Recent Developments in Cooperative Energy Security

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Abstract: Sustainable development has acquired a legitimate place in discussions of energy development. The concept of cooperative energy security brings together a joint concern with the international environment and energy, with a focus on sustainable development. It is a progressive development of research into the sources of effective international environmental protection. What has made it possible for the energy industry to succeed today in historically the most difficult of circumstances (the Caspian Sea basin) is the qualitatively new phenomenon of strategic alliances amongst industry leaders that has emerged from the need to reply to the incredibly complex engineering tasks combining economic, political and social elements in a manner impossible to disentangle. Yet this notion of “strategic alliance” also describes, in the political realm, the traditional relationship conceived in democratic theory between a civil society and its government. Therefore, no “public-private partnership” but rather a three-way strategic alliance—amongst governments, industry and publics—is necessary today. The present articles reviews recent steps in that direction.

Sustainable development has acquired a legitimate place in discussions of energy since the U.N.–sponsored Johannesburg Summit on Sustainable Development (September 2002). It has been adopted not only by governments and civil-society groups but also by major petrochemical corporations. Yet as a conceptual approach, “sustainable development” has only recently begun to take energy into account. It has done so through the locutions of “energy for sustainable development” and “sustainable energy.” However, sustainable development itself requires broad participation, enhanced by open value-laden discourse. The policy concept of “cooperative energy security” provides this opening.

In this construction, room is allowed for civil-society and NGO/public participation in decisions. This appears easier to implement in some economic sectors of energy development and seems more difficult, the larger the sums of capital investment are required. The international oil and gas industry is a case in point. However, steps are beginning to be made in this direction. For example, the London-based International Institute for

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2 See, for example: Commission on Sustainable Development acting as the preparatory committee for the World Summit on Sustainable Development Organizational session (30 April – 2 May 2001), “Energy Transport: Report of the Secretary General,” p. 6, para. 33.
Environment and Development (IIED) has begun work in Kazakhstan specifically to promote such a goal.³


The concept of cooperative energy security is a progressive development of research into the sources of effective international environmental protection.⁴ It provides an entry-point for a rapprochement of the international environmental agenda with the international energy agenda. Cooperative energy security is an empirical category of analysis having normative content. The three necessary components of cooperative energy security are an investment-friendly financial climate, guarantees of secure transport and political stability. These are not together sufficient to provide cooperative energy security, which allows the extraction of resources and their transit to market for the benefit of all parties. However, they are necessary for such resources to be extracted and marketed and for such benefits to accrue.

These components represent “transparencies” of the three classical economic factors of production: land, capital and labour. First, the provision of secure transport means the transparency of land—which signifies geographical distance and therefore includes bodies of water—simply because transport occurs through and over land. Second, the transparency of capital signifies a similar lack of obstacles to foreign direct investment as it flows through the host country’s domestic legal and financial regimes, which must be conducive to those flows and tailored for that purpose. Third, the transparency of labour signifies political stability, without which there is no labour market: that is, without political stability, individuals do not have the necessary incentive structure to manifest socially as an aggregate labour force.

Each of these three transparencies also indexes one of the key stake-holders necessary to make cooperative energy security real: transparency of land invokes government, which is sovereign over it; transparency of capital invokes industry, which also can supply the means for investing it; and transparency of labour invokes the public sphere of civil society, whose members provide it. Each of these key stake-holders has, further, a particular strong point complementing other members of the triad:

- Industry’s strong point is to determine under what conditions alternative/renewable energy sources are a wise long-term investment.
- Government’s strong point is to manage political pressures for long-run transition to gas and alternatives/renewables whilst investigating their potential and in the meantime to increase the political and strategic security of transport routes and of energy provinces.

³ See Halina Ward, “Oil and Gas Contracts for Sustainable Development in Kazakhstan: Background Note and Key Issues” (London: IIED, April 2007); and Saule Ospanova (rapp.) with Halina Ward, “Report of a Round Table on Oil and Gas Contracts for Sustainable Development in Kazakhstan, April 18, 2007” (London: IIED, April 2007). I wish to thank Halina Ward for making these documents available ahead of their posting on the IIED website http://www.iied.org, where readers should be able to find them by the time the present article is published.

Publics’ strong point is to motivate revenue transparency so as to reduce corruption and abuse whilst ameliorating decision-making procedures by bringing additional high-quality expert information to the table. During the 1990s, unprecedented problems emerged around the projects to develop and bring to market the hydrocarbon energy resources of the Caspian Sea basin. Moreover, these problems were in significant cases solved. They were solved because each of the three stakeholders learned and applied lessons enabling them to cooperate more effectively for energy development in general and cooperative energy security in particular. Each of these three lessons expresses the solution to a problem of energy development that was first identified in research on the effectiveness of international environmental institutions.

- **What companies learned.** The first problem was that transnational corporations (TNCs) cannot do it alone. The lesson solving this problem, is that they need assistance; moreover, they know it. The need that follows from this, is to enhance the contractual environment, promoting the transparency and clarity of rules, thus helping to satisfy those needs.

- **What governments learned.** The second problem was that coercive unilateralism fails. The lesson solving this problem, is that states need more information and better evaluation of it. The need that follows from this, is to increase governmental concern, which in turn requires the strengthening of communities, not only of the state but also of social sub-units.

- **What publics learned.** The third problem was that intragovernmental politics do not always help. The lesson solving this problem, is that human resources must be better integrated into the policy process. The need that follows from this, is to build national capacity, which means *inter alia* increasing citizen participation and incorporating of specialized expertise into decisions, including, for example, but not only, environmental monitoring by local NGOs.

