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Strategic Consequences of European Energy Dependence on the Transatlantic Relationship and NATO

By Ida Garibaldi*

Abstract

This paper analyses the status of European energy dependence and its impact on the relationship between the United States and its European allies, both within and outside NATO. The paper demonstrates that European energy dependence is a high risk factor for the stability of the transatlantic relationship, and could fatally affect NATO's functionality.

The first part of the paper defines the theoretical dimensions of energy dependence and applies them to the European case; it shows how energy dependence has historically affected governments' behavior in the international arena; and it demonstrates that energy independence is critical to national security.

The second part of the paper analyses the European Union's energy policy; it outlines its limits and weaknesses in shaping the energy choices of Member States; and it shows how European energy dependence has impacted the relationship with the United States thus far. Finally, it outlines the strategic challenges that lie ahead, with specific reference to the stability of the transatlantic alliance and the future of NATO.

**Ida Garibaldi is an adjunct professor of Government at St. John's University, Rome Campus.*

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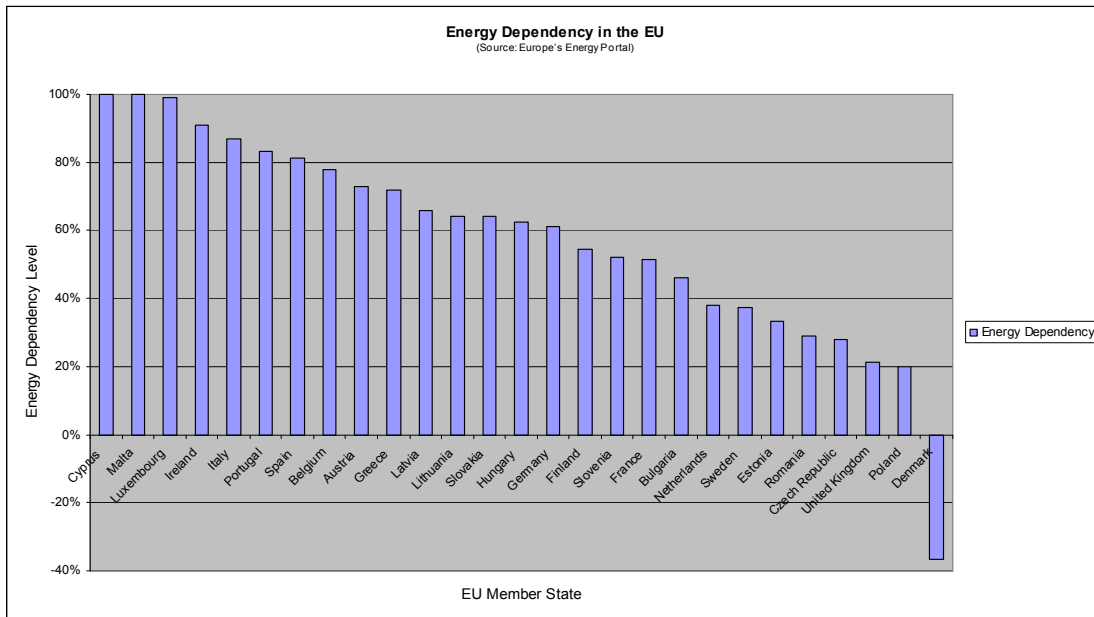
Contact Information:

Ida Garibaldi
Adjunct Professor – Government
St. John's University, Rome Campus
Via Marcantonio Colonna, 21/A
00192 Roma
Email: idamarina.garibaldi@unicatt.it

1. Defining Energy Dependency

Energy is at the essence of our way of life. We start our days turning on a coffee pot. We finish it switching off a light. As we have struggled with a refrigerator after a power outage, we have all wondered how we would carry on without electricity. Everything we do is dependent on the security of our energy supply.

Our energy security is dependent on the quantity and reliability of domestic reserves and on the magnitude and availability of foreign supply. Writing in 1979, in the wake of the second global energy crisis, David A. Deese, now a professor at Boston College, defined energy security as: “A condition in which a nation perceives a high probability that it will have adequate energy supplies (including traditional sources such as firewood, and plant and animal residues that are frequently not traded in the market place) at affordable prices. Prices are defined affordable if they stop short of causing severe disruption of normal social and economic activity.”¹ Energy dependence is traditionally defined as a nation’s gross energy consumption—energy production plus imports minus exports.



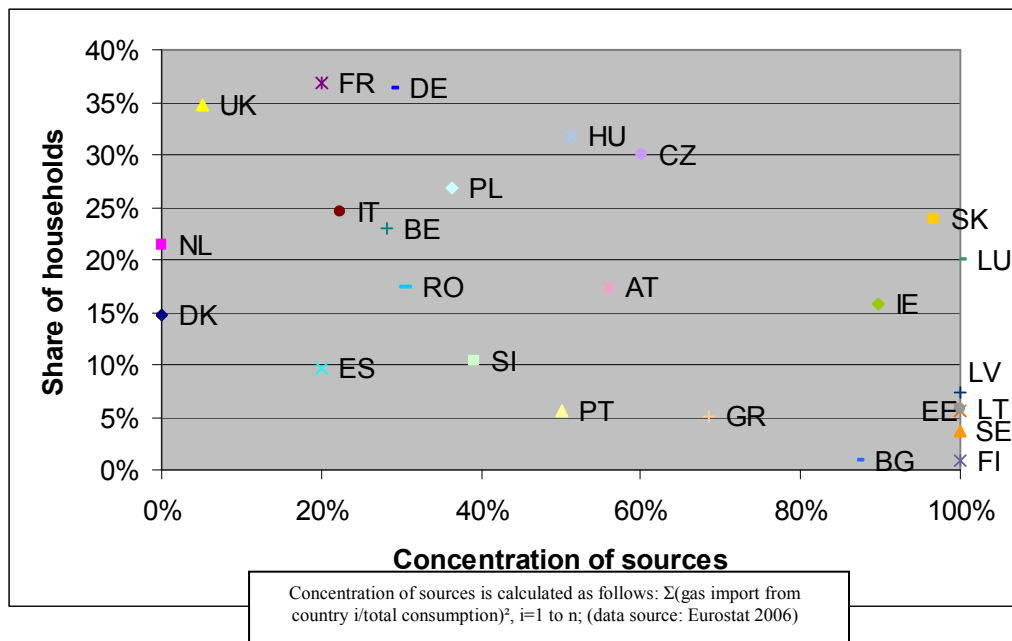
Graph 1

According to the European Union (EU) Energy Portal, seven Member States are dependent on energy imports for more than 80 percent of their needs (Cyprus, Malta, Luxembourg, Ireland, Italy, Portugal and Spain), eleven Member States are dependent for 50 to 80 percent of their energy needs (Belgium, Austria, Greece, Latvia, Lithuania, Slovakia, Hungary, Germany, Finland, Slovenia and France) and eight Member States are dependent for 20 to 50 percent of their total energy needs (Bulgaria, Netherlands, Sweden,

¹ D. A. Deese, “Energy: Economics, Politics, and Security”, *International Security*, Vol. 4, No. 3, (Winter, 1979-1980), pp. 140-153, p. 140.

