PISM | POLSKI INSTYTUT SPRAW MIĘDZYNARODOWYCH
THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

NUPI Norwegian Institute of International Affairs

NORDIC-BALTIC SECURITY IN TIMES OF UNCERTAINTY: THE DEFENCE-ENERGY NEXUS

Bartosz Bieliszczuk, Aleksandra Gawlikowska-Fyk,
Jakub Godzimirski, Artur Kacprzyk, Wojciech Lorenz, Marcin Terlikowski

Editors: Aleksandra Gawlikowska-Fyk, Marcin Terlikowski

Iceland Liechtenstein Norway grants

Norway grants

The Polish Institute of International Affairs
Norwegian Institute of International Affairs

NORDIC-BALTIC SECURITY IN TIMES OF UNCERTAINTY: THE DEFENCE-ENERGY NEXUS

Editors:
Aleksandra Gawlikowska-Fyk, Marcin Terlikowski

Authors:
Bartosz Bieliszczuk, Aleksandra Gawlikowska-Fyk,
Jakub Godzimirski, Artur Kacprzyk,
Wojciech Lorenz, Marcin Terlikowski

Warsaw 2018

This report is part of the foreign policy and national security project titled "Nordic-Baltic Security in Times of Uncertainty: The Defence-Energy Nexus," which benefits from a €104,000 grant from Iceland, Liechtenstein, and Norway through the EEA and Norway Grants under the Bilateral Fund at National Level. The aim of the project is to provide recommendations for closer cooperation between Poland and Norway in security policy, specifically within energy and defence. It also creates a platform for Polish and Norwegian government officials, scholars, and experts to exchange knowledge, experience and ideas.

Photos: Shutterstock

Copy editor: Brien Barnett

Proof reader: Katarzyna Staniewska

Technical editor and cover designer: Dorota Dołęgowska

ISBN 978-83-64895-93-7 (pb)
ISBN 978-83-64895-94-4 (pdf)

Polski Instytut Spraw Międzynarodowych
ul. Warecka 1a, 00-950 Warszawa
phone (+48) 22 556 80 00, fax (+48) 22 556 80 99
pism@pism.pl, www.pism.pl

Contents

Introduction

Over the past three decades, the concept of security has undergone considerable evolution. Originally reduced to the political-military dimension and focused on threats posed by state policies and its military potential, it was gradually broadened to encompass economic issues as well, reflecting the speeding-up of globalisation, marked by an exponential increase in world trade and foreign investment. Historically, the first economic problem recognised as potentially undermining state security—following the oil crises of the 1970s—was disruption of access to energy resources. Today, interruptions of the production and supply of oil, gas, and electricity are identified as a key security threat in the strategy documents of many countries and international organisations.

But in discussions by politicians, analysts, academics, and journalists of how energy impacts state security, some key military aspects are still being neglected. Similarly, discussions about defence leave out the influence of energy policy—states' choices regarding their energy mix and import sources—on these states' potential to defend themselves and the effectiveness of their alliances. Because of the focus on military capabilities, doctrine, and operational planning, experts dealing with security in the military dimension tend to turn their attention to energy only to a limited extent, e.g., the need to protect energy-infrastructure in a crisis.

In the energy community, the dominant focus is the growing role of the market, which as part of supply and demand adjustments is expected to ensure the availability of fuels and energy all but automatically, without state interference. More than that, energy issues are purposely separated from security in its political-military sense. One factor behind this one-sided approach is the intention, whether conscious or not, to shun excessive politicisation of trade in energy commodities, which is often seen as a drag on energy-sector growth that curbs profits.

Meanwhile, in the Baltic-Nordic region—an area comprising the countries on the Baltic coast (Germany, Poland, Lithuania, Latvia, Estonia, Finland, Sweden and Denmark) and Norway, along with the adjacent North, Norwegian, and Barents Seas—energy issues and political-military security is perfectly aligned. The basic characteristics of the energy market in the region, especially the market for gas, exert multipronged influence in a crisis on the states' defence capacity, whether individual or collective (NATO).

Since Russia's aggression against Ukraine in 2014, the prospect of a military escalation of a political conflict between Russia and a NATO member state or Alliance partner in the region (Sweden and Finland) provides a point of reference on operational and capability planning at the national and allied level. In this process, energy issues have begun to receive attention. In NATO discussions, consideration is now given to the dependence of some member states in the region on Russian energy resources and the adverse impact of this dependence on the Alliance's political cohesion when tested or in a crisis. The European Union (EU) has been taking measures to increase its Member States' resilience to disruptions in the supply of energy resources, especially natural gas. With resilience in

mind and in the context of strategic energy infrastructure, NATO has taken its first steps in this area.

The worsening security situation in the region has also led to a bringing together of the positions of Poland and Norway. If a crisis involving Russia were to break out, both countries would see the Nordic-Baltic region as a single operating theatre. A military threat on NATO's Eastern Flank may naturally lead to the Northern Flank becoming involved, too. Thus, both parts of the Nordic-Baltic region, where Poland and Norway are key countries because of their respective geographical locations, military potential, and positions within NATO, would be connected through what is called horizontal escalation. The security of the Northern Flank depends on a secure Eastern Flank, and vice versa. Even though the Polish and Norwegian threat perceptions, and especially of Russia's willingness to enter into conflict with NATO, are not identical, both countries want to team up in building regional security through the Alliance's process of adaptation to the Russian threat, the most serious and real one since the end of the Cold War.

Polish-Norwegian cooperation also has a tangible dimension in the energy field. Polish companies are present on Norway's continental shelf with Norway in turn supplying Poland with gas at its LNG terminal in Świnoujście. But their top project is Baltic Pipe, a gas pipeline that will soon link both countries. Once completed, Poland and Norway will have shared economic interests in the Nordic-Baltic region. This is an additional argument why energy security should be included in a broader discussion about regional defence.

This report is the culmination of a joint research project conducted in 2017 by the Polish Institute of International Affairs (PISM) and the Norwegian Institute of International Affairs (NUPI). The project sought to explore Polish and Norwegian perceptions of the post-2014 changes in the security environment, to discover if and how energy questions are present in the thinking about the defence of Poland and Norway in a crisis, and to recommend areas where Polish-Norwegian collaboration could help enhance security in the region.

Key Takeaways and Recommendations

- Energy and defence in the Nordic-Baltic region are closely interrelated. It could not be otherwise, given the strategic goals and instruments of Russia's foreign and security policy towards the region. On the one hand, Russia seeks to build zones of privileged political, security, and economic interests in the post-Soviet area and former Soviet satellite countries, including through the use of force, as demonstrated by Russia's aggression against Ukraine. On the other hand, Russia has made these countries largely dependent on its gas supplies while at the same relentlessly pursuing the goal of drawing their NATO allies into strategic energy cooperation, as exemplified by Nord Stream 1 and 2 pipelines. These countries point to the low price of Russian gas but fail to address the political- and security-related costs of their ensuing dependence.
- Russia's policy towards most countries in the region is to try to effectively limit their freedom of choice, regarding their own long-term development, including membership of NATO and the EU, strategic cooperation with selected partners (especially the U.S.), and structural, market-oriented reform of the economy, especially in the energy sector. The most straightforward— even if highly risky—way to achieve this goal would be for Russia to undermine NATO's security guarantees under Article 5 by a military operation—or a credible and imminent threat thereof—which will not be met with a united, adequate allied reaction. Pushing the Alliance—and the EU—to effectively close entry to additional former Soviet republics, especially Ukraine and Georgia, would be another success in Russia's attempts to rewrite the legal and political order established in Europe after the end of the Cold War.
- Russia's 2014 aggression against Ukraine, made possible by years of reform of the Russian armed forces, including a large-scale programme of technological modernisation, demonstrated that Russia is prepared to resort to military means in pursuit of its strategic goals. The threat of the use of force in the Nordic-Baltic region is credible, given Russia's overwhelming military superiority, as manifested, for example, in its unique anti-access/area denial (A2/AD) capabilities. NATO's response, including the deployment of multinational troops to Poland, Lithuania, Latvia, and Estonia increased the costs to Russia of a potential conflict and limited its options for a quick, small win by surprise.
- In most scenarios, a NATO-Russia conflict would suck in the entire Nordic-Baltic region, reflecting the mechanism of horizontal escalation: if a conflict in the Baltic Basin were to grow, Russia is highly likely to launch military operations in the Barents and Norwegian seas and on their coasts. Russia's goal might be not only to protect its strategic military infrastructure on the Kola Peninsula, but also to send a political warning signal to NATO about its willingness to enter into a full-scale conflict, and to tie up Alliance assets in another theatre, thus making an Eastern Flank response more difficult. Russia could also attempt to disrupt reinforcements by sea from the U.S. to Europe through the North Atlantic.
- Given the military situation in the Nordic-Baltic region, energy has begun to play a key role in the credibility of NATO's

capacity to deter Russia and protect its member states. On the political level, Russia may take advantage of the growing dependence of certain Alliance member states on Russian gas imports (and that some are tied up by other forms of energy cooperation) to delay and/or weaken those states' decisions about a NATO response to a crisis developing in the region. Simultaneously, new infrastructure projects (e.g., LNG terminals) in countries seeking to reduce their dependence on Russia may become the target of highly aggressive moves at the operational (military) level.

- Poland and Norway have a similar political assessment of Russia's threat to the Nordic-Baltic region. Even if differing on Russia's willingness to enter into actual conflict with NATO, they note an operational link between the two parts of the region: the Baltic Sea and the Barents/Norwegian seas. After 2014, the two countries updated their defence planning and/or new weapons investment plans in response to the increased military threat from Russia. Within NATO, both partners are united by the conviction that Alliance adaptation must proceed in a cohesive way, taking into account all dimensions of the allied deterrence and defence posture and the specific features of the Nordic-Baltic region.
- Poland's and Norway's attitudes towards energy cooperation with Russia has for years been different. Poland has long perceived dependence on Russian gas as not only an economic threat but a security one as well while Norway viewed cooperation (e.g., in the exploitation of hydrocarbon fields on the continental shelf) as a way to reduce the risk of Russia changing policy towards confrontation with the West. Norway's diametrically different position vis-à-vis Russia compared to Poland stems from the fact that Norway is an energy exporter, like Russia. Only recently has Norway decided to compete against Russia in European gas markets. After 2014, Norway began to take note of the consequences of the energy choices of countries in the region on its security, and Poland began probing, how it could tap into the Norwegian gas exports to reduce its dependence on Russian gas and to help its neighbours do likewise.
- Pragmatic cooperation between Poland and Norway may reinforce security in the region. These two NATO flank members should call not only for Alliance cohesive adaptation, especially in terms of command structure, operational planning and development of the Allies' military capabilities, but also for a broader inclusion of energy issues in the process. The Alliance must fully acknowledge the consequences for its Russia deterrence policy that follow from member states' energy choices. Both Poland and Norway should emphasise a NATO enhanced commitment to build—in cooperation with the EU—resilience into the energy infrastructure in the region from various forms of attack, including cyberattacks. For the credibility of allied deterrence and defence to increase, NATO must be aware of the close interdependence between energy and Nordic-Baltic region security, both in its strategic and operational dimensions. Measures towards this goal can be undertaken as part of NATO-EU cooperation. On the bilateral level, Polish-Norwegian collaboration can be catalysed by the Baltic Pipe project, which stands a fair chance of influencing a change in the market structure, not only in Poland but also in the wider region.

Security Policy and Energy Cooperation in the Region

After 2014, the Nordic-Baltic region suddenly found itself at the epicentre of developments and processes determining the shape of European security for decades to come. Russia's annexation of Crimea, the outbreak of the Russia-backed separatist conflict in eastern Ukraine, and most importantly Russia's unambiguously communicated readiness to escalate and enter a military conflict with NATO increased the risk of war in Europe to a highest level since 1991.