It becomes clear, in this manner, that to move in the direction of cooperative energy security with the participation of all three stakeholders—“tripartite strategic alliance,” “three-way strategic alliance” or “strategic triad”—represents nothing less than a constructive and synergistic rapprochement between the international environmental agenda and the international energy agenda. I return to this point and its significance in the conclusion.

### 2. Current Interpretations of “Cooperative Energy Security”

Of course, the phrase “cooperative energy security” occurs in natural human language without reference to the policy concept just introduced. It is nevertheless of interest and useful to trace the different connotations that it carries today in different circumstances, if only because the phrase is increasingly invoked in scholarly and policy literature. Here I will treat only relatively broad climates of opinion that are related to actual practice or policy of energy development and cooperation. Of these, there are four; they may be set out on a continuum between two poles. At one end of the continuum, the phrase “cooperative energy security” has begun to be used by North American opinion-leaders to signify intergovernmental cooperation based upon the “free market” and also the so-called “public-
private partnership” that excludes civil society. At the other, which predominates in Northeast Asia, the approach is to seek to construct not just the idea but the practical reality of a “cooperative energy security regime,” drawing explicitly on political-science “regime theory.”

The first interpretation mentioned is not taken from the concept as set out above, but it deserves note both because it uses the same terminology and because of its potential influence. Americans (but apparently no Canadians) use it to refer to the “free functioning” of markets. A relatively new and potentially influential policy study of American energy dependence urges the U.S. to

... take the lead in bringing newly important energy consuming countries like China and India into the network of cooperative energy security arrangements such as the International Energy Agency. The United States and others must persuade China that its energy security lies ... in developing a flexible domestic energy economy supported by a range of energy suppliers.

In this lexical field, the adjective “cooperative” appears to modify “arrangements” rather than “energy” or “security.” This emphasis reflects a national policy orientation seeking to extend market-based solutions. Given the American position in the ecology of the international energy market, this is to be expected: U.S. dependence on foreign energy imports is best satisfied by the widest possible open access and flexibility of supply, where producer countries have not locked down their own supply through, for example, long-term contracts with third parties (even if the global market for liquefied natural gas, for example, could not exist without such contracts). This view also seems more widely held in the microclimate of opinion “inside the (Washington) Beltway.” For example, at nearly the same time another high-level report on American energy security was published, with the recommendation:

The United States must do more to build a cooperative energy security environment with and among traditional allies and potential partners. Whether the issue is access to oil, nuclear nonproliferation, infrastructure protection, or climate change, a unilateral approach to energy security is doomed to fail.

This latter reference to a “cooperative energy security environment” has deeper implications than “cooperative energy security arrangements.” Not only is it more evident that “cooperative” modifies “environment” rather than “energy security,” but also “environment” is more comprehensive than “arrangements.”

A second sense in which the term is used refers to ententes arranged by inter-elite consultations over the heads of citizens, with quasi-national or para-governmental energy

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companies being represented virtually by their governments. In this spirit, after the Russia-EU-Ukraine energy crisis in early January 2006, Frank-Walter Steinmeier, the German Foreign Affairs Minister, argued that Europe must not allow “energy to become the currency of power in international relations” and consequently needs “a cooperative energy security strategy.” He continued:

A system of cooperative energy security must promote dialogue among energy producers, consumers, transit states and the private sector. … One priority must be to intensify EU relations with the most important producer, transit and consumer countries and build networks among them.8

In fact, Steinmeier’s comments in the International Herald Tribune were a redaction of his 28 February 2006 speech in Kyiv, in which context it was even clearer that, by invoking “consumers,” he was referring not to the individual consumers who are citizens of the countries concerned, but rather to states that import energy for domestic consumption. This context does not even imply that the industrial firms actually producing energy for export should be considered partners in a “cooperative energy security strategy,” but rather that the states of which those enterprises are the national champions should have that exclusive privilege.9 The instruments for this version of cooperative energy security would likely be an enhanced Energy Charter process and the reinforcement of the EU’s energy dialogue with Russia.10 However, other elements of a European cooperative energy security policy would have to include also enhanced energy efficiency and a sustainable energy and environmental policy, as well as a general policy of interstate cooperation.11

A third, evolving sense in which the term is used is at present percolating within the International Energy Agency. This formally politically neutral and analytical body has internally taken up the phrase “cooperative energy security” in reference not to the consuming countries but to the actual publics who are themselves the consumers. This invocation seems to have the effect of bringing elements of the market into the construction of producer-transit-consumer country networks, so as to vitiate the possibility of a state-motivated cartelization of the sector.12

Finally, the concept is being invoked most closely in the sense set out above, in the Northeast Asian theatre. Around the turn of the century, the academic literature focusing on Northeast Asia increasingly adopted the phrase “cooperative energy security” its discussions of

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10 Heinrich Kreft, “Geopolitics of Energy: A German and European View” (Washington, D.C.: Johns Hopkins University, American Institute for German Studies, [16 October 2006]). Kreft is Senior Foreign Policy Advisor to the CDU/CSU Parliamentary Group in the German Bundestag and Former Deputy Head of Policy Planning and Senior Strategic Analyst in the German Foreign Ministry.