Estonia, Romania, Czech Republic, United Kingdom and Poland). Of the 27 EU Member States only Denmark is a net exporter of energy² (Graph 1).

Defining energy dependency in mathematical terms is useful, simple and straightforward. However recent history has taught us that more ephemeral variables greatly affect different countries' capability and effectiveness in responding to an energy crisis. Indeed, the political relationship with one's energy supplier, the relations that the latter entertains with a transit country, internal domestic politics as well as the level of stored energy reserves, supply diversification and the capacity to quickly reduce energy consumption are factors that weigh differently on the well being of a nation during an energy crisis. The vulnerability of a country to an energy shock is not simply determined by looking at the mathematics of its energy dependency, but must take into account the politics of energy demand and supply. In the case of gas, for instance, vulnerability to an energy crisis spikes when high household consumption is associated with a low diversification of supply and a lack of stored energy reserves (Graph 2). For example, in this chart, Slovakia is relatively vulnerable to an energy crisis, while Denmark is relatively secure.



Graph 2 from Annex 1 of “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the committee of Regions on the Directive 2004/67/EC of 26 April 2004 concerning measures to safeguard security of natural gas supply,” Commission of the European Countries, Brussels, November 13, 2008.

To understand how these theoretical concepts impact international relations and day to day life, it is necessary to look at how national governments historically have responded to past energy crisis.

² Europe's Energy Portal, <http://www.energy.eu/#dependency> (Accessed: August 22, 2009).

2. How Energy Dependency Has Impacted Governments Behavior: Historical References

Recent energy crises have repeatedly demonstrated that energy dependency has a dramatic influence on governments' behavior. Following the shocks of 1973-74, 1979 and 1990, Western governments introduced powerful domestic and international countermeasures to limit the impact of their energy dependency. Supply and source diversification, the reduction of consumption, and the foundation of the International Energy Agency stand out among the most important initiatives to counteract the weaponization of energy.

Natural resources such as oil and gas have long been traded globally. Their exchange on the world market has created tight bonds among countries that are distant geographically and divergent politically. The strength of this connection has always been directly proportional to the amount of energy resources traded. Thus in many regards the trade in energy has always been a simple transaction based on supply and demand. And yet the dynamics that surround the energy trade are quite volatile. There are three primary explanations for this instability: Oil and gas are not renewable; the largest reserves are concentrated in just a few countries; and they are exploited by a few international companies that enjoy what one expert accurately describes as a "symbiotic relationship"³ with their governments. These characteristics cause periodic market crises that produce energy shocks.

The most significant recent energy crises took place in 1973-74 following the Yom Kippur war; in 1979 after the disruption of supplies from Iran due to the Iranian Revolution; and in 1990 as a consequence of the Iraqi invasion of Kuwait. These crises had different characteristics, but they were all the byproduct of unexpected world political developments that resulted in a severe disruption of oil trading in the world market. The 1973 crisis was the result of the embargo imposed by the Organization of the Petroleum Exporting Countries (OPEC) to punish the Western countries that supported Israel's territorial seizures after the 1967 and Yom Kippur war. The 1978-79 crisis developed slowly and steadily with an increase in oil prices from \$12.70 a barrel in December 1978 to \$21 in July 1979. The 1990 oil crisis was somewhat less dramatic because the price increase was less than in the previous crises and because it took place at a time when Western countries were less dependent on oil. The 1973-74 and 1979 crises shared some common traits. Indeed they were in many regards the expression of OPEC's "oil nationalism" through which oil-rich countries asserted their sovereignty on their national resources⁴. They also both taught the same lesson to energy producers and consumers: Their mutual interdependence had become the key to energy and economic security.

³ P. G. K. Panikar, "Oil: From Crisis to Crisis", *Economic and Political Weekly*, Vol. 26, No. 9/10 (Mar. 2-9, 1991), pp. 479-481, p. 479.

⁴ J. Stanislaw – D. Yergin, "Oil: Reopening the Door", *Foreign Affairs*, Vol. 72, No. 4, (Sep.-Oct. 1993), pp. 81-93.

In response to the energy crises of the past developed countries have generally shown a tendency to implement more energy efficiency and to diversify their energy sources and supply. In particular, after the energy shocks of 1973-74 and 1979 this resulted in less reliance on oil and more use of coal and natural gas. Writing in 1991, energy expert P. G. K. Panikar observed that: “A moderate degree of saving in the consumption of energy has been registered between 1979 and 1983. The main source of this energy saving is obviously cuts in the consumption of oil, ranging from 14 percent in Italy to 29.5 percent in Netherlands [...] Reduction in the consumption of oil would naturally lead to a fall in its imports. Thus, between 1980 and 1982, imports of oil declined by 21 percent in western Europe, 26 percent in the USA, 36 percent in Canada, 16 percent in Japan.”⁵ Panikar sums up the findings of its research in an effective table that illustrates the primary energy consumption demand in selected countries in 1979 and again in 1983. After the 1979 oil shock the demand for oil declined at least marginally, while the use of coal, gas, hydro and nuclear power substantially increased across the spectrum of the countries that Panikar analyzes.

TABLE 2: PRIMARY ENERGY CONSUMPTION DEMAND IN SELECTED COUNTRIES, 1979 AND 1983
(Million Tonnes of Oil Equivalents)

	Total Energy Demand				Oil		Coal		Others	
	1979	1983	Change	Per Cent	1979	1983	1979	1983	1979	1983
USA	1918.6	1708.3	-210.3	-10.96	868.0	700.3	380.7	400.3	669.9	607.7
					(45.24)	(40.99)	(19.84)	(23.43)	(34.9)	(35.57)
Japan	369.9	341.0	-28.9	-7.79	265.1	205.8	50.4	63.0	54.4	72.2
					(71.67)	(60.35)	(13.62)	(18.47)	(14.71)	(21.12)
West Germany	282.8	250.1	-36.9	-12.86	147.0	109.8	79.8	80.5	56.0	61.0
					(51.22)	(43.90)	(27.80)	(32.19)	(19.51)	(24.39)
UK	221.9	193.4	-28.5	-12.84	94.5	72.4	76.1	65.6	51.3	55.4
					(42.59)	(37.94)	(34.24)	(33.92)	(23.12)	(28.65)
Canada	221.8	208.7	-13.1	-5.91	90.1	66.5	18.2	28.3	113.5	113.8
					(40.62)	(31.86)	(6.31)	(13.56)	(52.52)	(54.53)
France	192.7	181.0	-11.7	-6.07	118.3	89.3	28.5	24.3	46.1	67.4
					(61.39)	(49.34)	(14.79)	(13.42)	(23.92)	(39.24)
Italy	151.1	137.5	-7.6	-5.24	103.2	88.7	12.6	13.0	35.3	35.8
					(41.12)	(64.50)	(8.68)	(9.45)	(23.36)	(26.04)
Netherlands	78.5	67.7	-10.8	-13.76	41.3	29.1	3.3	5.4	33.9	33.2
					(52.61)	(52.98)	(4.20)	(7.34)	(43.18)	(49.04)
Western Europe	1327.6	1221.8	-105.8	-7.97	732.4	585.7	259.8	262.4	335.4	373.7
					(55.17)	(47.94)	(19.57)	(21.47)	(25.26)	(30.59)

Notes: Others include gas, hydro and nuclear power

Figures in brackets stand for percentages of total energy consumption.

