



The Energy Security of Northern Europe:

Conference Report

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Abstract

This Technical Note summarizes the conference presentations and discussions occurring at “The Energy Security of Northern Europe” conference jointly hosted by GRUPA LOTOS S.A. and the Windsor Energy Group in Gdansk, Poland, from 18-20 February 2010. This Technical Note also contains the author’s comments and interpretation of the presentations and discussions as indicated herein.

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1 Enhancing European Energy Security – Today and Tomorrow

1.1 Panel Presentations and Discussion

The panellists identified several challenges to Northern European energy. Key amongst these are supply disruptions and price volatility, both of which have had a negative impact on economic growth. Not only does price volatility have a negative impact on the economy in general, it can also delay developments within the oil and gas sector further restricting supply growth. Compounding this challenge is the depletion of resources from some traditional European supply sources, particularly from Norwegian and British oil and gas fields. Increasingly, European countries are relying on supplies from volatile areas such as the Middle East and Africa or from Russia which has not always proven to be a reliable trading partner in recent years. The volatility of these areas places the uninterrupted access to these supplies in doubt.

Supply disruptions can result from accidents, natural disasters, or the use of energy as a political weapon. This latter cause is considered to be a growing threat, particularly from Russia which is the major gas and oil supplier to Europe. Panellists asserted that as traditional fossil fuel supplies deplete and as energy demand grows as anticipated, the propensity of some suppliers to wield the energy weapon will grow.

While these physical energy security challenges are obvious, other issues that might become more influential are climate change and the policies aimed at reducing carbon footprints. These factors argue against maintaining the status quo in energy security since governments, industry, and people may face steeper environmental costs in the future due to unconstrained use of fossil fuels. Energy policies are likely to continue to reflect these external factors in the future.

Panellists suggested a few options to address these challenges. It was suggested that the problem transcends pure energy policy given the nature of the political component of energy use. From this perspective, it was argued that a foreign policy solution was needed in addition to purely energy policy initiatives. The aim of these foreign policy solutions is to foster improved relations with existing suppliers as well as potential alternative suppliers with a view to reducing supply disruption.

As was perhaps fitting given the conference location (Gdansk, Poland), solidarity of action was stressed by most panellists. The consensus view was that the European Union (EU) members have to consolidate their dealings with energy suppliers, particularly oil and gas, so that they negotiate as one instead of as individual countries reaching bilateral deals with suppliers as has been the case in the past.

Principles of a blended Foreign and Energy Security Policy approach would include:

- Diversification of energy supply sources and transit routes;
- Demonstrate unified action and transition away from bilateral consumer-supplier deals;
- Solidarity—particularly through support in times of energy supply disruptions; and

- Reinforce relations with supply and transit countries through diplomacy and good relations.

The solidarity approach to energy crisis management would be comprised of three functions: Early Warning, Alert and Consequence management. These processes would engage all stakeholders within the EU—government, industry, and the public.

The concept of diversification was also examined during this panel. One of the panellists suggested that diversification can be achieved in the following ways:

- Changing the mix of energy sources used by countries to reduce dependencies on forms of energy that are less easily acquired or are environmentally harmful;
- Find alternative suppliers for energy resources;
- Find or develop alternative routes for energy supplies;
- Increase the interconnectors with neighbouring electricity grids; and
- Increase storage capacity, particularly for gas and oil.

All of these efforts to increase energy security have costs associated with them. There was a general recognition amongst the panellists that there is a need to strike a balance between energy security and economic policy. The public may not always see the benefits of paying to enhance their energy security so there will be cases when governments will have to take a lead role and garner support for otherwise unpopular measures aimed at enhancing energy security.

Discussion of the Baltic Energy Market Interconnection Plan took place during the first panel. This Plan, as the name suggests, will increase the integration and connectivity of regional energy grids so that the individual states in the region will have enhanced security of supply. It was noted that discussion of this process had been extensive and enduring yet little has happened to date. This is an area where more work is required and is particularly important for the Baltic states (Estonia, Latvia and Lithuania), who are largely dependent on Russia for most of their energy supplies.

One of the panellists also noted the linkage between energy security and measures aimed at tackling climate change. He argued that the two are dependent in that energy security is necessary to deal with climate change while climate change policies will generally encourage more efficient use of scarce resources and, ultimately, an increased reliance on alternative sources to the extent that the global economy might one day be carbon free. The EU's 20-20-20 policy¹ is viewed as an example of this in that it aims to reduce carbon consumption and in doing so might enhance the energy security of the EU member states.

