

# Why Europe's energy policy has been a strategic success story

For Europe, it has been a rough year, or perhaps more accurately a rough decade. The terrorist attacks in London, Madrid, and elsewhere have taken a toll, as did the Iraq and Afghanistan wars. But things really got tough beginning with the Great Recession—and its prolonged duration for Europe, including grave economic crises in much of the southern part of the continent. That was followed by Vladimir Putin's aggression against Ukraine, as well as the intensification of the Syrian, Libyan, and Yemeni conflicts with their tragic human consequences, including massive displacement of people and the greatest flow of refugees since World War II. The recent attacks in Paris and Brussels have added to the gloom and fear. This recent history, together with the advent of nationalistic and inward-looking policies in virtually all European Union member states, makes it easy to get despondent—and worry that the entire European project is failing.

To be sure, these are not the best of times. Europe is perceived by some, including Republican presidential candidate Donald Trump, as failing to invest enough in its own security, since NATO allies spend less than 1.4 percent of GDP on their armed forces while the United States spends twice that. However, we must not lose sight of the key structural advantages—and the important policy successes—that have brought Europe where it is today. For example, Europe's recent progress in energy policy has been significant—good not only for economic and energy resilience, but also for NATO's collective handling of the revanchist Russia threat.

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For many years, analysts and policymakers have debated the question of Europe's dependence on natural gas from Russia. Today, this problem is largely solved. Russia provides only one-third of Europe's gas. Importantly, Europe's internal infrastructure for transporting natural gas in all desired directions has improved greatly. So have its available storage options, as well as its possibilities to import alternatives either by pipeline or in the form of liquefied natural gas. As a result, almost all member states are currently well-positioned to withstand even a worst-case scenario.

Indeed, European Commission analyses show that even a multi-month long supply disruption could be addressed, albeit at real economic cost, by diversification and fuel switching. Progress in energy efficiency and renewable energy investments also help. There is more to do to enhance European energy security, but much has been done already. The Europeans have shown that, with ups and downs, they can address energy security themselves.

Already this energy success has contributed to a strategic success. Europe has been heavily criticized for not standing up more firmly to Russia in response to the annexation of Crimea and the conflict in eastern Ukraine. In fact, all EU member states have agreed to keep economic sanctions in place against Moscow. In addition, lifting the sanctions has been firmly attached to the implementation of the Minsk II agreement—and despite recent cracks in European solidarity, we hope that this stance will hold going forward.

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regulatory framework with which commercial entities, including Gazprom, have to abide. For those who doubt the impact of these regulations, just ask Google or Microsoft. With the end of so-called destination clauses, natural gas can be re-sold whenever required, as long as sufficient infrastructure is in place. Just last year, Germany re-exported over 30 billion cubic meters of gas, mostly Russian, in particular to Central and Eastern Europe (including Ukraine). That volume exceeds the annual consumption of every European state with the exceptions of Germany, Italy, France, and Britain.

In theory, Europe could even substantially wean itself off Russian gas if need be. To be sure, that would come at a major expense: over 200 billion euros of additional investments over a period of two years or more, and then an annual 35 billion euros, according to some calculations. That will almost surely not happen. But as a way of bounding the worst-case scenario, it is still informative. One might say that Europe has escalation dominance over Russia; the latter needs to export to Europe more than Europe need Russian hydrocarbons.

The internal energy market is not finished, but Europe's energy security has significantly improved in recent years. Even though world markets are currently awash in resources, there is no time for complacency, and European leaders should finish the job, foremost by safeguarding the swift construction of the so-called Projects of Common Interest (key energy infrastructure projects that address the remaining bottlenecks in the EU market), so that the U.S. State Department can take new infrastructure projects like Nord Stream 2 off its priority list, and make energy policy another true European success story. It is already much of the way there, and Western security is the better for it.