

## From the Editor: Russia - On The March (Again)

Written by Kevin Rosner

Wednesday, 28 September 2011 00:00

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On the afternoon of September 9th, a massive power outage in the American Southwest blackened cities from California's San Diego and Orange counties to eastern Arizona and Mexico's border cities, including Tijuana. In spite of the fact that power was restored within twenty-four hours to most of the customers thrown-offline, the power cut caused the San Onofre nuclear plant to go offline, trains to be cancelled, the airport in San Diego, California to close down, massive traffic problems and delays due to non-functioning signal systems, and it shut down sewage stations, causing raw sewage to spill into a lagoon, a river and a portion of San Diego Bay. The blackout, just two days before the 10th anniversary of the 9/11 terrorist attack, attributed to an employee generated accident, understandably caused nerves to fray. More importantly it is yet again another wake-up call to the US general public, and for global power consumers for that matter, about just how vulnerable electrical transmission systems are and or to look at it another way just how dependent modern life is on uninterrupted power flow. It is not fear-mongering that prompts this reflection but a healthy dose of uncertainty as to whether the right policies are being pursued to provide strength and resilience to America's power grid; if they are not then what are our options? While all the details of this blackout, the largest in Southern California history, will play out over the following weeks and months the JES will certainly follow with detailed analyses on what actually transpired.

World energy sensibilities were also raised by a few other incidents over the past weeks that are worth noting. The first was the inauguration on September 6th of the Nord Stream pipeline, ultimately a 55 billion cubic meter pipeline system that will send Russian gas directly to Germany. In doing so it will emasculate the winnowing political leverage Russia's major gas transit state, Ukraine, has in negotiating with the Russian Federation over everything from the future ownership of Ukraine's gas infrastructure to Russia's naval presence in Ukraine's Crimean Peninsula. Nord Stream is undoubtedly a major political commercial victory for Russia attested to by the fact that Russia's Prime Minister Putin attended the ceremony which he initially launched as President. What remains to be seen is whether this pipeline, and more like it such as Russia's South Stream project, will add to or detract from European energy security. It is interesting to note that in the water realm, where trans-boundary water agreements have been concluded, this has led to a formidable decrease in trans-border water related conflicts. These water agreements take their genus from the unwritten general rule that established democracies do not go to war with one another given the multiple sub-sets of linkages in trade, cooperation, and security that underscore democratic-to-democratic relationships. Can the same be said of trans-boundary pipeline projects such as Nord Stream? This certainly hasn't been the case for Russia-Ukraine disputes arising from Ukraine's transiting of Russian gas across its territory but then again Russia isn't a democracy and Ukraine a fledgling one. Another development in German-Russian energy relations has been Gazprom's play to take a major stake in Germany's second largest utility RWE. RWE, having lost a reported 20% of its power generating capacity with Chancellor Merkel's shut down of Germany's nuclear power industry and a further loss of 30% in market value due to these developments, needs a cash infusion that Gazprom is more than willing to provide. According to a Reuter's report, due to

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these developments RWE has seen its net profit plunge by some 40% over the first six months of 2011. Unless the Merkel decision is overturned by a German court, an unlikely event, Gazprom will more further integrate its vertical gas stream integration strategy into power generation in Europe's largest industrial nation.

Finally, the European Commission doesn't seem to be taking all of this on the chin. The Commission, having long failed to create a unified European external energy policy, announced at the beginning of September its desire to have member states share information on energy deals with foreign suppliers. Given RWE's financial woes and Gazprom's desire to cement this RWE-Gazprom deal into legal stone the pressure is on to conclude the contract in the event the Commission is successful in its efforts. Reluctance on the part of EU members is high if only because they would cede even more power to Brussels's policy makers that already drive approximately 80% of legislation [law] across all EU-27 nations through a complicated process that seems to escape the knowledge of EU citizens themselves. Energy policy has also long been the prevue of national governments and oil and gas companies reluctant to submit what they consider confidential information to the non-elected in Brussels for their take on what they consider commercial decisions. These events including many more around the world in the energy and security domains demonstrate the increasing dynamism of energy as a security issue and the complexity of decisions which must be taken to protect citizens, regardless of local, access to power and commodities that ensure their present and future security. The nagging question to be asked is while 'energy' is a product that is generated, bought, and sold how 'energy security' can be bolstered as a public good not unlike national defense, the integrity of electrical power systems, or from the systematic transfer of industries critical for national security to foreign powers.