1.2 Author's Analysis

The idea of the EU acting as a bloc in negotiations with suppliers is theoretically sound, particularly when it comes to its energy relations with Russia which has occasionally interrupted its energy exports for political objectives in recent years. However, it seems unlikely to occur

¹ The 20-20-20 policy calls for all EU member states to reduce their greenhouse gas emissions by 20% compared to 1990 levels, reduce overall energy consumption by 20% through increased efficiencies, and to increase their alternate energy use by 20% all by 2020.

from a practical perspective. Given that the resource base, energy consumption, energy grids, and economic development of the EU member states varies from country to country—sometimes significantly—there will be many instances where states will perceive that their interests will be better served by reaching bilateral deals with suppliers. For example, since not all EU members rely on gas imported from Russia, not all will be interested in subordinating other relationships they may have with Moscow to reaching long-term gas purchasing and transportation deals with Russia. Nuclear power generation is another topic that may not lend itself to a consolidated policy in that some EU members embrace the atom (e.g., France), whereas others have toyed with removing it from their energy mix. There are no doubt other energy security issues where the chasm between state and EU interests will be too large to bridge, making a categorically unified approach to energy relations untenable. This is not to suggest that a unified approach should be abandoned outright, rather it should be understood that certain issues are best dealt with at the bilateral or multilateral level and not at the EU-wide level.

Diversification of energy resources, particularly with respect to seeking and increasing the use of alternate supply sources is an area that has much potential for growth. This is particularly true of the potential increase in the use of shale gas, tight gas and shale oil. These fossil fuel sources have been known to exist for a long time however their commercial viability was not previously possible on a large scale. Technological advances are now making it possible to extract these petroleum resources profitably. Moreover, many regions have significant reserves of these non-traditional resources that might be extracted in the future permitting some countries to reduce or end their reliance on imported gas and oil. Poland serves as an example of this since it is known to possess significant shale gas reserves. If these resources are extracted in significant quantities, the geopolitical landscape could be significantly altered. Countries once dependent on external powers to sell them these resources might become independent or less dependent for acquiring the energy resources they require to sustain economic growth. This development has the potential to be a game-changer.

2 Oil and Gas Sector Security in the Baltic Sea Region

2.1 Panel Presentations and Discussion

The elements of energy security in the Baltic Sea Region (BSR) were described as:

1. Security of Supply;
2. Environmentally Sustainable Consumption; and
3. Low Cost.

Security of supply can be a challenge for the BSR states in that they are largely dependent on external suppliers, especially Russia, for the primary energy supplies. Environmental sustainability is becoming increasingly important due to perceptions about the impact of fossil fuel consumption on the global climate and environment. Consequently, it was advocated that the BSR states should take steps, such as increasing the amount of alternative energy sources they utilize, reducing consumption, and participating in the development of Carbon Capture and Storage (CCS) technologies to reduce the environmental impact of coal power generation. Low energy costs are considered vital to help BSR economies function at a competitive level.

The recent global economic crisis has had an impact on energy security in the BSR and throughout the world. Many of the world's major oil and gas fields are in decline meaning there will be reduced output from these sources in the near-term. There are other untapped sources, albeit more expensive to operate, however, the crisis has had a dampening effect on upstream investment. While some investment has taken place so that at current demand levels there is adequate supply in global energy markets, if demand grows it is not clear how long the market will have the necessary capacity.

Similarly, investment in midstream infrastructure, such as refineries, has suffered during the crisis. The reduced demand for oil and gas has lowered the prices for these commodities and consequently the margin made by refineries has dropped. Also utilization rates have dropped so there is adequate refinery capacity to meet current demand.

Weak investment trends do not bode well for the future. If demand reaches anticipated 2030 levels the world will need four new Saudi Arabia's to meet oil needs and four new Russia's to adequately supply gas markets. However, it may be that non-conventional sources, particularly for gas, might fill some of this anticipated demand. There have been significant developments within the US to economically produce shale oil as well as shale and tight gas reserves. Approximately 53% of gas supply in the US comes from these sources and it is anticipated that the percentages will increase over time. As noted in the previous panel, these same sources exist in other parts of the world, including the BSR, so work needs to be done to adequately assess the feasibility of extracting these supplies and, if it is feasible, to develop the fields.