Source: Hedley, op cit, Derived from: Tables 61, 71, 74, 80, 84, 88, 91, 95 and 100, pp 237-267.

Table 1, from: P. G. K. Panikar, “Oil: From Crisis to Crisis”, *Economic and Political Weekly*, Vol. 26, No. 9/10 (Mar. 2-9, 1991), pp. 479-481, p. 479.

The 1970s and 1990 energy crises had immediate impacts on the behavior of the national governments most exposed to their economic effects. The counter measures introduced to limit the effects of the crisis and that of possible future shocks were not limited to energy conservation, reduction in consumption, and source diversification. They included political measure such as the creation of the International Energy Agency

⁵ P. G. K. Panikar, “Oil”, cit., p. 480.

and the fostering of a vibrant intellectual debate to address the risks of the weaponization of energy.

The idea of using oil as a weapon first emerged in international relations in 1935-36, when the League of Nations suggested an oil blockade against Italy to punish it for the invasion of Ethiopia. In World War II, Japan was motivated to attack the United States fearing that Washington would effectively use oil as a weapon. Japan's attack to Pearl Harbor was meant to hinder Washington's ability and will to wage a long war against Tokyo, which at the time depended on the United States for 80 percent of its energy imports. Japanese Admiral Isoroku Yamamoto, commander of the Combined fleet in the Pacific, knew that Japan could fight on its energy reserves for up to 18 months: If the U.S. would be able to use the energy weapon for longer, Japanese defeat would be guaranteed.

More recently, the energy weapon has been harder to deploy: The interdependence between producers and consumers generates immediate economic effects on both. When in October 1973 Arab producers implemented a 5 percent monthly cut in oil supply, and a separate total embargo against the United States and the Netherlands to force Israel to return to its 1967 borders, the reaction of the oil market was unexpected. As third-country suppliers filled the gap left by the Arab nations, Arab producers immediately realized the limitations of oil as a weapon. Just a month after Arab nations announced the 5 percent cuts, they suspended them. By March 1974, after the U.S. had negotiated Israel's withdraw from parts of the Sinai Peninsula, the embargo was lifted.

Nevertheless, the connection between energy security and national security impressed itself on the minds of Western policymakers and fear of the energy weapon remained after the 1970s crisis⁶. The fact that in the long term the use of oil as a weapon had failed did not diminish the belief that one day it might work, and thus it did not diminish its effectiveness as a powerful tool in shaping international relations.

3. Energy Dependency and National Security

The relationship between energy and national security is defined first and foremost by the risk of the weaponization of energy, and the effects that a politically motivated cut in energy supply could have on the economic and social well being of entire nations. However, the threat to the stability of a country's energy supply and thus to its national security does not come only from hostile governments, but also from natural disasters and non-state actors.

⁶ R. Stern, "Oil Market Power and the United States National Security", *Proceedings of the National Academy of Sciences of the United States of America*, Vol. 3, No. 5 (Jan. 31, 2006), pp. 1650-1655.

The concerns caused by energy dependency and the effects it has on national security range from country to country. In an article written for *Foreign Affairs* in 2006, Daniel Yergin, energy expert and author of *The Prize: The Epic Quest for Oil, Money, and Power*, wrote that: “Energy exporting countries focus on maintaining the ‘security of demand’ for their exports, which after all generate the overwhelming share of their government revenues [...] The concern for developing countries is how changes in energy prices affect their balance of payments. For China and India, energy security now lies in their ability to rapidly adjust to their new dependence on the global market, which represents a major shift away from their former commitments to self-sufficiency. For Japan, it means offsetting its stark scarcity of domestic resources through diversification, trade, and investment. In Europe, the major debate centers on how to manage dependence on imported natural gas [...] And the United States must face the uncomfortable fact that its goal of ‘energy independence’ – a phrase that has become a mantra since it was first articulated by Richard Nixon four weeks after the 1973 embargo was put in place – is increasingly at odds with reality.”⁷ The current energy system is indeed insufficient to guarantee the global security and stability of energy supply. It was created as a response to the 1970s energy crises and it revolves around the International Energy Agency. It has never been substantially updated, nor has it concertedly pursued the goals that would make the global energy market safer: Energy diversification, a better margin in energy stockpiles, the need of cooperation and to share energy related information as well as the necessity to protect the whole energy supply chain⁸.

Many observers have confidence that energy trading and thus energy security can be ruled by market forces. The theory is that energy-producing nations--even the most undemocratic among them--need to sell their natural resources as much as consumers need to buy them. This is a critically flawed assumption. The energy market is not rational, nor transparent, and it is subject to energy cartels (OPEC), corruption (the Oil for Food program), nationalism (Venezuela), as well as dramatic disruptions caused by natural disasters (hurricane Katrina) and terrorism (Iraq). Moreover, the vast majority of natural gas and oil known reserves are exploited by state-owned companies which often are neither competitive nor efficient.

U.S. Senator Richard Lugar, one of the most influential Republican politicians in office, effectively pointed out that: “Energy may seem to be a less lethal weapon than military force, but a sustained natural gas shutdown to a European country in the middle of the winter could cause death and economic loss on the scale of a more conventional military attack. Moreover, in such circumstances, national desperation would increase the chance of armed conflict and terrorism.”⁹ Thus the risk that comes to national security from a sudden disruption of energy supply is a very real one. This could also come in the

⁷ D. Yergin, “Ensuring Energy Security”, *Foreign Affairs*, Vol. 85, No. 2 (March/April 2006), pp.69-82, p. 71.

⁸ *Ibid.*, p. 76.

⁹ R. Lugar, “A Concert in Energy Security: Building Trans-Atlantic Cooperation to Confront a Growing Threat”, *The Whitehead Journal of Diplomacy and International Relations*, (Summer/Fall 2007), pp.1-5, p. 2.

form of a natural disaster. When between August and September 2005 hurricanes Katrina and Rita hit the Gulf of Mexico they shattered the U.S. oil industry. The two hurricanes shut down 27 percent and 21 percent of the U.S. oil production and refining capacity respectively.

Among non state actors, the major threat to national security through the disruption of energy supply comes from terrorism, and particularly Islamic terrorism. The results of a computer simulation and gaming exercise completed in November 2008 by the Center for Data Analysis at the Heritage Foundation in Washington D.C. showed that the prospect of a terrorist attack on worldwide vital energy hubs makes the correlation between energy security and national security inescapable.

