



## NATO and European Energy Security

By Ida Garibaldi

*The next North Atlantic Treaty Organization (NATO) summit will take place in Bucharest, Romania, on April 2–4. Noticeably absent from the conference’s full agenda is a discussion of Europe’s growing dependence on foreign energy suppliers, especially Russia. The European Union (EU) now imports nearly 60 percent of its natural gas and more than 80 percent of its oil, and Russia is a significant supplier. The EU’s dependence on Russian energy is troublesome for a number of reasons, including the unreliability of Russia’s supply, the inaccessibility of the Russian market to European firms, and the political leverage a resurgent energy-rich Russia could employ in the future against the nations of the EU or their allies. The time is ripe for Washington to push NATO into a greater role in European energy security, and the Bucharest summit provides an opportunity to lay the groundwork for the development of a NATO policy that could be implemented in the coming years.*

Transatlantic discord about energy security and American concern over European dependence on foreign and potentially unfriendly energy suppliers date back to the Cold War. The culprit then was oil, which Europe was eager to import from the neighboring USSR despite American protests.<sup>1</sup> American policymakers were gravely concerned about the willingness of some European nations to rely on Moscow for such a strategic commodity, particularly because it coincided with Washington’s interest in reinvigorating transatlantic cooperation on security matters. Since then, the situation has changed radically, but concerns persist. The USSR presented a far more serious threat to European security than Russia does today, but it did not aim to control Europe’s energy infrastructure as Russia does. This limited the economic influence that Moscow could actually wield on the continent. In the past two years, the Kremlin has shown that the political influence associated with the ownership and distribution of natural resources is as desirable as the economic gains.

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Most important, as Russia’s recent use of its energy resources to bully Ukraine and Belarus has shown, Moscow has made clear that it is ready to use this political leverage as needed.

On May 1, 2006, the U.S. Senate, with a clear eye on Russia’s aggressive behavior, unanimously adopted a resolution calling on NATO to protect the energy security of its members. The resolution also encourages the U.S. government to develop a strategy within NATO to increase and diversify the energy sources of its members and to devise an emergency plan in case of disruption in supply. In a speech given in advance of the NATO summit in Riga, Latvia, in November 2006, Senator Richard Lugar (R-Ind.) reiterated his concern about European dependence on foreign energy suppliers.<sup>2</sup> Without explicitly naming Russia, Lugar said that in the coming decades energy “scarcity and manipulation” will be key issues for European leaders trying to maintain stability on the continent and that NATO should help resolve these issues before they inevitably spiral out of control.<sup>3</sup> Lugar’s calls have been echoed by other prominent policymakers warning of the danger of a resurgent Russia throwing its energy weight around.<sup>4</sup>

## Russia's Energy Monopoly

The energy relationship between Russia and the EU is built upon the EU's need for natural gas and oil and Russia's extensive natural resources. The EU imports 58.3 percent of its natural gas, of which over 45 percent comes from Russia, and 82.8 percent of its oil, of which 29.9 percent comes from Russia.<sup>5</sup> Known European natural oil reserves are forecasted to last eight years at a 2006 consumption rate, and the expected longevity of known gas reserves is only marginally higher, at a little over twelve years. The European Commission (EC) forecasts that by 2030, the EU will need to import 94 percent of its oil and 84 percent of its gas, while its energy consumption will be 15 percent higher than in 2000.<sup>6</sup> Russian oil reserves amount to only 6.6 percent of the world's known reserves, with an estimated longevity at today's production rate of twenty-two years.<sup>7</sup> When it comes to oil, Moscow does not represent a long-term threat for European energy security. However, if the EU does not develop alternative sources of energy, such as nuclear power, its dependence on Russia's natural resources—gas in particular—will grow.