12 Author’s interviews, also widely drawn upon without extensive attribution throughout this paper, varying from 1998 in New York to 2007 in Brussels and beyond.
interstate energy relations between the two Koreas, between Japan and China, and occasionally between Russia and China.\textsuperscript{13} It has also been used to refer to the prospect of energy pipelines between Pakistan and India.\textsuperscript{14} Often, the discourse is couched instead in terms of “cooperative energy development.” Although this latter expression would appear to encompass issues of sustainable development, in fact it does not. Nearly every usage I have found of the phrase “cooperative energy development” signifies bilateral governmental facilitation of energy-industrial expansion, not unlike Steinmeier's notion of a “system” of cooperative energy security. It does not include considerations of human and environmental security that are an integral part of the definition of “cooperative energy security.”\textsuperscript{15} However, the high-level and long-term “Energy Security and Sustainable Development in Northeast Asia” project of the Economic Research Institute for Northeast Asia (ERINA) appears to have taken up some ideas similar to the original policy concept if “cooperative energy security.”\textsuperscript{16} Thanks to ERINA’s work, what appears to be a slight variant on the EAOGA idea is even picking up steam in Northeast Asia.\textsuperscript{17}


The policy concept of cooperative energy security arose out of the public presentation of the idea to establish a EurAsian Oil and Gas Association (EAOGA), at a January 1995 conference in Helsinki.\textsuperscript{18} It first saw the light of day in print in a 1996 journal


\textsuperscript{15} Such considerations are nevertheless prominent in the practical work of such NGOs as the Indian-based Agency for Cooperation and Research in Development (ACORD). The Berkeley-based Nautilus Institute has also done such work in Northeast Asia. This is the closest I have found to the sort of dialogue of “tripartite alliance” including the community sector about energy and similar public-sector issues on the local level. In the case of ACORD, this involves grass-roots dialogue facilitation amongst hundreds of people, lasting sometimes weeks and representing all stakeholders. The Nautilus Institute’s work seems to have been more at the level of creating an elite-level “epistemic community.”


\textsuperscript{18} This international conference on “The Search for Cooperative Security among Russia, the NIS and the West” was organized under the auspices of the Office of President of Finland by the World Policy Institute with the cooperation of the Moscow State Institute of International Relations. Representatives from nearly all the newly independent states of the former Soviet areas, including Russia, as well as Western Europe and North
article published simultaneously in English and Russian, in Brussels and Tbilisi. This article carried the phrase “cooperative energy security” in its title, engaged in a certain amount of analytical narrative about prospects for it in the South Caucasus, and included with the suggestion for the establishment of “EAOGA.”19 This relatively obscure article had a real effect. Khozh-Ahmed Nukhaev, a Chechen figure variously described as a businessman, warlord and/or politician, made an extremely similar proposition at the Summer 1997 Crans Montana Forum, a sort of mini-Davos.20 A non-starter, the proposal nevertheless contained a few interesting variations, not the least of which was the idea of creating a Hanseatic-type league of cities in the South Caucasus that would undertake to promote commerce and cooperation, even in the absence of state sanction or endorsement. (Perhaps the most radical departure from the initial idea in Nukhaev’s proposed two-stage initiative explicitly provided that this so-called “Common Market of the Caucasus/Eurasia” would be created as a privately owned corporation backed by British capital.) Yet Nukhaev’s proposal bore all the essential hallmarks of the EAOGA proposal as published in Tbilisi in Russian in 1996: (1) explicit flagship-like reference to the European Coal and Steel Community as a precedent, (2) emphasis on multilateral financial cooperation with the project to establish a multilateral regional investment bank, (3) recognition of the need to harmonize national legislation on trade and investment with international payments mechanisms, (4) cooperation to proceed on a local and nongovernmental transborder basis without waiting for an all-encompassing framework to be agreed by the sovereign governments of states in the region and (5) priority given to the energy sector for development including its associated sectors of transport and telecommunications.

In response, I published an article in a Moscow newspaper pointing out the similarities with my own proposal and expatiating further on how the implementation cooperative energy security would complement Russia’s interests in the South Caucasus.21 At roughly the same time I spelt out for the first time in some detail my vision of EAOGA and how its potential special role in promoting Caspian-region development, security and cooperation in the petrochemical sector and beyond.22 There its three key differences from the ECSC became clear:

America, attended at ministerial levels. The EAOGA idea was not part of my original paper for the Helsinki meeting, but it was included in the speech based on that paper. As I was reading, in the airplane approximately over Denmark, an article in the Financial Times (20 January 1995) about the then-projected oil pipeline from western Kazakhstan across southern Russia to the Black Sea (eventually built by the Caspian Pipeline Consortium), it became clear to me that this was about natural resource extraction that really required a multilateral institutional for the purpose of assuring regional economic development after the end of a war – the Cold War. A multilateral institutional approach seemed appropriate, and the analogy of the European Coal and Steel Community (ECSC) immediately occurred to me. The Conference organizer, during a coffee break two days later, encouraged me to include it my oral remarks, so I did. A verbatim transcript from audio tape is at http://www.robertcutler.org/CES/ps95hel.htm.


1. EAOGA would be an association, not a community. This meant that not only governments but also transnational oil and gas companies would participate. Local political groups and even environmental groups, would be there from the newly independent states (NIS).

2. EAOGA would neither create an international bureaucracy like UNCTAD, nor seek to cede national authority to an international body as did the Law of the Sea Treaty. Rather than control natural resources or their extraction and sale, EAOGA would instead it would help establish the rules of the game.

3. EAOGA would not only promote international regimes for the development of energy resources, thus fleshing out the promise of the Energy Charter Treaty but also ensure that the national systems of banking, finance and legislation in the NIS would dovetail with international requirements.

