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## The Risk of Energy Securitization on the Eurasian Continent

*Bas R. Percival, July, 2008*

The analyses given in this paper were made before the events of the 7<sup>th</sup> and 8<sup>th</sup> of August that sparked the ongoing Georgia-Russia Conflict of 2008. Although most of the analysis on NATO enlargement, Russia-EU relations, and geo-economic and geopolitical issues of energy relations still holds, the context has changed. The fact that Russia has decided to intervene on South Ossetia's behalf into Georgia proper has changed the status quo only insofar that it is sending a message that Russia will not be trifled with on its borders and with what it perceives to be its strategic interests.

The outcome of the conflict will undoubtedly result in a change in the status quo within the Caucasus. The vested interests of the main powers in the region—mainly the EU, NATO, and Russia—will remain in conflict over most issues. The most salient of issues being played out in the conflict, at least for the EU and NATO, is energy. The assessment of energy security in the region will change; a conflict which has been frozen for a long time has heated up with pipelines (such as the BTC) in play and European interests at stake (Nabucco). However, for now, it is unlikely that the destabilisation of the region will directly impact energy flows into Europe.

### **Introduction**

This briefing paper will provide a brief overview of the dangers regarding the concept of 'securitization' of a commodity, specifically that of energy. It will do this by the following method: firstly, the difference between the concepts of 'security' and 'securitization' in the domain of energy will be analysed. Secondly, it will illustrate the issues at play and historical timeline in which energy (in particular oil and gas) shifted away from what was essentially a tradable commodity to that of a politicized and ultimately a securitized issue in the European Union. Thirdly, this paper will address what effect these issues have on the concept of 'securitization' in the domain of energy and the broader geopolitical implications for Europe.

Although the securitization of energy is a global issue, this paper's argument will be illustrated by the Ukrainian gas crisis of 2006 and the Russian geopolitical insecurities which are laying the foundations of the possible securitization of energy in the Eurasian heartland. This paper argues that

this risk of securitization<sup>1</sup> is a dangerous development, and should be avoided at all cost. Russia, a major actor in this debate, has an economic and strategic policy (initiated after the collapse of the Soviet Union) which were seen to be played out in the Ukrainian gas crisis. First, in dusting itself off after the Soviet collapse, Russia wanted a coordinated policy regarding its natural resources: using it to restore Russian economic prowess and subsequently its prestige, power and influence. Second, it needed to curb NATO expansion, as it saw nothing of the promises made in 1990 by NATO, including the one that guaranteed not to place an army outside of German territory. Both these policies are now in conflict with each other in the face of Europe's increasing reliance upon Russian natural gas and NATO's gradual expansion.

Georgia and Ukraine have not been awarded Membership Action Plans at the Bucharest Summit this April, yet, it is increasingly likely that they will be awarded them soon enough to the detriment of Russian security. Russia, in turn, has so far only *voiced* its concern; yet, this might change. An analysis of this situation must take into account the possibility of an issue being labelled geopolitical whilst in actuality it is a structural change in an economic order; an implication that rings true when looking at the collapse of the Soviet Union.

Strong policy rhetoric is originating from the European Union in its attempt to become less dependent on Russia as a gas provider. This in itself is not worrying for Russia. However, when coupled with NATO expansion and a self-perceived 'cold shoulder' towards Russia's concerns, Russia might feel that if it wants to make its objection *felt*. In doing so, it might have to play Roulette and risk firing that single bullet currently in its arsenal: the energy bullet.

### **Energy Security versus Securitization**

It is important to make a clear distinction between what is meant by energy *security* and the *securitization* of energy. First, a general description of 'energy security' will be given together with an overview on how this concept came to be so prevalent in the media, politics, and the public domain. Secondly, the concept of 'securitization' will be analysed in the domain of energy and the wider implications vis-à-vis European security and its relations with Russia.