Russia is the world's largest holder of natural gas reserves (26.3 percent). At 1,680 trillion cubic feet, its gas reserves are almost twice those of Iran—the second largest natural gas holder in the world—and over eight times those of the United States, which, with 204 trillion cubic feet, comes in after Qatar (910.5 trillion cubic feet), Saudi Arabia (240 trillion cubic feet), and the United Arab Emirates (214.4 trillion cubic feet).<sup>8</sup> It is hard to overestimate the level of state control Moscow wields over the natural gas industry or its significance to Russia's economy. The U.S. Department of Energy reports that Gazprom—Russia's state-run natural gas monopoly—produces nearly 90 percent of Russia's natural gas and is Russia's largest earner of foreign currency. Its tax payments comprise fully one-quarter of the nation's tax revenue.<sup>9</sup>

Though the overall economic picture shows Moscow to be an economic midget compared to Brussels, Russia has managed to leverage its energy resources with the EU, which is by far Russia's largest trade partner, accounting for 54.8 percent of all Russian trade. Russia, however, is only the EU's third largest trading partner, accounting for 8.3 percent of total EU trade—well behind the United States (17.7 percent) and China (10.1 percent).<sup>10</sup> In

2006, Russia's gross domestic product at purchasing power parity registered just above that of Spain and well below those of Germany, the United Kingdom, France, and Italy.<sup>11</sup> Notwithstanding the disproportion in bilateral trade and economic size, the EU has developed a dependence on Russian energy supplies that allows Moscow to deal with Brussels as a peer.

Achieving EU energy security will require not only reducing foreign dependence, but also diversifying energy sources.<sup>12</sup> According to Debra Johnson, coeditor of *Perspectives on EU-Russia Relations*:

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The EU has a two-pronged strategy for responding to these pressures. The first is to continue with demand-side measures to encourage improved energy efficiency and conservation. The second is to foster good relations with potential energy suppliers to secure supplies, an option that the EU has chosen in relation to Russia.<sup>13</sup>

Neither strategy leaves much room for optimism—conservation efforts are helpful, but only on the margins, and counting on Russia's goodwill is a fool's errand.

Russia's huge natural gas reserves and its geographical proximity to the EU make it the logical primary trader with Brussels, but questions arise about the reliability and efficiency of its supply. In December 2007, Russia, Kazakhstan, and Turkmenistan signed an energy deal that, according to Russian president Vladimir Putin, will be "a new, important contribution of our nations to strengthening European energy security."<sup>14</sup> The deal secured Kazakh and Turkmen natural gas for exclusive Russian distribution, but it also represented the first public acknowledgment by the Kremlin of Russia's inability to meet European gas demands with exclusively Russian supplies. Indeed, despite Gazprom's forecasts of a growth of 1–2 percent in 2008, production in its three main extraction fields in Western Siberia—Urengoy, Yamburg, and Medvezh'ye, which account for 70 percent of the firm's natural gas production—is declining at a rate of 6–7 percent a year. At the same time, domestic demand is growing at a rate of 2 percent a year, and the extraction and domestic transportation infrastructures are not improving.<sup>15</sup>

Moscow and Brussels have a mutually dependent energy relationship in some ways: the EU is Russia's

biggest energy market and a source of steady profit, and without Russia, the gas stoves would go out across Europe. But Europe has the technology and know-how to develop Russian reserves, and if the EU were a tougher negotiator, it could use the latter as a point of leverage with Moscow. Whether this reciprocal dependency will be enough to guarantee the durability of the relationship is an open question, especially in light of Gazprom's most recent aggressive attempts to expand the reach of its monopoly well beyond the borders of the Russian Federation.

### Will the EU Fight Back?

The EU's dependence on Russian energy is worrisome not only because of the unreliability of Russian supplies, but also because of the inaccessibility of the Russian market to European firms. In February 2005, Russian minister for natural resources Yuri Trutnev announced that foreign companies would not be allowed to bid for oil, gas, gold, or copper deposits.<sup>16</sup> In December 2006, after repeated charges of environmental violations from the Russian government, the British-Dutch company Shell was forced to sell to Gazprom its majority share in the natural gas extraction project known as Sakhalin-2, in eastern Russia. Six months later, in June 2007, the British-Russian holding company TNK-BP was pressured into selling its extraction sites in eastern Siberia to Gazprom.