The EAOGA idea therefore differed from two other ideas on the subject that circulated at about the same time. One of these proposed the creation an unspecified network of oil export pipelines stretching into Central Asia, to be managed by an international authority that would own and operate them.23 The practical difficulty with this notion was that the newly independent states of the region would not have looked favourably on the abnegation of territorial sovereignty that this implies. Worse yet, one could only imagine what the reaction in Moscow would have been to the idea (proposed by the West!) that some international authority should actually own any part of the existing Russian pipeline system or any new pipelines to be built. The other of those two initiatives advocated a spider-web of pipelines in the South Caucasus, although it avowed pessimism over the feasibility of maintaining the network’s physical integrity against saboteurs.24 More specifically, this second initiative would have constructed as many pipelines as feasible and distributed revenue not as a function of volume of oil produced or exported, but rather according to a predetermined pie to be divided. However, elementary analysis indicates why this second idea was not pragmatic: it offered every player the incentive to hoard, since the payoff is not a function of the amount produced or exported – the classic “free-rider” problem, except that everyone could be a free-rider.

The 1999 Global Governance article developed the actual components of cooperative energy security in practice, also making explicit its resonances with the study of multilateralism and learning in international relations theory.25 On that basis, the concept was applied as an independent construct in an analysis of Caspian region energy development as a substantive policy arena. An analytical review of events in the 1990s in the Caspian region revealed three principal problems in Caspian energy development, giving rise to the three lessons summarized in Section 1 above. These lessons were in fact representative examples from distinct categories of desiderata, and previous research on the effectiveness of international environmental institutions had already elaborated those categories, known as the “three Cs” (contract, concern and capacity), which are intimately connected with enhancing the effectiveness of international environmental institutions.


24 Paul A. Goble, “Light At The End Of The Tunnel?: Pipeline Politics In The Former Soviet Union.” Jamestown Prism 1, no. 23 (3 November 2995), pt. 2.

25 See note 2.
To repeat, the Global Governance article reached three conclusions that are broadly applicable beyond the Caspian region and beyond the petrochemical energy sector: (1) TNCs need help and any executive with any hope of surviving knows it, (2) states need more information and better ways to evaluate it and (3) the broader human resources in the region need to be better integrated into the policy process. Although these are now fairly commonplace truths, the interrelations were not sufficiently recognized and acted upon in the mid-1990s when the “cooperative energy security” concept began to take shape. In the Caspian region, this ignorance was expressed in the fact that the current, indeed still dominant, modus operandi amongst all state and most non-state actors has been to treat pipeline routes not as the essential necessity that they are, but rather as inducements to sign contracts that are bought where possible and extorted by political pressure where necessary.

In the first years of the new century, the convenor the Caucasus Task Force of the Brussels-based Centre for European Policy Studies (CEPS) thought that the EAOGA proposal was a bit ambitious to include in the report of a group whose remit was limited only to the Caucasus. Consequently, I suggested to him that the EU should promote the extension of any Caucasus cooperation to the Black Sea and Caspian basin regions generally. The Task Force’s report advocated EU backing for the establishment of a South Caucasus Community (SCC) on the basis of a Caucasus Stability Pact (CSP). The Black Sea Economic Co-operation (BSEC) organization was taken by the CEPS group to be a “growing security community” in which the CSP and subsequently SCC could be “naturally embedded.” This would occur as “spill-over” from the Pact itself, because the involvement of actors from outside the Caucasus is unavoidable in this knot of complex systems. The CEPS Working Paper suggested creating an energy forum within “BSEC-Plus” for discussion of technical issues as well as, and linked with, a general political forum. It considered the BSEC Business Council and BSEC Parliamentary Assembly as candidates for the development of these respective forums. At the same time, this would leverage their integration, with active European Union support, into broader co-operation within the greater Black Sea–Caucasus–Caspian area. In particular, it recommended that as “there exists no adequate forum for multilateral consultations on the complex issues of regional coordination of oil and gas development issues[, and whereas] negotiations of specific investments and contracts will of course be the preserve of the directly interested party, there could be value in a regular Black Sea–Caucasus–Caspian Energy Forum, under the auspices of BSEC,” adding that in order “to serve broader political needs there should be [in addition] a wider Black Sea-Caucasus-Caspian Political Forum (BSCC).” Thus was the EAOGA idea, with its corresponding basis of cooperative energy security, transformed within A Stability Plan for the Caucasus proposal, elaborated by the Centre for European Policy Studies.

In particular, the idea for an expanded forum building on the basis of the BSEC Business Council, projected to include countries not only of the South Caucasus and Black Sea littoral but of the Caspian Sea littoral as well, is a direct adaptation of the EAOGA idea. This proposal for a BSEC-based forum was subsequently adopted, intact, as a recommendation of the report by the European Parliament’s Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, concerning the EU’s relations with the countries of

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26 I was co-opted into the Task Force as an “External Collaborator” after a chance meeting in Brussels that turned into an afternoon-long three-way telephone seminar on South Caucasus affairs.

the South Caucasus. This has required a bit of time to begin to take off, but it has started to do so. The Interstate Oil and Gas to Europe (INOGATE) had provided an institutional umbrella agreement since 2001 but without much practical effect for quite some time. However, an energy ministerial conference held in Baku on 13 November 2004 nevertheless established the “Baku Initiative” as a policy dialogue aimed at enhancing energy cooperation “between the European Union and countries of the Black Sea, the Caspian Basin and their neighbours.”

It was agreed at Baku that the technical aspects of this cooperation would be coordinated by INOGATE, which has thus acquired an enhanced vitality, particularly as the Baku Initiative was followed two years later by another energy ministerial conference in Astana that agreed on a new “energy road map” setting out a “long-term plan for enhanced energy cooperation between all partners[, of which the] implementation will pave the way for a comprehensive legal and regulatory framework governing an integrated EU-Black Sea-Caspian Sea common energy market based on the EU acquis.” The participants in this declaration were Armenia, Azerbaijan, Belarus, Georgia, Iran (“political conditions permitting”), Kazakhstan, Kyrgyzstan, Moldova, Ukraine, Uzbekistan, Tajikistan, Turkey and Turkmenistan; Russia was present only as an observer. This amounts to nothing less than an agreement on a common energy strategy the EU and the countries of the Black Sea and Caspian region.