The consequences of Russia's aggression against Ukraine—a deepening of Russia's confrontational course towards NATO and the Alliance's response in the form of rapid changes in the structure of forces, command, military doctrine, and strategy towards Russia—have manifested themselves most perceptibly in the Nordic-Baltic region. The deployment of new Russian forces in its Western parts, bordering the Baltic Sea basin, the frequent, large-scale military exercises, and

numerous air incidents attract widespread attention, but there is another characteristic of the region that—although seemingly obvious—escapes many analysts. It is the interdependence between the region's security in its energy and political-military dimensions.

The Shadow of Russia's Neo-Imperial Ambitions

The main threat to the security of the Nordic-Baltic region comes from Russia's foreign and defence policy, its strategic goals and the tools and methods with which these are being pursued. What Russia seeks is to prevent countries in its near and more distant neighbourhood from making decisions it perceives as undermining its security, economic prospects and (authoritarian) system of governance. This especially concerns decisions by these countries of a long-term political or economic course, such as membership of NATO or the EU, strategic cooperation with partners of their choice (especially the U.S.), and even structural, market-oriented reform in the economy (especially in the energy sector). Russia even arrogates to itself the power to influence the decisions of international organisations of which it is not even a member, namely NATO and the EU. Russia's major goal for the Alliance is to halt its enlargement; what is more, it once wanted to also have a say about the development and architecture of the allied missile-defence system. As far as the EU is concerned, Russia seeks to abort changes in law designed to subject the Nord Stream 1 and 2 pipelines to the constraints of the EU's "third energy package." In practice, Russia's strategic goals come down to limiting the sovereignty of most of the Nordic-Baltic region countries and thus creating a zone of privileged political, security and economic interests that would provide Russia a buffer to protect it from perceived threats from NATO or EU Member States.

The constancy of Russia's strategic goals since the end of the Cold War came into the open on its aggression against Ukraine. Formulated soon after the breakup of the Soviet Union and developed in response to Europe's changing political determinants, these goals were adjusted accordingly and implemented using a gamut of instruments. In 1993, Russia declared the former Soviet republics were in what it called its "near-abroad," i.e., a zone of privileged political, economic and security interests where Russia would not rule out using military force in pursuit of its goals.[1] The country attached strategic importance to the reintegration of its neighbourhood. The status of the former Warsaw Pact members is a little different, seen instead as part of a historic zone of Russian interests.[2] NATO's expansion into this area has been invariably and adamantly opposed by Russia, and threatened with reactions of a military nature.[3] Russia's attitude towards NATO did not change even though certain

1 "Założenia polityki zagranicznej Federacji Rosyjskiej, 1993," *Eurazja*, no. 5-6, 1994, pp. 3-29; "Raport Służby Wywiadu Zagranicznego przedstawiony 25 listopada 1993 r.," *Eurazja*, no. 5-6, 1994, pp. 62-83.

2 "Założenia polityki zagranicznej…," *op. cit.*

3 "Raport Służby Wywiadu Zagranicznego…," *op. cit.*, p. 71.

Russian objections were indeed granted (e.g., non-deployment of significant combat forces and nuclear weapons on the territory of new member states) and the country was conferred privileged status in relations with NATO, as reflected, for example, in the special format for dialogue, the NATO-Russia Council. What Russia has been declaring primary threats were the Alliance's enlargements to the east, the perceived movement of allied infrastructure closer to Russia's borders, military exercises in areas adjoining Russia, and the expansion of capabilities to conduct out-of-area operations. While not ruling out collaboration with the Alliance, the Russian government always saw it primarily as a means of swaying NATO decisions.[4]

At the same time, Russia was forcing its own vision of a pan-European security system that would sanction the existence of Russian zones of privileged interests in Europe and make possible the restoration of the country's position as a global power. Russia's proposals about a new order included the formation of a Security Council for Europe, the subordination of NATO to the Organisation for Security and Cooperation in Europe (OSCE) and—according to a concept put forward in 2008—the adoption of a European Security Treaty, under which no country or coalition would be allowed to take decisions perceived by other countries as threatening their interests.[5] Following the failure in promoting this idea, Russian proposals started to move towards establishing in Europe a system resembling the 19th century concert of powers, which for some time ensured European security at the expense of the disempowerment of smaller countries. Following Russia's 2014 annexation of Crimea, President Vladimir Putin bluntly admitted that the conflict with Ukraine resulted from an absence of a balance of power in the U.S.-dominated international system. Putin warned that Russia did not intend to give up on its zone of privileged interests and that more, similar conflicts might possibly be coming.[6] To Putin, the Yalta Agreement (1945, passing control over Central and Eastern Europe to the Soviet Union), should be viewed as a way of stabilising the international system today.[7]

In seeking to build a European security system that would protect its interests, Russia initially opted for diplomatic and economic measures, and proposed its own new international accords, to be legally or politically binding. But gradually the country began to make preparation for the use of force. The rapid expansion of Russia's conventional forces and substantial investments in nuclear capabilities increases the risk that the country might resort to force in an attempt to meet its strategic goals. And these could be achieved, hands down, if Article 5 security guarantees for NATO member states can be proved to be void. If Russia managed to quickly capture or otherwise attack part of a member state's territory—in whatever way, including a hybrid and irregular warfare, acts of terrorism or mass-scale cyberattacks—and if the Alliance's response were protracted or proved far below the scale of the Russian

4 "Vladimir Putin, Speech and Answers to Questions at Rice University," Houston, 14 November 2001, http://en.kremlin.ru.

5 "The Draft of the European Security Treaty," 29 November 2009, www.kremlin.ru.

6 "Meeting of the Valdai International Discussion Club," 24 November 2014, www.en.kremlin.ru.

7 "Meeting of the Valdai International Discussion Club," 22 November 2015, www.en.kremlin.ru.

activities, then the foundation of the post-Cold War security system in the Euro-Atlantic area would be torn to pieces. This scenario, in its political dimension, represents the essence of the Russian threat in the Nordic-Baltic region. The aggression against Ukraine only confirms Russia's willingness to take huge risks involved in an open (even if masked) use of military force against a sovereign state. Further, what could be sufficient for Russia in pursuit of its illegitimate goals is a credible and imminent threat of the use of force, if the Alliance did not react adequately, or a NATO member(s) would be coerced into granting concessions to Russia.

Having overcome the crisis of the 1990s, Russia in the early 21st century began to increase its defence spending, giving priority to investments in nuclear capabilities and continuously expanding its forces' battle readiness for rapid deployment beyond Russian territory. The comprehensive armed forces reform, launched in 2008 and benefiting from growing revenues from oil and gas exports, put modernisation at the forefront, whether in terms of military technology or organisation and training. Russia put particular focus—given its technical and budgetary restraints—on the development of nuclear weapons and their delivery systems, which demonstrated the Russian attachment to this special kind of weaponry. At the same time, its 2014 military doctrine assumes that Russia may resort to nuclear weapons not only in response to a nuclear attack, but also in reaction to a conventional attack that would threaten the very existence of the state. Further, the doctrine vaguely suggests that nuclear weapons are an "important factor" preventing the outbreak of a "large-scale war or regional war."[8] Simultaneously, Russian military activity has increased near the borders of NATO. The changes in doctrine and in the readiness of Russia's armed forces were regularly tested during military exercises, including the *Zapad* ("West") manoeuvres, held every four years with a scenario based on a conflict with NATO. At the height of the conflict in Ukraine, Russia was openly demonstrating its readiness to use nuclear weapons: it flew nuclear-capable strategic bombers close to NATO borders on multiple occasions and conducted exercises of its nuclear forces, while Russian officials and public figures stepped up their nuclear rhetoric.[9] In 1999 and 2009, Russia tested an exercise scenario involving nuclear strikes of NATO state territory to enforce the end of the simulated conflict. As demonstrated by the Russian doctrine, war-game scenarios, and deployments and activities of its troops, Russia is ready for a conflict unfolding simultaneously in the Baltic Sea area, the Far North and the Northern Atlantic.

Russian Gas for Europe

Simultaneous with Russia's increasingly open attempts to meddle with the sovereignty of quite a few countries in the Nordic-Baltic region, the area also was

[8] "The Military Doctrine of the Russian Federation," 25 December 2014, available, for instance, at https://rusemb.org.uk/press/2029.

[9] See, e.g.: J. Durkalec, *Nuclear-Backed "Little Green Men:" Nuclear Messaging in the Ukraine Crisis*, PISM Report, July 2015, www.pism.pl.

the focal point of tighter Russian economic cooperation with Western European countries. This cooperation quickly scaled up, largely involving the export of Russian natural gas using infrastructure that runs through the region along an east-west axis. With the growing interdependence, Russia gained an effective tool to pressure countries in the region, widening the set of instruments it uses to pursue its strategic goals. To make matters worse, some countries in the region mistakenly believed that the cooperative ties, coupled with a gradual strengthening of economic relations and accumulation of trust, would reduce the threats from Russia.

The region's and Russia's interdependence in terms of gas deliveries dates to the Cold War period. Countries of the then-communist bloc were either part of the Soviet Union's internal gas system (Lithuania, Latvia, Estonia) or hooked up to shipments of Soviet raw materials (Poland). Trade in commodities was politicised within the Comecon framework, and exports of gas to Western markets were initially prioritised over shipments to Soviet republics (even in winter). In addition to that, the countries in question—despite a formal alliance with the USSR—either had experience with Soviet aggression (Hungary 1956, Czechoslovakia 1968) or were exposed to such a threat (Poland, first in 1956 and again in 1980).

Soviet gas exports to Western Europe began in 1969 (to Austria), growing in 1980 to a total of 54 bcm shipped mostly to Finland, Germany, and Italy.[10] The USSR's decision to add gas exports on top of crude oil offered it the opportunity to earn convertible currency much needed for investment in military capabilities and purchases of foreign merchandise while also aiming to offset the growing U.S. influence in Austria and fears it was being drawn closer to the EEC.[11] Meanwhile, for both Austria and West Germany, which soon took interest in Soviet gas, too, this meant diversification of their gas supplies, an overwhelming proportion of which was coming from the Netherlands. The Soviet Union was seen as a reliable supplier, especially with the 1973 oil crisis, the revolution in Iran (previously considered a potential gas supplier to Europe), and problems with negotiating shipments from Algeria in the early 1980s.[12] The gas exports remained undisturbed even by the Soviet invasion of Afghanistan in 1979 and the NATO-Warsaw Pact crisis over the deployment of medium-range missiles in Europe in the late 1970s. More than that, even close American allies like the United Kingdom,[13] wooed by the prospect of gas shipments and big engineering contracts, were unwilling to join U.S. sanctions in the early 1980s aimed at construction of the Trans-Siberian pipeline. Thus, the Soviet Union, even if posing an existential threat to NATO's European member states in the military dimension, could paradoxically be viewed as a reliable supplier of low-cost gas. NATO countries were ready to develop energy cooperation with the USSR mostly because of their belief—particularly after

10 "Delivery Statistics, Gazprom Export," Gazprom, www.gazpromexport.ru/en/statistics.

11 P. Hogselius, *Red Gas: Russia and the Origins of European Energy Dependence*, Palgrave Macmillan, 2013, pp. 37, 54.

12 M. Hayes, *Algerian Gas to Europe: The Transmed Pipeline and Early Spanish Gas Import Projects*, Baker Institute, May 2004, pp. 21-22, http://bakerinstitute.org.

13 J. Nordheimer, "Britain, angry at U.S., again defies sanctions," *The New York Times*, 11 September 1982, www.nytimes.com.

the 1975 CSCE Helsinki Final Act—that it was in the Soviet interest to keep the status quo in Europe. This unqualified positive assessment of the USSR was reflected in its overall volume of gas shipments of 119 bcm in 1990, or twice as much as a decade earlier.[14] The exchange continued after the end of the Cold War amidst widespread expectations of swift liberalisation in Russia according to the Western model.