Despite these alarming signs of the Kremlin's ruthlessness in energy matters, the EU has failed to develop an alternative strategy to dependence on Russian energy. In January 2006, Gazprom shut off its gas supplies to Ukraine, which refused to accept a 400 percent increase in price.<sup>17</sup> The effects on the supply to EU countries were immediate and dramatic, with a drop in distribution of 40 percent in some of the other countries served by the pipeline. One year later, the same scenario played out in Belarus. Then-chair of the rotating EU presidency Angela Merkel protested vigorously, but Moscow managed to avoid repercussions by exploiting the long-standing divisions among member states over EU energy policy. Among EU members, there is disagreement on energy policy and the approach to relations with Russia. Germany and the United Kingdom lead the group of countries that favor diversifying energy sources but continue to rely on Russian supplies. France and Poland lead

the members worried that market liberalization could expose their protected firms to lower-cost competitors from other EU nations—a change that likely would benefit consumers but not the powerful energy lobbies in these nations. Poland particularly fears an aggressive campaign of energy infrastructure acquisition by Gazprom, which

would result in direct Russian control of almost all aspects of Polish energy.

In January 2008, shortly after signing the gas deal with Kazakhstan and Turkmenistan, Russia signed another major gas deal with Bulgaria that will further reinforce EU dependence on Russian energy. The agreement calls for the construction under the Black Sea and through Bulgaria of a new pipeline called South Stream, which Russia would use to send gas directly to Italy and Austria or Hungary, bypassing Turkey. Italy's energy giant ENI and Serbia joined the project

as well. South Stream is in direct competition with the construction of the Nabucco pipeline, an EU project intended to diversify supply and reduce dependence on Russia. Nabucco would transport gas from Iran and Azerbaijan through Turkey into southern and western Europe without crossing Russian territory. The EU project is controversial because of its cost, disagreement over its route, and Iran's involvement as a supplier. By reaching the same markets as Nabucco, South Stream weakens the justification for the EU project. Indeed, using South Stream and North Stream—the pipeline that Gazprom is building in the Baltic Sea that reaches Western Europe and bypasses Poland and Ukraine—Russia is tightening its grip on energy distribution on the continent.

In September 2007, the EC began to address its energy challenges with the EU electricity and gas markets third legislative package, which endorses the liberalization of European energy markets as well as the separation between the channels of production and distribution.<sup>18</sup> The proposed legislation requires each country interested in competing in the EU energy market to apply the same standards of market liberalization that the EU wants to apply to its own member states, including allowing European firms to purchase pipelines and other energy infrastructure in Russia and other countries involved in the European energy market.

This proposed legislation is unlikely to achieve substantial energy market liberalization because of fierce

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resistance from France, Germany, and other EU members. These countries argue that their energy giants are not hurting European consumers and that they are the only way for European firms to fight off the aggressive campaign mounted by Gazprom to monopolize the energy infrastructure on the continent. In reality, a full market liberalization under the rules of the EU package would force Russia to obey the same rules as other EU countries, making Gazprom's aggressive competition less threatening. In July, France will take over the EU presidency, and in a year, the EC leadership will turn over. If the legislation does not become effective at the next EU energy ministers' meeting in June in Luxembourg, it is likely to get bogged down or at least substantially delayed. Certainly it will not have a chance to counterbalance Gazprom's penetration into Europe effectively. Nevertheless, this proposal and the EC's efforts to push it through represent important steps in the right direction: acknowledging that the current situation is unsustainable.

Some observers think that Washington will not focus on European energy security because it does not regard it as central to U.S. security concerns. The EU could be left dealing with an aggressive Russia alone if Russia uses Europe's dependence on Russian energy as a political tool.<sup>19</sup> The recent spats between Russia, Ukraine, and Belarus over energy supply, however, indicate that European energy security represents a serious strategic challenge for the transatlantic alliance. It is easy to imagine a scenario in which any EU member would have to choose between having its energy supply sharply reduced or even cut off and supporting a particular U.S. policy. It is in Washington's interest to back European energy security now when Russian influence on the continent can still be fought.

## What NATO Can Do

In a speech delivered at the forty-second Munich Conference on Security Policy in February 2006, 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.<sup>20</sup>

The participants at the 2006 Riga NATO summit issued a declaration endorsing NATO's role in promoting energy security, but only did so in the final substantive paragraph of the document.<sup>21</sup> Progress on the matter within NATO has been modest, and the absence of a coordinated discussion with the EU undermines the

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influence that the alliance could have over energy security in Europe. There are a number of reasons why cooperation on a matter that is of vital importance for both the EU and NATO has been so difficult. The EU is chronically incapable of reaching a common position on energy security. Key member states like Germany and France are bent on protecting their national interests rather than facing up to EU energy challenges, and NATO members have been struggling to reach a consensus on the strategic role the organization should play in the post-Cold War era. Moreover, NATO's commitment to the International Security Assistance

Force in Afghanistan has absorbed nearly all of its attention. Nevertheless, NATO and the EU should make an extra effort to cooperate on energy security because the issue cuts across jurisdictional lines and involves both institutions deeply and directly.