Poland is particularly interested in shale and tight gas production in that in 2008 it imported 66% of its gas from Russia, 6% from Germany, and produced 28% of its own consumption. Any option that might reduce the import requirements will be considered an enhancement for energy

security. One of the panelists suggested that the pillars of enhanced energy security for Poland are the following:

1. Increase domestic gas production;
2. Progress with the development of interconnectors with the electrical grids of other European countries;
3. Increase gas storage capacity (currently Poland has the capacity to store 1.63 billion cubic metres (bcm) of gas with plans to increase this amount to 2.8 bcm by 2015 (According to the *BP Statistical Review of World Energy 2009*, Poland consumed 13.9 bcm of gas in 2008); and
4. Develop the capacity to regasify LNG.

2.2 Author's Analysis

The elements of energy security including security of supply, environmental considerations, and low price are not unique to the BSR and have global applicability. At the end of the last century, the need for supply security and economical and safe resources were central to the understanding of energy security globally. Increasingly through the 1990s and into the 2000s environmental considerations, particularly linked to perceptions of climate change, have filtered into contemporary energy security policies. Sustainability from both a supply and environmental perspective now form a major component of the understanding of energy security and what goals to strive for.

However, this model is perhaps more feasible in developed states than it is in the developing world given that electrical generation using coal is much cheaper than nuclear or even natural gas. Coal electrical generation without environmental protection technology is cheaper still. In all societies there must be trade-offs and decisions made regarding how clean energy sources will be. With current technology, cleaner is often more expensive. In countries that are struggling to provide basic services for their population and where the majority of people survive in impoverished conditions, it is difficult to imagine that political leaders will have the leeway to make environmentally sensitive choices regarding the development of their electrical grids and other power infrastructure. It may be that energy security will develop quite differently between the developed and developing world. The energy future may be markedly bifurcated.

The impact of the global economic crisis on energy security has been positive in the short-term due to decreased demand. However, with lower profit margins, investment in both oil and gas infrastructure has suffered such that a return to pre-crisis demand and demand growth beyond that level might lead to shortages. The lag time between demand growth and market capacity may prove to be a major irritant in the future and possibly lead to new crises, likely of an economic nature. The potential game-changer in the future will be the degree to which non-conventional oil and gas sources can be developed. Recent successes in this regard auger well for the future but there are no guarantees that they can grow sufficiently to meet anticipated future demand.

Development of more storage capacity for gas is an important means by which states can enhance their energy security. This is particularly true of states that are net-importers of gas. While the International Energy Agency (IEA) requires its member states that are net-importers of oil to maintain strategic petroleum reserves equivalent to ninety days of imports, there is no similar requirement for gas. Consequently, there are significant disparities between the storage capacities

of countries. Were all members of the EU to develop more storage capacity, their ability to cooperatively withstand gas supply disruptions would be dramatically enhanced. This would, in turn, reduce the fear and impact of politically motivated supply disruptions, possibly reducing their likelihood.

Increasing the number of interconnections between electrical grids in the EU would also help increase the energy security of connected states. In some cases countries are reliant on single external suppliers, Russia in the case of some of the Baltic States. This reliance on one source of supply, either domestic or foreign, increases the risk of power outages should that supplier be taken off-line for some reason. Increased interconnections would allow countries to switch their supply to the level permitted by the physical characteristics of the connection if required.

3 EU Role in Enhancing Energy Security in the Baltic Sea Region

3.1 Panel Presentations and Discussion

The EU is actively engaged in diplomatic endeavours with states that supply energy resources to its member countries. Key amongst these relationships are ongoing discussions with Russia to develop a new energy supply agreement. The EU is also active in Ukraine. Given its key role as a transit country for gas destined for Europe, disruptions in Ukraine have profound impact on consumers in many European countries. Consequently, Brussels is attempting to stimulate and support reform and rehabilitation of the energy sector in Ukraine in order to enhance security of supply through its pipeline network. Another EU endeavour aims to increase the amount of gas supplied from the Caspian basin and the Middle East through the construction of the proposed Nabucco Pipeline system. To address this, Brussels has engaged in diplomatic talks with Azerbaijan, Iraq, Kazakhstan, Qatar, Saudi Arabia, Turkey, and Turkmenistan. Likewise, it has been engaged in an energy dialogue with its suppliers from North Africa, specifically Algeria, Egypt, and Libya. As an indicator of the importance Brussels places on energy security, it is incorporated in the EU Security Policy. Yet, there is a perception that bilateral deals between EU member states and supplier countries can undermine the bargaining position of the EU as a whole.

