

# Strategic Stability and the Role of the Global Energy Sphere

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*The article focuses on the problem of the strategic stability in energetics, pointing out that the fight for energy sources became one of the main reasons for wars and conflicts of the past and present. It can seriously poison the mankind's future, as well, and lead to a global confrontation which may be the last in its history, if a consensus is not found how to secure needs in energy on the basis of safety and interests of all participants in the energy process. As an example of a joint search for solutions the author presents the discussion platform of the International Club of Nice 'Energy and Geopolitics' on which a new initiative was born with the support of the city and region to establish an office of the Russian Academy of Sciences aimed at the development of the scientific cooperation.*

**Keywords:** *energy, geopolitics, strategic stability, Club of Nice.*

In the search for the answers what the emerging world order would be, the factor of energy becomes of key significance, if not the most important one. The notion of strategic stability which appeared in the general political discourse in the mid-1980s taking its origin in the joint research works on military and defense issues by Soviet and American scientists of that time, could be applied to the sphere of global energy. It is exactly about the world strategic stability when questions are considered in their complexity about the energy security including the aspects of offer, demand and delivery of energy. The security of the offer should provide owners of energy resources with the freedom of sale void of any kind of pressure, or sanctions in favor of other interested parties. The security of the demand should guarantee the respective quantity of energy resources for the payment agreed upon. The security of the delivery should cover the transport of energy resources through transit territories and countries.

The struggle for energy sources, especially for oil, became one of the main reasons for contradictions, conflicts and wars of the past and present. It can seriously threaten the humankind's future and also lead to global confrontation which may in the worst of cases become the last in human history, if a consensus is not found how to secure needs in energy on the basis of safety and with due account of interests of all participants of the energy supply including producers, consumers and transmitters.

It goes without saying that their interests differ as in any other trade activity. The producer would like to sell at a higher price whereas the buyer tries to pay less. The transmitter acting as a provider of a service would like to get more for it. This is why at the world energy markets acquiring a global character it is used the principle of the so called 'reasonable prices' which are formed in the gap between the dumping and speculative prices. Those producing and exporting the energy strive for reasonably higher prices

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while the consumers and transmitters long for reasonably lower prices. The establishment of mutually acceptable prices is the result of bargaining, negotiations, and attainment of agreements which is a civilized and respectful approach for making positions of the parties closer to each other and it may include agreed concessions, compensatory accords and other possibilities.

The achievement of agreements on the basis of reasonable prices presupposes a reasonable behavior of participants which excludes blackmail or threat by force or its use. Geopolitical circumstances should not be used in order to force partners to not justified concessions. A mutual compromise between rivals being partners at the same time in the spirit of cooperation is ever broader understood as more profitable than the confrontation and the desire to achieve by one-sided preferences all means. It occurs in the context of the ever more obvious need and interest in the stability and predictability of world energy markets since their volatility and sharp fluctuations of prices can make suffer any participants. The growing interdependence of states in the contemporary quickly globalizing world strengthens their vulnerability from eventual abrupt disturbances in the system of the energy supply in the absence of a global regulating mechanism what makes energy resources, in particular, oil and gas, a powerful tool of world politics and international relations.

The history which, however, sometimes does not teach, testifies that starting from a very distant past all whatsoever important conflicts were in one way or another related to the fight for energy resources conducted first of all by the states which being geopolitical centers were large consumers.

By the First World War the oil was confirmed as a significant geopolitical factor of the confrontation between the Great Powers. During the Second World War one of the most important principles of the world energy geopolitics was formed – to control ways and means of the energy delivery to consumers rather than the territories where the energy resources are produced.

After the Second World War the United States of America which used to be a big world oil exporter began to import it thus creating the principle of conservation what meant the preferential use of foreign energy resources in order to safeguard the national resources for future generations or for the case of an unfavorable development of the international situation.

In the post-soviet period the energetic strategy of the United States was expanded on previously inaccessible or little accessible for them spheres previously influenced by the USSR. It enabled the United States to ever more actively use energy steering levers for their main goal of retaining the elusive world leadership and consolidating a unipolar geopolitical system with the United States at the head.

