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Senate Foreign Relations Committee
Subcommittee on Europe and Regional Security Cooperation
European Energy Security: U.S. Interests and Coercive Russian Diplomacy

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Chairman Johnson and Ranking Member Murphy, thank you for inviting me to testify before this Subcommittee on European energy security. This is a matter of great strategic importance not just for our allies, but for the United States, and therefore a major concern for the Bureau of European and Eurasian Affairs. I appreciate the Senate's leadership on this subject and in particular the active role that you have played, Mr. Chairman, in keeping Congressional attention focused on this and other dimensions of transatlantic security.

We live in a time of profound change. Change in international economics, change in technology, and change in the scale and nature of threats facing the West. These changes make it more important than ever that the United States be strategic in its approach to Europe, and that we consciously cultivate strong alliances as an advantage in geopolitical competition. No other power in history, past or present, has had the wealth of allies that the United States has today. President Trump and Secretary Tillerson have made a priority of strengthening alliances. That commitment has been underscored in multiple Cabinet-level visits to Europe, including seven trips by Secretary Tillerson; \$1.4 billion in new funding requests for the European Defense Initiative; intensified U.S. diplomatic engagement in the crises on Europe's southern and eastern frontiers; and, as we will discuss today, increased attention to the U.S. role in the diversification of European energy.

The energy security of our allies is a fundamental U.S. national interest. When allies' access to reliable and diversified energy is secure, they are less susceptible to pressure from outside powers. In recent years, we have been reminded of just how vulnerable many of our allies in Europe are in this regard. Russia has repeatedly demonstrated its willingness to wield its vast natural resources as a geopolitical weapon against our allies. A Swedish study found 55 instances of Russia using supply cutoffs for political purposes over a 14-year period. The Estonian government identified 41 examples in one year alone of Moscow linking political demands to energy deliveries. In 2006, 2009, and 2014, Russian cutoffs to Ukraine disrupted gas flows to countries as far west as France and forced businesses and schools across southeastern Europe, in the dead of winter, to close for lack of heat amid freezing temperatures.

Despite years of efforts at diversification, today, EU member states collectively remain the largest net energy importer in the world and the Russian Federation remains by far their single biggest supplier, comprising more than a third of total EU oil and natural gas imports. For 11 EU member states, Russia supplies more than 75 percent of annual gas imports. For several countries, including Bulgaria, Finland, and Macedonia, the figure is closer to 100 percent.

It is neither possible nor desirable to exclude Russian gas from the European market. The problem is that Russian leaders view energy exports not as a matter of supply and demand but as the extension of politics by other means. Moscow is working to construct two new pipelines, Nord Stream 2 and a multi-line Turk Stream, which if completed, would bypass Ukraine as a transit country, heighten the vulnerability of Poland and the Balkans, and deepen European dependence on the Russian gas monopoly.

Russia's goal is to divide the West and drive America apart from our allies. Its efforts are smart and coordinated. The manipulative use of energy is part of a toolkit that includes cyber-attacks and disinformation, as well as military buildups, exercises, threats and—as we have seen in Ukraine and Georgia, invasions.

To counter these methods, the United States pursues a European energy security strategy built on three planks: diversification of fuel types, diversification of countries of origin, and diversification of delivery routes. We are working to spur the development of infrastructure for diversity of supply through import terminals like Croatia's Krk Island liquefied natural gas (LNG) floating storage and regasification project. We encourage allies to invest in intra-European pipelines like the Gas Interconnector Greece-Bulgaria, Gas Interconnector Bulgaria-Serbia, and Gas Interconnector Poland-Lithuania. And, we are revising the rules governing the export of liquefied natural gas and U.S.-produced crude oil, which will unlock the wealth of American energy to the strategic benefit of allies and provide a boon to the U.S. economy.

The advent of cheap and abundant LNG is turning natural gas into a globally traded commodity, connecting otherwise isolated regional markets, including the Atlantic Basin. For allies reliant on a single source of energy, even the hypothetical availability of LNG provides leverage when negotiating contracts with Russia. To cite one notable example, in the period since Lithuania began importing LNG, the price it pays for gas has fallen 20 percent.

An important component in U.S. strategy is to encourage closer political and economic cooperation at the regional level, among the allies most vulnerable to supply manipulation in Central and Eastern Europe. Lack of seriousness about the need to increase North-South infrastructure in the space between the Baltic and Black Seas has been a contributing factor to Europe's geopolitical vulnerability in the East. We have prioritized U.S. engagement in regional groupings such as the Three Seas Initiative, Visegrad Group, Bucharest Nine, and Nordic-Baltic group as platforms for bolstering the region's resilience against energy coercion.

In all of our efforts, we seek to ensure open, competitive, and sustainable energy markets. We advocate for fair and transparent competition to give U.S. companies a level playing field. We continue to encourage the European Union to abide by its own commitments to diversification under instruments like the Third Energy Package. Some of the largest EU member states ignore these instruments in pursuit of commercially advantageous deals with Gazprom—deals that undercut fellow member states to the East. We support the work of the European Commission and Baltic States to integrate the Baltic power network into the European electricity grid. And we applaud the European Commission's investigation of abuses of Russian market dominance, which compelled Gazprom to remove contractual requirements restricting the destination and resale of gas. As a result, Ukraine, which previously imported all of its natural gas directly from

Russia, was able last month to celebrate two consecutive years of receiving all gas from European partners through reverse flows.

Russian influence makes easier headway in countries that are weak internally. To reduce those vulnerabilities, the United States works to strengthen the components for domestic stability and constitutional order in the countries of the Western Balkans. As seen in Moscow's effort to destabilize Montenegro during its 2016 parliamentary elections, this region is the target of focused Russian attempts at strategic penetration. For this reason, as Secretary Tillerson has made clear, the United States must prioritize this and other regions of Europe under Russian duress.

This Administration recognizes energy security as a fundamental component of U.S. national security objectives in Europe. We will continue to work closely with our allies and partners there to move the European continent toward a more diversified, efficient, and secure energy landscape. This is one of my foremost concerns as Assistant Secretary for European and Eurasian Affairs, and I remain committed to working with this Subcommittee and Congress in a bipartisan manner to achieve these objectives.

Senator Johnson, distinguished members of the Subcommittee, I thank you for the opportunity to appear before this body. I appreciate your leadership on this critical issue and look forward to your questions.