#### *Energy security*

Energy security, as defined by the IEA, means "...adequate, affordable, and reliable supplies of energy."<sup>2</sup> In this definition there are three important words: adequate, affordable, and reliable, or in layman's terms: plenty, cheap, and easily available. However, as shown below, the current energy environment provides none of these. Anxious rhetoric emanating from the Organisation for Economic Cooperation and Development (OECD) countries is becoming increasingly vocal in the domain of energy policy. This anxiety stems mainly from the desire to, and increased competition in, secure and adequate energy supplies. The traditionally conservative International Energy Agency (IEA), the body created by OECD countries as a 'crisis management' institution after the 1973 oil shock, has become increasingly insistent in its warnings. The IEA states that the current trends in the world energy system, with increasing global demand especially in developing countries, razor-thin spare capacity in the market, underinvestment in the energy industry, and instability in oil and gas producing regions, are unsustainable if one is to avoid an 'energy gap'. Additionally, the financial dimension of the

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<sup>1</sup> What is exactly meant by 'securitization' will be elaborated on later; but, in short, it is defined as taking an issue *above* politics.

<sup>2</sup> International Energy Agency, *World Energy Outlook 2007: China and India Insights*, p. 160

problem is illustrated by the IEA's call for a \$22 trillion investment in the energy industry's supply infrastructure by 2030 to meet projected global demand.<sup>3</sup>

Furthermore, the anxiety of OECD governments is demonstrated by the renewed urgency and impetus of plans and legislation in policy-making and legislative bodies from the OECD countries. This is not a surprise given that 45.5 per cent of projected global demand for oil and 41.9 per cent of projected global demand for gas comes from OECD countries.<sup>4</sup> The increased nuance in energy policy initiatives can, for example, be seen in the European Union (EU) making a valiant attempt at a concerted effort in securing Europe's energy needs. It is doing this through a variety of policies, initiatives and "package" legislation<sup>5</sup>, most recently observed in the Third Legislative Package from the European Commission. The United States, in President Bush Jr.'s speech in 2006, recognised its 'addiction to oil'. Yet, this addiction had been voiced repeatedly through warnings of various bodies past and present and are encapsulated in reports such as VP Dick Cheney's 2001 "National Energy Policy", the National Petroleum Council's 2007 "Hard Truths", and in the same year the National Council on Energy Policy's "Ending the Energy Stalemate". The world, both in elite and popular sentiment, has recognised the importance of energy, policy, and the need for both to be consolidated.

Energy security is a multifaceted issue, and it is definitely no longer solely in the domain of sustainability of supply of oil and gas; price and environmental considerations are now included in the 'energy policy' triangle. Energy efficiency, stock-holding, alternative fuels, substitution options, diversification of supply sources, changing energy 'mixes' and spare capacity are all important concepts in energy security thinking. In addition, climate change is increasingly being mentioned in the same breath as energy security, and for good reason: climate change can serve as a driver for energy security and vice versa. Yet, where does the fault-line lie between energy security and the securitization of energy; and when does the latter become a problem to international security?

### *Securitization of Energy*

The securitization of energy is a completely different concept to that of energy security. In fact, it will be argued that it is precisely the failure of energy security that enables securitization to take place. Barry Buzan and Ole Wæver's analysis of security relies upon taking an issue above the 'established rules of the game' and frames the issue as a special kind of politics or even above politics.<sup>6</sup> Issues are presented as existential threats to the referent object; and in the domain of energy the referent object is the state, and the survival thereof (by ensuring a stable supply of energy to a hydrocarbon based economy). The nature of such an existential threat is found in the failure of energy security, and where "A failure of energy security means that the momentum of industrialization and modernity grinds to a halt and survival itself becomes far less certain."<sup>7</sup>

In the domain of energy, we can see the issue of energy security being taken out of its traditional 'rules of the game' and is being thrust into the role of an over-politicized issue. Energy, in this analysis, is as vulnerable to 'securitization' as anything. This is due to various factors, the most

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<sup>3</sup> Ibid. p. 42

<sup>4</sup> Ibid. p. 80, 85

<sup>5</sup> Available at [http://ec.europa.eu/energy/energy\\_policy/index\\_en.htm](http://ec.europa.eu/energy/energy_policy/index_en.htm). This includes: *Energy For A changing World (umbrella policy proposals)*, and the legislative proposals found in the *Green Package* and *Third Legislative Package*.

