

THE U.S. COMMITMENT TO ENERGY SECURITY FOR ALL OF EUROPE

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Why the U.S. cares and examples of commitment

The United States is strongly committed to helping advance European energy security. This issue is one of our top priorities.

Why do we care? It is in our interest to support the efforts of the European Union to advance a secure, sustainable, stable, transparent and integrated energy market with a diversity of energy types, sources, and delivery routes because we are convinced that such a common market will improve regional security, economic prosperity, and sustainability.

We also believe that cooperation in the energy sector can help foster cooperation in other areas, leading to more political cohesion and stability among countries in the region.

Evidence of the U.S. commitment to European energy security can be seen by our long-standing support for the Southern Gas Corridor, which will bring gas from Azerbaijan to Turkey and the rest of Europe. We have strongly supported this project despite the absence of U.S. company involvement. In Lithuania, a U.S. company acted as the primary advisor during construction of the floating LNG terminal in Klaipeda, which began operations in January 2015, providing the first means for a non-Russian supply of natural gas to the Baltic states. And the U.S. partners with several countries in Eastern Europe (Ukraine, Georgia, Albania, Macedonia, Moldova and Serbia) to support clean energy and low emission development strategies.

The main formal mechanism that guides U.S. and EU regional energy cooperation is the U.S.-EU Energy Council. The U.S.-EU Energy Council is currently co-chaired by the Secretaries of State and Energy on the U.S. side and by High Representative and Vice President Mogherini along with Vice President Sefcovic and Commissioner Arias Canete. The Energy Council typically meets once a year. It was initiated in 2009 by then-Secretary Clinton in the wake of the European gas crisis. To date, there have been six meetings of the Council and discussions during those meetings have provided both the political and technical roadmaps for trans- Atlantic energy cooperation.

Notably, European energy security and diversification of energy supplies, sources, and routes have been prominent in those discussions and will continue to be top priorities for the U.S. However, recent Council's have also addressed the issue of climate change and the U.S. is eager to enhance cooperation to tackle global energy and climate challenges with Europe. We believe that addressing climate change is not only critical for saving the planet, but it also will positively and significantly contribute to energy security ---while at the same time ---creating new jobs and avenues for growth and development.

Recent progress towards Energy Security in Europe

Next, I would like to highlight some of the progress towards energy security made in Europe over the past decade.

- Europe has greatly enhanced its regional electricity transmission network, with projects developed in Albania, Kosovo, Macedonia, Montenegro, and Serbia, among others;
- Europe has also taken significant steps to establish independent and technically competent energy regulatory agencies, though we note the need for continued progress; and
- Europe has seen the implementation of national-level, market-based, electricity sector legal and regulatory frameworks and the break-up of power monopolies in many countries.

- We have also seen the following progress towards Europe's overall energy security in the past year:
- European Council endorsement of the Commission's Energy Union strategy last March, making energy security the top priority in the energy and climate arena;
- Passage by Ukraine's Parliament of the Gas Market Law in line with the EU's Third Energy Package, which is now coming into effect; and
- A narrowing of priorities to advance the most critical infrastructure projects that can have a measurable impact on supply and transit diversification in Southeast and Central Europe, notably the CESEC priority list agreed at Dubrovnik last July. This list almost perfectly matches the list of U.S. priorities.

More progress is needed

But I think that, despite all of these efforts, we all need to work together – harder and more urgently than ever – to make sure that all of the gains we have made are not lost. Because just as important as advancing the most critical infrastructure projects is the need to tamp down discussion of distracting projects—projects that can prevent movement on the most urgent priorities or, worse, block them all together.

As all of you know very well, a number of European countries are dependent on one dominant supplier for the majority – or entirety – of their gas imports.

From the Baltics to the Adriatic and the Black Sea, gas markets still suffer from poor interconnectivity and supply diversity. These vulnerabilities, coupled with political pressures, undermine energy security and political cohesion across the entire region. They undercut the prospect of a truly integrated European energy market, impeding economic integration and maintaining divisions and mistrust.

How can energy security be improved throughout Europe? I think there are two major elements that we need to focus on.

Gas sector: need small interconnectors, not mega-pipelines

First, let's look at Europe's gas market. To improve energy security, additional pipelines that redirect the same supply of Russian gas to existing European customers is unnecessary and wasteful, considering that existing pipelines from Russia are only utilized around 60 percent of capacity. What is needed are improved interconnections and strategic LNG infrastructure so that gas that arrives anywhere in Europe can be delivered to any customer in Europe. And it is an issue that demands the attention and cooperation of all European countries.

President Obama, Vice President Biden, Secretary Kerry and Secretary Moniz are all personally engaged. We are working closely with Member States and the European Commission as we advocate for a project-based approach to energy security that will bring real energy diversification to all of Europe.

An LNG terminal in Croatia – particularly a floating terminal which could be implemented quickly and be completely funded by gas suppliers – could have the same impact for Hungary, Serbia and Ukraine, and others, while also anchoring Croatia as a key energy player in the region.

Another critical project is the Greece-Bulgaria interconnector, which would bring Azeri gas from the Southern Corridor or new supplies of LNG from Greece into Central Europe from the south. The Bulgaria-Serbia interconnector would unlock Serbia's complete dependence on Russian gas for imports and help bring new gas sources into the Western Balkans.

We have supported the exercise by which the European Union has narrowed down their long lists of "Projects of Common Interest" and "Projects of Energy Community Interest" to a manageable handful of the most critical projects. It is now to time to get these key projects funded and built. Energy security is not free and the EU cannot provide complete funding: States that want to see the benefits need to commit funding of their own.

I want to make clear that the U.S. position in supporting these European efforts is not because we want to see Russian gas eliminated from the European market. We firmly believe Russian gas can and should remain an important part of Europe's energy mix. This is really

about supporting EU policies to ensure competition and transparency in energy markets to guarantee the best conditions for the region's people.

Big, new pipelines – be it Turkish Stream, South Stream or Nord Stream – undermine regional energy security goals and contradict European Council energy security agreements. These are not just commercial projects for Russia. If built, these pipelines allow Russia to critically weaken Ukraine economically and politically. Governments – and companies – need to be very careful about such political motives that may not be in their best interest.

The other ingredient for energy security – reformed national markets

Of course, you can build all the interconnectors you want but they will not have an effect on diversification if there is no open market for them to serve. And for many European Countries, it doesn't make sense to talk about gas interconnectors where gasification is limited. Indeed, in the Western Balkans, energy security is not only about gas, but also about the power sector. It is less about interconnectivity – states of the former Yugoslavia have strong electricity links – but about reform, and moving towards a regional electricity market.

That is why the United States supports European efforts to unbundle energy companies, guarantee the independence of regulators, and to cultivate national and transparent regional energy markets. Such reforms are essential to attract investment, foster competition, and drive innovation, ultimately improving energy security and human welfare.

We know the dilemma of competing priorities –on the one hand, the need to keep energy prices low to protect vulnerable consumers, especially in the face of economic downturn, and on the other, the need to offer an environment conducive to private investment and conducive to the emerging clean energy sources of the future. However, if you don't make tough decisions, many European States risk continued degradation of energy infrastructure without the ability to attract investment.

Conclusion

In conclusion, the United States remains dedicated to supporting European efforts to improve regional energy security. To that end, the United States strongly supports the Energy Union vision to build a fully operational, transparent and competitive energy market throughout Europe. And to help the EU achieve its Energy Union vision, we stand ready to assist wherever we can.