In the environment after the breakup of the Soviet Union, Russia's economic ties with countries in Western Europe and Central and Eastern Europe (CEE) were further established and expanded. Between the early 1990s and 2017, Russia's overall volume of gas sales to the area rose by more than 50%.[15] An early challenge for the country following Soviet Union's collapse was the loss, or prospect of the loss of control of strategic infrastructure for supply, such as pipelines in Ukraine, and storage. Russia also had to rely on transit countries—Ukraine and, after completion of the Yamal pipeline, also Belarus and Poland.

In 2006, disputes over Ukraine's debt related to gas contracts (especially in conjunction with agreements on Russia military bases in that country) and fears about transit through Ukraine pushed Russia into taking the decision to build Nord Stream, a gas pipeline linking Russia directly to Germany. The venture was carried out in collaboration with EU Member States and the European Commission, which accorded it the status of a "project of common interest." In 2013, preparations for the construction of Nord Stream 2 took off. Simultaneously, Russia's Gazprom was buying stakes in gas storage utilities in EU Member States (e.g., in Germany and Austria[16]) and in distribution companies, such as Wingas. The construction of the Nord Stream 1 and 2 pipelines to Germany is part of a broader strategic convergence between the two countries in the energy field. Within this process, companies from Germany and Russia are engaged in cross-buying assets[17] and German producers are offered stakes in Russia fields.[18] Russia's main strength as an exporter is seen in its attractive gas price,[19] made possible by its geographical proximity to Europe and the existing supply infrastructure. Even with an increase in the absolute volume of Russian gas sales, its share of Europe's import mix between 2005 and 2015 fell from 34.6% to 29.4%.[20] That notwithstanding, the CEE was not spared a taste of Gazprom's monopolistic practices and extortion (e.g., retaliation after states in the

14 "Delivery Statistics, Gazprom Export," *op. cit.*

15 *Ibidem*; see also: S. Elliott, "Gazprom sees natural gas exports to Europe, Turkey remaining at 190 Bcm/year: Medvedev," *Platts*, 30 January 2018, www.platts.com.

16 "Storage, Gas Export," Gazprom, www.gazpromexport.ru/en/projects/storage.

17 R. Formuszewicz, "Biznes z asekuracją. Niemiecko-rosyjska współpraca w sektorze gazowym w kontekście konfliktu rosyjsko-ukraińskiego," *Bezpieczeństwo Narodowe,* II/2015, p. 66, www.bbn.gov.pl.

18 B. Bieliszczuk, "Competition under Control: A Perspective on the Application of EU Law to Nord Stream 2," *PISM Bulletin*, no. 122 (1062), 6 December 2017.

19 J. Farchy, "Global gas market braced for price war," *Financial Times*, 3 February 2016, www.ft.com.

20 "Main origin of primary energy imports, EU-28, 2005-2015 (% of extra EU-28 imports)," *Eurostat*, http://ec.europa.eu/eurostat.

region sold gas to Ukraine in response to Russian aggression against it in 2014). As demonstrated by EU stress tests, countries dependent on Russian gas would be particularly hard hit by any interruption in those supplies, reflecting a lack of strong gas-supply connections to the West European market (lack of sufficient interconnectors in the first place). The situation will not only remain the same after the completion of Nord Stream 2 but will ossify the divide between European countries. The increased shipments of Russian gas to Germany via the new pipeline, rather than the Yamal pipeline through Poland or the Brotherhood project in Slovakia and the Czech Republic, may also be used by Gazprom to exert price pressure on the countries that have been left aside.[21]

Table 1. Gazprom's anti-competitive practices and political activity in selected countries, 1990–2017

State	Monopolistic practices confirmed by the European Commission	Political measures after the USSR's disintegration
Bulgaria	Re-export ban, non-market pricing, "conditional" gas shipments	
Czech Republic	Re-export ban	Threats to cut supplies if the country joined NATO
Estonia	Re-export ban, non-market pricing	Raising prices and cutting shipments in response to demands for the withdrawal of Russian troops; cutting gas shipments in response to legislative amendments affecting the Russian minority in the country
Lithuania	Re-export ban, non-market pricing	Raising prices and cutting shipments in response to demands for the withdrawal of Russian troops
Latvia	Re-export ban, non-market pricing	Raising prices and cutting shipments in response to demands for the withdrawal of Russian troops
Poland	Re-export ban, non-market pricing, "conditional" gas shipments	Threats to cut supplies in the event of gas sales to Ukraine
Slovakia	Re-export ban	Threats to cut supplies in the event of gas sales to Ukraine
Hungary	Re-export ban	Threats to cut supplies in the event of gas sales to Ukraine
Ukraine	N/A*	"Conditional" gas shipments linked to an agreement on military bases, gas supplies to Donbas, capturing assets on Ukrainian territory illegally annexed by Russia

*In its anti-trust probe, the European Commission only studied cases involving EU Member States, but similar practices towards Ukraine were confirmed by, e.g., the Arbitration Institute in Stockholm.

Source: Authors' compilation based on: B. Bieliszczuk, "Three Seas Initiative: Benefits for Regional Gas Markets and the EU," *PISM Bulletin*, no. 63 (1003), 30 June 2017, www.pism.pl; A. Riley, *Smoke and mirrors: Russian disinformation meets pipeline politics*, CEPA, 29 March 2017, http://cepa.org; R.L. Larsson, *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier*, Swedish Defence Research Agency, 2006, p. 184.

[21] G. Zachmann, "Nord Stream 2 means gains for Germany but pain for Europe," *Bruegel*, 23 June 2017, http://bruegel.org.

A different course has been taken by the countries in the Nordic-Baltic region. Their misgivings were strengthened by Russia itself, which cut gas deliveries for political reasons (e.g., to Estonia[22]) or threats to do so (e.g., towards the Czech Republic to stop it from integrating more closely with NATO[23]). That provided a clear signal to the countries in the region that Russia is ready to use energy in pursuit of its strategic goals in the former *dominium*. Quite tellingly, Gazprom, the Russian state-controlled export monopolist, uses in its statistics and documents the terms "near abroad" and "far abroad"[24] from the repertoire of Russia's foreign policymakers. The Baltic states, members of NATO and the EU since 2004, are classified in Gazprom papers as in the "post-Soviet area," not the "far abroad." The fears of unequal treatment of CEE countries and use of gas supplies for political purposes have been confirmed time and again.

In 2015, as part of an antitrust probe launched two years prior, the European Commission found numerous instances of Gazprom abuses with respect to countries in the CEE.[25] In contracts with Poland, for example, Gazprom linked gas deliveries to control of the Yamal pipeline. Some studies list as many as 55 incidents related to Russian oil and gas shipments in the period to 2006, including supply cuts, threats, non-market pricing used as extortion, and hostile takeovers.[26]

At present, too, there is no shortage of Gazprom activities that should be described as anti-competitive or as strictly coinciding with Russian political and military actions. For example, Gazprom did not sell its shares in the Latvian company, which operates a gas storage operator in Inčukalns (this facility has a potential to ensured energy security for Lithuania, Latvia, and Estonia), thus blocking the completion of Latvian gas market liberalisation and contravening Latvian legislation that requested the company dispose of its shares by the end of 2017.[27] Despite the Russian intervention in eastern Ukraine, Gazprom continues to supply gas to the territories controlled by the Russian-backed, so-called separatists.[28] Gazprom also captured Ukrainian energy sector assets in the aftermath of Russia's annexation of Crimea.[29] Gazprom, like other key energy companies in Russia

22 C. Bohlen, "Russia Cuts Gas Supply to Estonia in a Protest," *The New York Times*, 26 July 1993, www.nytimes.com.

23 J. Naegele, "Czech Republic: Norwegian Gas Deal Final Step in Energy Independence," *Radio Free Europe*, 9 March 1997, www.rferl.org.

24 "Gazprom Export," *Statistika postavok*, www.gazpromexport.ru/statistics; "Godovoy otchet PAO «Gazprom» za 2016 god," Gazprom, 2017, www.gazprom.ru.

25 A. Riley, "Commission v. Gazprom the antitrust clash of the decade?", CEPS, 2012.

26 Of these, more than 40 incidents affected Baltic states and the post-Soviet area, with 11 either being directly linked to political demands or "penalising" importer states for their activities. See: R.L. Larsson, "Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier," Swedish Defence Research Agency, 2006, pp. 262-265.

27 M. Fridrihsone, "Gazprom still hasn't sold off shares at gas storage utility," *LSM.lv*, 2 January 2018, https://eng.lsm.lv.

28 "Gas supplies to Donbas by Gazprom are within framework of Stockholm arbitration—Kobolev," *Interfax Ukraine*, 24 October 2017, http://en.interfax.com.ua.

29 K. Rapoza, "Ukraine's Naftogaz Seeks Billions from Russia over Crimea Asset Grab," *Forbes*, 21 September 2017, www.forbes.com.

(e.g., Rosneft, Novatek or Gazprom-owned Nord Stream 2 AG), is controlled by a group of interconnected people with a background in Soviet intelligence structures, or personally linked to President Putin.[30]

Energy: The Key to Regional Security

Energy policy is part of Russia's broader strategy towards Europe and especially to the Nordic-Baltic region. Just as in the Cold War period, Russia seeks to take advantage of energy supplies to exert political pressure and create divisions among NATO and EU member states. But the way this tool is used towards former Soviet republics and NATO's new members differs considerably from the approach to West European countries, which are seen as indispensable partners, important for Russia's long-term development.

In the area perceived as Russia's target zone of privileged political and economic interests, it is not shy of resorting to energy blackmail—or, more properly, extortion, since Russia abuses its position as a dominant supplier to coerce its clients to agree on market-distorting practices or even to take certain political decisions—and using energy policy as a tool to corrupt and win political influence. That is why some countries, led by Poland and Lithuania, have steadfastly sought to widen the region's energy independence. At the same time, in Russia's relations with Western countries, it views energy cooperation as political leverage. Since the end of the Cold War, Russia has managed to win considerable influence amongst business and political elites, especially in Austria and Germany. Examples of the effects of this include Austria's reluctance to support EU sanctions after Russia's annexation of Crimea, scepticism amongst senior German politicians towards strengthening NATO's deterrence and defence posture, and both opposition in both countries to U.S. sanctions on Russia.[31] In the German perception, energy cooperation with Russia is not just a case of a business necessity but also a political project expected to widen the room for collaboration and prompt Russia's modernisation and democratisation.[32] Thus, Germany's and Austria's involvement in Russian energy projects may well restrict their capacity to put up political resistance to aggressive Russian actions.

Germany's role in particular is crucial in this entanglement of the energy and military dimensions of the Nordic-Baltic region's security. During the Cold War, as the country most exposed to a potential Soviet attack, Germany was ready to defend itself from the existential threat and did not consider the option of yielding

30 B. Bieliszczuk, "Competition under Control…," *op. cit.*

31 J. Gotkowska, "Dużo reasekuracji, mniej odstraszania—Niemcy wobec wzmacniania wschodniej flanki NATO," *OSW*, 5 July 2016, www.osw.waw.pl; S. Siebold, "Germany's Gabriel, in Moscow, warns of risk of new arms race," *Reuters*, 9 March 2017, www.reuters.com; "U.S. sanctions on Russia threaten European energy firms-Germany, Austria," *Reuters*, 15 June 2017, https://af.reuters.com.