Within its own borders, the EU has enacted policies to enhance the energy security of its member states. Internally, its strategy aims to meet three objectives: 1) Sustainable Development; 2) Competitiveness; and 3) Security of Supply. The long-term goal for sustainability is the intent to de-carbonize the transportation sector and the economy by 2050. Central to achieving competitiveness is the continued development of internal market interconnections. This has occurred for many member states although not entirely for the Baltic States. To address this, the Baltic Energy Market Interconnection Plan is ongoing. There has been progress regarding electricity connections but less for gas.

There is clearly a role for the private sector in enhancing EU energy security—particularly with regards to gas supply. Within Poland, Austria, and Hungary alone, there are significant amounts of undeveloped conventional and non-conventional gas reserves. However, business needs assurance from government that it will be able to profit from developing these resources. Key to providing this assurance will be policies that result in truly liberal markets across the spectrum, i.e. upstream (extraction), midstream (processing), and downstream (delivery to consumer). There has been some movement towards this market condition, however the EU has more to accomplish to achieve truly liberal markets where competition will foster increased supply at economic prices. One option mentioned to increase gas supply to the BSR is the extension of the proposed Nabucco pipeline system north through Central and Eastern Europe to Finland. This would not only increase gas supply to the EU from the Caspian Basing but allow producers such as Poland, Austria, and Hungary to sell their gas in the system. Further, building this system to be reversible would permit movement of gas supplies to high demand areas as required provided a robust hub system is built into the network.

Another option that might enhance EU energy security related to gas is the continued development of LNG facilities in Europe. LNG as a percentage of total global gas consumption is currently slightly less than 30%. This figure is projected to rise to 37% by 2020. Currently there are 20 regasification terminals in Europe and 48 others outside the continent. Interestingly, overall, these facilities are underutilized largely because there are insufficient numbers of liquefaction plants to supply LNG. This is a legacy of the extensive pipeline infrastructure that producers and distributors have developed.

3.2 Author's Analysis

The issue of gas pipelines highlights the challenges that the EU faces regarding security of supply in that some of its member states and some European companies are undermining efforts to diversify supplies by supporting major Russian-led projects, Nord Stream and South Stream specifically. These projects challenge the economic viability of their main competitor, Nabucco. It will be very difficult, if not impossible, for the companies backing Nabucco to raise the necessary investment money if there is a perception that Nabucco will not be economically viable due to the completion of the Russian projects. While there have been pledges of support from some of the countries involved in Nabucco, such as Azerbaijan, Turkmenistan, and Turkey, it remains to be seen if this pipeline will be built. Without Nabucco, Central Asian gas will continue to rely primarily on transit through the Russian system to arrive in Europe. Under this regime, Russia will maintain its control and profit from transit of this gas.

It seems that a more likely route to reduced reliance on Russian gas will be the development of domestic resources, be they conventional or non-conventional. As the world pulls out of the recent economic crisis, it may be that investment money is poured into European domestic gas projects, although currently it is not clear that this will occur sufficiently to reduce reliance on Russian imports.

4 Russian Perspective on Energy Security — Challenges 2030

4.1 Panel Presentations and Discussion

The situation for Russia's gas industry is poor. Gas exports are conducted primarily through the state-owned Gazprom. Gazprom is a top priority for senior leaders in Russia, although they are not necessarily focused on its success as a business entity. Because of its dominance in Russia's gas market and also due to tradition dating back to the Soviet Union, some senior officials treat Gazprom as a means of acquiring funds for their own uses as well as a cash cow for the government. This situation is facilitated by the vast and opaque flows of money that enable these politicians to skim with relative impunity. Their use of Gazprom's gas exports as a political weapon is also problematic and likely to continue. Ironically, the use of the political weapon likely does more damage to Russia's foreign relations than good so even this aspect of the company is not beneficial to the government or the country.

Perhaps not surprisingly, Gazprom as a business entity is not doing well despite its monopolistic hold on the Russian gas market and its dominant position in the European gas market. Russia's easily accessible gas reserves are almost depleted and the company's costs are soaring as gas prices continue to stay low. Given the misallocation of its operating revenues, Gazprom cannot adequately invest in existing infrastructure to maximize output and it is having difficulty launching new projects. Compounding its challenges, its main potential non-European clients, China and Japan, have been successfully fulfilling their long-term gas requirements through deals with Turkmenistan, Kazakhstan, Indonesia, and Australia in recent months. This has virtually eliminated market opportunities for Gazprom to the East and will force it to focus on European business deals. In theory, this should benefit European energy security however, it seems likely that Moscow will continue business as usual.