After a terrible shock and severe trials Russia like the mythological bird Phoenix arises from the ashes of perestroika. The international project ‘Oil and Gas of Russia’ by the Russian Association of International Cooperation together with foreign experts – French and Swiss leading specialists – helped to return the country's energetics at the world forefront, thus establishing a new structure of cooperation instead of the old non-operating mechanisms.<sup>1</sup>

The presentation of the project in Paris brought together more than 600 leaders of the world oil and gas sector, including such key figures as the head of ‘Total’ Christophe de Margerie (who tragically perished in an aviation catastrophe in 2014 and whose contribution to the development of global energy is widely known). On the margins of the presenta-

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<sup>1</sup> *Oil and Gas of Russia. History and Perspectives*. Published in Paris in French and in Russian in 1995.

tion the first agreement between Gazprom and Gas de France was signed marking a new era in the post-soviet energy relations.

Meanwhile, the structure of the global energy sector has been rapidly changing thus acquiring features of the increasing and dangerous instability. The state formations on the territories of the oil producing countries were crushed down, as it happened in Iraq and Libya, or demonized, as the current situation around Iran. It has been preceded by the introduction of international sanctions and the establishment of embargo zones against these countries. When developing a very dangerous game, its authors had better take into account that the regime of sanctions in international relations is not a norm, but an exclusive action of semi-military, sometimes even of military character which may bring the most serious negative consequences for the international cooperation.

The mistake with Al Khaida which turned finally against its creators was repeated when the Islamic fighters from another terrorist organization of 'Islamic state' (an organization banned in Russia) were supported against the legal government of Syria. As a result, a serious threat for the international security emerged, especially dangerous with the view to the fact that terrorists got access to oil sources thus, having daily around US\$ 3 million from the sale of the stolen oil to consumers rather preferring lower oil price to high moral principles. The dirty oil money permits the purchase of arms and financing of terrorist actions and military operations.

Ways and means of delivery of energy resources became less secure and reliable. Under conditions of the general global unbalance the transiters more often yield to the temptation to use their position for additional profits through rising the payments for transit, or demanding to exclusively reduce the price of energy resources for them and sometimes even falling to vulgar stealing of oil and gas from pipelines.

Anyway, the global energy became intrinsically linked and world politics. This is the main conclusion of the study 'Energy politics' conducted by an American researcher Brenda Shaffer (2016). The whole life of mankind and any human activity from production of goods to means of transport and defense heavily depend on access to energy.

In its foreword to the World Energy Issues Report 2014 the Secretary General of the World Energy Council Mr. Christoph Frei points out that this is a time of unprecedented uncertainty for the energy sector. Secure, reliable, affordable, clean and equitable energy supply is fundamental to global economic growth and human development and presents huge challenges for all. Energy demand will continue to increase, driven by non-OECD economic growth. The pressure and challenge to further develop and transform the energy system is immense. To make things more daunting, it is in the context of this uncertainty that today's policymakers and business leaders have to take critical decisions on the common future energy infrastructure (Frei 2014).

The world energy consumption increases at the background of a decreasing energy resources available which leads to international conflicts and fight for energy. The link between the global energy security and the world security in general is ever more evident, especially after the chaos forced instead of the so called 'undemocratic regimes'. War in Iraq marked bluntly as 'the war for oil', destruction of the oil state Libya and devastation of Syria produced millions of refugees invading Europe and caused the rise of the terrorist 'Islamic state' – a new illegal actor on the world oil scene. The turnover in Ukraine made the transit of energy resources through its territory not reliable while it is of vital importance for many European countries. The importance of natural gas is obviously growing also having certain implications for global security.

Meanwhile, in the period between 2000 and 2014 China's share of the world's total gross domestic product (GDP) nearly quadrupled, Russia's share tripled, India's share almost doubled, while the US share decreased by 28 percent. The USA still remains the world most powerful state, but its pretensions for the global leadership requiring a lot of hard and soft power, which the both demand a certain wealth, can continue to diminish together with the ability to influence the world in case of a prolonged steep economic decline (Lane 2015).