32 J. Gratz, "Russia's Pipeline Overstretch: Market Monopolisation at the Expense of Reliability," *Russian Analytical Digest*, no. 113, 15 May 2012, www.css.ethz.ch.

to energy blackmail. But once the Cold War was over, with the threat removed and risk of conflict shifted east, the chance that Russian gas supplies could be cut off could prove to be a factor that further delays or complicates Germany's decision to back a NATO reaction during a crisis, especially in the early stages and in a situation in which Russia uses hybrid tactics rather than naked aggression. Nord Stream 2, with calculated throughput of 55 bcm, will exponentially increase Germany's dependence on Russian gas. Annual imports run at 50 bcm (part of which is shipped further to Europe), with overall German internal consumption at 80 bcm.[33] That only adds to the concern about its commitment in a crisis involving Russia and one or several Germany NATO allies or EU partners. Economic interests could take precedence through political corruption or extortion; in 2018, an investigation was launched in Germany into bribes related to the construction of Nord Stream 1.[34]

In return for access to the Russian market, Western companies are ready to a certain extent to accept non-transparent, *quid pro quo* transactions, help consolidate Russia's corruption-based political system, and perhaps even act against the strategic interests of their own countries. A case in point is Siemens, whose gas turbines were originally sold to Russia but then shipped to Crimea in breach of international sanctions intended to signal Western determination about the Russians' policy. At the same time, fearing the loss of Russian business, and aligning the company with the Russian policy of tightening control of neighbouring nations,[35] Siemens discontinued equipment shipments to Ukraine's Naftohaz which the state company needed to modernise the country's domestic supply system.

The description of Nord Stream 2 as a business project leaves out questions of strategic importance for Europe. Cheap gas for Europe translates into a high political cost, not only for Ukraine, which, since the Russian aggression in 2014, has continued to be the transit point for large volumes of Russian gas to Europe,[36] acting as a hedge against an escalation of the conflict, but also for Germany, which may find itself in a situation in which the bulk of gas consumed comes from Russia. The completion of Nord Stream 2 will increase the capacity of the direct Russia-Germany undersea pipeline connection to 110 bcm and allow Russia to sidestep Ukraine, thus consolidating the new divisions in Europe, this time in the energy dimension. It also will result in Germany becoming the key distributor of Russian gas, thus potentially increasing Russia's influence on German foreign policy and possibly weakening the country's credibility as a NATO ally.

---

33 The import figures also include gas delivered to other countries.

34 "Germany opens bribery probe into Russia gas pipeline," *EU Observer*, 25 October 2017, https://euobserver.com; "Russian Corporate Lobbyism in the Countries of the European Union," *Transparency International Russia*, 5 July 2018, https://transparency.org.ru.

35 "Siemens stops equipment shipments for Ukraine's gas transportation system due to pressure of Russia," *Interfax Ukraine*, 15 September 2017, http://en.interfax.com.ua.

36 A. Prokip, "Why Energy Reform in Ukraine Matters for European Regional Security," *Wilson Center*, 20 October 2017; "Preservation of gas transit via Ukraine may restrain Russia's further aggression—Naftogaz CEO," *Unian*, 18 September 2017, https://economics.unian.info.

The Military Dimension of Regional Security and Energy Infrastructure

A characteristic of the military dimension of the Nordic-Baltic region is Russia's overwhelming regional supremacy over neighbouring NATO member states and even the Alliance's partners, Sweden and Finland. This shows the difference in long-term trends in the development of the armed forces in Russia and the Alliance.[37] Furthermore, both parts of the region—the southern, covering the Baltic Sea Basin, and the northern, comprised of the Norwegian and Barents seas and their shores—are linked operationally. This translates into a risk, that a conflict in one part of the region in all probability would escalate and spill over into the other part. As with the

[37] M. Terlikowski (ed.) *et al.*, "Trends in Force Posture in Europe," *PISM Strategic File*, no. 1 (85), 6 June 2017, www.pism.pl.

political dimension of regional security, energy issues, namely the presence of strategic energy infrastructure, may exert considerable influence on defence planning by NATO member states in the region.

Russian Military Supremacy in the Region

At the most general level, the regional imbalance is illustrated, for example, by differences in defence spending and the size of the armed forces. In 2016, Russia's defence expenditures (around $70 billion) were four times as high as the combined spending of the five neighbouring NATO member states, Estonia, Lithuania, Latvia, Norway, and Poland ($17.4 billion).[38] The sum for Finland and Sweden was close to $8.6 billion. In the same year, the regular armed forces of these five NATO flank countries numbered 153,000 troops, with Finland and Sweden having close to 52,000 troops. This compares with Russia's total of 830,000, including more than 300,000 in the Western Military District and Northern Fleet—areas directly bordering or close to the Nordic-Baltic region.[39] In purely numerical terms, Russia's military advantage lessens if Germany and Denmark—further away but still in the general region—are counted, raising the Alliance force in the area to 346,000. In 2016, though, Russian defence expenditures were 13% higher than the total for these seven regional NATO member states ($62 billion), and almost equalled the figure for all NATO member states and partners in the region ($70.5 billion).[40]

A key factor behind the strengthening of Russia's military capabilities was a series of reforms first launched in 2008. Their focus was initially on reorganisation, professionalisation and increased mobility, but starting from 2012, greater emphasis was put on expanding the potential in Western Russia,[41] made possible by a doubling of defence spending in 2006-2016 (possible thanks to oil and gas exports revenues). Despite single-digit cuts in these expenditures in 2017—and very likely also in 2018-2019 because of Western sanctions and lower oil prices—armed forces modernisation remains one of Russia's top priorities.[42] The armaments plan for 2018-2027 provides

38 Calculated at constant prices and exchange rates against the U.S. dollar (2015), based on *SIPRI Military Expenditures Database*, 1949-2016, www.sipri.org.

39 Calculations based on: *Military Balance*, International Institute for Strategic Studies, London, 2017; Jane's electronic database IHS Markit; NATO website at www.nato.int.

40 The direction of the disparity changes with a broader Russia-NATO comparison. In 2016, the Alliance's European member states spent more than three times as much as Russia on defence ($261 billion) and they posted more than twice as many troops (1,790,000). In terms of the entire Alliance, defence spending was higher by a factor of more than 12 ($883 billion), and the armed forces were almost four times stronger (3,200,000 troops).

41 See: M. Terlikowski (ed.) *et al.*, *NATO and the Future of Peace in Europe: Towards a Tailored Approach*, PISM Report, 3 June 2016, www.pism.pl.

42 For more, see: M. Galeotti, "The truth about Russia's defence budget," *ECFR*, 24 March 2017, www.ecfr.eu; M. Bodner, "Russia's Defense Budget—Down, but Not Out," *The Moscow Times*, 17 March 2017, https://themoscowtimes.com.

for total spending about $355 billion.[43] Notwithstanding the slowing of the re-armament process as a result of budget cuts, Russia has already managed to make headway in the ratio of units with modern equipment, rising to around 60% in 2017, up from 16% in 2012.[44]

Over the past several years, the strongest expansion was seen in the forces stationed in the southern part of the Nordic-Baltic region, which in Russia overlaps the Western Military District. Between 2012 and 2017, the following units were formed in that district (partly based on units already there): one tank army command, three mechanised divisions, one tank brigade, and two artillery brigades.[45] This enhances Russia's capacity to control the territory of Ukraine and Belarus and to conduct operations against NATO.[46] The 1st Guards Tank Army, formed in 2015 and stationed near Moscow and on the border with Belarus, are set to cooperate with the 6th Army, stationed in the Baltic region, and the Kaliningrad forces (including two motorised brigades and one naval infantry brigade). In a conflict with NATO, Belarus would play a significant role for Russian plans: it would be possible—and likely—that Russia would use Belarussian territory to enhance operations against Poland and Baltic states, Belarus country would be assigned a particularly significant role. Not inconceivably, the 48,000-strong Belarusian armed forces, which forms a regional military group together with Russia's Western Military District, could be drawn into the conflict.

Russia has been investing heavily in offensive and defensive anti-access/area denial (A2/AD) capabilities. In the Baltic area, these capabilities now include air defence systems deployed in the Kaliningrad district and around St. Petersburg (the latest one, known as the S-400, has a range of up to 400 km) and the Iskander system, which can target ground objects within 500 km with ballistic missiles. In the latter case, the actual range may prove to be higher. Further, U.S. claims that Russia deployed ground-based cruise missiles that violate the INF treaty because they are capable of reaching targets between 500 and 5,500 km away. Kaliningrad is also home to the Bastion advanced coastal defence missile system, designed to engage naval targets, but also capable of striking land objects. Cruise missiles, especially the Kalibr (1,500-2,500 km) are also carried on board Baltic Fleet vessels. And the Russian air force is equipped with Tu-95 and Tu-160 strategic bombers, carrying the KH-101 missiles (with estimates of their maximum range spanning from 2,500 to 5,000 km). Russia's capacity to control the course of a conflict in the Nordic-Baltic region is additionally strengthened by the integration of the air defence system with that of Belarus, which has S-300 systems of its own and which is considering purchasing the 280 km version of the Iskander.

---

[43] A.M. Dyner, "Russia's 2018-2027 Rearmament Programme: Significance for Poland and NATO," *PISM Spotlight*, no. 7/2018, 29 January 2018, www.pism.pl.

[44] "Expanded meeting of the Defence Ministry Board," President of Russia, 22 December 2017, http://en.kremlin.ru.

[45] A. Dyner, "Russian Military Potential: The Reinforcements Balance," *PISM Spotlight*, no. 68/2017, 8 November 2017, www.pism.pl.

[46] A. Dyner, "Russia Beefs Up Military Potential in the Country's Western Areas," *PISM Bulletin*, no. 36 (885), 13 June 2016, www.pism.pl.

Russia's military capabilities have also been expanded in the northern part of the Nordic-Baltic region and in its vicinity. The increasing militarisation of the Arctic serves not only to strengthen Russian airspace defences and nuclear deterrence potential but also to enhance the country's offensive capabilities.[47] In 2014, a Joint Strategic Command North was separated from the Western Military District. Regular patrol flights by Russian strategic bombers were resumed (in 2007), as were Arctic warship patrols (in 2008) and continuous air patrols over the sea (in 2013). Russia has been modernising its Arctic infrastructure and opening bases that were closed after the end of the Cold War. The goal is to have a total of 16 ports and 13 airfields in the region, as well as an improved network of early warning radars. And, as pointed out by NATO commanders, the activity of Russian submarines in the Northern Atlantic has intensified.

The largest structure in the Russian Navy, the Northern Fleet, has major bases located on the Kola Peninsula, some 100 km away from Norway and 160 km away from Finland. The Northern Fleet has close to 40 surface vessels (including the only one Russian aircraft carrier) and more than 40 submarines, including seven that carry nuclear-capable ballistic missiles (a large chunk of the Russian nuclear deterrence posture). As in the Kaliningrad district, the Northern Fleet units have A2/AD capabilities, such as various kinds of anti-ship missiles that can hit land targets as well. Also deployed on Kola Peninsula—and in the Barents Sea region in general—are Bastion and S-400 systems. The Northern Fleet's air component includes patrol aircraft, anti-submarine aircraft, and medium-range bombers. In 2015, one of two planned "Arctic" brigades was deployed to Alakurttii, a reactivated base 60 km away from Finland, thus adding to the Kola Peninsula's existing two brigades (one mechanised, one naval infantry).