The exercise simulated the effects of an Al-Qaeda coordinated terrorist attack on two of the most important “choke points” in world energy trading: the Strait of Hormuz via an attack on the oil industrial complex of Ras Tanura on the Persian Gulf in Saudi Arabia, and the Strait of Malacca, in Indonesia. Approximately one third and one fourth of the world oil passes through the Strait of Hormuz and the Strait of Malacca respectively. The objective of the Al-Qaeda attack would be consistent with goals pursued in the past: Severely disrupt the economies of oil-consuming nations, undermine the Atlantic alliance, and manufacture the environment for a political confrontation between the West and Middle East Islamic states. The attacks in Ras Tanura would shut down the main operation center of the world’s largest oil company, Saudi Aramco, as well as the facilities of Abu Qaiq. The attacks on the Malacca Straits would consist of speedboat assaults on oil tankers and the contemporary mining of the Strait of Sunda, effectively blocking immediate access to oil to China, India, Japan, and Australia among others.

The report focused particularly on the effects of the attack on the U.S. economy. Among its findings the simulation established that: “The price of petroleum in the U.S. spiked very quickly from the price of \$127 per barrel on the day of the game to \$244 just days later. This price increase caused a rapid slowing down of the U.S. economy, seen in a drop in employment of approximately 1.5 million jobs in the first year and an average drop in inflation-adjusted gross domestic product in the first year of \$119 billion.”¹⁰

The traditional American policy of projecting force in the Middle East has aimed at protecting the status quo to secure a steady and reasonably-priced flow of energy from the region. However, this policy has also often provided countries with an anti-Western agenda with the financial means to directly or indirectly support terrorism. The 2003 U.S.-led invasion of Iraq has altered the region balance. However, so far it has not changed the direction of cash flow from energy-thirsty countries to Middle Eastern regimes that are keen on investing part of that revenue in sponsoring terrorism, greatly complicating the effort of America and its allies to guarantee energy supply stability and look after national security interests in general.

¹⁰ W.W. Beach and others, “The Global Response to a Terror-Generated Energy Crisis”, Center for Data Analysis, The Heritage Foundation, Washington, D.C., November 10, 2008, available at: http://www.heritage.org/research/nationalsecurity/upload/cda_08-11.pdf, (Accessed: September 7, 2009).

4. The European Union's Energy Policy: General Framework

European Union leaders long ago effectively identified the direction in which the EU energy policy must go. EU energy insecurity is mainly due to two causes: The lack of internal market liberalization for energy, and the EU's high energy dependence abroad, particularly from Russia. The EU energy policy lays out a general framework set out to address first and foremost these two priorities.

The EU imports 54 percent of its energy: Gas dependency is particularly worrisome, since the EU relies on fixed pipeline infrastructures. The most recent data shows that in 2006 the EU imported 61 percent of gas for gross inland consumption, of which 42 percent from Russia, 24 percent from Norway, 18 percent from Algeria and the rest from other sources. The EU forecasts that by 2020 its gas imports will grow from 61 to 73 percent. EU oil dependency is even greater, with imports standing at 83.6 percent in 2006, of which 33.5 percent came from Russia¹¹.

In light of these facts, in January 2007 the EU Commission strongly recommended changes to EU's approach to energy policy to the European Council and the European Parliament¹². In a paper titled: "An Energy Policy for Europe" the Commission stated that European energy security depended on three pillars: The Sustainability of EU's energy demands and consumptions; the security of the EU energy supply; and the competitiveness of the EU internal energy market.

The reports highlighted that the current trends in EU energy consumption are not sustainable and that the security of the EU energy supply is too dependent on imports. Thus the European Commission recommended the adoption of a "20-20-20" energy policy based on a 20 percent reduction in greenhouse gas emissions; an increase to 20 percent in the share of renewable energy for the EU consumption; and a 20 percent enhancement in energy efficiency, all to be reached by the year 2020.

The underlying economic rationale of the 20-20-20 energy policy is based on the potential profitability of the renewable energy sector¹³. The use of renewable energy will bring down imports of gas and oil by €50 billion by 2020, improving energy security and

¹¹ European Commission, Directorate-General for Energy and Transport, "Energy and Transport in Figures 2009", *Statistical Pocketbook*, Tables 2.2.3, 2.2.4 and 2.2.5, available at: http://ec.europa.eu/energy/publications/doc/statistics/part_2_energy_pocket_book_2009.pdf, (Accessed: September 8, 2009).

¹² Commission of the European Countries, Communication from the Commission to the European council and the European Parliament, "An Energy Policy for Europe," Brussels, January 10, 2007, available at: http://eur-lex.europa.eu/LexUriServ/site/en/com/2007/com2007_0001en01.pdf, (Accessed: September 7, 2009).

¹³ Commission of the European Countries, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the committee of Regions, "Europe's climate change opportunity," Brussels, January 23, 2008, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0030:FIN:EN:PDF>, (Accessed: September 8, 2009).

lessening the exposure of the EU's economy to volatile market prices. Secondly, the technologies of renewable energy would be growing sources of income and employment. By January 2008, they accounted for over 300,000 jobs and €20 billion in turnover. If these ambitious goals are met by 2020, the renewable energy sector could account for up to one million jobs by 2020. Finally, the climate change challenge should be presented to European businesses as an opportunity to promote innovation and growth while taking advantage of being the "first mover". This in the long run will give European businessmen a leg up over their global competitors.

"An Energy Policy for Europe" concluded that to successfully implement the "20-20-20" policy the EU needs to learn to pursue one energy policy and to establish a more competitive internal energy market, which would shore up energy growth and energy savings with substantial benefits for European customers as well as for the environment.

In September 2007, the Commission further advanced its new approach to European energy security proposing the "EU Electricity and Gas Markets Third Legislative Package", which advocated the liberalization of European energy markets as well as the division between the channels of production and transmission, known as "unbundling". Through the so called "third country clause" the proposal also addressed the difficult issue of Russia's aggressive penetration of the European gas market, highlighting the need for reciprocal market openness: "The Commission proposes a requirement that third country individuals and countries cannot acquire control over a Community transmission system or transmission system operator unless this is permitted by an agreement between the EU and the third country. The aim is a guarantee that companies from third countries respect the same rules that apply to EU-based undertakings in both letter and spirit - not to discriminate against them"¹⁴.

Finally, the EU approach to energy security is based on solidarity between Member States, underscoring the need for a common energy policy that is able to project the EU's strengths as a whole energy market on the international arena. At this end in November 2008 the Commission released an "EU Energy Security and Solidarity Action Plan" (also known as "Second Strategic Review")¹⁵. The Review identified five energy priorities: Update the EU energy infrastructure and pursue the diversification of energy supply; cultivate the EU's external energy relations; put in place an oil and gas stocks and

¹⁴ Commission of the European Countries, "Explanatory Memorandum of the Third Energy Package", September 2007, available at: http://ec.europa.eu/energy/electricity/package_2007/doc/2007_09_19_explanatory_memorandum_en.pdf (Accessed: September 8, 2009).