<sup>6</sup> Buzan, Barry, Ole Wæver and Jaap de Wilde, *Security: A New Framework for Analysis*. (London: Lynne Rienner, 1998), p. 23

<sup>7</sup> Roberts, Paul, *The End of Oil: The Decline of the Petroleum Economy and the Rise of a New Energy Order*. (London: Bloomsbury, 2004) p. 238

important one being the fact that the primary drivers of the world economy—oil and gas—are non-renewable energy sources. Once oil and gas reserves are depleted, which they will eventually, there are still no viable alternatives that provide as much energy per volume. This means, following a ‘pie-analysis’<sup>8</sup>, a certain sized pie is slowly dwindling whilst there are an increased number of hungry actors vying for the leftovers. No one wants the crumbs, because they do not satisfy as fully, but in the end it will be the crumbs that will determine how long one (e.g. an economy) feels satisfied. Not only will this competition increase in intensity, it has the very real possibility of being military in nature: in the last couple of years, we have seen cases of this militarization in various ‘oil for arms’ deals<sup>9</sup>,

An inherent problem in securitization theory is the definition and parameters of what the ‘established rules’ are. The benchmark to use regarding energy (as with any commodity) is that of a market based transaction where the commodity of energy is traded on an international market. A move away from this could be seen as abnormal and therefore one toward securitization. However, reality is increasingly complex when one examines the recent developments in the energy system: increased dependencies of consumer countries, a higher number of bilateral energy deals and the increased state ownership of reserves, the rise of National Oil Companies (NOC), and the histories of the main suppliers’ governments. This trend, according to Dieter Helm, makes it “...inevitable that there has been a re-politicization of energy policy, rather than the depoliticization which was the counterpart to the ‘normal commodity’ view of the 1980s and 1990s”.<sup>10</sup>

Therefore, in short, an ideal and normalized relationship regarding energy would be for it to be in the domain of market-based transactions. There is no reason why this could not happen under ‘normal conditions’, since, as shown, energy security relies upon reliable, affordable, and adequate supplies of energy. However, the current energy trading environment is anything but the ‘perceived normal’. Energy (in particular oil and gas) is not cheap, what is left is increasingly difficult to find and produce and predominantly in ‘unstable’ or ‘unfriendly’ regions.

## **The New Reality**

The Ukrainian-Russian pricing dispute regarding gas prices and the actions taken by Russia provide an example of a reality in which energy policy is determined and constrained. After the Ukrainian gas crisis in 2006, various policy-makers and government officials, in both the EU and U.S., together with the popular media in the West labelled Russian gas ‘insecure’ and Russia as an unreliable partner.<sup>11</sup> However, a closer examination will reveal that, in fact, Russia after the collapse of the Soviet Union is far from unreliable when it comes to its role as an energy supplier. When looking at Russia’s aforementioned role as a source of secure energy, all three of IEA’s defining words can be found in its relationship with the EU. Russia has the reserves to supply gas to the EU for

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<sup>8</sup> Although un conventionals will add oil to the global portfolio, ‘easy’ oil is declining.

<sup>9</sup> One of many such examples: ‘Gazprom signs fuel supply deal with Libya’, Financial Times, April 17, 2008. Available online: [http://www.ft.com/cms/s/0/d1c895f0-0c7b-11dd-86df-0000779fd2ac,dwp\\_uuid=81f97690-812f-11da-8b55-0000779e2340.html](http://www.ft.com/cms/s/0/d1c895f0-0c7b-11dd-86df-0000779fd2ac,dwp_uuid=81f97690-812f-11da-8b55-0000779e2340.html) or ‘Russian Widens its Asian Reach with Arms Deals’, New York Times, September 6, 2007. Available online: <http://www.nytimes.com/2007/09/06/world/asia/06indo.html?ex=1346731200&en=9765bb3eaa24981c&ei=5090&partner=rssuserland&emc=rss>

<sup>10</sup> Helm, Dieter (Edt.) *The New Energy Paradigm*. (Oxford: Oxford University Press, 2007) p. 1

<sup>11</sup> ‘EU asks US to help pressure Russia on energy’, International Herald Tribune, April 30, 2006. Available online: <http://www.iht.com/articles/2006/04/30/business/web.0430energy.php>: and

