

Energy Security in the Wake of the Ukraine Crisis: Getting the Real Threats Right

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Abstract

Ever since the 1973 oil embargo, and especially since the Russian-Ukrainian gas crisis of 2006, Western policy makers have paid a great deal of attention to energy security. Yet there is no consensus as to what energy security is, what methodologies are most useful for conceptualizing and operationalizing the term, or even whether it is possible to generalize about anything as complex and contextually dependent as energy security. This enormous diversity of theoretical, methodological, and epistemological perspectives on the study of energy security complicates any assessment of the state of the field. It is, however, precisely because 'energy security' is such an elusive concept that academics, statesmen, and analysts of energy politics should not strive to coalesce around one precise definition.

The article begins with a concise overview on our understanding of energy security, continues with a critique of the persistent efforts to come up with a comprehensive definition of the concept, and ends by arguing that if energy security is, indeed, in the eyes of the beholder, then currently much-needed energy dialogue between Moscow and Brussels has to take into account both parties' subjectivities.

Policy Implications

- Given that 'energy security' is such an elusive concept, academics, statesmen, and analysts of energy politics should not strive to coalesce around one precise definition.
- The EU should refrain from adopting "securitizing" measures, which risk exacerbating the ongoing tensions between the EU and Russia.
- The EU remains, due to declining indigenous gas production and despite all of its diversification attempts, dependent on Russian gas to a great degree. Russia, on the other hand, for all its "Go East" strategy, still desperately depends on profitability in the European gas market. In such a situation, both sides will lose unless they find a way to work together.

Although in the academic and policy literature 'energy security' is a frequently used term, its definition remains fuzzy. Many scholars have, nevertheless, relentlessly worked to come up with a consistent and comprehensive definition. As discussed by Ciută (2010), such efforts are counterproductive and should be curtailed, as useful definitions of energy security can only be effective when adapted to reflect the unique situations to which they are applied.

Traditional definitions of energy security have included availability, reliability, and affordability. Daniel Yergin's commonly adopted definition says: "*The objective of energy security is to assure adequate, reliable supplies of energy at reasonable prices and in ways that do not jeopardize major national values and objectives.*"¹ A shorter, similar, definition is offered by Haghighi,² "*energy security is the adequacy of energy supply at a reasonable price.*"

Yet energy security means different things to different countries, based on their geographical situation, their political system, and their economic disposition. Each country is likely to push its own interests and, to date, there is no, nor is there likely to be, unanimity on this issue. While energy importers want security of supply and low prices, energy exporters seek security of demand – the assurance that their production will be purchased at a fair price over the long term, so that national budgets can anticipate a steady and predictable revenue flow. Oil and gas companies, driven by profit maximization, need long-term assurances in order to make expensive upstream investments while maximizing value for their shareholders.

Energy security must be considered as both 'security of demand' and 'security of supply.'

¹ Yergin, D. *Energy Security in the 1990s*, Foreign Affairs, vol. 67, no. 1, Fall 1988.

² Haghighi, S. *Energy Security: The External Legal Relations of the European Union with Major Oil and Gas Supplying Countries*, Hart Publishing, Oxford,

Today, a new keystone addition is so-called environmental security. Environmental sustainability, which had not in the past been included in definitions of energy security, is now an integral part of its indices. For instance, every year the US Chamber of Commerce releases an "Energy Security Index."³ It takes indicators related to energy and security and combines them to create a master index of the energy security risk. Interestingly, "environmental security" now accounts for 20% of the general index. Obviously, each of these various indices has its shortcomings and, ultimately, is the outcome of subjective evaluations made by researchers in regards to what indicators to 'put in.' The literature on energy security is split between those who see security of supply as exclusively related to energy, and those who prefer to couple it with the environmental dimension (Levi and Houser, 2010). Clearly, a contemporary understanding of energy security should include the sustainability dimension.

Precisely because there is no common interpretation of energy security, it is useful to add a diachronic dimension, which imparts analytical leverage by evaluating what the term has meant over time. This dimension allows researchers to compare different conceptualizations and identify the main "ingredients" (economic, strategic, or environmental) that have taken precedence over time.

In evaluating energy security, the most fundamental relationship is the one between energy producers and consumers, but important relationships also take place between competing consumers and competing producers.⁴ For example, the EU is highly reliant on imported Russian natural gas,

2007, p. 15

³ <http://www.energyxxi.org/energy-security-risk-index>

⁴ The most striking example of which is the recent row between OPEC oil producers and America shale oil and gas firms. For a detailed overview, see: *The*

making Russia an essential factor in the EU's energy policies. However, this reliance also raises tensions between different EU consumer countries, which have varying degrees of reliance on Russia, particularly between Germany and some Eastern European states, such as Poland. As for producers, Saudi Arabia is a key swing producer in oil, which, to a certain extent, puts it at odds with a producer like Russia, which, by not adhering to OPEC quotas, is a price taker and a free rider in oil.