¹⁵ Commission of the European Countries, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the committee of Regions, "Second Strategic Energy Review. An EU Energy Security and Solidarity Action Plan," Brussels, November 13, 2008, available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF>, (Accessed: September 8, 2009).

crisis response mechanism; implement energy efficiency; and last but not least efficiently exploit the EU's own energy resources.

The Second Strategic Review also stressed the importance of a common approach to energy by all the Member States as the only way guarantee the success of the new EU approach to energy security: "The EU needs to intensify its efforts in developing an effective external energy policy; speaking with one voice, identifying infrastructure of major importance to its energy security and then ensuring its construction, and action coherently to deepen its partnerships with key energy suppliers, transit countries and consumers."¹⁶

The need for an even stronger leadership and an effective legal framework emerged again in January 2009 during the gas crisis between Russia and Ukraine. The crisis affected both Moscow's and Kiev's credibility in the eyes of the European leadership. Brussels' disappointment has been effectively summed up by European Commission President José Manuel Barroso: "Without judging intentions, there is an objective fact: Russia and Ukraine are showing they are incapable of delivering on their commitment to some Member States. The fact is that Gazprom and Naftogas are unable to fulfill their obligations towards European consumers."¹⁷ However, despite the pressure from European Commission and the warning signals of a worsening situation, EU Member States have continued to show a chronic unwillingness to pursue a unified energy policy. Indeed, the conflicts among Member States about the EU's new approach to energy security have severely undermined it.

As the sitting EU Commission gets ready to leave Brussels, one is left to wonder how much stronger the EU energy market could have been should the Commission have had its way; and how far the limited progress that has been implemented in the past five years have actually improved EU energy security.

5. The Weaknesses of the EU Energy Policy Vis a Vis Member States

Despite the EU institutions' attempts to implement an organic reform of the European energy market, in the past five years only modest progress has been made. In April 2008 the EU Commission published an assessment of the progress made in creating the internal gas and electricity market¹⁸. The report clearly states that the liberalization of

¹⁶ Commission of the European Countries, *Memo, EU Energy and Solidarity Action Plan: Second Strategy Review*, n.d., p. 3, available at:

http://ec.europa.eu/energy/strategies/2008/doc/2008_11_ser2/strategic_energy_review_memo.pdf,

(Accessed: September 7, 2009).

¹⁷ J. M. Barroso, *Debates*, European Parliament, Strasbourg, January 14, 2009, available:

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+CRE+20090114+ITEM-003+DOC+XML+V0//EN> (Accessed: May 2, 2009).

¹⁸ Commission of the European Countries, "Report from the Commission to the Council and the European Parliament: Progress in Creating the Internal Gas and Electricity Market", Brussels, April 15, 2008, available: http://www.energy.eu/directives/com2008_0192en01.pdf, (Accessed: September 9, 2009).

the European energy market is far from been accomplished and that this jeopardizes European energy security. The Report highlights two major problems. First the energy legislation approved by the EU is still not fully implemented in all Member States; second, market integration is still far from being a reality. In particular, the EU Commission worries about variation in prices across neighboring States; bottlenecks in the distribution infrastructure; lack of independent market operators; regulations and legal differences among Member States which discriminate against domestic and foreign market operators. The Report also points out that despite the fact that all Member States have formally met the deadline of July 1, 2007 to fully open their electricity markets to foreign companies, market concentration is still problematic in most Member States: “Market structures on a national scale are still very concentrated. In addition, incumbents control essential infrastructure facilities, further increasing their market power [...] alongside highly concentrated national markets, the tendency towards consolidation and concentration continues [...] as competition is still limited, competitive pressure on prices are correspondingly weak.”¹⁹

The struggle among Member States to determine the overall direction of the EU approach to energy policy started shortly before the “EU Electricity and Gas Markets Third Legislative Package” was published in September 2007. When the Commission proposed the legislation, it suggested giving Member States the choice of fully unbundling production and transmission (the option known as full unbundling or ITO, Independent Transmission System Operator), or let the European energy companies keep the ownership of their transmission networks as long as an independent operator would take over the management of their technical and commercial operations (the option known as ISO, Independent System Operator).

The EU immediately split into two blocks. France, Germany, Austria, Bulgaria, Slovakia, Cyprus, Greece, Luxembourg and Latvia opposed both ideas for unbundling the energy production and transmission systems of European energy firms. Denmark, Belgium, Spain, Finland, the Netherlands, Romania and the UK approved and strongly supported the EU proposal. The bloc of Member States that opposed unbundling argued that the separation between energy production and transmission networks would not necessarily bring down the prices for European consumers while it would certainly weaken European energy companies vis a vis big foreign competitors such as Russian Gazprom. On October 17, 2007 Jean-Francois Cirelli, the CEO of France’s Gaz De France (GDF), one of the largest European energy firms, made clear that the anti-unbundling bloc would fight hard to stop the EU Commission: “The unbundling obsession of the European Commission seems unfathomable to us. How can you integrate the energy market if integrated companies which have been accused of all sorts of evils are weakened? How can you build an integrated market if large operators no longer exist?”²⁰ At the same time, the biggest European energy companies quietly expanded over their borders. In December 2007 ENEL, the Italian energy giant, took over

¹⁹ Ibid., p. 5.

²⁰ J. F. Cirelli quoted in “Gaz de France Slams the EU Proposal, ‘Obsession’ with Unbundling Gas, Power Companies,” *Platts Oilgram News*, October 18, 2007.

a 12.5 percent share in new French nuclear power station built by EDF, the French state-owned energy champion. Almost at the same time Suez, a Belgian-French energy group merged with GDF.

The European Commission heroically fought back: In March 2008 E.ON, Germany's biggest power company, announced that it would comply with unbundling to end an anti-trust investigation by EU Competition Commissioner Nellie Kroes. E.ON compliance with EU's request dealt a major blow to the official anti-unbundling position of the German government.

However, EU efforts were insufficient. In June 2008, a month before France was due to take over the EU's presidency and could follow through with the promise to stall the liberalization of the energy market, the EU Commission struck a compromise with the anti-unbundling bloc. Member States were given the possibility to choose between full unbundling (ITSO); partial unbundling through an Independent System Operator (ISO); or compliance with the requirement to have independent internal teams to manage production and transmission under the oversight of an independent body (Independent Transmission Operator, or ITO).

In October, the EU's new approach to energy security and the Commission's proposal for more liberalization of the European energy market were dealt another major blow by the German government. The "third country clause" (also known as the "Gazprom clause") which was meant to enforce reciprocal market openness between European Member States and third countries interested in penetrating the European energy market, was abandoned. Germany secured the right for Member States to sign bilateral agreements with non-EU governments allowing their companies to buy energy networks within an EU Member State.

