

INTERVIEW WITH AMOS HOCHSTEIN: ENERGY SECURITY, RUSSIA, & THE LNG BOOM

In an exclusive interview with TPQ, the US Secretary of State's Special Envoy for International Energy Affairs Amos Hochstein elaborates on a range of issues related to the changing global energy landscape, from the containment of Russian's energy dominance to the emergence of the US as a significant exporter of liquefied natural gas (LNG). In discussing the importance of diversification, Hochstein emphasizes that ultimately any new pipeline carrying Russian natural gas that bypasses Ukraine is not in the best interests of Europe. Hochstein also opines that the boom in US gas production has already begun to signal a paradigm shift in the global natural gas trade, with the US poised to match big exporters Qatar and Australia in just a few years.

Amos Hochstein*



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* Amos Hochstein is the Special Envoy and Coordinator for International Energy Affairs leading the Bureau of Energy Resources (ENR) at the US Department of State.

The cancellation of South Stream has led Russia to explore several new pipeline projects including Turkish Stream. Does Russia have the capacity to actualize these projects, and how might it play into the competition/showdown between Russia and the West?



South Stream and Turkish Stream are not economic projects, they are political projects, and whether Russia has the capacity to actualize these projects is yet to be determined. South Stream was going to take the same Russian gas from the same field to the same European customers through a different route. When it became apparent that South Stream was not viable, Turkish Stream was announced. They are essentially the same project and financed by the same country. This also applies to the latest proposal to expand Nord Stream, which would allow Russia to reroute gas to Central and Eastern Europe through Germany, rather than Ukraine. Any project that bypasses Ukraine/Slovakia is not in the best interest of Europe.

Russia can and should remain a significant supplier of gas to Europe, but it is important that it play by the commercial rules of the game. For European countries, and others, energy security is best enhanced through diversification of energy types, of energy sources, and energy supply routes. Development of projects like an LNG facility in Croatia, and the completion of the Southern Gas Corridor (SGC), which is already being implemented, all can bolster European energy security.

How is Turkey's move to cooperate with Russia on Turkish Stream being received in Washington?

To my knowledge, Turkey has not reached any final decision yet. Throughout our broader discussions with Turkey, it is clear we share similar goals, and so we want to work together with Turkey to advance energy security and energy diversification. Turkey is exerting its role as a critical leader in energy transit connecting regions from the Middle East to Europe and the Caspian.

I think the US views on Turkish Stream are clear, but ultimately this is a Turkish decision, not a US decision. Remember, Turkish Stream is not one pipe but four. A

project to supply just Turkey, without interconnecting in Europe, will not negatively impact European energy security as much.

How is the US cooperating with Europe over energy security and diversification of sources?

Our goal has always been to work with our partners in Europe to foster energy security through diversification of energy types, sources, and routes in Europe. We have been working bilaterally with our partners and with the European Commission to complete the Southern Gas Corridor and to improve interconnectivity among countries in the region. Gas from Azerbaijan, the United States, Iraq, the Eastern Mediterranean, and elsewhere can reach Europe through the Southern Corridor or an LNG facility in Croatia, and distribute throughout the region through the Greece-Bulgaria interconnector (IGB) and other infrastructure.

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The proposal I have advocated for aims to ensure that infrastructure is in place to support diversification for all countries in Europe to have the ability to choose from multiple suppliers, and for suppliers – from Azerbaijan to Israel, from Qatar to Norway, and from Iraq to the US – to have equal access to European markets.

Greece plays a pivotal role in both the SGC and the proposed Turkish Stream. Does the country’s current financial vulnerability make it more susceptible to Russia’s energy overtures?

Regardless of whether Turkish Stream ever becomes viable, we should focus on what’s important now, the pipeline that Greece has already agreed to. Greece’s commitment to completing TAP and the Greece-Bulgaria Interconnector (IGB) will provide jobs, improve reliability of supply, and help take the political element out of the supply system. With Greece’s help, the completion of these projects will play a major role in preventing Russia from using gas supply as a political tool like it has in the past and still is today.

Since the beginning of the shale revolution, US oil and natural gas exports have been considered as a viable solution to ensuring Europe’s energy diversification.

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Thinking along these lines, what impact do you think US LNG exports will have on global energy markets?

US gas production is already having an impact on global gas markets as our displaced imports are being shifted to other regions. The US is in the middle of a historic shift from the largest LNG importer to a significant leading exporter. This has been achieved in a very short

time frame. In European markets, volumes originally destined for the US, in combination with EU liberalization rules, have increased liquidity and forced dominant players to renegotiate their contracts with European companies for more favorable terms. The first LNG exports are poised to begin as early as this December, and the amount of gas already licensed for export means that the United States will match Qatar and Australia, as exporters in just a few years. We are working with European partners to ensure that their gas systems are interconnected and able to benefit from the LNG exports that will be coming from the United States and elsewhere.