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Scott Cowman

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Strategic Insights: Can the EU Declare Energy Independence From Russia?

November 4, 2014 | 2LT Scott Cowman

Second Lieutenant Scott Cowman is a reservist with the U.S. Army. From January to May 2014, during his last semester at Dickinson College, he was an intern with the Strategic Studies Institute, U.S. Army War College.

The worsening situation in Ukraine has yet again reminded the European Union (EU) and the United States that Europe is far too reliant on Russian energy imports. Even after the downing of MH-17, the EU was reluctant to increase sanctions against Russia, let alone ones that target Russian energy. Several EU countries, most notably Germany, were hesitant because Russia has a history of using its energy exports as a political weapon. It seems likely that if the EU was less reliant on Russian energy, it could respond to Russian aggression in a more effective manner. In fact, though, the EU has many alternative solutions to importing energy from Russia, with some solutions that could go into effect immediately, and others that would take a few years to become effective. Numerous countries, including the United States, would have much to gain from an economic and geopolitical standpoint if the EU were to begin the daunting task of removing Russia as the primary supplier of European energy, because this would dramatically limit Moscow's power in this regard.

Thirty percent of the EU's natural gas and 35 percent of its oil comes from Russia.¹ Germany finds itself in a particularly tricky position with 36 percent of its natural gas and 39 percent of its oil needs coming from Russia. With such a huge reliance on Russian energy, and historical examples of Russia using its energy exports as a weapon, the West's "Round Three" sanctions did very little in limiting Russia's ability to export energy. Instead, the sanctions target the transfer of energy technology that could limit Russia's future ability to drill in the Arctic, the deep-sea, and in shale.² These technological sanctions could take up to 10 years³ to actually become effective, and the sanctions as a

whole are yet again being seen as a weak response to a serious crisis;⁴ however, as hostilities between Ukraine and Russia continue to worsen, Germans are gradually starting to believe that more may be necessary, with 70 percent⁵ approving of stricter sanctions. While it is naturally difficult for the EU to seriously target Russian energy exports because of the potential push-back from Moscow, as Europe witnessed in 2006 and 2009, there are still many short-term as well as long-term alternatives to Russian energy.

While no short-term options, even if they were all pursued, could entirely free the EU from Russian energy, they could carry serious economic consequences for Russia. Since the very beginning of the crisis, several countries have offered to increase exports of oil and natural gas to the EU in an effort to sidestep the Russians. Substituting Russian oil imports would be relatively simple, as there is an abundance of oil on the global market.⁶ Even Iran⁷ has offered to increase oil exports to the EU. Substituting Russian natural gas, however, will be far more difficult because liquefied natural gas (LNG) is about twice as expensive⁸ on the global market when compared to gas available by pipeline from Russia. In part, this is because the United States and Canada are only exporting a miniscule amount of LNG today. However, Norway could double its natural gas production⁹ which would provide Germany with an additional 20 billion cubic meters (bcm) of gas, meaning that Norway would provide Germany with almost half of its natural gas needs. Algeria has also offered to increase its exports of LNG to Southern Europe,¹⁰ and the Netherlands could increase production for Northern Europe.¹¹ These short-term solutions will be costly for the EU because the Russians sell their energy for a good price; however, if the EU wants to gain significant leverage over Moscow in the coming months, curbing Russian energy imports would seriously damage the Russian economy, unlike the current “Round Three” sanctions.

Regardless of the outcome of the ongoing crisis in Ukraine, the EU should begin to implement numerous long-term solutions that will allow it to be more nimble in dealing with Russia in future conflicts. President Barack Obama recently urged the Europeans to pursue hydraulic fracturing,¹² which could produce a tenth of Europe’s energy by 2035.¹³ While fracking in Europe would prove to be more difficult than in the United States for a plethora of reasons,¹⁴ cleaner¹⁵ and more efficient fracking techniques are being explored, and even some EU countries, like Germany and the UK, have kept this option available.¹⁶ Another long-term solution the EU needs to consider is to simply use less fossil fuels.¹⁷ If the EU wants to meet its 2020 climate and energy goals, it needs to start seriously investing in renewable energies across the entire continent.¹⁸ Initial expenditure would be high, yet renewable fuel is free, long-term maintenance is low, and an increased emphasis on renewable energies would advance European energy independence.¹⁹ However, because renewable energies cannot always substitute for natural gas and oil, the EU will still need to import some amount of fossil fuels.