The all-out strengthening of Russia's military capabilities in the Nordic-Baltic region is attested to by Russian armed forces' exercises that demonstrate an improving readiness and capacity for large, joint operations, swift mobilisation, and airlifting (Russian paratrooper force in total is 45,000 strong). The military manoeuvres held in the Nordic-Baltic region reveal that Russia does not rule out horizontal escalation in a conflict along its entire border with NATO, with one indication being an unannounced exercise held in March 2015. Initially involving Northern Fleet operations with 38,000 troops, more than 50 surface vessels and submarines, and more than a hundred aircraft, within several days the exercise was extended to cover other military districts, especially the Western and Southern, scaling up to 80,000 troops.[48] A similar pattern was followed in the *Zapad 2017* manoeuvres, formally held on Belarusian territory, but with accompanying drills in other military districts, especially in the Baltic and Barents Sea areas. Estimates for the combined number of troops range between 40,000 and 70,000, compared to the 12,700 officially declared by Russia.[49]

---

[47] See: W. Lorenz, "Arctic Cooperation in the Shadow of Russian Bombers," *PISM Bulletin*, no. 53 (785), 26 May 2015, www.pism.pl.

[48] T. Frear, "Anatomy of a Russian Exercise," *ELN*, 12 August 2015, www.europeanleadershipnetwork.org.

[49] See, e.g.: D. Johnson, "ZAPAD 2017 and Euro-Atlantic security," *NATO Review*, 14 December 2017, www.nato.int.

NATO Adaptation in the Region

Given the Russian military superiority in the region, a Russia-NATO conflict would render the defence of flank countries contingent on allied support. Russia has the capability to seize a portion of NATO territory in the Nordic-Baltic region before the arrival of a larger force of allied reinforcements. The three Baltic countries are in the worst strategic position, exposed to being cut off from the rest of NATO if just a 70 km stretch of the Polish-Lithuanian border (the so-called Suwalki gap) were captured by Russian units operating from Kaliningrad and Belarus. The Russian A2/AD systems would make it difficult for NATO reinforcements to be deployed to the region by air, sea or land and would curtail their room for manoeuvre. There is also the risk that Russia would use, or threaten to use, nuclear weapons to intimidate NATO and force an end to the conflict on terms favourable to Russia. Furthermore, most of the Baltic conflict scenarios could easily lead to horizontal escalation towards the Norwegian and Barents seas. In the event Russia were to also launch military operations in the northern part of the Nordic-Baltic region, the motive may be not only to protect Russian strategic infrastructure on the Kola Peninsula, but also to send a political signal to NATO (as Russian military doctrine may suggest, an escalation of a local conflict to a regional one increases the likelihood of resorting to nuclear weapons), tie up more of the Alliance's capabilities in another operating theatre or even disturb reinforcements by sea from the U.S. to Europe on maritime routes through the North Atlantic.

NATO's longstanding focus on crisis-response operations, coupled with defence spending cuts, has translated into a weakening of allied forces' readiness and a reduction of assets required to conduct classic high-intensity operations. Between 2008 and 2014, the combined defence expenditures European NATO member states and Canada dropped by nearly 12%, with the U.S. share exceeding 70% of the total.[50] Simultaneously, the U.S. military presence in Europe was decreasing, as reflected in the dwindling numbers of troops permanently stationed there (from 98,000 in 2007 to 62,000 in 2016[51]). By 2013, the last two armoured brigades stationed there were withdrawn. The declining importance of collective defence was mirrored in successive reforms of the NATO command structure (NCS), which was reduced after the end of the Cold War from more than 60 to just seven commands.

This process considerably affected the Nordic-Baltic region, such as the winding down in 2003 of Allied Command Atlantic, previously in charge of operational planning for a maritime area stretching from Greenland and Iceland to the United Kingdom, the GIUK gap, through which personnel and equipment would be moved from the U.S. in case of a conflict in Europe. More than that, between 2002 and 2013, NATO held no live exercises based on Article 5 scenarios. The allied presence in the region was confined mostly to the Baltic Air Policing mission, conducted on a rotational basis with four fighter aircraft (from 2004) and periodic training rotations

50 Calculations based on: *The Secretary General's Annual Report 2015*, NATO, p. 111.

51 M. Terlikowski (ed.) *et al.*, "Trends in Force Posture…," *op. cit.*

in Poland for several U.S. F-16 fighters and C-130 transport aircraft (from 2012).[52]

It was only in response to the Russian aggression against Ukraine that NATO began restoring its collective defence capabilities. The activities of the Alliance were centred on—although not confined to—the Nordic-Baltic region. At the Wales summit in 2014, the allies committed themselves to increase defence spending to 2% of GDP by 2024, with 20% of that spending being directed to investments in armed forces modernisation. Annual growth rates for defence expenditures by European NATO members and Canada ran at 1.8% in 2015, 3.3% in 2016, and 4.3% in 2017 (about $45 billion overall). Joining the group meeting the spending goal of 2% of GDP, previously only Greece, Estonia, the U.S. and the U.K., was Poland in 2015 and Romania in 2017.[53]

While injecting new dynamics into the NATO response, the U.S. embarked on measures to strengthen its own forces in Europe, including in the Nordic-Baltic region. As part of the European Reassurance Initiative (ERI), the U.S. spent $1 billion each in years 2015 and 2016. The project was renamed the European Deterrence Initiative in 2017 and its financing increased to $3.4 billion in that year and $4.8 billion in 2018. This makes possible a partial reversal of the earlier reductions in U.S. armed forces in Europe (including an increase in their number to some 70,000, drawing on rotations from the U.S.).

NATO's activities were first focused on reassuring flank countries of allied commitments and later, following the Warsaw summit in 2016, on deterring Russia. At the initial stage, the allies' forward presence in Poland and the Baltic states took the form of company-size rotations (150–200 troops) for exercise purposes. Then, in 2017, NATO combat forces were deployed there for the first time, in the form of four multinational, rotational battalion-size battle groups (about 4,500 total troops) within the framework of Enhanced Forward Presence (EFP). EFP carries with it the message that Russia's aggression against NATO member states on the Eastern Flank would be equivalent to attacking the other allies' forces, risking escalation of the conflict. The battle group's lead nations are the U.S. (in Poland), the UK (in Estonia), Canada (in Latvia), and Germany (in Lithuania). In addition, a U.S. armoured brigade combat team (ABCT) of 3,000–4,000 troops has been rotated to Poland since 2017. Its forces also exercise in other countries in the CEE, as do elements of a U.S. Army combat aviation brigade, which also rotates to the region since 2017. In the same year, the U.S. began to rotate 330 Marines to Norway for training and exercises.

NATO also reinforced forces to be deployed first to an area of a potential conflict, including the Nordic-Baltic region. In accordance with the Readiness Action Plan (RAP), adopted in 2014, the NATO Response Force (NRF) was tripled to reach the present level of 40,000 troops. As part of it, a Very High Readiness Joint Task Force (VJTF), deployable within 5–7 days, was established with a brigade-size land component (some 5,000 troops). The deployment times for the other two NRF brigades are 30 and 45 days. To make

[52] For more, see: A. Kacprzyk, K. Friis, "Adapting NATO's Conventional Force Posture in the Nordic-Baltic Region," *PISM Policy Paper*, no. 3 (156), August 2017, www.pism.pl.

[53] "Defence Expenditure of NATO Countries (2010–2017)," NATO, 29 June 2017, www.nato.int.

deployments of units to Europe in a crisis easier, the U.S. in 2017 began pre-positioning a division's worth of equipment in Belgium, the Netherlands, Germany, and Poland, to be completed by 2021. And since 2012, facilities that store U.S. Marine Corps gear in Norway have been replenished and modernised. Some 4,500 Marines can be outfitted. It remains a challenge for NATO to increase the size of national follow-on forces that could be quickly deployed to either support VJTF/U.S. units or conduct operations on their own. According to some estimates, the time needed to mobilise a full brigade and dispatch it to the Baltic states is up to 30 days for France and Germany and 30–90 days for the U.K.[54]

The frequency of naval operations in the Baltic was increased, too, mainly involving Standing NATO Maritime Groups (SNMG) and Standing NATO Mine Countermeasures Groups (SNMCG), which also operate in the Atlantic. The Baltic Air Policing mission was expanded from four to eight jets on patrol (in the early stages it was to be 16 fighters) and also further allied—mostly U.S.—aircraft are periodically deployed on the Eastern Flank. The U.S. also has been investing in improving some airfields in Europe, including in Iceland where P-8 anti-submarine warfare aircraft are deployed on a rotational basis since 2017. Both Norway and the U.K. plan purchases of this aircraft.

The number of all NATO and NATO-linked exercises increased from the initially planned 80 in 2014 to 246 in 2016, with greater emphasis placed on collective-defence scenarios. The largest exercise to date on the Alliance's Eastern Flank was *Anaconda-2016* (31,000 troops), hosted by Poland, and on the Northern Flank it was Norway's *Cold Response*, held in the same year (15,000 troops). *Baltops*, the allies' key exercise on the Baltic (over 50 ships and 55 aircraft in 2017), has increasingly involved high-intensity operations. NATO also is continuing *Dynamic Mongoose*, an annual anti-submarine warfare drill in the North Atlantic (16 naval units, and eight aircraft in 2017). In 2018, the next *Trident Juncture* exercise will be held with NRF participation in Norway (expected size: 35,000 troops). It was preceded by the command post exercise *Trident Javelin 2017*, during which—for the first time in nearly 20 years—NATO simulated an operation that involved three corps (100,000 troops).

The joint exercises also provide a major mechanism for tightening NATO and Alliance members' cooperation with Sweden and Finland, the nearest key partners of the Alliance in the Nordic-Baltic region. These two countries already strongly collaborate with the U.S., which has been increasing its presence in Swedish and Finnish manoeuvres, such as air force drills or *Aurora 2017*, Sweden's largest post-Cold War exercise, which included the defence of Gotland (over 20,000 troops, including 1,300 from the U.S.). NATO has been engaged in close political consultations with the two countries, which also signed agreements on host-nation support (HNS), opening the way to the deployment of allied forces on their territory (potentially also during military operations).

In giving thought to the requirements of a quick reaction to a crisis, especially in the Nordic-Baltic region, NATO has finally began strengthening its command

[54] M. Shurkin, *The Abilities of the British, French and German Armies to Generate and Sustain Armored Brigades in the Baltics*, RAND Corporation, 2017.

structure. Based on decisions taken in 2017, the Alliance will create one command for the Atlantic and another one to help strengthen logistical functions and improve the movement of military forces across Europe. These changes were preceded by upgrades of the NATO Force Structure (NFS). In 2015-2016, the Alliance established in Poland and the Baltic countries four NATO Force Integration Units (NFIUs) tasked with enabling NRF deployment and coordinated by the Multinational Corps Northeast Headquarters (HQ MNC NE) in Szczecin, Poland, which, following increase of its readiness level is now responsible for command and control over land operations in the Baltic basin up to five divisions. In addition to that and based on a Polish unit in Elbląg, the Headquarters of the Multinational Division Northeast (MND NE) was inaugurated to coordinate battalion-size EFP battlegroups. The U.S. also relocated to Poland its division-level command unit in 2017, and NATO drew more detailed defence plans (GRPs) for certain areas, including Poland, Norway, and the Baltic states.

The Importance of Energy Infrastructure to the Region's Security

The Nordic-Baltic region is home to energy infrastructure of strategic importance for both Russia and NATO member states. Located in the region's southern part—the Baltic Sea basin—are Poland's LNG terminal in Świnoujście and oil terminal in Gdańsk, a floating LNG terminal in Lithuania. In planning are successive strategic components (including Baltic Pipe to pump Norwegian gas) that will also serve the gas market of the entire European Union (North-South Corridor). Importantly, Poland and Lithuania import LNG, including from Norway, and their terminals can supply the needs of neighbouring countries. Projects of key importance for Russia are the Nord Stream pipeline to Germany and the planned Nord Stream 2. Large LNG carriers heading for countries in the region (Poland, Lithuania) pass through the Danish Straits, near where Baltic Pipe will be laid. The straits are also crucial for Russian oil exports. In 2016, about 38% of Russian oil was shipped from two of the country's Baltic ports, Primorsk and Ust-Luga (sea transport accounts for 82% of Russia oil exports).[55] One indication of the significance of the Danish Straits is they are listed by the U.S. Energy Information Administration as one of the world's oil transit chokepoints "critical to global energy security."[56]

Also located in the region are considerable gas and oil fields off the Norwegian coasts, on the North, Norwegian and Barents seas. The oldest and best explored pumping region is the North Sea. The Norwegian Sea fields were developed later and they still hold much production potential.[57] One such field is Johan Sverdrup, counted among the largest-ever fields discovered on Norway's continental shelf, where production is expected to launch towards

55 "Russia," Energy Information Administration, www.eia.gov.

