

NATO and the Geopolitics of the Energy Transition

Remarks by Dr. Antonio Missiroli, NATO Assistant Secretary General for Emerging Security Challenges,
Planetary Security Initiative, The Hague, 19 February 2019

Ladies and Gentlemen,

It is a great pleasure to be here with you tonight. The Planetary Security Initiative has become a key venue for discussing innovative approaches to tackle some of the world's most pressing climate and energy challenges. Tomorrow's presentation of the Report by the International Renewable Energy Agency on the Geopolitics of the Energy Transformation will be another important step in raising global awareness about the need for climate and energy action.

I am therefore deeply honoured to have this opportunity to share some of my thoughts with you on that same subject – from a NATO perspective.

British Prime Minister Harold MacMillan once was asked about the key factors that determined his policy. His answer became an instant classic: “Events, my boy, events”.

I am afraid that any NATO Secretary General – or Assistant Secretary General – could have given the same answer. We may tell ourselves that we take forward-looking decisions based on a thorough analysis of the strategic environment. But the ugly truth is quite different: In many cases, we simply react to challenges that we failed to anticipate.

NATO's first efforts to grapple with the energy transition proceeded very much along the lines of Harold MacMillan's quip: initially, discussions about NATO's role in energy security seemed to go nowhere – until major international developments compelled Allies to respond. It was “events” – from the US “shale revolution” to the Russia-Ukraine crisis – that brought home the close link between energy and security. And no security institution that takes its job seriously can ignore this link.

The global energy landscape is transforming. New energy suppliers are entering the market, new pipelines are connecting producers and consumers. Renewables, such as wind and solar, have become economically viable, and are gaining an increasing share in the overall energy mix.

Deep offshore drilling, the “fracking” of gas from rock formations, and the liquefaction of natural gas are changing the global market. The US is now out-producing Saudi Arabia. And this competition, which the “Economist” once aptly titled “Sheiks versus Shale”, has resulted in a drop of the oil price.

At the same time, LNG tankers allow gas to travel independently of pipelines – a fact that reduces both the economic and political leverage of countries such as Russia.

New suppliers, such as Azerbaijan, are entering the scene.

Diversification, catalysed by EU climate policy objectives, new interconnectors and the “reverse flow” of gas encourage energy trade via dynamic “spot markets”, and make Europe less dependent on Russian energy. Russia remains a major supplier, but it will have to put up with a far more competitive environment.

There are still new energy findings in and around Europe, in particular in the Eastern Mediterranean. And about two years ago, the first American LNG shipments started to reach European shores.

All this is good news. A flexible and diversified energy market means lower prices and greater security of supply. Moreover, it minimises the abuse of energy as a political weapon.

Does this mean that we have finally overcome our energy dilemmas? My answer is a clear: “no”.

There is no doubt that our energy security has markedly improved, but I believe that we are not there yet. The brave new world of energy abundance also has its darker sides. There are at least three reasons why we must not become complacent, and why we must stay ahead of the curve.

First, energy security is more than oil and gas imports, or pushing for renewables. Energy is a major factor in international security and regional stability. Second, there can be no energy security without infrastructure security – and we are facing new risks to infrastructure. Third, the growing energy needs of our militaries have become a challenge in their own right – and we need to address this challenge.

Let me briefly address each of these points.

First, energy has become a major factor in international security. To the East of NATO, Russia has used energy as part of its hybrid war toolbox against Ukraine. It has used the gas price to put pressure on Ukraine, and its illegal annexation of Crimea included expropriating Ukrainian energy assets in around Crimea. As a result, Ukraine’s opportunity to become energy-independent received a serious blow.

Another development is the potential instability caused by the low oil price. This low oil price makes our consumers happy, yet it undermines the economies – and potentially the political systems – of many producing countries. Traditionally they tried to secure the loyalty of their populations through expensive subsidies. If we assume that a low oil price is the “new normal”, then these countries will face serious internal challenges. This is certainly true for North Africa and the Middle East, but is no less true for Russia, which has never made an effort to diversify its economy away from energy exports.

In other words, we may face more instability and perhaps even more foreign policy adventurism in Europe’s immediate neighbourhood.

All these developments affect the security of Allies and the Alliance. This is why we seek to increase our strategic awareness – through political consultations, intelligence-sharing,

and strategic analysis. We are also incorporating energy elements into our exercises. And we are seeking to enhance our engagement with partner countries in Northern Africa and the Middle East, to help them become more resilient in light of the many challenges they face.

Second, there are new risks to energy infrastructure. A well-orchestrated cyberattack can disrupt an LNG tanker's navigation system just as it can shut down an entire refinery. Terrorist attacks against energy infrastructures are a regular occurrence in many producing countries. And the increase of LNG shipping will also increase maritime security concerns.

Protecting critical energy infrastructure is a national responsibility. But NATO brings together experts from Allies and partner countries to exchange best practices on how best to protect energy infrastructure. We bring to bear our expertise in cyber defence and counter-terrorism. And we support studies on new approaches to infrastructure protection. All these contributions are particularly valued by our partner countries – many of whom are our energy suppliers.

Third and finally, energy efficiency in the military. Whenever the military deploys somewhere, it must observe strict environmental standards. [I presume that you will hear much more about this in tomorrow morning's session.] In fact, NATO's first policies on environmental protection go back as far as the 1970s. However, minimising the environmental footprint of military activities is only one part of the story. Another is minimizing the energy requirements of our forces.

The costs of supplying our troops in remote locations such as Afghanistan are staggering – and so are risks to the soldiers who need to transport the fuel. In World War II, the average soldier used one gallon (3.8 litre) of fuel per day, in today's high-tech forces a soldier requires 20 times as much. You can do the math yourself.

We need to put a cap on this. Some nations have already done a lot to bring down the energy consumption: smart grids and renewables are powering military camps, cutting down the amount of diesel required for traditional generators.

Through NATO, we can bring these scattered efforts together, and develop standards to make our equipment more interoperable. Lower cost, lower risk, and a smaller environmental footprint: a clear "win-win" outcome.

Ladies and Gentlemen,

NATO is not an energy institution. But an Alliance that is responsible for the security of over 900 million people cannot afford a "blind spot". It must adapt. It must keep abreast of energy and environmental developments that can affect our common security. It must reach out to other organisations, such as the EU, as well as to the private sector. Because the energy transition affects all of us.

Allow me to end with a little story that I believe captures this logic of adaptation quite well. In the 1990s, Warren Buffett, the billionaire investor from Omaha, reflected about the dire consequences for insurance companies if terrorists were to stage attacks causing massive damage. But he did not convert his thoughts into action.

Then came the “9/11” attacks on the World Trade Center, and insurance companies suffered tremendous losses as a result.

In his annual letter to shareholders, Buffett admitted that, although he had foreseen the possibility of such a disaster, he had not reacted. As he put it self-critically, he had violated the ‘Noah rule’: “Predicting rain doesn’t count; building arks does.”

Thank you.