‘Energy Agency voices doubts on Gazprom deliveries’ International Herald Tribune, July 7, 2006. Available online: <http://www.iht.com/articles/2006/07/07/business/Gazprom.php>

a substantial time-frame.<sup>12</sup> Secondly, Russia sells its gas on the open market, as a commodity, and in its relations with Europe through long-term contracts. Thirdly, Russia is a reliable supplier and has not reneged on any of its energy contracts in a long time.<sup>13</sup>

There are two sides to energy security: security of supply and security of demand. Energy importing countries want security of supply from energy exporting countries. Energy-exporting countries, in turn, want security of energy demand from energy importing countries. For both consumers and producers this implies dependency. Of course, ultimately no one wants to be wholly dependent on others in so important and strategic an area as energy, with the concept of ‘petroleum based’ economies such as the United States – “Oil is the *lifeblood* (authors emphasis) of the American economy”<sup>14</sup> – being utterly reliant on oil and gas to keep the cogs turning. At the same time, producers loath to be utterly reliant upon a single market to buy their produce. These concepts are basic economics of business. Some would argue the more positive vision that such dependency can serve as an impulse to improve relations between countries and the overall geopolitical climate, and some would argue (in realist thinking) that dependency on another shifts the ‘balance of power’ in favour of the other. These two concepts can be labelled symmetrical dependency and asymmetrical dependency. Yet, interdependency could be a more inclusive label applied to the EU-Russia trade relations, and is the label that most closely defines that of the relationship between the EU and Russia<sup>15</sup>.

Security of supply and security of demand have traditionally been seen as market driven concepts. Supply and demand of primary energy products set price, and if one wants security of supply, one needs to pay the market determined price. However, much has changed in the working of the energy market mechanisms with the proliferation of concepts such as ‘resource nationalism’, government bilateral agreements and energy as a political lever. In the last five years we have seen all of these concepts in action numerous times. This, coupled with what seems at the moment a seemingly permanent post-\$100 barrel price tag for oil, has thrust energy into the limelight to a degree not seen since the early 1980s. The market for oil and gas has shifted from a buyers market to that of a sellers market, to the detriment of heavily import dependent countries, and has resulted in an increased call from various levels of a dependent society to ‘do something’ about energy dependency, invariably pushing a securitization agenda. This call will present countries embedded in energy-dominated relationships with a myriad of problems, and has driven the dominance of the concepts outlined above.

Therefore, the question of energy security from a supply perspective will be heard in the halls of government of any energy dependent country. Securitizing actors<sup>16</sup> such as NATO and the EU, as explained below, are becoming increasingly insistent on possible roles to be played by themselves in the domain of energy and security. In light of this, one must ask a fundamental question in assessing the effects of a pursuit of ‘energy security’: what are the implication of the ‘securitization’ of energy on the (stability of the) international system and especially on the economic (and by extension, social) stability of Europe.

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<sup>12</sup> BP Statistical Review of World Energy 2007: Russia has 47.65 Tcm of proven gas reserves.

<sup>13</sup> ‘*Problem for Europe: Russia needs gas, too*’ International Herald Tribune, November 1, 2006. Available online: <http://www.iht.com/articles/2006/11/21/news/energy.php>

<sup>14</sup> Oil is the lifeblood of America’s economy. Currently, it supplies more than 40% of our total energy demands and more than 99% of the fuel we use in our cars and trucks. See: <http://www.doe.gov/energysources/oil.htm>

<sup>15</sup> Fredhom, Michael, *The Russian Energy Strategy and Energy Policy: Pipeline Diplomacy or Mutual Dependence?*, Conflict Studies Research Centre, September 2005

<sup>16</sup> Usually securitizing actors are governments, policy-makers, etc. However, in this case, NATO and the EU government can be seen as securitizing actors.

### **Securitization Risk: Ukraine, Georgia, and Russia**

In answering the above question, the Ukrainian gas issue that was played out in 2006 provides a constructive lens through which to examine possible securitization aspects of energy. From a security aspect, the Ukrainian gas issue is a prime example of ‘securitization’. However, one must not forget to examine the wider-reaching consequences of this issue, especially when it comes to energy (and even more specifically gas), as no event is played out in a non-consequential vacuum.