56 "World Oil Transit Chokepoints, Russia," Energy Information Administration, www.eia.gov.

57 "Activity per sea area," Norwegian Petroleum.

the end of 2019.[58] The Barents Sea has great prospects, with potentially more than half of the undiscovered resources, but it is also situated near the border with Russia—delineated in 2010 after 40 years of negotiations—and close to the Kola Peninsula.

Russia's strategic energy infrastructure links it to the West along an east-west axis and given that it is (or was) co-financed by Russian and European entities should provide Russia with a kind of "insurance policy" in case of a conflict (the Nord Stream pipeline). The very existence of this infrastructure and its importance for Russian gas exports to Europe should, on the one hand, discourage Russia from escalating a conflict with countries in the same energy network, but on the other, it provides an added instrument of Russian pressure on NATO not to escalate a political-military conflict provoked by Russia.

Meanwhile, the strategic energy infrastructure of the Baltic states—members of NATO and the EU—adds to their energy security and gas-market development, but at the same time it increases their vulnerability to a Russian attack, whether conventional or hybrid. Facilities such as Poland's and Lithuania's LNG terminals and land elements of the Estonia-Finland pipeline are within range of Russian precision-guided missiles, including shorter-range systems (e.g., Iskander). The energy infrastructure in Norway (e.g., the LNG terminal in Hammerfest), Denmark (Baltic Pipe), and the North Sea is exposed to attacks by Kalibr missiles, by missiles launched from medium- and long-range bombers, and by land-based systems developed in violation of the INF Treaty. The potential purpose and consequence of such attacks would be to destabilise the political, social, and economic situation of the affected countries, and obstruct their military operations (defence of territory, support for allies). If not neutralised in time, the A2/AD capabilities would pose a threat to sea-borne LNG transports in the Baltic, while Russia's submarines and aircraft would threaten North Atlantic traffic.

More than that, Russia, in taking steps against the energy infrastructure of NATO members/partners and seeking to undermine the Alliance's cohesion and credibility, could actually do this while remaining below the threshold of open aggression. All the region's energy infrastructure, no matter where, is increasingly exposed to cyberattack, which might result in power cuts and major disturbances of the entire energy system. Massive cyberattacks against Ukraine's energy infrastructure were already conducted in December 2015 and a year later. It also cannot be ruled out that operations resembling the deployment of "little green men" to Crimea may be conducted by Spetsnaz assigned to the Northern and Baltic fleets to attack cargo vessels and/or offshore platforms. As signalled by NATO commanders, Russia has also been increasingly active around undersea telecommunications cables, including in the North Atlantic.[59] Cable-cuts could potentially be used to interfere with energy infrastructure, and as has already been practically demonstrated, the Russian armed forces are capable of meddling with other countries' energy security without directly resorting to the

[58] J. Sverdrup, "Statoil," www.statoil.com.

[59] M. Peel, D. Bond, "Nato sounds alarm on Russian submarine activity," *Financial Times*, 22 December 2017, www.ft.com.

use of force. In 2015, Baltic Fleet vessels several times disrupted the laying of the NordBalt power cable between Sweden and Lithuania.[60]

Meanwhile, when it comes to energy policy, countries in the Nordic-Baltic region cannot expect to receive as much widespread and multi-pronged international support for their security as in the military dimension, which has been considerably strengthened by NATO and through bilateral arrangements by the United States. Despite being aware of the interdependence between the region's security and its states energy policy, NATO's capacity to beef up energy security is limited (this issue was assigned more attention by the Alliance only after the Riga Summit in 2006). Successive declarations and releases place an emphasis on the key importance of that which lies in the purview of member states: stable and dependable energy supplies; the diversification of transport routes, suppliers and sources; and, an extended system of energy-network connections. By 2010, three key tasks for the Alliance itself were formulated.

First, NATO seeks to "enhance strategic awareness of the security implications of energy developments."[61] This includes consultation within the Alliance and with the participation of partner states and other international organisations, especially the EU and the International Energy Agency (IEA). The allies also share intelligence, including on the security of critical energy infrastructure and transport routes; and NATO's analytical, training and educational capabilities have been strengthened, as reflected, for example, in the 2013 launch of the NATO Energy Security Centre of Excellence in Lithuania.

The next task for NATO is to "support the protection of critical energy infrastructure."[62] So far, however, the main thrust has been on the exchange of good practices with partners, to bolster the security of their networks and installations. Direct NATO action in the field would involve the use of naval forces to protect transport routes, but such measures have mostly been confined to the Ocean Shield operation (2009–2016), which fought piracy off the coasts of Somalia. The third task for the Alliance is to "enhance energy efficiency in the military," so in the armed forces of its members.[63]

Starting in 2016, the fourth area of NATO's direct involvement with energy security was added, focused on "enhancing the resilience of energy infrastructures" of member states and their publics to military, non-military, and hybrid-warfare threats.[64] The challenges are to ensure speedy movement of allied forces and their full access to indispensable infrastructure, and to be able to anticipate, identify, mitigate, and recover from hybrid attacks with minimum disruptive impact on the Alliance's social, political, and military cohesion.[65] Resilience requires that member states take proper care of civil preparedness, which is hardly

[60] D. Crouch, "Lithuania accuses Russia of disrupting work on Baltic power cable," *Financial Times*, 2 May 2015, www.ft.com.

[61] See: "NATO's role in energy security," 22 June 2016, www.nato.int.

[62] *Ibidem*.

[63] *Ibidem*.

[64] *Ibidem*.

[65] J. Shea, "Resilience: a core element of collective defence," *NATO Review*, 2016, www.nato.int.

a new challenge for NATO, but given the complexity of today's threats, stronger and wider efforts are needed. In accordance with the commitment to enhance resilience taken at the Warsaw summit in 2016, the allies should strengthen civil preparedness and enhance national resilience to assure the continuity of government, essential services and the security of critical civilian infrastructure and civilian support for military forces (including energy, transportation, and communications resources).[66]

"Resilient energy supplies" are among the seven baseline requirements to which the allies committed themselves at Warsaw. The Alliance has worked out detailed instructions, criteria, and tools for member states to conduct a self-assessment, discover weaknesses and make corrections. These concern, for example, planning for post-disruption restoration of transmission lines, identifying and prioritising key supply-chain interdependencies, signing up private contractors, and exchanging information. At a member state's request, NATO may send an Advisory Support Team for strategic and planning consultations. In 2018, a civil preparedness review will be conducted, and it is possible that issues related to energy security may be considered for capability-development purposes within the framework of the next cycle of the NATO Defence Planning Process (NDPP), to be launched in 2019. Energy security aspects are being introduced by the Alliance into its exercises (including with the participation of decision-makers) and planning.

As for the EU, it was perceptibly confronted with the question of excessive and asymmetric dependence on Russian supplies of energy resources only after the 2004 enlargement. This dependence is particularly obvious on the gas market, its transmission network having for years been oriented to the dominance of the largest supplier, Gazprom. Although the question of energy security was indeed taken up in strategy documents, it was mostly in the context of economic availability and not the security implications of dependency on one supplier. For this reason, the instruments placed at the EU's disposal are of a legal, economic, or infrastructure nature, their purpose being to create a smoothly functioning internal market for energy. In the opinion of EU institutions, the marketisation and de-politicisation of gas imports is to be achieved precisely by means of an adequately operating EU market, enforcement of competition law, and the promotion of this regulatory model outside the EU.[67] Those instruments, though, are by no means optimal, even despite the EU's unquestionable advantage provided by the size of its market. And the political and financial tools available to the EU are in fact poorly developed.

Like NATO, the EU has since 2014 been taking resilience strengthening measures, where energy security also has its place. New EU-level regulations have been passed to take care of gas supply security and transparency of agreements with third-country suppliers. Energy issues are also taken up in the Joint Framework on countering hybrid threats, adopted in 2016 by the European Commission and the High Representative. The 2006 European Critical Infrastructure Programme (ECIP) took a comprehensive

[66] "Commitment to enhance resilience," 8 July 2016, www.nato.int.

[67] A. Gawlikowska-Fyk, Z. Nowak, L. Puka, *The EU Gas Game: Time to Redefine the Rules? Case Studies of Russia and Norway and Lessons for the EU, Norway and Poland*, PISM Report, August 2015, www.pism.pl.

approach towards enhancing resilience to various kinds of threats and risks, including support for governments and private sector contractors, e.g., in the form of expert assistance and exchange of insight and good practices. A subsequent directive (2008) established a procedure for identifying and designating European critical infrastructures and a common approach for assessing the need to improve their protection. Then, in 2016, the Directive on security of network and information systems (NIS) set cybersecurity standards for providers of essential services (including in the energy sector), imposed an obligation for member states to set up Computer Security Incident Response Teams (CSIRT), and provided instruments to coordinate cooperation in the field. In addition to that, the 2016 Joint Framework provides for defining effective procedures to respond to hybrid threats and examining the applicability and practical implications of the solidarity clause (Article 222 TFEU) and the mutual defence clause (Art. 42(7) TEU) in such instances.

NATO's and the EU's approaches to energy security are largely complementary, but there are also areas where their competences overlap. This creates room for in-depth collaboration, with a view to reaching synergies and avoiding duplications. In accordance with a joint declaration by the president of the European Council, the president of the European Commission and the Secretary General of NATO, issued on 8 July 2016, the practical cooperation between the EU and the Alliance will include a focus on hybrid threats, through information/intelligence sharing and coordination on response procedures and exercises. Both organisations will also be comparing their civilian preparedness activities and make joint risk assessments, including about energy aspects. The goal of improving energy security will be served by a further tightening of NATO-EU cooperation and coordination on cybersecurity. The EU traditionally concentrates on civilian and business dimension of security in cyberspace (NIS directive, combating crime, etc.), but it has also been strengthening the cyberdefence component, where the main motive is to protect its autonomous missions and operations. The Alliance, on the other hand, focuses on the military dimension of cybersecurity. Along with protecting its own networks, NATO has since 2016 been strengthening member states' capability to conduct more complex operations (e.g., by setting up a centre for cyberspace operations), and since 2014, it also has recognised the possibility of invoking Article 5 in response to cyberattacks. Given their catastrophic potential, especially a cyberattack against critical infrastructure (with strategic energy infrastructure the key element) might be enough to trigger Article 5, although the Alliance purposefully left ambiguity there to deter potential adversaries.

It is precisely in strengthening the cybersecurity of equipment and facilities of strategic importance for energy supplies (including gas) where the potential for EU-NATO cooperation is the greatest. As demonstrated by the cyberattacks against Ukrainian electricity and energy networks, the effective paralysis of infrastructure of key importance for a state's functioning can be conducted using relatively simple tools. Such attacks, as elements of hybrid warfare, have been gradually drawn to the attention of both the Union and the Alliance. Their collaboration in this field may develop at a fast pace, drawing on their member states' strong will to formulate effective instruments to counter these kinds of threats.