It is also important to distinguish security in oil from security in gas. In oil, there is one fungible global market. That means that oil is sold on the open global market, which also equilibrates its price. Natural gas is quite different. Gas is mainly sold on the basis of long-term bilateral contracts and shipped through dedicated pipelines, which often cross several countries. Despite growing interconnectedness, gas markets are still regional. Therefore, security of supply in gas has a totally different meaning than security of supply in oil, due to – in gas - a presence of rigid and costly infrastructure (i.e. the gas pipelines) that create umbilical cords between suppliers and consumers (Cameron 2007, p. 21; Gustafson 2012, p. 58; Levi and Economy 2014, p. 27).

That explains why many observers (Baran, 2007; Smith, 2010, p. 10) believe that in the EU political insecurity of gas rather than physical scarcity could cause headaches in the future. Yet, “political” disruptions are very unlikely given that producers (i.e. Russia) cannot easily dispense of their dedicated markets (i.e. the EU). When there is a high degree of balance in interdependence (such

as between the EU as a whole and Russia), politically based disruptions are highly improbable. However, in highly asymmetrical relationships gas deliveries can conceivably be used as a threat. Here the concept of vulnerability is key. Reliance on imported piped natural gas is not a security problem *per se*, because there can be high dependence with low energy vulnerability. A country that imports the lion's share of its pipeline gas at a sustainable cost and is well diversified will be dependent but not vulnerable. As Victor, Jaffe and Hayes (2006) argued,⁵ diversity of supply is an important protection from rent-seeking behavior of both gas exporters and transit countries and a long-term crucial security measure. In fact, the more diverse the supply sources in a country, the smaller the proportion of supply that could conceivably be interrupted. In Europe, such examples are Germany, Italy, and France, which import large volumes of Russian gas but, thanks to properly diversified gas markets, are not vulnerable. Yet, the degree of balance that these older member states have with Russia does not help the smaller member states of Central and Eastern Europe, and the states in the so-called common neighborhood (i.e. Ukraine), where Russia's effort to gain power by structuring market asymmetries is more obvious (Abdelal and Kirshner, 2000, p.146; Youngs and Pishchikova, 2013, p. 3).

However, the literature is still divided between proponents of an exclusive economic reading of energy security (Yergin, 2011; Pascual and Elkind, 2010) and observers who stress its political and strategic side (Klare, 2004; Baran, 2007; Barysch, 2007). Historically, the United States leaned towards a more strategic view, while the EU favored a market-based

new economics of oil. Sheikhs v shale, The Economist, December 6th, 2014.

⁵ Victor D.G., A.M. Jaffe, and Hayes M.H. (2006). *Natural Gas and Geopolitics: From 1970 to 2040*,

Cambridge University Press, Chapter 14, pp. 467-484

approach. To some extent, however, these tendencies have now been inverted.

In the United States for decades both the leadership and the public equated energy security with energy independence. Energy experts have repeatedly explained that there is one fungible global market for oil; therefore, the idea of energy independence is neither desirable nor affordable. Yet to no avail. Since the Arab oil embargo in 1973, energy independence has dominated the rhetoric on U.S energy politics. This obsession has only started to change (albeit slowly) with the recent technological developments in shale gas and tight oil, which suddenly turned the United States into a country self-sufficient in gas and much less dependent on foreign supplies of oil.

In contrast, since its inception gas security in the EU was mainly regarded through an economic lens and featured one predominant criterion: price. However, after the two notorious gas disruptions caused by disputes between Russia and Ukraine, Europe started to worry about physical availability and gas security became a strategic issue. In 2006, Andris Piebalgs, who was at the time the EU energy commissioner, invoked a “*clear and more collective policy on the security of our energy supply*.”⁶ Gas security was increasingly perceived as a threat; therefore, emergency measures and actions outside normal political parameters were deployed. This increasing “securitization” of the natural gas issue was accompanied by a considerable souring in the relations with Russia. If previously the EU’s gas security rested only on availability and affordability, now new principles crowded the scene. Diversification of supply, enhanced storage capacity, EU-wide interconnectors and high-quality information became

imperatives, while at the same time, natural gas became a heated subject of contention in the dealings with Russia.

