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**The Security Dimension of
Energy Infrastructure Security**

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CIP and CEP:
Comprehensive Views on Resilient Infrastructures
WG 1: Energy Infrastructure Security

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What are we talking about?

Start with a proposal

- Energy infrastructure security (EIS)
 - is a **holistic approach** that
 - looks at **ends, ways and means**
 - to identify and explore natural energy resources and refine, store, transport and distribute the relevant products (**supply chain**).

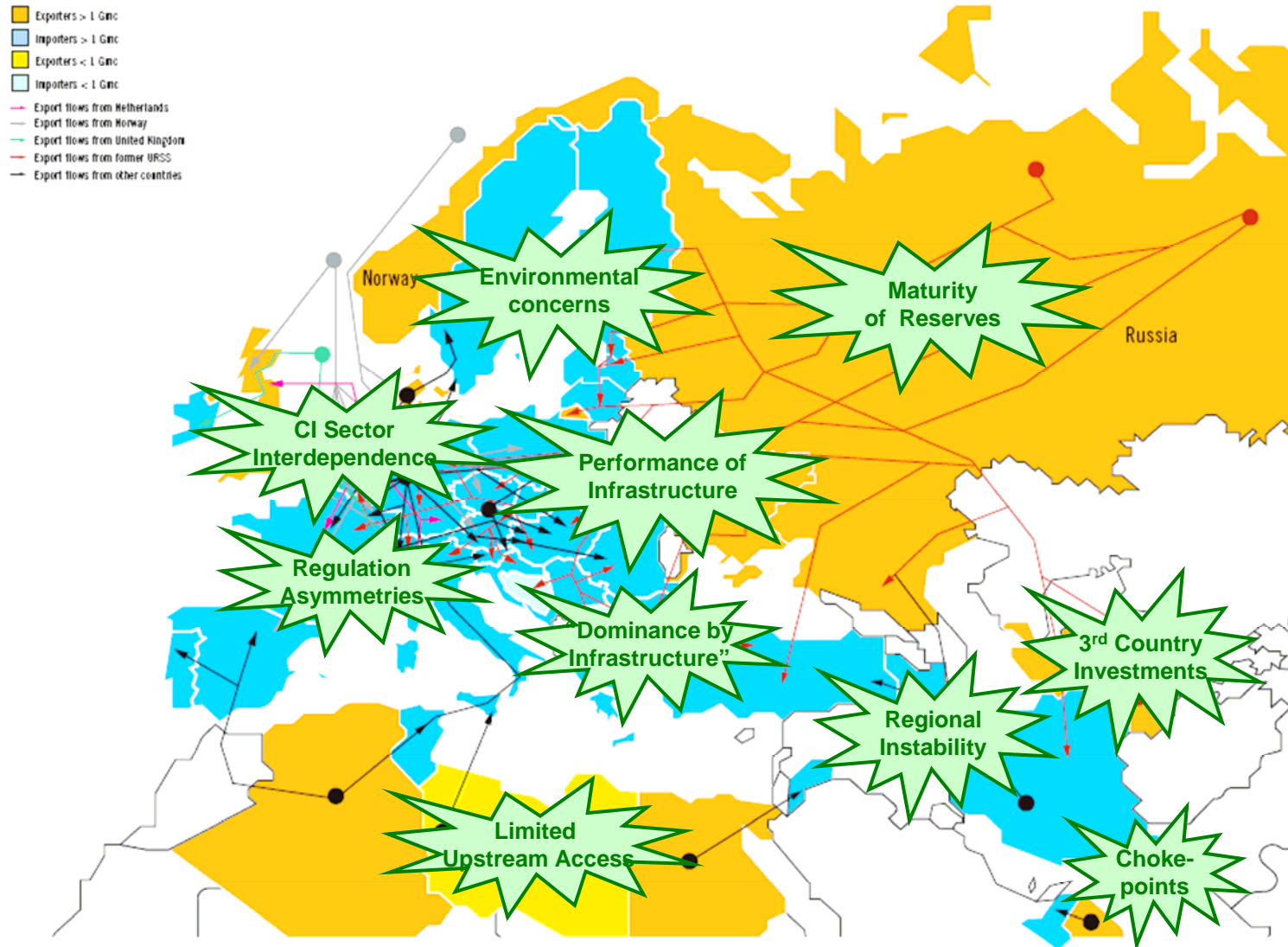
Remember

- Energy is **territorially** bound (pipelines, sea lanes)
- Despite market liberalization **public institutions** are key
- EIS requires **collaborative governance**