Oil is less important to Russia's political elite since they do not control the industry to the same degree as they do Gazprom. However, they do control the main export pipelines through state-owned Transneft and there have been instances of interrupted supply related to politically motivated causes. There is also a degree of political bluffing that occurs, particularly with respect to the Baltic Pipeline System II (BPS II). The Russians have begun construction of this pipeline which they intend to use to reroute oil that currently flows into Eastern and Central Europe through the Baltic Pipeline System (BPS). BPS II would take this oil and move it entirely through Russia to a shipping terminal that would enable Moscow to divert it away from its traditional partners. However, there are currently no plans to build this terminal hence the pipeline, once constructed, will not be able to ship oil anywhere. It seems that BPS II is currently a political slight rather than a serious business endeavour.

In addition to these political distortions, there are market-based challenges ahead that might make the trade of oil and gas more volatile and unpredictable. Due to the increased trading of oil and oil futures in financial markets and the creation of lucrative oil industry derivatives oil no longer trades as merely a commodity, rather it has become more of a financial asset. Consequently, its price will be even less influenced by pure market based supply and demand than in the past. As more LNG gets produced it is possible that gas will also begin to trade more as a financial asset

than a commodity thus its pricing will also become more volatile and unpredictable. Furthermore, the impact of the recently formed Gas Exporting Countries Forum—which includes the world’s three largest producers Iran, Qatar, and Russia—on global gas markets is not yet clear. It seems possible that this group may politicize the resource and create more energy insecurity as a result.

Given this situation, it behoves the EU to engage with Russia to devise a functional governance framework to improve the reliability of energy imports. Central to this framework would be predictable relations and the development of a dispute resolution mechanism to smooth out any trade problems. The most ambitious attempt to achieve this to date has been the Energy Charter Treaty that was not ratified by Russia thus is not functioning.

4.2 Author’s Analysis

It seems the only certainty in Russia-EU energy relations in the near term will be uncertainty. The combination of the opaque use of Russia’s energy endowment by senior leaders, the politicization of exports, and the volatility of global oil and gas markets suggest that energy relations between the two entities will continue to be contentious and strained. One possible advantage that the EU might have in this situation is the loss of Russia’s potential markets to the East. Given that Europe seems poised to remain Russia’s biggest importer of energy resources, the EU may be able to leverage this to its advantage in order to create more reliable energy relations with Moscow. However, this leverage may prove ineffective given the entrenched interests that Russia’s elites have in the current system and also given the tendency of EU member states to engage in bilateral energy deals with Russian hydro-carbon firms.

The pillage of Gazprom is not unique in the world of nationalized oil and gas companies. Venezuela’s management of state-owned PDVSA and also Mexico’s handling of its Pemex share similar negative traits to Moscow’s control over Gazprom. In both of these Latin American cases, the companies are hard pressed to improve their output or attract and retain talented professionals due to the pillage of resources from operating revenues. In the PDVSA case, Venezuela’s leader, President Chavez, has used oil exports as a political tool to curry favour or threaten other countries in the region. Declining production and potential disruptions of oil supplies is problematic for Mexico and Venezuela’s customers, of which the United States is one of the largest, yet they can also be an opportunity for Canada given its position as a leading exporter of oil and gas in the North America.

5 Alternative Sources of Energy

5.1 Panel Presentations and Discussion

Alternative energy sources remain an area of potential growth for EU member states. There are a variety of options available, although some are more practical than others. Photovoltaic technology has improved yet the current efficiency of the cells is approximately 10%. Nano-technology cells are more efficient and cheaper to produce so it is likely that they will take the lead in terms of converting the sun's rays to electrical current.

Wind-power is another area of potential growth for some EU members. Once ongoing projects are completed, approximately 10% of the EU's electricity (based on current production levels) will be generated by wind turbines. Denmark is the leader in this technology and is actively attempting to export it. Of course, not all areas are suited for wind power due to inadequate winds or inconsistent wind flows.

Electrical generation capacity will become particularly important in the BSR by 2018 when the existing nuclear generation plant in Lithuania is retired at the end of its life-cycle. There are no plans to replace this particular plant although the Russians have announced their intention to build a plant in neighbouring Kaliningrad by 2018. Belarus has also announced plans to build a nuclear plant in the coming years. However, both of these initiatives may not significantly enhance BSR energy security given the recent history of Russian and Belarusian disruptions to oil and gas supplies headed to Europe. Moreover, it is likely that both will be constructed with Russian technology and safety systems. There is a perception that these technologies are less reliable and safe than other options. Finally, it remains to be seen if either generation facility will be constructed.

