015

January							February							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	
					1	2	3	1	2	3	4	5	6	7
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25	26	27	28	29	30	31								

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