#### *The Issue*

This was essentially a commercial dispute between Russia and Ukraine regarding a failure to reach an agreement on a price rise for natural gas and the payment of past deliveries.<sup>17</sup> Russia, as promised, cut supplies to Ukraine as a result of the failure to reach agreement. The problem is that in ‘pipeline politics’ geography does matter, and the supply cut to Ukraine in effect reduced supplies to Russia’s Western European customers. This was for the relatively straightforward reason that Ukraine insisted on taking its share of gas it insisted belonged to itself from deliveries that were destined for the EU market. Germany in particular had reason to worry: 71 percent of Germany’s contracted gas from Russia flows through the Ukrainian pipeline. As expected, after the incident was resolved and the flow of gas was restored in one day, a flurry of activity could be observed in the European Union. In a short space of time, the rhetoric originating from Brussels sounded more like something coming from the White House and the Department of Energy; ‘security of supply’ and ‘energy independence’, traditional areas of worry for the U.S., being the new buzzwords in the EU. This event spurred a burst of activity unheard of in matters concerning energy in Brussels, eventually resulting in various legislative measures and recommendations. These measures, mentioned briefly above, include comprehensive packages such as ‘Energy in a Changing World’ addressing various security of supply issues, to the newly launched ‘Third Legislative Package’. Energy in a Changing world sets out the European Commission’s vision on the three pillars of energy policy: Kyoto (Green), Lisbon (Competitiveness) and Moscow (Security of Supply). The Moscow pillar is still being debated on and formulated; with the other two pillars already in legislative form. Yet, there are some steps being taken by the European Commission vis-à-vis Russia. In the ‘Third’ package the European Commission included what some have called an ‘anti-Gazprom’ clause, where foreign, non-EU companies are prohibited from owning transmission networks in the EU.<sup>18</sup> Although mostly a ‘competitiveness’ issue, this clause does interact with external energy relations: the European Union would consider allowing investment in return for reciprocal allowance for investment in the investing companies’ home country. This, combined with serious efforts in diversifying away from the EU’s 25 per cent reliance on Russian gas, highlights the securitization of energy in the European context. In a textbook case of securitization, Europe decided to tackle the ‘Russian Gas Problem’, securitizing it because “if we do not tackle this problem, everything else will be irrelevant (because we will not be free to deal with it in our own way)”.<sup>19</sup>

From some of the rhetoric coming from European leaders in the wake of the Ukrainian crisis, one might be mistaken in thinking that Russian energy constitutes the greatest threat to European

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<sup>17</sup> Stern, Jonathan, *The Russian-Ukrainian gas crisis of January 2006*. Oxford Institute for Energy Studies: January 16, 2006. Available online: [http://www.oxfordenergy.org/pdfs/comment\\_0106.pdf](http://www.oxfordenergy.org/pdfs/comment_0106.pdf)

<sup>18</sup> European Commission, *The EU electricity & gas markets: third legislative package September 2007*. Available online: [http://ec.europa.eu/energy/gas/package\\_2007/index\\_en.htm](http://ec.europa.eu/energy/gas/package_2007/index_en.htm)

<sup>19</sup> Buzan, *Security*. p. 24

security since the risk of the Cold War turning hot.<sup>20</sup> Granted, Russia, since the dissolution of the Soviet Union, has used Gazprom as its most influential tool in steering itself toward integration with the West and at the same time using it as a lever to pursue foreign policy goals. However, in its integration process, it has come to rely upon European demand as much as Europe relies upon Russian gas. Security of demand is as important to Russia as an uninterrupted flow of gas is to Europe.