Finland is also busy enlarging its nuclear power generation capacity. There are currently two power plants operating four reactors and a fifth reactor is under construction. The Finnish government is debating adding up to two more reactors and will make its decision in 2010. If it decides to build more reactors, Finland could become a major source of electricity for the BSR. Those opposed to these new builds site the risk of accidents and the challenge of storing spent nuclear fuel rods. While Finland has devised plans to bury these rods deep in the earth's surface, the controversy over waste storage continues.

Another technology that holds promise for future expansion is geo-thermal heating and electrical generation. The leading EU member in this technology is Iceland whose topography is replete with geo-thermal sources. Iceland has six geo-thermal electrical generation plants that can produce up to 540 Mega-Watts of electricity. In 2007, Iceland produced 87% of its electricity from hydro-electric generation and 13% from geo-thermal making it 100% renewable resources produced and resulting in virtually no carbon output from electrical generation. Iceland's electricity is very inexpensive at approximately €0.04 per Kilo-watt hour. There are also approximately sixty district heating plants to provide heat for some businesses and homes on the island. There are other locations in Europe suitable for the development of geo-thermal energy including Hungary and Slovakia. Hungary is currently developing geo-thermal heating plants in some areas while Slovakia is building a geo-thermal electrical generation plant. Like wind-power,

this is a technology that can only be located in areas that have geo-thermal sources so its application may be limited.

5.2 Author's Analysis

There are clearly alternative energy options available to reduce the dependence on hydro-carbons for heating and electrical generation. Development of some of these options has been robust in some areas and less so in others. As the cost of these technologies comes down, as likely will be the case with more development, they are likely to become more utilized and over time will begin to offset some hydro-carbon use. Some of these sources, particularly wind-power, will continue to require back-up generation capacity. Since no one has yet developed the capacity to store sufficient quantities of wind generated electricity to offset low productivity periods, there continues to be a need to have easily initiated back-up generation capacity. The most practical forms of back-up for wind-power remain gas or coal-fired generators since they are the easiest to turn-on or off. Nuclear power plants cannot be turned-on and off on demand so they are not back-up options. Geo-thermal plants do not need back-up generation capacity although they can only be located in areas with suitable geo-thermal sources. In the near-term, it is clearly desirable to offset hydro-carbon use with increased alternative energy sources. However, it will take many years before alternative sources can completely replace hydro-carbon energy sources.

6 Conclusion

While there are challenges to energy security in Northern Europe, and throughout the EU for that matter, there are also options available to most countries that will help to reduce the potential negative impact of these challenges. Russia will continue to be one of the major suppliers of oil and gas to the EU for the future. Given the opaque use of revenue generated by Gazprom and the continued use of oil and gas as a political weapon, Russia's reliability as a supplier will remain dubious. However, several EU members possess reserves of untapped conventional and non-conventional gas and oil. The extent to which these resources can be harnessed remains to be seen although it is possible that they might some-day significantly alter the balance the politics of energy security in Europe's favour.

The EU continues to take steps to improve relations with Russia and also to engage other current and potential suppliers to diversify supply options for its member states. The final result of these initiatives remains to be seen—particularly the construction of the Nabucco pipeline system. The EU efforts are somewhat undercut by member states making bilateral deals with suppliers. The German deal with Russia to build the Nord Stream pipeline is a case in point. While it would be desirable from an EU perspective to speak as one unified voice, it seems likely that the individual needs and the relative autonomy of member states will always militate against this.

In light of these considerations, it seems that the energy security situation of the EU and its various regions will remain similar to the contemporary experience. While there will be some who paint this situation as bleak, Europe generally seems to find solutions to its energy problems. Granted, for some countries that are exclusively or extensively reliant on Russia for energy supplies, such as Latvia, energy security is less stable than it is for the bulk of the EU member states. Yet, while there can be short-term crises when supplies are disrupted, over the longer-term, these crises are overcome and there are efforts underway to minimize their impact. A major step will be to complete the electrical interconnections between all member states so that they can draw upon more reliable electrical power and overcome short-term disruptions from their own domestic or from their regular suppliers. It seems as though this goal will be accomplished in the near-term.

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This Technical Note summarizes the conference presentations and discussions occurring at “The Energy Security of Northern Europe” conference jointly hosted by GRUPA LOTOS S.A. and the Windsor Energy Group in Gdansk, Poland, from 18-20 February 2010. This Technical Note also contains the author’s comments and interpretation of the presentations and discussions as indicated herein.

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