

Energy Security and Pipeline Politics: The Achilles Heel of Eastern Europe

On October 2, 2014, the Harriman Institute hosted Agnia Grigas, a fellow at the McKinnon Center for Global Affairs at Occidental College. Grigas discussed Europe's energy politics, focusing particularly on Russia's dominance over the European natural gas market.

Diversification, which usually refers to production of energy from multiple fuel sources, can also refer to receiving fuel from diverse sources or even from one country along diverse routes, Grigas explained. There are three conditions under which energy security, which she defined as the situation in which a nation's energy is "reliable, affordable, deployable, and politically and environmentally sustainable," is threatened by energy dependence (defined by Grigas as an outsized proportion of imported energy). The first "is when imports are not diversified; the second is when the exporting state is perceived as a threat; and the third is when energy dependence becomes more of an issue in newer states that have weaker institutions." These three conditions are often encountered by newer members of the European Union (EU), who tend to be less diversified, to view Russia as a threat, and to have weaker democratic institutions.

Though the media often cites Russia as providing 30 percent of Europe's natural gas, Grigas maintained that "if we look more at Europe's energy mix, we see that Russia's natural gas accounts for a little less than 7percent." Moreover, Russia is not without its own dependence on Europe, with 80 percent of its natural gas supply going there. Still, she cautioned, although the EU as a whole depends on Russian natural gas only for a small percentage of its total energy needs, some member states are individually much more dependent on Russia for gas.

"Why natural gas?" asked Grigas. "Why are we not talking about Europe's dependence on Russian oil?" The answer, she said, is that, thanks to oil's inherent portability—it can be transported by ship, truck, and train anywhere in the world—oil is a global market. While natural gas, which

travels primarily by pipeline, is a regional market and therefore subject to greater price manipulation. The Baltic states, for instance, pay much higher prices for Russian natural gas than Germany does, because they are isolated from the EU's natural gas networks.

Several new developments on the natural gas market are bound to tilt the balance. The development of liquefied natural gas (LNG) technology in the United States, Norway, and other nations, promises to globalize the natural gas market and reduce Russia's monopolistic hold on Europe's gas supply. The development of shale gas in the United States promises to make the United States a major exporter of natural gas. And while Russia's state-controlled gas company, Gazprom, currently controls both the supply of gas and the pipelines through which it is pumped, a practice called "bundling," several EU states, including Grigas's own Lithuania, have begun talking about negotiating with Gazprom to sell off some assets to avoid a monopoly, effectively "unbundling" the gas supply and its conveyance. However, only Lithuania has taken action. "These projects take years and are expensive," said Grigas.

Meanwhile, Eastern European states, such as Ukraine, continue to be disproportionately dependent on Russian natural gas. As Russia continues to reduce the flow of its natural gas in response to the ongoing conflict, "preparations are underway for a cold, cold winter," said Grigas. In order to account for the shortages, many Ukrainian buildings will have to lower the heat to temperatures barely above freezing. The reduced gas flow will affect not only Ukraine itself, but countries connected to the Ukraine pipeline downstream. Eight countries receive gas through Ukraine, accounting for half of Europe's total import of Russian gas. Italy, the Czech Republic, Slovenia, Austria, Bulgaria, and Romania were all affected by Russia's 2009 pipeline shutdown in Ukraine.

"Despite the progress, Europe's energy dependence continues," Grigas said. "Russia

continues to have influence over the European continent, resulting in interest groups, coercion, and corruption, especially for those newer states.” Russia will always be a major provider of natural gas to Europe because of its geographical

proximity. But, she concluded, “it’s all about diversification.”

*Reported by Matthew Van Meter
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