We will look at the following security dimensions

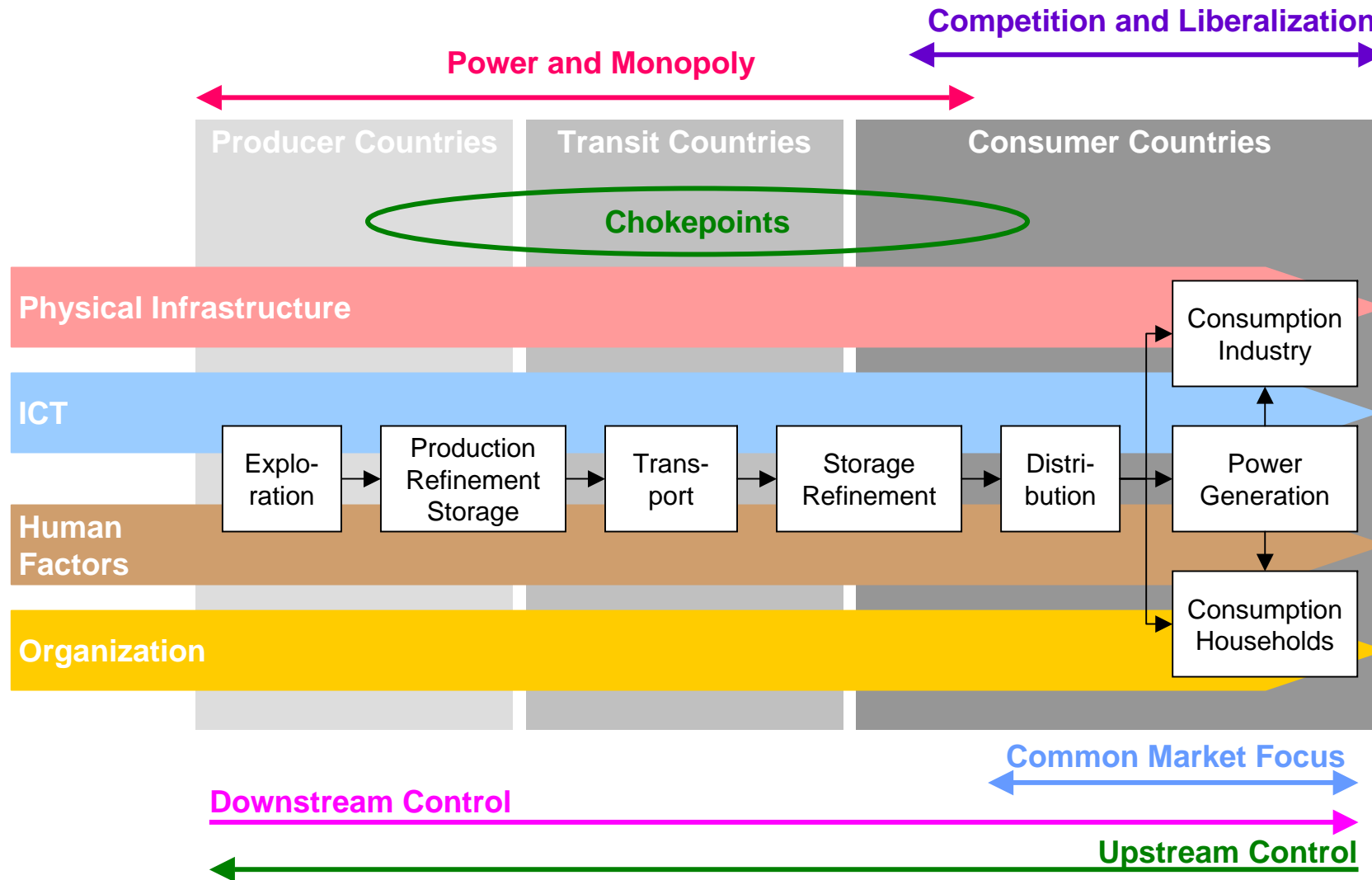
- Institutional environment** to address EIS
- Role of existing safety/security **standards**
- EIS and **security sector reform**
- Contributions of **Private Security Companies (PSC)**
- EIS and the role of **hard power**
- Cross-border** emergency management

A “risky” business



World Oil and Gas Review 2007 (Rome: ENI, 2007), p. 219.

