

## ENERGY SECURITY

### STEPS TOWARDS A TRANSATLANTIC SOLUTION TO A SHARED CHALLENGE

*On 10 February 2011, AJC's Transatlantic Institute and the Friedrich Naumann Stiftung hosted a debate on energy security, the transatlantic nature of the challenge and the probability of collaborative solutions. The discussion, part of their Transatlantic Dialogue Lunch series, featured Mr. Louis Bono, Counselor for Energy, Environment, Science and Technology at the US Mission to the EU, and Mr. Holger Kraemer, MEP and member of Committee for the Environment, Public Health and Food Safety. Mr. Jason Isaacson, AJC's Director of Government and International Affairs, served as moderator. The text below summarises the discussion during the event. Ideas and statements are as recorded by the rapporteur and should not be attributed to any of the speakers or the organisations.*



### Background

In 2008, the dramatic rise in global oil prices elevated public and political concerns over energy security and launched an important policy debate in both the US and the EU. However, when prices subsequently dropped and the immediate economic ramifications of our oil dependence became less severe, concern diminished and other, seemingly more pressing, global security issues dominated the political agenda. Nevertheless, the crippling vulnerability remained.

As was inevitable, echoes of 2008 have returned: the price of a barrel of oil is once again approaching 100 USD and with economies on both sides of the Atlantic in the midst of an uneven recovery, the impact is increasingly severe. Moreover, the long-standing debate over climate change and the environment has accentuated the necessity to seek relief from our common and costly dependence on fossil fuels.

Thus, energy security is once again at the top of the political agenda -- perhaps even more so in recent months with the political instability in North Africa and the Persian Gulf. US President Barack Obama highlighted the issue during his State of the Union address in January 2011 and set the ambitious goal of putting one million electric cars on American roads in the next year. The topic was also established as a top priority by the government of Hungary for its EU presidency and they held the first ever Energy Summit in Brussels in early February 2011.

There is a clear recognition that the EU and the US share similar energy concerns and challenges, and many have called for closer cooperation in finding a solution. But in contrast

to other global security issues, such as the fight against terrorism, the scope of the proposed collaboration is less obvious.

### **The Transatlantic Dimension?**

The importance of the energy sector in transatlantic relations is undeniable. The EU and the US are each others biggest trading partners -- approximately three trillion USD annually -- and they are interdependent. As such, neither party can afford market shocks without both feeling the reverberations.

The European Council Summit on Energy (4 February) focused on three areas: Energy security and markets, energy technologies and energy policies. In principle, the US shares the EU's energy ambitions, including policies intended to create greater supply diversification -- independent from political influences -- and reducing the need for energy through more efficient technologies.

Thus, from a US perspective, all pipeline projects are welcomed. The Nabucco pipeline is a particularly positive development as it allows for great diversification. The South Stream pipeline, while beneficial, comes at a significant cost as it requires underwater construction. In general, all projects involve their own major economic and political risk, but necessary to achieving greater energy security.

One area where transatlantic cooperation could be beneficial is through the US helping the EU create a more integrated energy market characterized by further interconnections between the member states. However, there is currently little willingness among EU member states to open up the markets and create an integrated internal one.

### **The Environmental and Economic Obstacles for Alternative Energy Options**

One of the largest obstacles in the transatlantic realm lies in harmonising energy and environmental policies. Thus, for the EU, a critical question must also be how efficient are energy policies and sources? The US, by contrast, puts more of an onus on safety, reliability and prices, not the effects on the climate. Overall, the EU is ahead of the rest of the industrial world when it comes to energy efficiency and stands alone in its CO2 emissions reductions: a standard that makes reaching a global agreement more difficult.



A further challenge is that, within the EU, there is no uniform and constructive approach to what is the best energy source. Thus, politics rather than the market frequently drive prices and renewable energies are often overestimated and over subsidised. As a result, solar panels or wind turbines, for example, are located where governments are willing to pay for them and not where they might best serve. Energy technologies should prove economically sustainable before they can be admitted into the market. It is a principle that some European governments are starting to comprehend. In the Netherlands, the government has decided to completely cut subsidies for renewable energies.

### **Controversial Alternatives?**

The use and expansion of nuclear energy facilities remains controversial on both sides of the ocean, though it is more contentious within the EU. Critics ask questions of its stability and

point to the devastating consequences of nuclear meltdowns. Supporters note that it is CO2 free, cheap and that mechanisms to ensure the security and stability of nuclear facilities are rapidly improving -- particularly water treatment technologies. As such, more and more EU member states are exploring nuclear opportunities.



work with the EU to develop the market.

Shale gas is another alternative energy source that offers great potential, but raises many questions. It has increasingly been viewed as a positive development in the US and it would provide the EU with its own energy source (potential production could take place in Austria, Germany, Hungary, Poland, Sweden, the United Kingdom and France), thereby allowing for further supply diversification. The US has the technology to extract it and could

### **The Foreign Policy Dimension**

Finally, while environmental and economic concerns must be taken into account, the EU and the US must also look at the energy question through the foreign policy lens. The battle for access to raw materials from which to derive energy sources is well under way and both parties are already behind. China is currently investing significant resources in Africa, and the EU and US must take note of that.

*Brussels, February 2011*