The concept of securitization as defined by the Copenhagen school best captures what happened in the EU-Russian energy relations since 2006. According to Buzan et al. securitization in the energy issues ought to be portrayed negatively because it is almost never successful. Because it is carried out at the international level it only results in politicization (Buzan et al, 1998, p.71). Securitization is seen as a failure to deal with issues as normal politics, therefore de-securitization should be a preferred option when it comes to energy and the environment.⁷ In this sense, de-securitization refers to the shifting of the issue out of the existential mode back into the normal political sphere. The general applicability of securitization theory and the Copenhagen School to studies of the EU-Russia gas trade is still the subject of sharp debate, detailed consideration of which lies beyond the scope of this short article (Belyi, 2003; Natorski and Surreales, 2008; Kruschcheva, 2011; Baev, 2012). Suffice it to say that in Europe securitization resulted in the EU’s quest for diversification to obtain “more independence from Russia,” which triggered decreased ‘security of demand’ for the latter, a country that desperately needs security of gas demand in order to monetize its natural endowment and keep its hydrocarbons-addicted economy afloat. All this then came to resemble a classic ‘security dilemma’, where ‘the actions of one (i.e. the EU), in trying to increase security, caused a reaction in the second (Russia), which in the end, decreased the security of the first (Monaghan, 2006; Collins, 2007, p. 174). Due to such a ‘spiral of insecurities,’ both sides diversified away from

⁶ The New York Times, *Russia-Ukraine crisis exposes gaps in EU energy policies*, January 5, 2006

⁷ Energy security itself can be seen as a part of what Buzan et al. call the environmental sector within

their relatively new concept of wider understanding of security, see f. e. Buzan, Wæver, de Wilde 1998: 71 – 94

each other,⁸ only to be left in a worse position than before. The situation was exacerbated by the Russia–Ukraine gas stand-offs in 2006 and 2009, which arguably elevated energy security to the level of a geopolitical concern (Kirchner and Berk, 2010). This explains why over the last few years Russia has embarked on a systematic reorientation toward the Asian export markets, which can also be seen in light of China’s exceptional economic growth. In short, Europe’s frantic drive toward diversification increased Russia’s urgency to tilt towards the Asian-Pacific region.

In sum, when defining energy security, secure supply, demand, transit, diversification of sources, price, and physical availability are the main elements to keep in mind. However, their relevance varies across countries and over time. Thus, we ought to conclude that the definition of energy security has much to do with a country’s own particular situation and the way it subjectively perceives its vulnerabilities. Given that ‘energy security’ is such an elusive concept, academics, statesmen, and analysts of energy politics should not strive to coalesce around one precise definition.

If energy security indeed is in the eyes of the beholder, a question still remains: how can the EU and Russia manage their delicate energy interdependence in the wake of the ongoing Ukraine crisis? Should the EU’s sole preoccupation remain adopting “securitizing” measures, then the EU-Russia gas

relationship will stay politicized and the EU will be increasingly perceived as an unreliable customer. The EU’s intransigence on the so-called Energy Union - a single European market in energy supplies, purchases and consumption, in an attempt to loosen the Kremlin’s stranglehold on Europe’s gas supplies,⁹ despite its multiple shortcomings¹⁰ - illustrates the point. Putin recently threatened to cut-off gas to Ukraine and warned about possible risks of consequent shortages to Europe.¹¹ Such an approach is part of Putin’s plan to use energy as a means to reinstate Russia as a great power (Hill and Gaddy, 2013). But the ‘energy weapon’ immediately backfires on those who wield it (Garbe, Hett and Lindner; 2011, p.202), or in other words, the costs of a damaged reputation by using such a tactic outweigh any possible benefits. Russia is no exception, especially given current low oil prices.¹² Moreover, in the unlikely event of a politically motivated gas shortage, thanks to enhanced storage, interconnectors and reverse flows, Europe is much better prepared. Therefore, given the strong energy interdependence between Europe and Russia, escalating the dialogue is to no one’s benefit.

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⁸ Although it should be noted that Europe is also moving away from Russian gas due to lower demand and greater competition.

⁹ *Ambitious EU blueprint for energy union to loosen Russian grip on gas*, The Guardian, February 24, 2015

¹⁰ See Skalamera, M. *EU Must Resist Temptation of Energy Union*. The Moscow Times, October 29, 2014.

¹¹ *Putin threatens to cut gas to Ukraine as showdowns shift to economy*, the Washington Post, February 25, 2015 and Johnson K. *Putin’s Ukrainian Power Play*, Foreign Policy, February 24, 2015

¹² For a fascinating discussion on the oil price collapse, see Maugeri’s (2012) study, which rightly predicted a fall in the oil price despite a steady rise in oil prices in the last decade.

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