The new member states of Europe have been especially vocal in their opinions of Russian energy, undoubtedly buoyed by their new membership status. This is the domain where the ‘securitization’ of an issue, in our case energy, can be observed quite extensively. Poland in particular has been forthright in its views on Russian energy, to the extent that they have used NATO membership in calling for an ‘Energy Article V’, the article which states that an attack on one member is an attack on all. This is hardly surprising, as security theory states that in threat perception, different societies will respond to the same ‘objective’ security situation in different ways, where much has to go with geographical proximity and historical legacies.<sup>21</sup> In short, most states fear their neighbours more than distant powers. However, most security threats are not ‘objective’. Securitization is essentially an intersubjective process. The sense of threat, vulnerability and (in)security are socially constructed rather than objectively present.<sup>22</sup> For Poland, historically, Russia has been a very clear and present threat (multiple occupations) and does not want this part of its history repeated. Yet, short of tanks coming across the border, or even near the border, there are very few objective security threats. Naturally, after the collapse of the Soviet Union this immediate threat has been removed with the emergence of the independent states of Lithuania and Belarus. Yet, in the constructed, or ‘popular imagination’ of Poland, Russia remains much too close for comfort; a shared violent history and mutual distrust simply runs too deep. This is why the securitization moves taken by Poland would set a dangerous precedent. By involving actors such as NATO, and by elevating the status of energy as one synonymous with e.g. nuclear weapons, or something that could threaten the existence of a state, the nature of securitization become increasingly military in nature, and increases the possibility of escalating existing distrust and suspicion into conflict.

### *The Consequences*

In a wider context of the Ukrainian crisis, a clear case can be made for Russia pursuing political interests with an ‘energy lever’; thanks to the Ukrainian Orange Revolution, the Russians have an overtly pro-Western government of its doorstep. The so called ‘colour’ revolutions in Georgia and Ukraine have instilled pro-Western governments, perceived by the Russians as a deliberate challenge to their national security interests. This perception from the Russians is not unwarranted; both Ukraine and Georgia have large populations of Russian minorities.<sup>23</sup> Ukraine and Georgia are deeply divided countries, and have been so for centuries, with the collapse of the Soviet Union adding to the territorial melee. Russia has seen the courting of Ukraine and Georgia with NATO as a direct provocation and as a result are encouraging the separatist movements in the region, albeit with very different dynamics in Georgia than in the Ukraine. Georgia has an active separatist movement, with clear preferential views toward Moscow, whilst the Ukrainian division are intra-territorial: East versus

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<sup>20</sup> ‘Russia won’t yield to the EU on energy’, International Herald Tribune, October 19, 2004. Available online: <http://www.iht.com/articles/2006/10/18/news/eu.php>

<sup>21</sup> Buzan, *Security*. p. 57

<sup>22</sup> Ibid.

<sup>23</sup> Information on these break away movements can be found online at: [http://www.jamestown.org/publications\\_details.php?volume\\_id=16&issue\\_id=615&article\\_id=4497](http://www.jamestown.org/publications_details.php?volume_id=16&issue_id=615&article_id=4497) and <http://www.crisisgroup.org/home/index.cfm?id=4887&l=1>

West. Nevertheless, the governments of the two countries embraced Europe and the United States and turned a cold shoulder toward Russia, thereby changing the geopolitical balance right on Russia's western flank to the detriment of Russia. Combine this with a possible NATO membership, which has been discussed quite openly, Russia faces the very real possibility of losing its buffer states, particularly Georgia and Ukraine, between itself and the 'Armed West'. In effect, if Georgia and Ukraine were to be given the go-ahead for Membership Action Plans, Russia would find itself completely isolated and encircled by NATO members. The new Russian president, Dmitry Medvedev, warned against NATO expansion by stating that "No state can be pleased about having representatives of a military bloc to which it does not belong coming close to its borders"<sup>24</sup>. Yet, one must remember that no matter how rich the NATO alliance is, it is in no way capable of exercising what is, and I am sure Buzan would agree with me here, a traditional 'hard' security threat; namely, having tanks roll across the Russian border. The Russians must be aware of this, yet, as pointed out above, what is important here are the perceived stakes. For Russia, the stakes are high and it has what amounts to a single lever: gas.