Despite the strong resistance from the most protectionist Member States, the EU overall energy security outlook has to some extent improved. In the past five years there has been progress in the diversification of supply. Today more European imports come from Norway, Qatar and Trinidad at the expenses of what used to be the Russian share of the EU market, which is one third smaller. On July 13 2009 the Nabucco pipeline, a European project which will bring gas to Southern Europe through Turkey bypassing Russia, finally won Germany's formal support and that of the main transit countries that it is supposed to cross. Although it is still unclear who will supply the pipeline with the 31 billion cubic meters of gas a year it needs, and who will pay the full tab for the job, the project is finally moving ahead. It is expected to be completed and in operation by 2014 and to lessen Europe's structural dependence on Russian gas supplies and its distribution network.

Furthermore, in the wake of unbundling deal struck with E.ON in March 2008, on July 8, 2009, the Commission fined Germany's E.ON and France's GDF €533 million each for violation of EU's competition rules. According to Pierre Noël of the European

Council of Foreign Relations: “The Commission is trying to achieve through litigation what it couldn’t achieve through legislation.”²¹

Thus, progress has been made, albeit to a lesser extent than hoped and expected by free marketers when in 2007 the EU Commission announced its new approach to energy security. It is not yet clear how the new European Parliament elected in June and the Commission, which will be inaugurated in November, will tackle the issue of European energy dependency. What is sure is that the latter still endangers not only the national security of the EU Member States, but also their relationship with the United States.

6. European Energy Dependency and the Transatlantic Relationship

The EU and the U.S. have long had different approaches to European energy dependency. In the recent past, most notably during the 1973-74 energy crisis, policy divergence on this issue caused much tension and even brought the transatlantic alliance on the verge of collapse. European energy dependency represents a dangerous thorn in side of the relationship between the United States and its European allies. It needs to be addressed before it will irreversibly threaten the well being of the transatlantic relationship.

The EU and the U.S. account for the world’s largest share of the energy market. Together they produce roughly 23 percent of the world’s energy, but they consume almost 40 percent of it²². Energy security and European energy dependence have been on the agendas of the EU-U.S. summits since 2006. Brussels and Washington have repeatedly agreed to cooperate more and better on the challenges of energy security, climate change and sustainable development.

However, the issue of energy security sparks different concerns in the EU and in the United States. While Brussels has mostly focused on climate change and its ramifications, Washington has focused its apprehension on its allies' dependency on foreign supplies, especially from Russia. The unwillingness to acknowledge the validity of the mutual concerns has been reflected in the scarcity of high level meetings on the topic. Some progress has been made only in the field of developing better energy technology. At the 2007 EU-U.S. summit, the parties launched joint initiatives to promote research in the areas of clean coal, carbon capture and storage, biofuels and energy efficiency. A common approach to energy security is however still far from being in place as witnessed by transatlantic disagreements over the role that NATO should play in guaranteeing Europe’s energy security.

²¹ “He Who Pays for the Pipelines Calls for the Tune,” *The Economist*, July 18, 2009, pp. 27-28, p. 28.

²² P. Belkin, “The European Union’s Energy Security Challenge”, Congressional Research Service, Washington, D.C., January 30, 2008, p. 26, available at: <http://www.cnire.org/NLE/crs/abstract.cfm?NLEid=1743> (Accessed: September 9, 2009).

Transatlantic friction over energy security and American unease for European energy dependence on foreign and potentially hostile suppliers date back to the Cold War. The culprit was oil, which Europe was eager to import from the neighboring U.S.S.R despite American dissent and opposition²³. Russian oil production peaked in 1983 to 11.2 million barrels per day²⁴. Many American commentators and policymakers regard contemporary European dependence on Russian energy as far more serious and aggravating. Indeed, Russia does not enjoy the political stability that came with Communism: Political blackmail linked to energy supply could become a dangerous weapon in the hands of the wrong politicians. The U.S.S.R. did not aim to conquer and rule Europe's energy infrastructures, thus limiting the influence that Moscow could actually wield on the continent²⁵. Today, however, things have radically changed. In the past two years the Kremlin has shown that the political influence associated with the ownership of natural resources and their distribution in Europe is as desirable as the economic gains that come with it. The United States find this particularly troublesome, and rightly so.

Perhaps the 1973 oil crisis represents the most dramatic instance of the impact that an energy crisis has had on the transatlantic relationship. The Atlantic community cracked under the pressure of the oil embargo imposed by Arab suppliers, dividing the United States from most of its European allies. Different policy priorities in the Middle East were pivotal in shaping the outcome of the crisis. The United States was focused on limiting the U.S.S.R.'s influence in the region; Western Europe was bent on protecting its vital energy flow from Arab producers. Arab suppliers were successful in undermining transatlantic solidarity applying a different embargo on different NATO members. The cut off would be complete for Israel's biggest supporters (the United States, the Netherlands and later Portugal which had granted the U.S. air force the right to land on its way to re-supply the Israeli military). Other NATO members and Japan would suffer a 5 percent monthly cut and a substantial increase in price until Israel returned to its pre-1967 borders. To the U.S. dismay, instead of rushing to create a common consumer's front against Arab suppliers, on November 6, 1973 the European Economic Community issued a declaration calling for the implementation of U.N. resolution 242. This 1967 document required Israel to retreat to its pre-1967 borders and called for the Arab states' recognition of its right to exist. Arab suppliers immediately lifted the embargo on the Community's members – with the exception of the Netherlands.

European behavior was motivated by diverse reasons. The necessity to preserve the energy flow from the Middle East (on which Europe, contrary to the U.S., was heavily dependent) was certainly a priority. However, experts agree that the crisis also gave Western Europe the opportunity to vent its disagreement with American policies

²³ "Different interpretations of Europe's growing energy dependency on Russia also fueled transatlantic discord over construction of the trans-Siberian natural gas pipeline in the early 1980s," Adam N. Stulber, *Well-Oiled Diplomacy* (Albany: State University of New York Press, 2007), p. 14.

²⁴ J. H. Kalicki and D. L. Goldwyn, edited by, *Energy and Security. Toward a New Foreign Policy Strategy*, (Washington D.C.: Woodrow Wilson Center Press, 2005), p. 33.

²⁵ "A Bear at the Throat," *The Economist*, April 14, 2007.

that some policy makers judged dismissive of European interests, such as American support of Israel. These motivations were never fully appreciated or understood by the American government.

The divide and rule policy experimented by Arab energy producers proved to be a powerful economic and political instrument in international relations. The oil crisis not only created a rift between the United States and its European allies, but also among Western European states. By the end of 1973, the European scramble for oil had degenerated into an open violation of Community rules, with France and Britain refusing to share oil with the still embargoed Netherlands. NATO solidarity was also openly questioned as the Europeans continued to trade with Arab countries throughout the crisis; Turkey informally allowed the U.S.S.R. air force to fly over its air space on its way to deliver supplies to Egypt; and NATO allies, with the aforementioned exception of Portugal, denied the U.S. the right to cross their territories and air space to deliver aid to Israel. It was only at the Washington Energy Conference in February 1974 that the transatlantic alliance recouped some resemblance of unity, but only under Nixon's threat that they choose between full cooperation with the U.S. and going it alone: "[They] cannot have it both ways. They cannot have United States cooperation on the security front and proceed to have confrontation and even hostility on the economic and political fronts."²⁶ By this point, the relationship was so strained that in private talk with his Cabinet members about the Washington Energy Conference Nixon had already made clear that if Europe wanted to go it alone, the United States would have followed suit²⁷.

