The New Concept of Cooperative Energy Security

Executive Summary

Dr. Robert M. Cutler*

In the last few years a consensus has arisen that the original paradigm of "sustainable development" omitted considerations of energy use despite its emphasis on the environment. Yet it is clear at first glance that governance issues of energy, which is necessary to development, must be closely linked to those of the environment. The purpose of these short remarks is to explore the contribution of a new security concept, cooperative energy security, to the task of bringing together the international environmental and energy agendas. In its emergence through study of the Caspian region, the concept of cooperative energy security suggests the need for creating international, transnational, and multinational political coalitions having a strategic multi-faceted perspective. focused on concertation for governance. The question arises, how to encourage and implement the development of such a dedicated association of governmental, nongovernmental, and inter-governmental organizations. The answer reveals that the principle is limited neither to the Caspian region nor to the petrochemical energy sector.

My original study (April-June 1999 *Global Governance*) reached three conclusions that are broadly applicable beyond the Caspian region and beyond the petrochemical energy sector: First, TNCs need help and any executive with any hope of surviving knows it. Second, states need more information and better ways to evaluate it. Third, the broader human resources in the region need to be better integrated into the policy process. The first of these lessons responds to the needs of transnational corporations and their consortia, and it promotes transparency of capital; the second responds to the needs of states in and outside the region, and promotes transparency of land; the third responds to the needs of populations in the region, and promotes transparency of labor as well as the creation of a political space for civil society. This short paper focuses on the role of NGOs in respect of point (3) and on their potential to contribute also to resolving problems arising from point (2).

There are three things an NGO needs, 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.

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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 Environmental Program (NCUNEP). Its activities include creating a directory of interested organizations and individuals, publication of Azeri-language materials about UNEP and informational materials. 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 have not been invited to participate, for example, in relevant ecological monitoring. Exxon prefers to coordinate its activities with the State Oil Company of the Azerbaijan Republic (SOCAR), its partner in the industrial joint ventures concerned. The Exxon initiative lacks credibility because its narrow implementation largely excludes local civil-society involvement.

3. *Local involvement and technical expertise together are not enough.* Elchin Sultanov is head of the Azerbaijan Ornithological Society which received a grant to study bird populations in a particular area. Through environmental monitoring, he discovered massive oil leakage and spills resulting in their mortality. However, despite Sultanov's 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.

The involvement of print journalists is key, for they can provide the catalyst to action.
Anyone can visit a website, but such visits do not aggregate into a public manifestation in a public sociopolitical space. Anyone can produce videofilms, but the individuals attending the screening still have no common active experience upon which to build a political space for civil society.

Thus sustained contact with the national (or local) print media is one necessary component for creating a civil-society space in the NIS. 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.

The three conclusions of the original study are one-to-one analogues of the "three Cs" (contract, concern, and capacity) shown to enhance the effectiveness of international environmental institutions. To be specific:

1. The Caspian energy lesson that TNCs need help and know 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, 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, is the energy analogue of the environmental lesson to build national capacity.

To summarize: How can NGOs contribute to these three desiderata.
On the basis of this experience and analysis, is not just the potential for the concept of cooperative energy security brings 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 political stability. As such, it is applicable beyond the Caspian region and can especially be engineered for implementation where large capital is not required for energy development on the local level, and where such matters and *peacemaking* and *peacebuilding* come to the fore.

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 where parliamentary and other representative mechanisms are imperfect. This represents a type of "virtual" participation in policy making by the citizens and civil society. It is related to the model of the small European countries such as The Netherlands, where specialized public interest groups cooperate with ministries for the practical resolution of policy questions, irrespective of legislative intervention. The AIOC example suggests how private voluntary and nongovernmental organizations can, through intermediaries, work informally with governments and consortia to promote sustainable development.

The "three Cs" favoring efficacy of international environmental institutions may thus be adapted to cooperative energy security issues in the management of decision-making on linked energy-environment questions. In such a model, NGOs play an indispensable role that otherwise goes unperformed. There is no evident reason *a priori* why the implementation of such a model should be limited to the energy-environment sector of public policy.