It is worth noting that the proposal in the CEPS working paper to establish a BSEC-based forum also received the specific support of the Foreign Minister of the Russian Federation in Bucharest at the 20 October 2000 (Third) Session of the OBSEC Council of Ministers of Foreign Affairs, leading to the establishment of the Caspian-Black Sea Forum, set up in early December 2001 during the “Oil and Security” roundtable organized by the Russian Social and Political Centre. The Centre’s deputy head Sergei Mikhailov also expressed the Social and Political Centre’s readiness to cooperate with other forums and groups, in particular the International Caspian Forum, established in late October 2001. This “International Caspian Forum” was established in late October 2001, motivated by the

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28 European Parliament, Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (Per Gahrton, rapporteur), “Report on the communication from the Commission to the Council and the European Parliament on the European Union’s relations with the South Caucasus, under the partnership and cooperation agreements” Doc.Ref. (COM(1999) 272 – C5–0116/1999 – 1999/2119(COS)), pp. 7–8, advocating enlargement of an eventual Caucasus Stability Pact (“it would of course be ideal if transport links were planned jointly with the involvement of all interested parties, e.g. in the context of enlarged Black Sea–Caucasus–Caspian Sea cooperation (the Black Sea–Caucasus–Caspian Political Forum) sponsored by the Black Sea Economic Council, in which the [European] Union, by virtue of its enlargement to include a number of Black Sea countries, will automatically become involved”) and explicitly invoking Recommendations 18–20 of the Executive Summary of the CEPS Working Paper.


30 On a not necessarily related but nevertheless interesting note, the phrase “Baltic–Black–Caspian Sea region” was used in the preamble of the Declaration of the Countries of The Community of Democratic Choice (Kyiv, 2 December 2005), text at http://www.mfa.gov.ua/mfa/en/news/detail/1341.htm.


Dagestan-based Russian Institute of Federalism, headed by Ramazan Abdulatipov. This Forum was organized for the Institute of Federalism, by the EastWest Institute think-tank, as an “international public organization of states of the Caspian region, which is aimed to favour security of people, improving the atmosphere of mutual understanding, business and investment climate in the region,” seeking to establish “legal, social-political, humanitarian and trade-economic base of multilateral cooperation of all interested sides.”

4. Non-governmental Organizations and Cooperative Energy Security

As from the early 1990s, many Western non-profit institutions and international organizations sought to induce the creation of non-governmental organizations (NGOs) in the former Soviet area as a way to inculcate “civil society.” Deficiencies in these policies became evident, and as a result many agencies and scholars conducted evaluative reviews of the social experiment. This short paper cannot strive to match those studies, but it is useful to look in particular at one of the most promising regions of the former Soviet area, from the standpoint of civil society development, and to ascertain briefly what has blocked the contributions of environmental NGOs to the development of national and transnational energy policy.

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33 “International Caspian Forum Is Established,” Caspian News Agency, 31 October 2001. In Derbent, where this organizational meeting was held, there participated “over 120 representatives from state bodies and non-governmental organizations of Russia, Iran, Azerbaijan, Georgia, Turkey, Kazakhstan and Turkmenistan, CIS Inter-Parliamentary Assembly, the Council of Europe, as well as large companies.” The full name of the organization was the “International Forum on Transfrontier Cooperation and Sustainable Development.” In late 1999 and early 2000 I was in close contact, on related matters, with the special assistant to the president of the EastWest Institute, and passed then a copy of the Global Governance article to him, who passed it on and discussed it with the Institute's president. Although the Institute was doing a good deal of work already at that time on transfrontier or transborder cooperation, the Derbent meeting was the only such meeting on transfrontier cooperation that was so wide-ranging (rather than being relatively local-focused), the only one bearing the term “sustainable development” in its title and the only one focused mainly on energy cooperation.

34 The International Caspian Forum gave rise to many informal networks but did not survive as a formal organization, although the greatest interest in this respect was expressed in Kazakhstan. See Jen-Kun Fu, “Caspian Issue and its Perspective: The International Caspian Forum in 2002” (Almaty: Kazakh National University, December 2002). In April 2004 an industrial conference on all-Caspian energy development (including transport, ecology and related issues) was held in Kazakhstan’s capital, Astana, bearing the title “International Caspian Forum.” (It was billed as the “first” such Forum, which technically it was if the 2001 meeting is regarded as an organizing meeting.) It appears, however, that this constituted a one-off meeting in a series organized by the British firm ITE Exhibitions. Follow-on functions have not kept the “Forum” name. See further: “The Caspian Forum 2004: Politics, Economics and Business,” Kazakhstan International Business Magazine, 2004, no. 2, at http://www.investkz.com/en/journals/39/148.html.


36 This section draws on my speech read to the NGO Roundtable, International Research Foundation for Development, Second Preparatory Meeting for the Special Session of the U.N. General Assembly (New York, April 2000), World Forum on Social Development, based upon a background paper that I had prepared as the International Research Foundation for Development’s representative to the U.N. Economic and Social Council. This speech, “The New Concept of Cooperative Energy Security: A Focus for Synthesizing Environmental and Energy Agendas through Local Participation under Sustainable Development,” is published with the present
Deficiencies in these policies have become evident, and as a result many agencies and scholars conducted evaluative reviews of the social experiment. This short paper cannot strive to match those studies, but it is useful to look in particular at one of the most promising regions of the former Soviet area, from the standpoint of civil society development, and to ascertain briefly what has blocked the contributions of environmental NGOs to the development of national and transnational energy policy.

