The Aspen Institute

”Russia and the West – Resetting the relationship”

27 August 28.9.2009

Berlin

Session IV:

Energy Security and Economic Relations: How to develop Common Interests?

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On security of energy transports

It is hard to ignore the upcoming general elections while in Berlin. But at the same time it is easier for me to talk about energy now than four years ago, when I was still speaking for the Finnish Government. The attempt to use outsiders in the election campaign is understandable, but it can at times become awkward. This is particularly the case on nuclear energy, Finland being the only country in Europe, besides France, that is building a new NPP and the only country besides Sweden and France to actually build a permanent repository for nuclear waste and not just studying the issue and praying not to find a solution.

But I would today like to leave energy policy -- or rather the lack of energy policy -- on the margin and share with you a couple of other reflections concerning fossil fuels.

For the consumer of energy, energy security means **guaranteed delivery and stable and/or predictable prices**. This is in most cases coupled to assured and **secure transit**. For the exporter of energy, **guaranteed and secure demand** is very often a crucial issue. This is particularly the case with Russian exports of gas where long term contracts form the basis for investments in new production and infrastructure. As we know this runs against the grain of EU policy of decoupling and deregulating the energy market and enhancing competition with the ultimate goal of creating a functioning single market for energy where **consumers** are not bound by long term contracts. But as long as gas is not a commodity with a bench mark price a perfectly functioning gas market will be slow to develop. Neither Germany nor Russia are today in the LNG business with exception of a new LNG terminal on Sakhalin. Increased use of LNG would in deed bring a new element also to energy security considerations in Europe.

Besides delivery, transit and demand – leaving climate change aside -- energy security has also a fourth component, which carries particular weight in the Baltic Sea and other coastal waters. That is **transport security**. The end of the Soviet Union has seen a dramatic increase of Russian energy exports in general and in particular exports through the Baltic Sea.

The numbers are stunning. The largest Russian export terminal Primorsk lies at the very end of the Gulf of Finland. It exports annually 150 million tons of crude. With the crude shipped through ports of Estonia, Latvia and Lithuania the total amount of crude oil that transit the Danish Straits, i.e. the Great Belt is around 170 million tons. The consensus estimate for the growth of crude oil exports to be shipped by 2015 is forty per cent. This development will depend on further investments in terminal capacity and the building of a second Baltic pipeline, which is to replace the all but dry Druzhba pipeline. A second export terminal on the southern shores of the Gulf of Finland in Ust-Luga would increase the amount of crude shipped by approximately 50 million tons.

The Gulf of Finland is narrow and shallow, four to five months icebound and checkered with islands and inlets. Although the maritime traffic controls in the Gulf of Finland are on a par with the Danish Straits or the English Channel and the quality of the tankers has improved considerably – double hulled and ice reinforced, we are talking about a risk factor which is not negligible. The capacities to fight a major oil spill are limited and only Finland has the capacity and vessels to tackle a major oil spill. The Russian and Estonian capabilities are at best costal. If the worst would happen -- a **"*GAU*"** (*Größter anzunehmender Unfall*) as the Germans say -- and a tanker or a tank of a large tanker would be pierced in ice conditions the catastrophe is indescribable.

Why do I mention this risk and why do I want to stress it. The Nordstream gas pipeline project has been criticized on environmental grounds. Indeed, seen form a Finnish point of view the only questions that remain are environmental considerations. Piping gas on the silent seabed compared with shipping oil on the crowded sea routes are worlds apart. From a safety point of view the risk involved is of a totally different order of magnitude. Obviously, oil and gas are not totally comparable in this respect but actually more than we think; of fossil fuels gas is the one emitting the least. The worst scenario would be to have the Nordstream 50 billion m3 of gas shipped through the Gulf of Finland as LNG in addition to the crude. +++