The New Concept of Cooperative Energy Security

A Focus for Synthesizing Environmental and Energy Agendas through Local Participation under Sustainable Development

Dr. Robert M. Cutler*

In the last few years a consensus has arisen that the original paradigm of "sustainable development" omitted considerations of energy use despite its emphasis on the environment. Yet it is clear at first glance that governance issues of energy, which is necessary to development, must be closely linked to those of the environment. This is intuitively evident on the scale of large-capital industrial projects such as petrochemical exploration and development, which is the field in which the concept of cooperative energy security was first developed. However, the example of human deforestation for wood-burning by local indigenous populations is only one example of this also on the smaller scale.

The purpose of this short paper is to explore the contribution of a new security concept, cooperative energy security, to the task of bringing together the international environmental and energy agendas. In its emergence through study of the Caspian region, the concept of cooperative energy security suggests the need for creating international, transnational, and multinational political coalitions having a strategic multi-faceted perspective. focused on concertation for governance. The question arises, how to encourage and implement the development of such a dedicated association of governmental, nongovernmental, and inter-governmental organizations.

= 1. What Is Cooperative Energy Security? =

The premise of cooperative security in general does not eliminate threat altogether, but manages it by motivating the opposing parties to work together. It therefore differs from the "security and cooperation" approach, which seeks to codify what changes in the status quo were permissible. (The paradigmatic example of the "security and cooperation" approach is the 1975 Helsinki Final Document of the Conference on Security and Cooperation in Europe.) Cooperative security merely seeks to make such changes predictable without specifying them exhaustively. The significance of this subtle difference is that "cooperative security" emphasizes not only the reciprocity among those

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who cooperate but also the interpenetration of their cognitive sets and the reciprocal recognition of that interpenetration.

The concept of cooperative energy security is therefore a pragmatically-based policy-oriented specification of "learning" in international affairs. It is a process that occurs principally with reference to the common action and shared consciousness of the cooperating participants, rather than principally with reference to a given status quo. It emphasizes that external agents and "actors" can alter shared context, thereby influencing cooperative developments more deeply than any mechanistic stimulus-response focus on bilateral instruments can allow. As the concept of cooperative energy security requires international cooperation, so also it implies multilateralism.

The new security concept of cooperative energy security applies that dynamic to a particularly thorny area of international public policy. The three necessary components of energy development in the Caspian region 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 labor. 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 labor signifies political stability, without which there is no labor market: that is, without political stability, individuals do not have the necessary incentive structure to manifest socially as an aggregate labor force.

That original study 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.

3. The broader human resources in the region need to be better integrated into the policy process.

The first of these lessons responds to the needs of transnational corporations and their consortia, and as such it promotes transparency of capital; the second responds to the needs of states in and outside the region, and as such it promotes transparency of land; the third responds to the needs of populations in the region, and as such it promotes transparency of labor as well as the creation of a political space for civil society.

These interrelations are not sufficiently recognized and acted upon. In the Caspian region, this

ignorance is expressed in the fact that the current and still dominant modus operandi among all state and most nonstate the 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.

This short paper focuses on the role of NGOs in respect of point (3) and on their potential to contribute also to resolving problems arising from point (2). As from the early 1990s, many Western nonprofit institutions and international organizations sought to induce the creation of NGOs in the former Soviet area as a way to inculcate "civil society." Deficiencies in these policies have become evident, and as a result many agencies and scholars are conducting 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.

I choose the Caucasus in order to maximize the difficulties faced by such NGOs, the better to put the situation into relief. In the Caucasus, the state bureaucracies are not well-institutionalized and large-capital international consortia of the most advanced transnational energy corporations participate in setting the policy agenda. After some brief general remarks, I focus on the situation in Azerbaijan, the most petroleum-rich country in the region with the highest level of foreign direct investment.

