

ROUNDTABLE DISCUSSION ON THE SOUTHERN GAS CORRIDOR

Event Summary

On September 9, 2013, the Wilson Center's Global Europe Program hosted a roundtable discussion on the Southern Gas Corridor. The event was moderated by Dr. Alexandros Petersen, who serves as Advisor to the European Energy Security Initiative (EESI) at the Center. Dr. Petersen enumerated three takeaways from the decision to construct the Trans-Adriatic Pipeline (TAP), including the new role of Azerbaijan on the global stage, the continued importance of conventional resources for European energy security, and the key role that U.S. energy diplomacy plays in decisions in this region.

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Amos J Hochstein, Deputy Assistant Secretary for Energy Diplomacy at the U.S. Department of State in the Bureau of Energy Resources (ENR), stressed that energy security is now synonymous with and inherently linked to national security, making it an important component of U.S. foreign policy. Additionally, he commented on the success of the TAP decision being made based on economic factors, instead of being politically motivated arguing that this is the proper way to make these important pipeline decisions. While outlining the importance of TAP for European energy security, he reminded the audience that it is not the 'silver bullet' that will solve all of Europe's problems, advocating for a global view of European energy security and this one project as part of the larger global security picture.

Greg Saunders, the Senior Director of Government Affairs for BP, reiterated some of these themes, and provided some interesting statistics on future energy demand and the projected capacity of the Southern Corridor. According to BP estimates, demand for energy will increase by 40% by 2030, 90% of which will be needed in the non-OECD countries, such as India and China. He argued that natural gas will continue to be the most demanded resource, and the Southern Corridor will help supply European energy demand. The entire Southern Corridor project is projected to cost \$45 billion and will supply Europe and Turkey with a combined 16 billion cubic meters annually (bcma) of gas. He expects that the array of buyers will be announced in the coming weeks.

Lorenzo Galanti, the head of the Economic, Commercial and Scientific Affairs Office at the Embassy of Italy in DC, outlined how TAP and other efforts to diversify energy supplies are integral parts of the Italian energy policy, and energy security is critical for economic growth in the EU. Galanti informed the audience that there is agreement between Southeast European countries that the TAP decision is in fact a good decision that will allow for potential future pipelines to be constructed that will connect this region to the Southern Corridor.

Michael Ratner, a specialist in energy policy at Congressional Research Service (CRS), agreed with his previous panelists, adding how the TAP decision shifted from being a political decision to an economic business decision. All of the speakers characterized this as a positive development, and Ratner commented specifically on how the lack of mention of Iran or Russia in the course of the discussion was indicative of the progress that has been made towards viewing important energy decisions from a purely economic perspective. He also argued that European gas issues, U.S. shale issues, and LNG export issues are now inextricably linked; it is almost impossible to speak of one without mentioning the others.

During the question and answer session, the speakers commented on several related issues. They highlighted how the energy security picture has changed recently, with many new producers gaining influence and shifting the dynamics of the global market to a more competitive one. When asked about

the impact of TAP on the development of the Russian proposed South Stream, Hochstein commented that there is too much focus on the TAP decision as the latest move in a U.S. – Russia ‘chess game,’ asserting that the goal of the project is not to replace Russian gas into Europe, but to have a stable global energy market. Ratner added that the future of South Stream is more linked to internal Russian politics than external factors. There was general agreement that there is a realignment of where gas is coming from and going to due to the changing nature of the global energy picture.