Lugar has argued that NATO should treat the manipulation of energy supply as a "weapon" in order to apply Article 5 of the North Atlantic Treaty, 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.<sup>22</sup>

Neglecting to ensure European energy security could be lethal to NATO's unity because it could split the alliance between vulnerable and nonvulnerable members. The inclusion under the umbrella of Article 5 of the use of energy as a weapon would work as a deterrent against aggressive behavior. Developing (and publicizing)

NATO's ability and willingness to supply a member that has come under "attack" by a hostile supplier would greatly reduce the likelihood of such an attack in the first place. High-level consultation between NATO and major suppliers like Russia is also needed. "No issue in the history of NATO is so likely to divide the alliance in the absence of a concerted action," Lugar said.<sup>23</sup>

In the short- and mid-term, NATO could take other steps to demonstrate its attention to European energy security. These include encouraging Romania (a member) and Ukraine (a Distinctive Partnership member) to question Russia and Gazprom thoroughly 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 inquire 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 Stream.<sup>24</sup> This would offer much-needed oxygen to Nabucco while providing an opportunity for Washington, Istanbul, and Brussels to build consensus around the trans-Caspian pipeline, which would bring natural gas from Central Asia to Turkey and the EU, bypassing Russia.

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, including those involving energy security, that face its members and the Euro-Atlantic relationship.

## Conclusions

The Bucharest summit will be the largest in NATO history, with representatives from twenty-six member states and envoys from the twenty-three countries in the Partnership for Peace, the bilateral program that the alliance has with individual partner countries to ease eventual NATO membership or simply facilitate security cooperation. NATO's involvement in Kosovo, Afghanistan, and Operation Active Endeavour will come under scrutiny, as will potential future enlargement. There is a concrete possibility that NATO will extend formal invitations to Albania, Croatia, and Macedonia and that the alliance will consider a revision of the status of Ukraine and Georgia, perhaps offering them the Membership Action Plan. Finally, NATO military capabilities

will also be discussed. There will be no time at the Bucharest summit for a broad discussion on what NATO can do to enhance European energy security, but the member states will have a critical opportunity to start planning for a thorough discussion. The window of opportunity is closing. The longer European allies and the United States wait, the more limited their options will be to counter Russian influence. In Bucharest, European members should ask for American support in opening a dialogue between NATO and the EU to address the issue in the most comprehensive way. Perhaps it is time for Europeans (and Americans) to begin pondering seriously the consequences of relying on Russia for energy when its political situation is fluid and its political leaders are undependable.

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*AEI editorial assistant Christy Hall Robinson worked with Ms. Garibaldi to edit and produce this European Outlook.*

## Notes

1. "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: Strategic Manipulation and Russia's Energy Statecraft in Eurasia* [Albany, NY: State University of New York Press, 2007], 14.)
2. Richard Lugar, "Energy and NATO" (speech, German Marshall Fund of the United States conference, Riga, Latvia, November 27, 2006), available at <http://lugar.senate.gov/energy/press/speech/riga.cfm> (accessed February 29, 2008).
3. Ibid.
4. See, for example, Tom Lantos, interview, "Energy Security: A State Side View," *NATO Review* (Winter 2007), available at [www.nato.int/docu/review/2007/issue4/english/interview2.html](http://www.nato.int/docu/review/2007/issue4/english/interview2.html) (accessed February 2, 2008).
5. European Commission (EC), Directorate-General for Energy and Transport, *Energy and Transport in Figures 2007*, Statistical Pocketbook, available at [http://ec.europa.eu/dgs/energy\\_transport/figures/pocketbook/doc/2007/2007\\_energy\\_en.pdf](http://ec.europa.eu/dgs/energy_transport/figures/pocketbook/doc/2007/2007_energy_en.pdf) (accessed March 4, 2008).
6. Ibid.
7. BP, *BP Statistical Review of World Energy 2007*, 6, available at [www.bp.com/liveassets/bp\\_internet/globalbp/globalbp\\_uk\\_english/reports\\_and\\_publications/statistical\\_energy\\_review\\_2007/STAGING/local\\_assets/downloads/pdf/statistical\\_review\\_of\\_world\\_energy\\_full\\_report\\_2007.pdf](http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2007/STAGING/local_assets/downloads/pdf/statistical_review_of_world_energy_full_report_2007.pdf) (accessed March 10, 2008).
8. U.S. Department of Energy (DOE), Energy Information Administration (EIA), table, "World Proved Reserves of Oil