There are three things an NGO needs, especially in the former Soviet areas, to be effective: media publicity (but not just any kind of publicity), local involvement that transcends simple publicity or public demonstrations (for example, activity in environmental monitoring) and credible technical expertise to achieve a hearing within national policy circles. Three examples from the Caucasus concerning environmental NGOs and their relation to energy policy are instructive.

1. *Publicity and local involvement together are not enough.* In mid-1999 a meeting of Azerbaijani environmental NGOs established a National Committee of the United Nations Ecological Program. Its activities include creating a directory of interested organizations and individuals, publication of Azeri-language materials about UNEP and informational materials about environmental NGO activities in Azerbaijan. This is all well and good, since it provides for a certain amount of publicity and creates a basis for increasing local involvement. However, it does not move towards penetrating the political circles that can take authoritative action on national environmental policy.

2. *Publicity and technical expertise together are not enough.* Likewise in mid-1999 the oil company Exxon declared in Azerbaijan that it considers environmental impact assessments to be important components of its activities and seeks to develop programs for ecological management in order to prevent environmental damage. However, local environmental NGOs remained sceptical since they were not been invited to participate, for example, in relevant ecological monitoring. Exxon preferred to coordinate its activities with the State Oil Company of the Azerbaijan Republic (SOCAR), which happened to be its partner in the industrial joint ventures concerned. As well-intentioned as the Exxon initiative may have been, it lacked credibility because its narrow implementation largely excluded local civil-society involvement.

3. *Local involvement and technical expertise together are not enough.* The Azerbaijan Ornithological Society, headed by Elchin Sultanov, received a grant to study bird populations in a particular area. Environmental monitoring discovered massive oil leakage and spills resulting in their mortality. At high-level national and international seminars, Sultanov was able to bring these facts directly to the attention of responsible SOCAR employees as well as members of the State Ecological Committee. However, despite his best efforts, the Azerbaijani press did not pick up the story and he was obliged to appeal to the international NGO community, still without total success.
To recall from Section 1 above, the lessons representing energy issue-area analogues to the “three Cs” (contract, concern and capacity) shown to enhance the effectiveness of international environmental institutions, and their relations to the three Cs, were:

1. The Caspian energy lesson that TNCs need help and know it, follows from the problem that TNCs cannot do it alone. It is the energy analogue of the environmental lesson to enhance the contractual environment.

2. The Caspian energy lesson that states need more information and better evaluation of it, follows from the problem that diktats fail. It is the energy analogue of the environmental lesson to increase governmental concern.

3. The Caspian energy lesson that human resources must be better integrated into the policy process, follows from the problem that intragovernmental politics do not always help. It is the energy analogue of the environmental lesson to build national capacity.

Let me clarify the possible contributions of NGOs to these three desiderata.

1. To enhance the contractual environment further means to increase national and international accountability for the policies pursued and for their effects. Without accountability, there is no economic rationality, but only accidental efficiency. The international community has helped to advise the actors in the region concerning the choices that they have. Enhanced citizen participation in the decisions concerning energy development is in the medium- and long-term interest of the governments and consortia. The population in the Caspian region is increasingly literate, increasingly informed, and therefore increasingly politically active.

2. To increase governmental concern means to facilitate linkages amongst issues and to create and disseminate scientific knowledge. In the Caspian region, there has been a deficit in the creation and dissemination of relevant scientific knowledge, because the incentive structure of scholarly specialists is geared to career advancement in their academic niches within universities. This in turn imposes a concern with matters divorced from the immediate and everyday concerns of decision-makers outside the walls of academia. A reflection of this deficiency is the relative lack of scholarly literature on the relationship between the agenda of international energy development and the agenda of international environmental conservation. These issue areas are beginning to be consciously linked in practice, and that tendency must be further emphasized. However, scholars have not in general paid much attention to the systematic integration of these spheres in conceptual or practical terms.

3. To build national capacity means, amongst other things, providing bargaining forums that both reduce transaction costs and structure decision-making processes. It also means to conduct monitoring of the quality, performance and policies pertinent to energy development. However, it is not the principal task of energy development companies to encourage environmental monitoring. This is one place, and not the only one, where local NGOs can make a needed contribution, if they are allowed to do so.
What is indicated therefore, on the basis of this experience and analysis, is not just the potential for the concept of cooperative energy security to bring together a joint concern with the international environment and energy, with a focus on sustainable development of the Caspian region. It projects, moreover, a tripartite institutional framework for transnational governance for multilateral transnational cooperation, to provide a win-win solution to the twin problems of economic development and geopolitical stability. As such, it is applicable beyond the Caspian region and can especially be engineered for application where large capital is not required for energy development on the local level, and where such matters and peacemaking and peace-building come to the fore.

To conclude. Two of the parties in this framework are governments and multinational corporations. However, rather than regard local NGOs, the third party, as a resource for broad democratic consultation, it is indicated to recognize that NGOs also represent channels for providing expert-level input to decision-making. This represents a type of “virtual” participation in policy making by the citizens of the host country. It is related to the model of the small European countries such as The Netherlands, where specialized public interest groups have long cooperated with ministries for the practical resolution of policy questions, irrespective of legislative intervention.

5. Why to Prefer a “Three-way Strategic Alliance” over “Public-Private Partnerships”

Beginning with a focus on cooperative energy security, a move to sustainable development encourages a longer-term perspective that also expands the picture to include regional and local ecosystems as well as other aspects of development such as the varieties of cultural ideas about nature, community and identity. Since development depends on the products of many ecosystems, cooperative energy security for sustainable development implies a long-term balancing of energy, environment and economic development. Only a three-way strategic alliance embracing publics as well as governments and industry can bring to bear the distributed knowledge required to accomplish these tasks.