This is where the United States needs to take a more proactive role in helping Europe become more independent of Russian energy. The United States is currently going through an energy boom as fracking has completely revolutionized natural gas drilling. However, because the Natural Gas Act of 1938 requires that anyone who wishes to export LNG must first obtain authorization from the Department of Energy, which takes years to approve these requests, the United States only exports a small fraction of what it could.²⁰ There are currently over two dozen LNG terminal proposals,²¹ however the Department of Energy has been extraordinarily slow in approving these applications, some of which were submitted 3 years ago. With nowhere to export its abundance of natural gas, many companies are forced to flare, or burn off, around one-third of the natural gas they produce.²² With slight amendments to the Natural Gas Act, the Department of Energy would be able to expedite the authorization process, enabling numerous LNG terminals to be built offshore. More radically, Congress could simply remove the need for authorization to export LNG. While it is estimated that it could take up to 5 years for the United States to begin exporting substantial amounts of LNG,²³ the global market would likely begin reflecting immediately the future reality of a United States capable of exporting vast quantities of LNG, pushing prices down. Additionally, the United States and the EU should expedite the Transatlantic Trade and Investment Partnership (TTIP) negotiations, since the United States would then be able to export the refined oil sands coming from Canada to the EU.²⁴ While many of these suggestions are easier said than done, events in Ukraine have compelled both the EU and the United States to consider more dramatic steps in order to free Europe from Russian energy dominance.

Europe's dependence on Russian energy has limited the effectiveness of its response to events in Ukraine. The countries of the EU need to begin importing oil and natural gas immediately from willing neighbors in order to send a clear message to Putin, even if the costs exceed the imports from Russia. The United States needs to help the Europeans decrease their dependence on Russian energy by streamlining the legal process necessary for U.S. companies to export LNG. While the United States would enjoy the economic benefits of exporting energy to Europe, the geopolitical effects are the true prize. Europe, with less dependence on Russian energy, would finally be able to wield energy against Putin.

ENDNOTES

1. See www.dw.de/germanys-russian-energy-dilemma/a/17529685.

2. *The Christian Science Monitor*, available from www.csmonitor.com/environment/energy-vision/2014/0930/us-eu-sanctions-why-they-target-russian-energy-on-tomorrow-not-today-video.

3. *Ibid.*

4. Reuters, available from www.reuters.com/article/2014/08/05/russia-oil-sactions-idusl6noqa2nt20140805.

5. *The New York Times*, available from www.nytimes.com/2014/08/14/world/europe/ukraine-crisis-hardens-germany-against-russia-an-old-partner.html.

6. See Reuters.

7. See www.telegraph.co.uk/finance/newsbysector/energy/10808037/Iran-offers-Europe-gas-amid-Russian-energy-embargo-fears.html.

8. See Reuters.

9. See www.dw.de/germanys-russian-energy-dilemma/a-17529685.

10. *Ibid.*

11. *Ibid.*

12. *Ibid.*

13. *The Christian Science Monitor*, available from www.csmonitor.com/World/Europe/2014/0318/Why-Europe-can-t-hit-Russia-with-its-biggest-club-energy-sanctions-video.

14. *The Christian Science Monitor*, available from www.csmonitor.com/Environment/Energy-Voices/2014/0731/Amid-Ukraine-crisis-will-Europe-frack.

15. *National Geographic*, available from news.nationalgeographic.com/news/energy/2014/03/140319-5-technologies-for-greener-fracking/.

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19. *The Wall Street Journal*, available from online.wsj.com/news/articles/SB10001424052702303802104579449382570371924.

20. See www.realclearmarkets.com/articles/2014/07/29/the_us_can_export_putin_to_his_knees_101196.html.

21. *Ibid.*

22. *Ibid.*

23. *Ibid.*

24. See www.energypost.eu/eu-us-trade-deal-matters-energy-sector/.

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