Although energy has been used as a lever, it has not been used as a 'weapon'. After the collapse of the Soviet Union and the devaluation in the ruble in 1998, Russia found itself at the bottom of a deep hole. The one 'ladder' that could help Russia climb out of this hole was its considerable energy resources, and it focussed on this ladder in every way possible including aggressive nationalization. Yes, Russia's natural gas resource provide a very real trump card in its capacity to play out international political games, but it will not use it as a weapon unless it feels itself genuinely threatened. Coming back to the term interdependency, the following facts are important. Indeed, Russia is very much the dominant player as a European gas supplier; however, Russia is substantially dependent on incomes from oil and gas. Case in point is that 37 per cent of federal budget revenues and 20-25 per cent of the Russian GDP derive from oil and gas.<sup>25</sup> In addition, 70.6 per cent of Foreign Direct Investment in Russia goes to the extraction of mineral resources.<sup>26</sup> If Russia's international relations go awry, especially in relation to the EU, investment would be one of the first things to suffer. Russia, despite some of Gazprom's assertions to the contrary, still heavily depends on 'out-of-house' technical expertise in developing its gas and oil-fields.<sup>27</sup> This expertise will not be directed to projects that are, to use business jargon, in a detrimental operational and business risk environment.

To use its energy resources in a way that would hurt Europe substantially would only serve to eliminate its single biggest customer and substantially shift the 'mutual dependency' factor in European stability. Yet, Dmitry Medvedev, has stated that "...we are well aware that no non-democratic state has ever become truly prosperous..."<sup>28</sup> This statement is significant in that it highlights that if Russia really does want to use its main source of prosperity, it will have to follow the road of complete democracy. This should provide Europe with some comfort, and ease both the energy and democratic fear-mongering that is found in some circles in the European Union. This does

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<sup>24</sup> 'Medvedev warns against expanding Nato east', Financial Times, March 24, 2008. Available online: [http://www.ft.com/cms/s/0/50ff806e-f9b6-11dc-9b7c-000077b07658,dwp\\_uuid=7ee6a12e-7d74-11dc-9f47-0000779fd2ac.html](http://www.ft.com/cms/s/0/50ff806e-f9b6-11dc-9b7c-000077b07658,dwp_uuid=7ee6a12e-7d74-11dc-9f47-0000779fd2ac.html)

<sup>25</sup> Fredholm, Michael, "The Russian Energy Strategy & Energy Policy: Pipeline Diplomacy or Mutual Dependency?", *Conflict Studies Research Centre*, September 2005. p. 6

<sup>26</sup> WorldBank Country Report. Available online: [http://siteresources.worldbank.org/INTRUSSIANFEDERATION/Resources/RER15\\_Eng.pdf](http://siteresources.worldbank.org/INTRUSSIANFEDERATION/Resources/RER15_Eng.pdf)

<sup>27</sup> 'Gazprom picks Total for Shtockman field', Financial Times, July 12, 2007. Available online: [http://us.ft.com/ftgateway/superpage.ft?news\\_id=fto071220070610144253](http://us.ft.com/ftgateway/superpage.ft?news_id=fto071220070610144253)

<sup>28</sup> BBC, *Profile: Dmitry Medvedev*. Available online: <http://news.bbc.co.uk/2/hi/europe/7136556.stm>



not mean it will not continue to use its substantial gas resources to push its own agenda and use it to influence international relations. Yet, this relatively ‘soft power’ is exactly that, soft. By securitizing energy and involving securitization actors such as NATO, there is a very real possibility that Russia’s use of this power will ‘harden’ and result in an escalation in tensions which will see energy used in a form that might pose a very real threat to Europe.<sup>29</sup> In addition, if Europe wants to ensure that the ‘European neighbourhood’ continues to be a stable environment, it should not securitize energy in such a way that it ceases to be an economic commodity and is elevated above politics. If this were to happen, and Russia loses the dominant driver of its resurgent economy, it may be forced to resort to the use of traditional ‘hard’ methods of getting its way.

This method, the military meddling in the affairs of other states, would present Europe with a very real and objective threat. It could lead to a possible Cold War II in which Russia, having lost its energy lever, will have to use other methods in making sure that its ‘auld enemy’, NATO, will not get what it desires from Ukraine and Georgia. No one, least of all Europe, wants Russian troops and state of the art military hardware bought with Europe’s money-from-gas in South Ossetia. Russian energy earnings are funding a \$189 billion overhaul of its armed forces.<sup>30</sup> In the Ukraine, a country deeply divided between pro-West and pro-Russia, NATO membership could become an issue that unravels the gains made by the Orange Revolution. History has shown, when Russia is faced with perceived ‘security threats’ on its doorstep, it might follow in the footsteps of one of her most powerful leaders, Catherine the Great. It was she, who in the face of the bleak geopolitical realities that the Russian hinterland faces, stated that “I have no way to defend my borders except to extend them”. This does not seem a completely unreasonable assertion, given that since 1993, it is exactly what the European Union has been doing.