EIS: A complex framework



EIS: Key problems

“Asymmetric supply chain”

- State control of oil/gas sources: 85-90 %
- State control of production: 74 % for gas, 78 % for oil
- Average state net income from oil field: 45-90 % (over 40 years)

Insufficient network management

- Insufficient cross-border capacities
 - TSO earnings in 2005: €334 million, investments: €25 million
- Capacities of networks vs. renewable energies (e.g. wind)

Complex vulnerabilities

- Deregulation vs. security
- Interdependencies between CI sectors (e.g. ICT, SCADA)

Lack of investments

- EU-27 investment needs until 2030: €1,790 billion
 - EIB money for TEN-E projects: €0.5-1 billion per year until 2013
- Crowding out effect between investment categories
 - Global LNG investments: \$275 billion (2005-2010)

Fragmented regulation

- Lack of common safety and security regulations (supply chain!)
- Power asymmetry to the benefit of producers
- Non international regulatory body

Get the institutional setting right

Challenges

- The **institutional setting** to address CEIP with all relevant stakeholders is **not appropriate**.
- CEIP-relevant decisions are adopted in various fora, but implementation is **hardly monitored** with regard to **mutual interdependencies** between different policy areas

Possible Answers

Global approach

- Use the International Energy Forum (IEF) as the central platform
- EIS-related confidence-building
- Topics to be addressed:
 - Energy supply chain risk assessment
 - Exchange of best practice

European approach

- Appoint EIS Coordinator
- Raise awareness, advance dialogue, create trust
- Advance interagency and “inter-policy field” cooperation

Take stock of existing security standards

Challenges

- **Lack** of common energy infrastructure safety and security **standards along** the **supply chain**
- **Diverging** regulatory approaches
- **Deregulation** and stimulation of competition can further **security** risks

Possible Answers

Assess existing standards

- Priority infrastructure projects
- CI sector interdependence
- ICT safety and security

EI safety/security audits

- International financial lenders should request audits

Regulation and security standards

- Incentives for security and safety investments?
- Need to regulate investments in critical European EI?
- EI solidarity with European partners?

Bring SSR and EIS agenda together

Challenges

The SSR agenda should be broadened with regard to the

- rationale for limited defense/security **spending**
- strict **separation** of security/defense forces
- scope of existing **capacity-building** programs

Possible Answers

Spending

- Spending on capabilities for EIS is positive
- Need for transparency-building with regard to dual-use spending for EIS and other tasks

Focus: Capabilities not institutions

- Integrated capabilities maintained by armed forces and police
- Advance interagency interaction

Capacity building

- Pay more attention to reform of judicial system and administration in light of specific demands of hydrocarbon sector

Address positive contribution of PSC

Challenges

PSC activities in the energy sector are a **matter of fact**, but **“image problems”** obstruct a sober analysis of their role

Possible Answers

Regulate division of tasks in security agreements

- Publish division of tasks between PSC and local security forces

Registration of PSC and “name and shame” in case of misconduct

- Monitor compliance by
 - countries where PSC work
 - PSC home countries
 - auditors controlling companies
- Register “name and shame”

Integrate private security training for local security forces in SSR

Create level playing field between PSC and local security forces

Come to terms with the military dimension

Challenges

- Acknowledge that energy infrastructure security has a military dimension
- On energy security, **EU** and **NATO** are **heading for different directions** which is detrimental to transatlantic solidarity and the EU's energy foreign policy
- "Ultima ratio"-argument for use of hard power is no longer enough

Possible Answers

Identify military tasks/capabilities

- CSBM
- Train and equip
- Intelligence sharing
- Surveillance
- Protection
- Continuity of services
- Consequence management
- CDE

Advance EU-NATO cooperation

- Security/defense S&T programs
- Regional military cooperation with energy production and transit countries
- Mutual learning through exercises

Strengthen cross-border crisis-management

Challenges

- Lack of **mutual understanding** of crises management systems
- Lack of mutual understanding between **public and private crisis management centers**
- Not enough information about existing **capabilities**
- Not enough **training** on joint operations

Possible Answers

Cross-border common operational picture

- Link public and private crisis management center to advance situational awareness

Critical EI exercises

- Train public-public, public-private, and private-private interaction
- Involve NATO's EADRCC

Include EI-related emergency assistance into EU external energy relations

Address reimbursement for private companies in case of cross-border assistance