Poland and Norway: Building Common Security in the Region

Poland and Norway are the countries of key importance for building the Nordic-Baltic region's energy security in each of its dimensions—political, military and energy. Regardless of their differences in territory, population, economic structures, history or strategic culture, there are many areas where the two partners have interests that are either convergent or complementary. For this reason, Poland and Norway can and should play a leading role in building regional security. Specifically, they should emphasise the consequences of energy policy on regional defence and, most importantly, how the credibility of NATO's deterrence and defence posture is affected by the growing gas-supply cooperation with Russia and the development of strategic energy infrastructure.

Convergent Perception of the Threat from Russia

The strategic goals of Russia directly affect the security of both Poland and Norway. The two countries have similar interpretations of the threats that arise from Russia's policy to restore to itself a sphere of privileged interests in a large portion of the Nordic-Baltic region. By attacking Georgia in 2008 and annexing Crimea in 2014, Russia breached fundamentals principles of the Helsinki Final Act, signed in 1975, in which signatory states undertook to respect the sovereignty, inviolability of borders, and the territorial integrity of the other states. Defence of these principles is in the vital interest of Poland, whose borders were changed after World War II. For Norway, respecting these principles is key to its exercising sovereign control of Svalbard and lowering the risk of reigniting a sea border dispute with Russia.

Both countries oppose the Russian actions by supporting an open-door policy in NATO and the EU, where membership is open to all willing applicants who meet entry criteria. If this policy were abandoned, that would not only mean leaving Georgia and Ukraine within Russia's zone of privileged interests but also could have adverse consequences on the security of Finland and Sweden, countries that remain less exposed to Russian political-military pressure when keeping their membership options open.

Certain differences emerge when it comes to assessing Russian threats in the strictly military dimension. Poland's latest strategy documents do not conceal that the growing importance of military force in Russian policy may prove to be a direct threat.[68] Furthermore, uncertain as to the direction of Russian foreign and security policy evolution, Poland has since its NATO entry been striving for a more balanced deployment of allied infrastructure among "old" and "new" member states, which, by stressing the same security status of all, would send a deterrence signal to Russia. Meanwhile, Norway has invariably declared not seeing any direct military threat to its territory from Russia. The Cold War framework of Norway's strategic thinking (continued after 1991) involved a certain military self-restraint, such as in the deployment of allied forces, exercises, or storage of U.S. nuclear weapons on Norwegian territory to not provoke Russian aggression. This framework was largely kept in place after the Cold War, with Norway, for example, refraining from conducting exercises in the Finmark region along the Russian border up until very recently. At the same time, though, Norway sought to bolster NATO's deterrence and defence posture and enhance the Alliance's political cohesion to ensure that its response to a crisis would be quick and mutually supportive. Thus, the concept of reassuring Russia was offset by Norway's policy line of seeking to strengthen the Alliance and engaging in a strategic partnership with the U.S., the most important factor in deterring Russia from aggression towards Norwegian territory. In this respect, Norway's efforts within NATO have been in line with the Polish priorities. Norway spoke in favour of restoring the Alliance's preparedness to defend NATO territory back in 2008, at a time when allied resources and attention

[68] "Koncepcja obronna Rzeczypospolitej Polskiej [Defence Concept of the Republic of Poland]," Ministerstwo Obrony Narodowej, 2017, www.mon.gov.pl.

were fully absorbed by the ISAF mission to Afghanistan and when Russia was perceived as an indispensable partner in combatting international terrorism.

Following the 2014 Russian aggression against Ukraine, the Polish and Norwegian assessments of the region's military situation were brought closer together. Even if unwillingly acknowledged in public by most of the country's politicians, Norway has been forced to note in its planning that Russia might take military operations against it, whether as part of a broader confrontation with NATO or in a bilateral conflict, especially over control over the Svalbard archipelago or other regions, key for mining resources from underneath the seabed. The link between Poland and Norway derives from the mechanism that would drive a hypothetical NATO-Russia conflict horizontally escalating between the two main parts of the Nordic-Baltic region: the Baltic Sea, and the Norwegian/Barents seas. If Russia were to provoke a conflict with the Alliance, such as in the Baltic states, then, in line with its perceptions of threats and military doctrine, Russian military operations should be expected throughout the Nordic-Baltic region. Russia would most likely demonstrate readiness to use its A2/AD systems, not only at Kaliningrad but also on the Kola Peninsula, to enhance the protection of its strategic nuclear forces stationed there, thus restricting the Alliance's room for manoeuvre in Norway and its neighbourhood. Russia could also seek to cut off North Atlantic communication lines, using submarines and its maritime air force, to obstruct U.S. support for Europe. An attempt to capture part of Norwegian territory (Finmark) should not be ruled out, either, the motive being to ensure unrestricted Norwegian Sea operations for the Russian navy and air force.

This is how the security situation on NATO's Eastern Flank, near Russia's borders with Poland and the Baltic states, has a direct impact on the security of Norway. The Russian exercise *Zapad 2017* and the accompanying war games demonstrated that in the event of a conflict with NATO, Russia would regard the whole Nordic-Baltic region, including the Barents Sea and Kola Peninsula, as a single operational theatre. While the likelihood of a conflict breaking out over Russian interests in the Far North is still fairly low, the risk of incidents or provocations that subsequently escalate will increase in lockstep with the region's growing strategic importance for Russia, whether in economic terms (transport routes, raw material deposits) or with a view to ensuring security for its Northern Fleet and access to the Atlantic for its warships.

Similar assessments by Poland and Norway about the evolution of the Nordic-Baltic region's security situation have led them to accelerate efforts towards modernisation of their armed forces. Poland plans to increase defence spending to reach 2.5% of GDP by 2030, and to expand its armed forces, including the formation of territorial defence units with a target strength of 53,000 personnel. Poland also wants to purchase armaments that would allow it, at least in part, to respond to Russia's military advantage in the region, including a medium-range air- and missile-defence system, submarines equipped with cruise missiles (Poland already purchased JASSM/JASSM ER cruise missiles for its F-16 fighters), rocket artillery, attack helicopters, modern tanks, and, potentially, fifth-generation fighter aircraft. Norway, too, has been increasing

its defence budget (reaching 1.6% of GDP in 2017) and has been rearming its forces under the 2016 Long-term Defence Plan—ordering fifth-generation fighter aircraft (F-35), five maritime patrol aircraft, and four submarines.

Towards Closer Energy Cooperation

The main threat to the security of the Nordic-Baltic region comes from Russia's foreign and defence policy. This is where Poland and Norway hold convergent views, but in the field of energy they differ in terms of the pattern of their relations with Russia. Polish-Russian relations are highly asymmetrical (it is an importer-exporter relation), which is greatly influenced by geopolitical and historical factors. On the other hand, the case of Norway and Russia is one of (limited) competition between two suppliers, both enjoying a strong position on the European market.[69] Their interests tend to be similar, with both exporters taking care of the security of demand and terms of shipments to the EU. But unlike Russia, distorting market and even resorting to energy extortion, Norway has for years championed transparent market mechanisms in gas trading and has embraced the requirements of the EU energy market (complying with its rules when disputes arose).[70]

The Norwegian policy towards Russia has traditionally focused on lessening tension, thus leaving room for economic cooperation (without losing awareness of the threats). The country's priority is to collaborate in the Far North, where stability is crucial for the hydrocarbons- and fishery-based Norwegian economy. In the case of Poland, an importer country, the shipments of hydrocarbons are viewed as an element of "hard" security.[71] In the past, these differences held back Polish-Norwegian dialogue and cooperation on energy. But following the Russian aggression against Ukraine, and especially in response to Russia's increased military activities on NATO's Northern Flank, Norway is changing its perception of Russia in the energy field.

After the end of the Cold War, Norway was engaged in energy cooperation with Russia, seeing it as a way of complementing the Cold War concept of reassuring and deterring that country. The Norwegian company Statoil worked with two leading players in the Russian fuels sector, Gazprom and Rosneft, partnering with the former in developing the Shtokman strategic gas field (in 2007–2012 as one of two Western companies involved), and collaborating since 2012 with the latter on access to Norway's leading-edge offshore

[69] J.M. Godzimirski, "Strategie energetyczne Rosji i Norwegii: podobieństwa i różnice" [Energy strategies of Russia and Norway: similarities and differences], *Polski Przegląd Dyplomatyczny*, no. 4 (66), 2012, pp. 43–70.

[70] A. Gawlikowska-Fyk, Z. Nowak, L. Puka, *op cit.*

[71] J.M. Godzimirski, "Energy Security and the Politics of Identity," in: *Political Economy of Energy in Europe: Forces of Integration and Fragmentation*, Berliner Wissenschafts-Verlag, 2009, pp. 173–208.

technology.[72] Also, Russian companies are present on the Norwegian Continental Shelf, which, however, does not prevent Norway from effectively competing with Russia on the EU gas market.[73] Back in the 1990s, Statoil wrestled from Gazprom a 30% share of the gas market in the Czech Republic. After 2000, it supplied small amounts to Poland. Then in 2014, the company became a supplier of LNG to the Lithuanian terminal in Klaipėda (which is owned by another Norwegian company, Hoegh).[74] In 2015, Statoil began shipments to the Polish LNG terminal in Świnoujście and joined preparatory work on the Baltic Pipe project, which is expected to supply Poland with 10 bcm of gas a year. Statoil is also a major gas supplier to Ukraine, which seeks to use this connection to lessen its dependence on gas imports from Russia.

Table 2. Share of EU gas imports (%)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Russia	34.6	33	32.1	31.2	27.6	26.8	28.3	27.8	32.4	29.7	29.4
Norway	20.2	21.7	23.3	23.7	24.5	22.9	22.1	24.9	23.6	25	25.9

Source: Eurostat

Poland has long been dependent on Russian gas imports and, consequently, absent alternative supply sources, exposed to Gazprom's pricing dictates and possible extortion in negotiations. In addition to that, Gazprom and the Russian government have for years backed non-transparent interests and intermediaries in the gas trade (such as EuralTransGaz, RosUkrEnergo), which invited corruption, affected transaction transparency and reliability, and weakened the strategic resilience of countries impacted by the Russian practices.[75] Poland accelerated its push to diversify its gas supplies in the aftermath of Russia's aggression against Ukraine, seeing it as the best way of reducing exposure to Russia's energy extortion (a prospect that could never by dismissed). And this is the level at which the Polish and Norwegian approaches to Russia begin to coincide, given that Russia is now perceived in Norway more as a strategic challenge than a long-term partner.[76]

[72] I. Øverland *et al.*, "Rosneft's offshore partnerships: the re-opening of the Russian petroleum frontier?," *Polar Record*, vol. 49, no. 249, 2013, pp. 140–153; see also: www.statoil.com/en/where-we-are/russia.html.

[73] L. Grigoriev, A. Golyashev, "Razvitiye konkurrentsii na gazovykh rynkakh, Moscow: Analiticheskii tsentr pri pravitelstve Rossiyskoy Federatsii," Analiticheskiy tsentr pri pravitelstve Rossiyskoy Federatsii, 2016.

[74] L. Puka, "The Paradox of a Stable Supplier: Norway in the European Union's Gas Strategy," *PISM Bulletin*, no. 122 (717), 13 October 2014.

[75] H.A. Conley *et al.*, *The Kremlin Playbook: Understanding Russian Influence in Central and Eastern Europe*, CSIS and CSD and Rowman & Littlefield, 2016.

[76] "NOU 2016: 19 Samhandling for sikkerhet—Beskyttelse av grunnleggende-samfunnsfunksjoner i en omskiftelig tid" [Collaboration for security—protection of basic social function at a time of change], Norwegian Ministry of Defence, 2016.