A parallel analysis can be employed here to figure out how the above situation comes to pass. Both geopolitical and economic explanations are of value with scrutinizing Russia and its international relations. Russia, since the collapse of the Soviet Union, has had to operate in a world economic system which has been radically restructured. The term most frequently used to describe tensions in this system that we see played out in such events as the 2006 Ukrainian gas issue—geopolitics—should perhaps more accurately be named geo-economics. The economic order, and markets, of the former Soviet Union, do not exist anymore; however, the physical realities, such as the pipelines, of this order do still exist. The tensions inherent in a restructuring of borders and the economic issues that accompany this, need to be analysed in an economic light, and as such avoid securitization. This, however, should not distract from very real security threats that are present today; from a Russian perspective, faced with multiple ‘breakaway’ regions, it must protect its existing state borders to avoid dangerous instability. Yet, energy must remain exactly that which it is, a tradable commodity, where countries can compete with each other on a global market.

### **The Future in Conclusion**

Although Europe is actively pursuing various methods of weaning itself off dependency on single supplier gas, it seems that the demand for gas is only going to grow in the medium term.

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<sup>29</sup> Van der Linde, C., “Turning a Weakness into a Strength: A smart external energy policy for Europe”. *IFRI*, April 2008.

<sup>30</sup> ‘Russia accused of annexing the Arctic for oil reserves by Canada’, *Telegraph*, May 18, 2008. Available online: <http://www.telegraph.co.uk/news/worldnews/europe/russia/1976314/Russia-accused-of-annexing-the-Arctic-for-oil-reserves-by-Canada.html>

Although the European Third Legislative Package is an ambitious, necessary, and comprehensive package, it will not diminish the capacity of the European Union to consume gas. In the world of security of supply, gas is best left as a tradable commodity on the open market. Some predictions state that by 2020, Russia could have the capacity to supply up to 33 percent of Europe's gas needs. In the meantime, the IEA predicts that by 2030, the EU's demand for gas is going to increase by 1.3 per cent annually till 2030<sup>31</sup>, increasing from 541 billion cubic meters in 2005 to 744 billion cubic meters in 2030. If these predictions materialize, is it not better to pull Russia closer and closer into Europe's demand sphere? By doing so, producer confidence is increased, consumer confidence increases, and a disruption from either side will result in painful consequences that the other will want to avoid at all cost, without exception. Activities in realizing this possibility are already seen in the completion of the Blue-Stream pipeline, and in the planning and development of the Nord-Stream and South-Stream gas pipelines.

Securitizing an issue such as gas or oil, in the face of increased demand and increased capacity of one of your producers to supply this demand, will only serve to increase the potential for conflict. In the face of very real 'hard' security considerations at play in the heartland of Europe at the moment, the danger in securitizing energy lies not only in the fact that it could become a catalyst in exacerbating existing security issues, it can become *casus belli* when actors such as NATO would become involved. The Ukrainian and Georgian ambitions in becoming member-states of NATO, whilst at the same time being deeply divided with secessionist factions being supported by Russia serve to muddle the already messy energy and pipeline politics in the area. Western responses to these localised conflict with international energy dimensions are often rash in light of the nuances needed in dealing with these conflicts, as they have very different dynamics and need sensible responses that reflect the realities on the ground. At the same time, terming Russia a necessary evil in our energy needs is unnecessary; yet, there are many forces at work in Russia which are cause for worry. When observing the recurring theme of inter or mutual dependency, if Russia decided to push its energy lever too far – continuing the metaphor of the introduction – it might end up playing Russian roulette and shooting itself with its only bullet. Europe, on the other hand, must decide whether it is more exposed to a dependency on Russian gas or to intense competition with the demands of the explosively growing economies of the developing world such as those of China and India.

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<sup>31</sup> IEA, *World Energy Outlook 2007*, p. 85