How is this so? Much attention has been recently given, in debate over these issues, to so-called “public-private partnership.” Such a partnership, it is argued, could not only assist the development of existing and new crude oil resources but also, in view of the exhaustion of such resources in coming decades, manage political pressures for long-run transition to gas and alternatives/renewables whilst investigating their potential and profitability. “Public-private partnership” is, however, a misnomer; it would often be more accurate to refer to “government-industry partnership.” As such, the phenomenon is fundamentally nothing new.

The problems faced by government decision-makers in this issue-area in the twenty-first century more and more approach those faced by business executives over the last decade: the combination of the rapidly changing business environment, information overload and constant constraints upon resource availability stretching them ever thinner. Yet around the Caspian Sea basin, in an energy and political environment of extreme complexity and uncertainty, international energy consortia have successfully defined pipeline projects, obtained financing and brought the construction projects to completion in tandem with the paced development of the newly accessible energy resources in the region. In what must be

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one of the most complex and uncertain sectors of global industrial development, they managed to succeed. But how?

The greatest unmet need in energy development projects today is the need for political coordination of the many complex technical aspects. These include the integration of production plans with pipeline construction timetables, an emphasis on multilateralism, expanded participation including intercultural dialogue, explicit concern with ecological issues and project development to meet specific logistical goals within a strategic framework. The nature and variety of technical and geophysical obstacles require pooling of financial resources and transport facilities. The complexity of these technical problems has already required new forms of organization and decision-making.

What has made it possible for the energy industry to succeed today in historically the most difficult of circumstances is not any “public-private partnership,” but rather the qualitatively new phenomenon of strategic alliances amongst industry leaders that has emerged from the need to reply to the incredibly complex engineering tasks combining economic, political and social elements in a manner impossible to disentangle. In a management context, strategic alliances between firms allow profound knowledge of the market to be combined with the best technical practices. Forming such alliances is not a choice but a necessity for achieving an appropriate pace of development. To be successful, alliances must share goals, risk, control and decision making, through clearly defined processes. Strategic alliances are extremely difficult to put together. They encompass much more than partnerships, which are of limited duration with specific objectives; also, they are more open-ended.

Yet this notion of “strategic alliance” also describes, in the political realm, the traditional relationship conceived in democratic theory between a civil society and its government. In fact, a civil society is constituted of plural publics. For example, one may consider the general voluntary associations of a population to represent one public, the more specialized and better-organized interest groups of society to represent another public and the still more specialized groups of technical experts in scientific disciplines and fields as yet another public. These publics are differentiated by the qualities of information that they may transmit to the state’s political leadership.38

The experience of the 1990s has taught that technical problems of constructing the pipelines are inseparable from the political issues of who will build and control the pipelines, who will finance and manage them and where will they be built. More explicitly multilateral political engineering is required, with wider participation. Many of these desiderata cannot be accomplished without the participation of the different publics enumerated above. Therefore, no “public-private partnership” but rather a three-way strategic alliance—amongst governments, industry and publics—is necessary today.


Under any Production-Sharing Agreement, industry operates in a country as government contractor. When internationally organized groups cannot challenge a tough government, they naturally evolve a strategy seeking to challenge the private companies as a means towards that end. When domestically organized groups cannot challenge a tough

government, they naturally evolve a single-issue strategy to scrutinize an important economic project so as to promote general political debate. Thus it happens that the international dimension of a project supersedes local issues. As a result, debate shifts from the domestic dynamics of debates between governments and NGOs to forums engaging intergovernmental organizations (e.g., European Bank for Reconstruction and Development, World Bank including International Finance Corporation, etc.) and international NGOs that may not even be represented in the particular geographic locales where industry is undertaking the energy project.

In this manner, the constituency of scrutiny is disconnected with the constituency of concern. This globalization of scrutiny is an important reason why industry engages with publics. The Baku-Tbilisi-Ceyhan project, for example, attracted worldwide attention not just because local NGOs were addressing local concerns on technical aspects of the project, but especially because NGOs raised concerns to BP’s listed markets in London and New York. The natural consequence is then a three-way alliance as described above, since what is to be negotiated is a framework of behaviours and issues that need to be addressed on a global scale. That need exists, because there is otherwise an intolerable risk that the independent influence mechanisms of the three parties in the “strategic triad” will jeopardize the realization of the project.

In order to see how industry, governments and publics must cooperate together, we can distinguish political-economic and social-economic desiderata for the future of global energy security. On the basis of the Caspian Sea experience, it is possible to enumerate some of their components so as to illustrate their interdependence. This is only an indicative and far from exhaustive list.

1. Some issues requiring strategic co-operation between industry and government include:
   - Facilitating development and transport of energy resources through appropriate investment climate.
   - Finding new sources of fossil fuels, increasing the yield from existing reservoirs and managing hydrocarbon investment in view of price volatility.

2. Some issues requiring strategic co-operation between industry and publics include:
   - Meeting the local population’s basic needs so as to provide a reliable work force, supply chain and market for products.
   - Increasing relevant attention to environmental concerns, not limited to climate change but also local pollution and safety.