Experts disagree whether European energy dependency is an American problem. Former Ambassador to the UN John Bolton believes that if Russia uses Europe's energy dependence as a political tool, the EU will have to deal with the problem largely on its own²⁸. Nonetheless, the recent rows between Russia, Ukraine and Belarus over energy supply show that European energy security is a serious strategic challenge for the transatlantic alliance. American policymakers may judge in the next energy crisis that European energy dependence dramatically limits the utility of European nations as American allies. Indeed, it is easy to imagine a scenario in which an EU member would have to choose between a sharp cut, perhaps a shutdown of foreign energy supply and endorsement to a specific U.S. policy.

²⁶ R. Nixon, quoted in L. S. Kaplan, *NATO Divided, NATO United*, (Praeger Publisher, 2004), p. 71.

²⁷ "In our private talks, we need to say I am pro-Europe. But in Congress there is a dangerous attitude: If Europe wants to go it alone, we will. This is true in several areas. This would be a bigger disaster for the Europeans than for us," R. Nixon, "Memorandum of Conversation", February 9, 1974, 10:35 A.M., The Ford Library and Museum, available at: <http://www.fordlibrarymuseum.gov/library/document/memcons/1552661.pdf>, (Accessed on September 7, 2009).

²⁸ Author's personal conversation with Ambassador John Bolton, Washington, D.C., March 4, 2008.

7. The Impact Today of European Energy Dependence on the Atlantic Alliance

European dependency on foreign suppliers and in particular on Russia could have a direct impact on geopolitical issues that are critical to the U.S. foreign policy agenda, such as NATO's expansion to Ukraine and Georgia, and the protection of American (and European) influence in strategic post-Soviet regions like Southern Caucasus, Azerbaijan and Turkmenistan. The United States and the EU need to find areas of mutual understanding to cooperate on improving their energy security and diminishing Europe's energy dependency.

On May 1, 2006, the U.S. Senate unanimously adopted a resolution calling on NATO to protect the energy security of its members, with a clear eye on Russia's aggressive penetration of the European market. The document encouraged the U.S. government to develop a strategy within NATO to increase and diversify the energy sources of its members and to plan for emergency situations in which energy supply to the Member States would be disrupted.

In a speech delivered at the 42nd Munich Conference on Security Policy in February 2006, then-NATO Secretary General Jaap de Hoop Scheffer noted that: "NATO's Strategic Concept includes the protection of vital supply lines as one area critical to the security of Allies. Today, for reasons that are obvious – including the potential of terrorists targeting our energy supplies – it makes sense to me that the Allies should discuss this issue."²⁹ Thus, at the NATO Summit that took place in Riga in November 2006, the heads of state and government participating in the meeting issued a declaration, which endorsed NATO's role in promoting energy security, but only did so in the final substantive paragraph of the document³⁰. Progress on the matter within NATO has been modest and the absence of a coordinated discussion with the EU undermines the influence that the Alliance could have on energy security in Europe. Nonetheless, NATO and the EU should make a better effort to work together on energy security because the issue cuts across jurisdictional lines and involves both institutions profoundly and directly.

Just days before the Riga Summit, Senator Lugar spoke out in favor of NATO's involvement in European energy security. In a speech given in November 2006, he

²⁹ Jaap de Hoop Scheffer, "Speech at the 42nd Munich Conference on Security Policy", Munich, February 4, 2006), available at: <http://www.nato.int/docu/speech/2006/s060204a.htm> (Accessed: September 9, 2009).

³⁰ "As underscored in NATO's Strategic Concept, Alliance security interests can also be affected by the disruption of the flow of vital resources. We support a coordinated, international effort to assess risks to energy infrastructures and to promote energy infrastructure security. With this in mind, we direct the Council in Permanent Session to consult on the most immediate risks in the field of energy security, in order to define those areas where NATO may add value to safeguard the security interests of the Allies and, upon request, assist national and international efforts.", Riga Summit Declaration Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council, Riga, November 29, 2006), available at: <http://www.nato.int/docu/pr/2006/p06-150e.htm> (Accessed: September 9, 2009).

expressed his concern about European energy dependence on foreign suppliers³¹. Without explicitly naming Russia, Lugar stated his opinion clearly: “In the coming decades, the most likely source of armed conflict in the European theater and the surrounding regions will be energy scarcity and manipulation. It would be irresponsible for NATO to decline involvement in energy security, when it is abundantly apparent that jobs, health, and security of our modern economies and societies depend on the sufficiency and timely availability of diverse energy resources”³². In Lugar’s opinion, NATO should treat the manipulation of energy supply and its use as a weapon as a trigger to apply Article 5 of the Treaty of Washington, which states that an attack against one member of the Alliance should be considered an attack against all members: “This does not mean that attempts to manipulate energy for international political gain would require a NATO military response. Rather, it means that the Alliance must commit itself to preparing for and responding to attempts to use the energy weapon against its fellow members.”³³

European energy insecurity is a potentially lethal threat to NATO’s unity, because it could split the Alliance between vulnerable and non-vulnerable members. The insertion under the umbrella of Article 5 of the weaponization of energy would work as a deterrent against aggressive behaviors. Developing and, most of all, publicizing the capacity to supply a member which has come under attack by a hostile supplier would also greatly reduce the probability of such an attack in the first place. High level consultation between NATO and major suppliers like Russia are also needed. “No issue in the history of NATO is so likely to divide the alliance in the absence of a concerted action,” Lugar commented³⁴.

Senator Lugar reiterated his concern about the effects that European energy dependency could have on the transatlantic alliance in April 2008. In a speech delivered to the U.S.-Ukraine Energy Dialogue Series in Washington D.C. he stated that: “The absence of a collective energy security strategy will lead to greater fragmentation among European nations and across the Atlantic. The fragmentation will not be exclusive to energy policy; it may also detrimentally impact our ability to act upon shared security and economic issues”. Lugar pointed out that Europe’s dependency on Russian energy has already impacted NATO. At the Bucharest summit in April 2008 the Alliance could not reach an agreement on whether to extend or not the Membership Action Plan to Ukraine and Georgia. Lugar recalls: “Russia’s adamant opposition was the elephant in the room. Many Alliance members are dependent on Russia for energy, and they are well aware of Russia’s record of using energy to exert pressure on neighboring countries”³⁵.

³¹ R. Lugar, “Energy and NATO”, German Marshal Fund of the United States Conference, Riga, November 27, 2006, available at: <http://lugar.senate.gov/energy/press/speech/riga.cfm> (Accessed on September 9, 2009).

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ R. Lugar, “Lugar Calls for Trans-Atlantic Energy Security Strategy,” U.S.-Ukraine Energy Dialogue Series, Washington D.C., April 15, 2008, available at: <http://lugar.senate.gov/press/record.cfm?id=296148>, (Accessed: September 9, 2009).

