

The Ukraine Crisis and the Geopolitics of Energy

American Security Project

Briefing Note

Andrew Holland

March 6, 2014

Top Line:

Russian energy exports have created dependence in Eastern Europe and complex business relationships in Western Europe

- Russia has used its natural gas and other energy exports as a geopolitical tool for decades.
- Russian energy pipeline infrastructure, built and owned by Russian state-owned enterprises, has locked-in most of Eastern Europe to a dependence on Russian gas imports – which the Russian Government has traded for geopolitical access.
- Western European states have more diversified energy markets, alternative suppliers, and the infrastructure to store and transport gas, so they not as dependent upon Russia. However, they separate doing ‘business’ with Russian companies from geopolitics – a separation that the Russian government does not make. A reluctance to upset business relationships has made Western Europe fearful of upsetting the Russian government.

The U.S. has limited short-term options to counter Russian energy dependence.

- The United States will only be able to export Liquid Natural Gas (LNG) on a large scale once the complex infrastructure requirements are approved and built in accordance with a strategic plan for how the U.S. should use and produce energy.
- The boom in natural gas production due to the American shale gas revolution has already helped reduce Western European dependence on Russian gas by freeing up supplies of Liquefied Natural Gas (LNG) from countries like Qatar and Norway that had originally been intended for the U.S.
- Permitting new LNG exports from the U.S. will further encourage the development of open global markets for gas – providing leverage against Russia.
- We should not overstate this. LNG export infrastructure will take years to build, and LNG is – by its very nature – more costly than piped gas.
- Because the U.S. government does not own energy companies, it cannot direct energy exports for geopolitical reasons: companies will export to where they can make profits. This means the U.S. cannot and should not respond to Russia with its own “energy weapon.”
- The U.S. benefits from open, competitive global markets for energy – and its policy should be to foster and protect free markets.



Solving energy dependence in Europe means changing the game away from “who owns the energy?”

- The U.S. and its NATO allies can only counter Russia by changing the game and taking a longer-term view.
- That means investing in nuclear power and key alternatives.
- It means investments in next generation R&D into fusion power.
- It means freeing-up U.S. LNG to supply allies and/or to supply directly into a world market to limit Russian and other suppliers geopolitical action.

Resources

Key Papers:

[America's Energy Choices 2014](#)

[Five Choices on Energy that We Need to Make](#)

[The U.S. Tight Oil Boom: Geopolitical Winner or Long-Term Distraction?](#)

[Fusion Power - A 10 Year Plan to Energy Security](#)

[The Geopolitical Implications of U.S. Natural Gas Exports](#)

[Cause and Effect - U.S. Gasoline Prices](#)

[Small Modular Reactors](#)

Key Experts:



[Andrew Holland](#), Senior Fellow for Energy and Climate

[@theandyholland](#)



[BGen Stephen A. Cheney USMC \(Ret\)](#)

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Key Writing:

[The U.S. Does Not Have As Much Leverage Over Russia's Energy As You Think](#)

Andrew Holland

Today, the U.S. could not even announce that we intended to buy LNG from a current exporter like Qatar to ship to Ukraine to supplant Russian gas, because Ukraine has no LNG import facilities. Ukraine doesn't even have import pipelines from Western Europe – the only place it can get gas from is Russia – so they are at Gazprom's mercy when they **announce** price increases.

[Europe Should Embargo Imports of Russian Natural Gas](#)

Andrew Holland

What leverage does the United States and its allies in Europe have over Russia? Energy was central to the causes of the conflict, and it could prove to provide a solution.

[What is the Future of Nuclear in the US? First Ensure that Current Nuclear Plants Remain Operational](#)

Andrew Holland

This baseload capacity that nuclear energy provides, however, is crucial to the rest of the energy revolution. There are real hurdles to continued growth in both renewables and natural gas.

[George Will: "Fusion energy is possible in the lifetime of most people now living"](#)

Andrew Holland

Columnist George Will devoted his December 22 column to the prospects for fusion energy, with a visit to the Princeton Plasma Physics Laboratory, saying that "[A Dazzling Bright Future Dawns in New Jersey.](#)" His column hyperlinks to ASP's White Paper, "Fusion Power: A 10 Year Plan to Energy Security"

[Fusion Power — it is real, possible and important, and it's time to get serious](#)

The ITER project is a 7 nation treaty-based collaboration between the EU, the US, Russia, China, India, Japan, and South Korea. Dr. Ned Sauthoff, the Director of the US contribution to ITER underscored that the US remains on budget, but does face future budget challenges.

[The Future of Nuclear Power](#)

Farhad Mirzadeh

An interdisciplinary report, produced by the MIT Energy Initiative, finds that a type of breeder reactor, an enriched uranium-initiated breeder reactor, could resolve uranium shortages and the problems of reprocessing. It would add natural or depleted uranium to the reactor core at the same rate nuclear materials are consumed, making an efficient fuel cycle that does not produce weapons grade waste.

[The Future of Nuclear Power: A Conversation with Christine Todd Whitman](#)

Brendan Zehner

Whitman argued that the United States needs a reliable, safe, affordable, and clean source of energy. She explained that natural gas prices are volatile, oil and coal are too dirty for the environment, and renewable energy cannot be relied upon. She said that when the wind is not blowing and the sun is not shining, the country would still need a reliable base load power source.