and Natural Gas,” January 9, 2007, available at [www.eia.doe.gov/emeu/international/reserves.html](http://www.eia.doe.gov/emeu/international/reserves.html) (accessed March 4, 2008).

9. DOE, EIA, “Russia,” Country Analysis Briefs (April 2007), 8, available at [www.eia.doe.gov/emeu/cabs/Russia/pdf.pdf](http://www.eia.doe.gov/emeu/cabs/Russia/pdf.pdf) (accessed March 27, 2008). “Russia’s economy is heavily dependent on oil and natural gas exports, making it vulnerable to fluctuations in world oil prices. According to an International Monetary Fund (IMF) study, a \$1 per barrel increase in Urals blend oil prices for a year is estimated to raise federal budget revenues by 0.35 percent of GDP, or \$3.4 billion. . . . Although estimates vary widely, the IMF and World Bank suggest that in 2005 the oil and gas sector represented around 20 percent of the country’s GDP, generated more than 60 percent of its export revenues (64% in 2007), and accounted for 30 percent of all foreign direct investment in the country.” (Ibid., 1.)

10. EC, Directorate-General for Trade, “Russia,” *EU Bilateral Trade and Trade with the World*, August 7, 2007, available at [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113440.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf) (accessed March 6, 2008).

11. World Bank, “PPP GDP 2006,” *World Development Indicators Database*, September 14, 2007, available at [http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP\\_PPP.pdf](http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP_PPP.pdf) (accessed March 5, 2008).

12. EC, Directorate-General for Energy and Transport, *European Energy and Transport: Trends to 2030—Update 2005* (Luxembourg: Office for Official Publications of the European Communities, 2006), available at [http://ec.europa.eu/dgs/energy\\_transport/figures/trends\\_2030\\_update\\_2005/energy\\_transport\\_trends\\_2030\\_update\\_2005\\_en.pdf](http://ec.europa.eu/dgs/energy_transport/figures/trends_2030_update_2005/energy_transport_trends_2030_update_2005_en.pdf) (accessed March 14, 2008).

13. Debra Johnson and Paul Robinson, eds., *Perspectives on EU-Russia Relations* (Abingdon, England: Routledge, 2005), 182.

14. Judy Dempsey, “In Russian Energy Plan, Coal Is a Question Mark,” *International Herald Tribune*, December 27, 2007.

15. DOE, EIA, “Russia,” 8; see also “A Bear at the Throat,” *The Economist*, April 12, 2007.

16. “Russia Bars Foreign Bidders from Big Mineral Auctions,” Associated Press, February 11, 2005.

17. Peter Finn, “Russia Reverses Itself on Gas Cuts,” *Washington Post*, January 3, 2006.

18. EC, 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](http://ec.europa.eu/energy/electricity/package_2007/doc/2007_09_19_explanatory_memorandum_en.pdf) (accessed March 7, 2008).

19. Author’s personal conversation with John R. Bolton, Washington, D.C., March 4, 2008.

20. Jaap de Hoop Scheffer (speech, Munich Conference on Security Policy, Munich, February 4, 2006), available at [www.nato.int/docu/speech/2006/s060204a.htm](http://www.nato.int/docu/speech/2006/s060204a.htm) (accessed March 8, 2008).

21. “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, Riga, Latvia, November 29, 2006, available at [www.nato.int/docu/pr/2006/p06-150e.htm](http://www.nato.int/docu/pr/2006/p06-150e.htm) [accessed March 8, 2008].)

22. Richard Lugar, “Energy and NATO.”

23. Ibid.

24. Vladimir Socor, “Gazprom South Stream Project Can Be Halted in the Black Sea,” *Eurasia Daily Monitor*, March 6, 2008.