In the energy dimension, this translates into Statoil's more robust presence on CEE markets, which weakens the traditionally dominant position of Gazprom. Norwegian energy resources began to be treated as a strategic asset, not only as a source of revenue to keep up the Norwegian welfare state model (which, formally, is still the overarching goal of Norway's economic policy[77]) but also as a trump card to be used in the event of a crisis to get the backing of allies, many of whom are importers of Norwegian energy resources. This is stated in plain language in a 2016 security analysis by the country's ministry of defence, in which it emphasises the energy sector's economic and strategic importance and states clearly that Norwegian interests are closely linked with the interests of the importers of Norwegian energy. The document, which provides a starting point for work on amending the country's 1998 security legislation, states that an interruption or reduction of Norwegian gas shipments to an importer country may badly affect the latter's capacity to function.[78] It can thus be assumed that Norway expects the importers of its gas to take interest in, and commit themselves to, the Norwegian security situation, especially in a crisis. This emphasis on Norway's own responsibility for the security of other countries may lead to stronger protection of critical infrastructure of importance for material hydrocarbon shipments.

Another area where Poland's and Norway's previously divergent concepts are slowly being brought closer together is in the approach to critical energy infrastructure. Poland views this infrastructure, whether domestic or regional, not only in economic terms but also (perhaps, primarily) in terms of security. This is reflected in Polish strategy papers: the Concept of Defence of the Republic of Poland of 2017 recognises the security of critical infrastructure as a challenge;[79] the proposed Strategic Concept of Maritime Security of the Republic of Poland[80] counts excessive dependence on Russian gas supplies and Russian infrastructure among the main threats in the Baltic region, and it tasks the Polish Navy with ensuring the continuity of supplies (especially by protecting the LNG terminal in Świnoujście, Naftoport oil terminal in Gdańsk, and the Baltic Pipe project); and the National Critical Infrastructure Protection Programme states that disruptions in gas supplies may be caused by "unfavourable developments in the international environment," by physical and cyberspace attacks on IT networks and systems, and by hybrid warfare.[81]

In Norway, meanwhile, energy infrastructure has yet to be defined as part of national critical infrastructure, and as such is not subject to special protection. This may change in the course of ongoing work to write a new version of the Security Act (*Sikkerhetsloven*), to be made law in 2018, where the emphasis is placed on the protection of not only individual items of infrastructure but also the entire

77 *Ibidem*, p. 115.

78 *Ibidem*.

79 "Koncepcja obronna Rzeczypospolitej Polskiej," *op. cit*.

80 "Strategiczna koncepcja bezpieczeństwa morskiego Rzeczypospolitej Polskiej" [Strategic Concept of Maritime Security of the Republic of Poland]" BBN, 2017, www.bbn.gov.pl.

81 "Narodowy program ochrony infrastruktury krytycznej" [National Programme for Protection of Critical Infrastructure], RCB, 2015, http://rcb.gov.pl.

infrastructure of particular sectors.[82] Both segments of the Norwegian energy sector—oil/gas (*petroleum*) and electricity (*kraft*)—are defined as being of key importance for the state's economic security, and their smooth operation is among the top priorities for government to pursue. The protection of energy infrastructure, wholly and in its individual elements, is also viewed in the broader context of protecting IT systems.[83] In peacetime, the responsibility for the smooth operation of these systems is delegated to various institutions in charge of certain sectors,[84] but in a crisis or conflict, the armed forces can also be involved. This is because in a crisis the armed forces could not perform their duties satisfactorily if important elements of critical infrastructure were disabled.[85] Consequently, Norway's current planning documents count the protection of various elements of critical infrastructure among the tasks assigned to the country's armed forces.[86]

Defence and Security: Areas for Closer Cooperation

Convergent perceptions of the Russian threat in political terms, very similar views on the military dimension of the Nordic-Baltic region's security, and the operational link between the Baltic Sea and the Far North, as well as the complementary (even if different) interests in energy policy towards Russia, put Poland and Norway in a position to undertake an array of measures aimed at the enhancement of regional security in both its energy and military dimensions. They also are well suited to promote a better understanding of the junction between energy and defence in the region.

Working together, Poland and Norway could jointly change the energy situation of not only many of the countries in the Nordic-Baltic region but also the entire CEE. In pursuing these ambitions, the proposed Baltic Pipe will play a central role. Its significance transcends the objectives of diversifying Poland's gas supply sources and capturing new markets for Norway. Poland's geographical location and opportunities to pump gas to the east and south of the country deepens the project's importance for the security of countries in and around the Nordic-Baltic region. Baltic Pipe's annual capacity is to reach 10 bcm,[87] roughly the equivalent of the present volumes imported by Poland

82 "Prop. 153 L (2016–2017) Proposisjon til Stortinget (forslag til lovvedtak) Lov om nasjonal sikkerhet (sikkerhetsloven)" [Proposed draft of State Security Act], Norwegian Ministry of Defence, 2017.

83 *Ibidem*, pp. 125–126; see also: "NOU 2016…," *op. cit*., pp. 102–103.

84 J.I. Botnan, R. Lausund, "Vurdering av forebyggende sikkerhet innen kraft, petroleum og luftfart sluttrapport til Sikkerhetsutvalget" [Assessment of protective measures in the electricity and energy sector and in aviation / final report for Commission for State Security], Kjeller FFI.

85 "Prop. 151 S. Kampkraft og bærekraft. Langtidsplan for forsvarssektoren," Norwegian Ministry of Defence, 2016, p. 19.

86 *Ibidem*, pp. 35, 50, 67.

87 "Project Baltic Pipe," Gaz-System, www.gaz-system.pl.

from Russia.[88] When coupled with the expansion of Poland's LNG terminal to increase annual throughput from the present 5 bcm to 7.5 bcm, the country will not only have more diverse supply sources but also will be able to re-export gas to the region's other countries, which for years have been dependent on imports from Russia. But for this to be achieved, Poland and its neighbours need interconnectors, the lack of which has hampered the development of the regional market.[89] Work is underway on the construction or expansion of connections to Lithuania, Ukraine, the Czech Republic, and Slovakia. It should be remembered that Baltic Pipe should not only improve energy security but also will influence market development and competition in the region. It is also the first newly built pipeline to import gas under the third energy package, unlike Nord Stream 2, whose promoters object to the application of EU law to their project.

Another area of Polish-Norwegian cooperation that may bring about a qualitative strengthening of regional security is in NATO adaptation to the threat from Russia. Since 2014, the Alliance has been taking important steps to adapt its structures and forces, but they need to be enhanced further in a coherent way. This requires greater attention to the interdependence of the different parts of NATO territory (including the northern and southern parts of the Nordic-Baltic region), as well as the cohesion of Alliance initiatives being undertaken in various dimensions (land, sea, air, cyberspace). It remains a challenge for NATO to increase the size of national follow-on forces that would have to be deployed to back flank-country forces, the NRF, and U.S. units. The NRF is too small and too slow to provide an adequate counter to a larger aggressor force in a single area, much less simultaneously in several places (such as on the Eastern and Northern flanks, the Black Sea), which may indeed prove necessary in a conflict with Russia and in a horizontal escalation scenario. Poland and Norway could bolster NATO adaptation by arguing that horizontal escalation and the movement of follow-on forces be considered in NATO operational planning and exercises to a larger extent, that it used to be the case. The same holds for the effort to counter A2/AD systems. Sticking to what is within reach, both Poland and Norway have been developing capabilities to neutralise these systems, which puts them in a position to play a leading role in discussions about adequate NATO responses, including generating and integrating indispensable offensive and defensive means. It is also in Poland and Norway's interest that Alliance naval forces be better adjusted to perform tasks such as protection of North Atlantic transport routes, the movement of forces, countering A2/AD, and potentially the protection of NATO member state energy infrastructure. In addition to the ongoing changes in NATO command structure, this requires that the allies assign a greater number of warships to directly participate in, or support, NATO standing naval forces. Wishing to back the pursuit of these goals, Poland and Norway could jointly promote a revision of the Alliance Maritime Strategy of 2011.

[88] "Spada import rosyjskiego gazu do Polski. Wypiera go LNG" [Russian gas imports to Poland on the decline, squeezed out by LNG]," *Wirtualny Nowy Przemysł*, 23 January 2018, http://gazownictwo.wnp.pl.

[89] B. Bieliszczuk, "Three Seas Initiative: Benefits for Regional Gas Markets and the EU," *PISM Bulletin*, no. 63 (1003), 30 June 2017.

The essence of Polish-Norwegian cooperation, however, should lie not so much in taking joint—yet parallel—measures in the fields of energy and defence as much as in seeking to combine these two dimensions of regional security, while not losing sight of their specific features. In complying with Community regulations and market rules, the measures taken in the gas sector, both bilaterally and at the EU level, should nevertheless point to the consequences that the shape of the market has on the overall security of the Nordic-Baltic region. This broader perspective is unlikely to disturb the market environment for gas projects but should help with understanding the security and defence consequences of member states' energy choices.

Cohesion in the NATO adaptation process, which is a shared interest of Poland and Norway, requires that energy issues be considered in all dimensions of allied activity. At the strategic (political) level, the impact of member states' energy choices on regional Nordic-Baltic security must be analysed in-depth and thoroughly understood to minimise the risk of divisions within NATO and a weakening of the allied capability to deter Russia (especially in the event of an escalating conflict). At the operational (military) level, it is imperative that an in-depth assessment be made of how NATO's ability to defend its member states in various conflict scenarios with Russia is influenced by the very presence of strategic energy infrastructure in the theatre, given the military significance of this infrastructure's elements and given the consequences that may arise from disruptions and/or cuts in supplies. For the credibility of NATO's deterrence and defence posture to increase, the Alliance must take note of the close link that exists in the Nordic-Baltic region between energy and security, both in its strategic and operational dimensions.

This report is part of the foreign policy and national security project titled "Nordic-Baltic Security in Times of Uncertainty: The Defence-Energy Nexus," which benefits from a €104,000 grant from Iceland, Liechtenstein, and Norway through the EEA and Norway Grants under the Bilateral Fund at National Level. The aim of the project is to provide recommendations for closer cooperation between Poland and Norway in security policy, specifically within energy and defence. It also creates a platform for Polish and Norwegian government officials, scholars, and experts to exchange knowledge, experience and ideas.

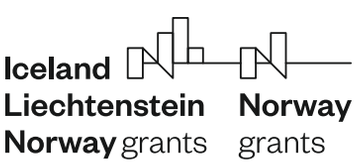
The EEA and Norway Grants represent the contribution of Iceland, Liechtenstein and Norway towards a green, competitive and inclusive Europe.

There are two overall objectives: reduction of economic and social disparities in Europe, and to strengthen bilateral relations between the donor countries and 15 EU countries in Central and Southern Europe and the Baltics. The three donor countries cooperate closely with the EU through the Agreement on the European Economic Area (EEA). The donors have provided €3.3 billion through consecutive grant schemes between 1994 and 2014.

For the period 2014–2021, the EEA and Norway Grants amount to €2.8 billion.
The priorities for this period are:
#1 Innovation, Research, Education and Competitiveness
#2 Social Inclusion, Youth Employment and Poverty Reduction
#3 Environment, Energy, Climate Change and Low Carbon Economy
#4 Culture, Civil Society, Good Governance and Fundamental Rights
#5 Justice and Home Affairs

Eligibility for the Grants mirror the criteria set for the EU Cohesion Fund aimed at member countries where the Gross National Income (GNI) per inhabitant is less than 90% of the EU average.

The EEA and Norway Grants scheme consists of two financial mechanisms. The EEA Grants are jointly financed by Iceland, Liechtenstein and Norway, whose contributions are based on their GDP. Norway Grants are financed solely by Norway.



Polski Instytut Spraw Międzynarodowych
The Polish Institute of International Affairs
ul. Warecka 1a, 00-950 Warszawa
tel. (+48) 22 556 80 00, fax (+48) 22 556 80 99
pism@pism.pl, www.pism.pl

ISBN 978-83-64895-93-7 (pb)
ISBN 978-83-64895-94-4 (pdf)