[Other](#)

[U.S. Hopes Boom in Natural Gas Can Curb Putin](#)

New York Times

CORAL DAVENPORT and STEVEN ERLANGER

MARCH 5, 2014

WASHINGTON — The crisis in Crimea is heralding the rise of a new era of American energy diplomacy, as the Obama administration tries to deploy the vast new supply of natural gas in the United States as a weapon to undercut the influence of the Russian president, Vladimir V. Putin, over Ukraine and Europe.

[To blunt Russia, time for American natural gas diplomacy](#)

REUTERS

Paul Bledsoe and Lee Feinstein

MARCH 5, 2014

The American natural gas revolution has boosted economic competitiveness, and helped reduce U.S. carbon emissions to their lowest levels in 20 years. The question is now whether the United States will leverage this energy bounty to advance its foreign policy goals during the most serious East-West crisis in a generation.

[Why Putin Doesn't Respect Us](#)

New York Times

Thomas Friedman

March 4, 2014

Just as we've turned the coverage of politics into sports, we're doing the same with geopolitics. There is much nonsense being written about how Vladimir Putin showed how he is "tougher" than Barack Obama and how Obama now needs to demonstrate his manhood. This is how great powers get drawn into the politics of small tribes and end up in great wars that end badly for everyone. We vastly exaggerate Putin's strength — so does he — and we vastly underestimate our own strength, and ability to weaken him through nonmilitary means.

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Senator Hart served the State of Colorado in the U.S. Senate and was a member of the Committee on Armed Services during his tenure.



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Admiral Fallon has led U.S. and Allied forces and played a leadership role in military and diplomatic matters at the highest levels of the U.S. government.



Norman R. Augustine

Mr. Augustine was Chairman and Principal Officer of the American Red Cross for nine years and Chairman of the Council of the National Academy of Engineering.



Raj Fernando

Raj Fernando is CEO and founder of Chopper Trading, a technology based trading firm headquartered in Chicago.



The Hon. Donald Beyer

The Hon. Donald Beyer is the former United States Ambassador to to Switzerland and Liechtenstein, as well as a former Lieutenant Governor and President of the Senate of Virginia.



Vice Admiral Lee Gunn, USN (Ret.)

Vice Admiral Gunn is the President of the Institute of Public Research at the CNA Corporation, a non-profit corporation in Virginia.



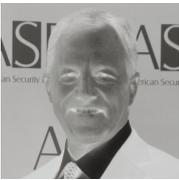
Lieutenant General John Castellaw, USMC (Ret.)

John Castellaw is President of the Crockett Policy Institute (CPI), a non-partisan policy and research organization headquartered in Tennessee.



Lieutenant General Claudia Kennedy, USA (Ret.)

Lieutenant General Kennedy was the first woman to achieve the rank of three-star general in the United States Army.



Brigadier General Stephen A. Cheney, USMC (Ret.)

Brigadier General Cheney is the Chief Executive Officer of ASP.



General Lester L. Lyles, USAF (Ret.)

General Lyles retired from the United States Air Force after a distinguished 35 year career. He is presently Chairman of USAA, a member of the Defense Science Board, and a member of the President's Intelligence Advisory Board.



Lieutenant General Daniel Christman, USA (Ret.)

Lieutenant General Christman is Senior Vice President for International Affairs at the United States Chamber of Commerce.



Dennis Mehiel

Dennis Mehiel is the Principal Shareholder and Chairman of U.S. Corrugated, Inc.



Robert B. Crowe

Robert B. Crowe is a Partner of Nelson Mullins Riley & Scarborough in its Boston and Washington, DC offices. He is co-chair of the firm's Government Relations practice.



Stuart Piltch

Stuart Piltch is the Co-Founder and Managing Director of Cambridge Advisory Group, an actuarial and benefits consulting firm based in Philadelphia.



Lee Cullum

Lee Cullum, at one time a commentator on the PBS NewsHour and "All Things Considered" on NPR, currently contributes to the Dallas Morning News and hosts "CEO."



Ed Reilly

Edward Reilly is CEO of Americas of FD International Limited, a leading global communications consultancy that is part of FTI Consulting, Inc.



Nelson W. Cunningham

Nelson Cunningham is President of McLarty Associates.



Governor Christine Todd Whitman

Christine Todd Whitman is the President of the Whitman Strategy Group, a consulting firm that specializes in energy and environmental issues.

The American Security Project (ASP) is a nonpartisan organization created to educate the American public and the world about the changing nature of national security in the 21st Century.

Gone are the days when a nation's security could be measured by bombers and battleships. Security in this new era requires harnessing all of America's strengths: the force of our diplomacy; the might of our military; the vigor and competitiveness of our economy; and the power of our ideals.

We believe that America must lead in the pursuit of our common goals and shared security. We must confront international challenges with our partners and with all the tools at our disposal and address emerging problems before they become security crises. And to do this we must forge a bipartisan consensus here at home.

ASP brings together prominent American business leaders, former members of Congress, retired military flag officers, and prominent former government officials. ASP conducts research on a broad range of issues and engages and empowers the American public by taking its findings directly to them via events, traditional & new media, meetings, and publications.

We live in a time when the threats to our security are as complex and diverse as terrorism, nuclear proliferation, climate change, energy challenges, and our economic wellbeing. Partisan bickering and age old solutions simply won't solve our problems. America – and the world - needs an honest dialogue about security that is as robust as it is realistic.

ASP exists to promote that dialogue, to forge that consensus, and to spur constructive action so that America meets the challenges to its security while seizing the opportunities that abound.



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