From an American and a European perspective EU dependency on foreign energy supplies and vulnerability to political blackmail are not the only reasons to get involved in energy security through NATO. In the post-9/11 world the disruption of energy distribution due to a terrorist attack or to the volatile political situation in the Middle East would carry an impact as costly for the world as an interruption of energy supply by a hostile supplier. Al Qaeda's attack on the French oil tanker Limburg in October 2002 showed that NATO can play an important role in protecting its members' energy security.

According to Jamie Shea, director of Policy Planning at NATO, the Atlantic alliance is an appropriate forum to discuss energy security because some of its members are very vulnerable to the energy weapon, thus: "Energy security has the potential to create a major international crisis, or at the very least the quest to secure guaranteed supplies could increasingly shape the foreign policy and priorities of NATO Member States and otherwise worldwide."³⁶ Shea points to four areas in which NATO could contribute to its members' energy security. The development of an intelligence unit to study and target energy developments would give the Alliance an advantage in dealing both with political blackmail and terrorist initiatives. Maritime surveillance of resource routes would help deter attacks and in the event of an attack would facilitate the dispatch of a rapid response, as would maritime escorts of particularly sensitive targets³⁷.

Skeptics of the role that NATO could play in guaranteeing European energy security point out that the 1973 and 1979 oil crisis were successfully overcome without any involvement on the part of the Alliance. However, during the Cold War, European energy dependence was not as pronounced as it is today, and NATO's role was clearly defined as that of a military alliance created to confront the threat of Communism. Since the fall of the Berlin Wall the Alliance's role in the world has changed profoundly. Enlargement has significantly expanded not only NATO's borders, but also its security concerns. To remain relevant in the twenty-first century the Alliance must rise to the challenges that face its members and the transatlantic relationship, including energy security.

8. The Way Forward

There are many areas in which the United States and the EU ought to cooperate to diminish European dependency on foreign energy supplies thus strengthening the transatlantic alliance. While the EU continues its internal debate on how to deal with the energy sector, NATO ought to find a role in protecting its members' energy security that is acceptable to all its members. At the same time, the United States should support the diversification of the European energy infrastructure, particularly through oil and gas pipelines that bypass Russia linking Central Asia's gas and oil fields directly to Europe.

³⁶ Jamie Shea, "Energy security: NATO's Potential Role", *NATO Review*, (Fall 2006), available at: <http://www.nato.int/docu/review/2006/issue3/english/special1.html>. (Accessed on September 2, 2009).

³⁷ Ibid.

The vast majority of NATO members agree that the Alliance can be at the very least an appropriate forum to discuss energy security. The NATO members that favor the Alliance's involvement in energy security should try to push the envelope further. There are operational areas in which the Alliance could improve the energy security of its members without any major changes to its Charter. In the short- and medium-term, NATO could encourage Romania (a member) and Ukraine (a Distinctive Partnership member) to thoroughly question Russia and Gazprom about the South Stream project. Because the pipeline would cross Romanian and Ukrainian economic zones in the Black Sea, Bucharest and Kiev have the right under international law to enquire about the project's environmental impact, shipping and maritime safety as well as request changes in the route of the pipeline. A similar approach has been taken by riparian countries on the Baltic Sea, temporarily halting the development of North Stream³⁸.

NATO should also use its diplomatic strength to entice Central Asia's gas- and oil-rich countries to meet some of Europe's energy needs. Indeed, Kazakhstan and Turkmenistan are members of the Partnership for Peace, a NATO program that builds up bilateral relationship between the Atlantic Alliance and third countries. The reward of a better and deeper connection with NATO could persuade the two countries to also deepen their energy ties, and perhaps even to commit to supply the Nabucco pipeline.

The United States should replicate for Nabucco the diplomatic efforts put in place to develop the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the South Caucasus gas pipeline (SCP). The BTC is a 1600 km long connection that transports oil from Azerbaijan through Georgia to Southern Turkey. The SCP follows the route of the Baku-Tbilisi-Ceyhan for 692 km and transports gas from the Shah Deniz field in Azerbaijan to the Turkey-Georgia border, with the possibility to extend to Southern Europe in the future. In an interview published in June 2006 Matthew Bryza, then deputy assistant secretary of State for U.S. energy policy for southeastern European, underlined how U.S. energy policy in Europe has been effectively based on the strive to diversify the continent's supply: "Avoiding crisis as the one last January 1 between Russia, Ukraine, and the rest of Europe will require the Euro-Atlantic community and Russia and other energy suppliers to operate in a more commercially competitive environment based on diversification of energy supply [...] (the BTC and SCP) are crucially important projects in our shared effort with our friends and allies in Europe and the Caspian region to help European and global markets diversify their supply of oil and gas."³⁹

U.S. involvement and support for European energy diversification is not entirely selfless⁴⁰. Because energy is vitally important to all economies, any disruption in supply

³⁸ Vladimir Socor, "Gazprom South Stream Project Can Be Halted in the Black Sea", *Eurasia Daily Monitor* (Washington, D.C.: The Jamestown Foundation, March 6, 2008).

³⁹ "Caspian Region Crucial for Europe's Energy Needs", *America.gov*, June 30, 2006, available at: <http://www.america.gov/st/washfile-english/2006/June/20060630173344MVyelwarC0.4769251.html>, (Accessed: September 9, 2009).

⁴⁰ For a thorough analysis of U.S. interests in the Caspian region see: J. H. Kalicki, "Caspian Energy at the Crossroads," *Foreign Affairs*, Vol. 80, No. 5, (Sep. – Oct. 2001), pp. 120-134.

would have far-reaching impacts on the world economy U.S. interest in developing alternative energy routes out of the Caspian region is to be understood (and relied upon) both in terms of America's global economic interests and its regional interests. Indeed, the countries surrounding the Caspian Sea (Russia, Kazakhstan, Turkmenistan, Iran and Azerbaijan) are among the world's richest in natural gas and oil. A reliable and efficient energy output from the area would substantially help diversify and stabilize not only Europe's supply, but the whole world energy market.

European energy security and the security of the transatlantic alliance will be guaranteed only if the U.S. and the EU will work to reduce the distance between their energy policies and priorities. The transatlantic alliance faced grave risks in 1974 despite the Cold War straitjacket that forced it together. Nowadays U.S. and European allies could be pinned one against the other by a politically motivated energy supplier or by a particularly skilful terrorist attack much more easily than in the 1970s. Without the specter of the Cold War hovering, the effects could be irreversible. The U.S. could start looking East (Japan, Australia, India) for allies that share its security outlook and concerns, and Europe would be left alone dealing with its regional troubles and energy dependency.

The way forward points in a clear direction: Diversification of supply, a unified EU energy policy, the involvement of NATO in the protection of its members' energy security and, most important of all, a coordinated transatlantic effort to face up to these challenges. Only today's transatlantic efforts for better cooperation can guarantee us more energy security tomorrow.