3. Some issues requiring strategic co-operation between publics and governments include:
   - Designing policies to optimize diversification of energy use across different fuels.
   - Controlling political volatility in sensitive energy-strategic regions and attenuating the potential conflict over access to or control of resources in internationally disputed regions.
4. Moreover, a few issues requiring the “three-way strategic alliance” (or “strategic triad”) for cooperative energy security, amongst publics, government and industry can also be indicated:

- Assessing what technology advancements are possible and how quickly will they penetrate, including alternative and unconventional fuels (e.g., tar sands, LNG, solar, wind, geothermal).
- Structuring power generation markets and electricity distribution networks through regulation complementary to social needs and market forces, whilst ensuring that all companies meet minimum public expectations.
- Defining and introducing policies to increase conservation, expand and diversify energy supply and also to improve energy efficiency, including cogeneration (the simultaneous production of power/electricity, hot water and/or steam from one fuel) in the manufacturing sector and hybrid vehicles in transportation.

Thus the new methods of energy development that have been successful in the Caspian Sea region reveal the need not for better “public-private partnership” but rather for better three-way co-operation amongst the energy consortia, the governments and the relevant publics. The environmental, social and industrial catastrophes in Nigeria and elsewhere demonstrate the need for some kind of “checks and balances” amongst these three branches of energy development projects. Today, international energy consortia in the Caspian Sea basin and elsewhere acknowledge the positive contributions that environmental NGOs can make to the development of energy projects. The EBRD conditions loan guarantees upon social sustainability. It recognizes that NGOs provide “virtual representation” for civil society to complement governmental oversight, knowledge of local conditions where this is especially crucial and also a means for implementing “environmental monitoring” to verify the proper execution of energy development projects.

7. Conclusion

It seems to be indicated that the phrase “cooperative energy security” should obtain wider use in reference to three-way government-industry-civil cooperation, lest its creeping appropriation by political elites give it definitively the “public-private” connotation exemplified by Steinmeier’s use of it, as cited above in section 2. (Indeed, in late 2007, a significant conference titled “Cooperative Energy Security” is due to be held in Berlin with participation limited to government and industry leaders.) The Extractive Industries Transparency Initiative (EITI) provides a vehicle for this purpose. Kazakhstan is the first country participating in EITI de facto to require that applicants for new subsoil use rights participate in EITI. This fact was a starting point for the discussions in April 2007 in Kazakhstan, sponsored by the London-based International Institute for Environment and Development (IIED).  

The IIED’s initiative differs qualitatively from other similar attempts to promote transparency and involve NGOs in oversight of oil and gas contracts. It enumerates four distinct levels of

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39 See note 3.
40 ISAR’s Caspian Program, for example, sought to promote contacts transnationally amongst NGOs from different Caspian Basin countries and to provide channels for them to speak with industrial leaders. (“ISAR” is the now-official name of the former Institute for Soviet-American Relations, which had earlier renamed itself
contact between gas and oil contracts and sustainable development. The first is the processes through which contracts are negotiated, which it breaks down into issues of transparency, of public participation and of revenue management. The second is the terms of the contracts themselves, which it breaks down into issues of corporate social investment, of corporate social responsibility and of local content and supply chain linkages. The third is investor-government dispute settlements, which is technically another element in the terms of contracts (since domestic businesses generally do not have a right to compensation or a right international arbitration, whereas foreign investors typically do have such right). The fourth is aligning sustainable development with the wider energy policy framework within which oil and gas contracts are negotiated, which IIED breaks down into issues of stabilization and the choice of law, of environmental security and of government corruption.

The IIED documents represent only the beginning of a longer exercise, but it would be useful at the next stage explicitly to bring in representatives of the print media, with a focus on those relatively independent ones that may still remain. Website managers and webmasters may also be included, but in practical terms they are a poor substitute for print media. The involvement of print journalists is key, for they can provide the catalyst to action.41

Electronic communication is efficient, but print journalism provides the missing link. In many countries hosting the activities of resource-extractive industries, print journalists and hard-copy newspapers still occupy a key juncture in the organization of national political-information systems. They have a legitimate and recognized fact-finding role that translates into political credibility. Print journalists are the only “media workers” who are obliged to publish information on a regular basis, have regular offices where they may be encountered face-to-face and have an established place in the national mass-media system by virtue of which they are likely to have (or will find it easier to establish) contacts both in national policy circles and amongst civil-society NGOs.

Anyone can visit a website, but such visits do not aggregate into a public manifestation in a public socio-political space. Anyone can produce films, but the organizing energy is too often dissipated in making them; and even after they are screened to the public, the individuals attending the screening still have no common active experience upon which to build a political space for civil society. Sustained contact with the national (or local) print media is thus one necessary component for creating a civil-society space where this has not historically existed. The other two are: on the social level, citizen participation through environmental NGOs in activities lending credibility such as environmental monitoring; and on the national political level, the connection between such NGO-provided information and providers of recognized technical expertise that is indispensable to good policy-making by both international industry and national government.

41 The success of the Caucasus Media Project implemented by Cimera (a Geneva-based NGO) in promoting mutual understanding amongst the three South Caucasus countries in the late 1990s illustrates this point. For details, see http://www.cimera.org/en/projects/ind_cmosp.htm. The next three paragraphs draw upon Cutler, “The New Concept of Cooperative Energy Security” (see note 35).
By comparison, one of the strategies of the European Union's TACIS program, particularly in Georgia and Armenia, was to employ such techniques as secondary-school programs where students make video-films about local ecological situations. Although this did promote a certain public awareness, it was really an importation of techniques previously implemented in the Baltic Sea area. The difference was that the Baltic Sea already manifested an existing socio-political space in which “civil society” was already established. Whether such activities, in and of themselves, promote the establishment of civil society where it does not already exist, depends more upon whether there is already an architecture of public space that supports platforms for the expression of political alternatives to the governing regime. Such activities can flourish in such an architecture, but they cannot help to build it the way that print media can. By seeking to promote an independent print journalism, sustained by an issue-focused international support network, the three-way strategic alliance for cooperative energy security may make a modest contribution to processes of national democratization.