However, after about 30 years without vivid achievements in oil and gas production the USA successfully began to use new technologies to extract gas and oil from formations that had been considered too difficult and not profitable for exploitation. The oil produced from such formations is usually referred to as tight oil. Its output increased from 1.5 millions of barrels per day (MBD) in 2010 to 4.7 MBD in 2014 including the condensate output – the type of very light oil that turns from a gas to a liquid at the extraction. Thanks to it, the daily rate of the US crude oil output and the gas production exceeded the volumes of Saudi Arabia and Russia. The results from the development of shale resources for the American economy are estimated as a quite modest one per cent GDP growth by 2040 and seem to be not as important as their reflection lowering world oil prices. In 2015 the world oil prices went down to approximately half of the levels of the previous year. Low oil prices threaten the world energetic stability since there is a risk of a disruption in oil exporting countries suffering from the decrease of oil incomes.

Behind pharisaical deliberations on themes of freedom and democracy there is felt a hidden hope that low oil prices staying low enough for long enough can overthrow the governments of oil exporting countries which are pursuing an independent policy on the global arena.

From the Persian Gulf to Europe and Central Asia and from the United States to China there could be felt a serious concern about global energy stability and security identified as the need to protect national interests. States are increasingly adopting defense doctrines based on the control of energy resources and ways of their delivery. Some striving to indirectly control strategic energy sources engage military and covert operations thus dangerously militarizing the sphere of the global energy. As a result, the previously quite well settled and governed region of the Middle East and North Africa (MENA) is presently converted to an area of heavy military conflicts, unceasing bloodshed and tremendous losses and sufferings for the civil population, explosive for the world situation in general. Public declarations about the necessity of the 'liberalization' and 'democratization' are aimed in reality at the countries of the region rich of energy resources. However, it has been proved quite regretfully that overthrowing MENA regimes bring instead of any positive aspirations just negative results. The invasion in Iraq called 'war for oil' has led to the brutal death of its leader who securely governed the country which to a much greater extent enjoyed its oil wealth than now, being somewhere in between of the position of a failed state and of the role of a puppet in foreign hands. The similar tragic destiny was prepared by NATO's aerial bombardment of Libya for its leader brutally killed and put out to everybody's observation in the fridge of a local food store. A violent anarchy that followed, as well as the provoked outbreak of the civil war in Syria, the rise of the jihadist terrorism in the region representing one of the most dangerous contemporary threats to the world peace and security, the fall of the state in Yemen and a difficult survival of Egypt after the so called 'Arab Spring' are in the outcome of 'civilizing missions' which interfered into independent states causing just grief and devastation.

Besides the MENA region, the geopolitical impact of low oil prices was directed to diminish Russia's power and possibilities on the global scale. The United States seeking to achieve the world leadership are concerned with the rivals in the face of China and Russia. Of the two challengers to the US policy of preeminence, China is considered to be a greater threat. It already has the world's second largest economy in terms of nominal GDP and enjoys a big capacity for its economic growth. Russia represents an ever more modernized and heavily armed powerful petrostate. Relations between rivals involve heavily the energy sector not only inside the countries concerned, but much more in the areas of their influence.

Whatever the future might be, but now the power balance between America and China as the main axis of global politics and the relationship in the triangle of China, Russia and the USA is decisive for many aspects of world politics and economy including the situation in the energy sphere. Contrary to claims about the great strategic importance of US tight oil, it is having very little effect on this power balance. China has now replaced America as the world's biggest importer of crude oil, and lower oil prices add to both its current accounts surplus and its GDP growth rate. Claims about the strategic impact on Russia of US natural gas exports are also much exaggerated. US liquefied natural gas (LNG) exports will for the time being remain a minor factor in Europe's bargaining position toward Moscow. Though Poland and the Baltic states have built LNG terminals, Asia, where LNG prices are higher, is a more promising US export market than Europe. The costs of liquefaction and ocean transport make US gas more costly to produce and deliver to Europe than Russian pipeline gas. The combination of low prices and sanctions are, however, demanding a high price from Moscow. The IMF estimates that the confluence of these two factors may contract Russia's GDP by 3 to 4 per cent. Low oil prices have probably also made it easier to maintain the regime of sanctions. Anyway, there is a question, if the sanctions have in deed produced a gain in vital US interests. For the Europeans the answer is unequivocally negative.