= 2. Western Attempts to Foster Environmental NGOs in the Caucasus =

Western attempts to introduce "civil society" into the newly independent states (NIS) by encouraging and sponsoring of nongovernmental organizations (NGOs) have been less than fully successful. Part of the reason is ethnocentrism. For example, One strategy of the European Union's TACIS program, particularly in Georgia and Armenia, has been to promote initiatives for increasing citizen involvement and public awareness through such techniques as secondary-school programs where students make videofilms about local ecological situations. This does promote a certain public awareness, but it is really an importation of techniques that have previously been implemented in the Baltic Sea area. The difference is that in the Baltic Sea area those activities taking place in an existing sociopolitical space where "civil society" is already an established component. It is not clear that such activities in and of themselves may promote the establishment of civil society where it does not already exist: this depends more upon the architecture of the space for public political participation in the country concerned.

In the West one often hears the criticism that NIS NGOs sometimes appear to be fronts for profit-making enterprises undertaken by the local NGO sponsors in their private capacity. This criticism overlooks the fact the absence of local financial support for NGOs means that very many of these NGO groups exist only from grant to grant by Western sponsors. Yet those who do the actual NGO work must find the means to pay for their personal food and shelter on a constant basis. These are not even always assured by Western sponsors when grants are available. Dedicated full-time employees are needed just as in the West, yet Western sponsorship of NIS NGOs only occasionally, if ever, provides such funds. In this light, it is less shocking that local NGO activists should undertake private for-profit initiatives, whether directly connected with their NGO-related activities

or not. It is remarkable that this fact remains generally unappreciated by Western NGO sponsors after almost a decade of experience.

There are three things an NGO needs, especially in the NIS, 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 (NCUNEP). Its activities include creating a directory of interested organizations an 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 are rather skeptical since they have not been invited to participate, for example, in relevant ecological monitoring. Exxon prefers to coordinate its activities with the State Oil Company of the Azerbaijan Republic (SOCAR), which happens to be its partner in the industrial joint ventures concerned. As well-intentioned as the Exxon initiative may be, it lacks credibility because its narrow implementation largely excludes local civil-society involvement.

3. *Local involvement and technical expertise together are not enough.* Elchin Sultanov is head of the Azerbaijan Ornithological Society which received a grant to study bird populations in a particular area. Through environmental monitoring, he discovered massive oil leakage and spills resulting in their mortality. At high-level national and international seminars he 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 Sultanov's 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.

The involvement of print journalists is key, for they can provide the catalyst to action. Electronic communication is efficient, but print journalism provides the missing link. In the NIS, 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 among civil-society NGOs.

Anyone can visit a website, but such visits do not aggregate into a public manifestation in a public sociopolitical 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.

Thus sustained contact with the national (or local) print media is one necessary component for creating a civil-society space in the NIS. 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.

= 3. What NGOs Can Do =

To recall, 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 among 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, among 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. In the case of the Azerbaijan International Operating Company (AIOC), a major petrochemical consortium in the region, Azerbaijani citizens trained both in environmental science and energy development have contributed greatly to the integration of these concerns in practice. However, it is not the principal task of energy development companies to encourage environmental monitoring. This is where local NGOs can make a needed contribution, if they are allowed to do so.

Only those who have learned to think and act on their own, thanks to previous opportunities for greater initiative, can adapt policies and strategies as effectively as events will require. Moreover, foreign investors increasingly recognize that their own economic interest requires emergence of an experienced younger generation that will be capable of taking over greater responsibility and carrying on the work of the present-day leaders later in the twenty-first century. The relevance of NGOs to this purpose is transparent.

= 4. Conclusion =

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 peacebuilding come to the fore.

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 where parliamentary mechanisms are imperfect. 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

cooperate with ministries for the practical resolution of policy questions, irrespective of legislative intervention. The AIOC example suggests how private voluntary and nongovernmental organizations can, through intermediaries, work informally with governments and consortia to promote sustainable development.

The "three Cs" favoring efficacy of international environmental institutions may thus be adapted to organizational-design issues in the management of decision-making on linked energy-environment questions. There is no evident reason *a priori* why this model should be limited to the energy-environment sector of public policy.