The dream of a 'Big Europe' from the Atlantic to the Urals, as de Gaulle proclaimed, or from Brest to Vladivostok according to contemporary ideas about common historical and cultural values of the European continent was moved behind liberating the place for the following of the European Union (EU) the lead of the foreign interests from over the ocean. Entering this way the EU was consuming more than half of its demand from the Russian export in general and 80 per cent of oil and gas in particular. The EU, how paradoxically it might occur, becomes an obstacle on the way to a Big Europe able to successfully withstand serious global challenges of the contemporary world like the radicalization and pressure of Islam, like the reproduction and survival of the Europeans under conditions of a relentless migration and the forthcoming demographic explosion to the South of Sahara, like unemployment, poverty, social inequality and injustice, problems of women and youth. It is difficult not to agree with the councilor of the French government Mr. Jules Remis who is of the opinion that 'taking into account the significance of common interests it is necessary to overcome the existing differences in views rather than to continue dramatizing them. The Brussels commission, however, gives us the contrary example as for questions in its exclusive competence' (The International Affairs 2013: 94-95).

Before the question is raised who is guilty it is important to pay attention to another question: what to do. The answer might be to go back to what is uniting rather than divid-

ing, rejecting the artificially imposed spirit of confrontation and using another kind of the energy – that of the energy of knowledge with all its positive instruments.

As an example in this regard might serve the unique experience of the International Club of Nice established 15 years ago, in 2001, by scientists and specialists of the energy sphere with the support of the Mayor of Nice and the participation of the Russian Academy of Sciences. The joint work on the international scientific platform of Nice was marked with concrete positive results. In 2011, on the occasion of the 10<sup>th</sup> anniversary of Club's activities a monograph 'Energy and Geopolitics' was published in French and Russian languages, thus, representing a joint fundamental research of scientists and revealing their vision of the situation in the global energy sphere (Kostyuk and Makarov 2011).

Participants of the Club sessions were far from supporting the anti-Russian sanctions considering the creation of instability in the energy sphere as a dangerous play with fire which might have unforeseeable consequences. Attaching a great importance to the attainment of strategic stability in global energy, they were convinced that this objective can be achieved through a number of subsequent steps forward in geopolitical clusters similar as drops of quicksilver are merging with one another making a singular unit through their contacts. For this purpose it is important to revive the project of 'Big Europe' before the time does not run out and the vector of the energy cooperation does not move from the West to the East like a compass needle of a ship changing its course.

Giving way to the development of the international cooperation on the scientific platform of Nice, the Mayor of the city Mr. Christian Estrosi recently elected as the governor of the region supported the establishment in Nice of a branch of the Russian Academy of Sciences. This initiative opposes the madness of supercharging the international tension and supports the development of the scientific cooperation in the interest of the vitally important energy stability. 'The energy, – as it is pointed out in the already mentioned fundamental monograph "Energy and Geopolitics" – represents the basis for the human civilization. Social and economic challenges of the accelerating globalization are insistently demanding the vision of perspectives, possibilities and strategic priorities of the development of the antropogenic energetics covering the whole of our planet, the unity of means of transferring the energy into the forms useful for the human activity' (cited in Kostyuk and Makarov 2011: *Ibid.*: 9).

In this connection UNESCO Chairs and networks and other 'think tanks' could be considered to be able to contribute to the comprehension of uneasy processes in Europe and in the world and to the search for solutions in the context of the task of forming a new geopolitical system of international relations based on principles of peace and cooperation for sustainable development.

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