

**Written Testimony of DAS John E. McCarrick
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United States Department of State
Before the Senate Foreign Relations Committee's Subcommittee on
Europe and Regional Security Cooperation**

I'd like to thank Chairman Johnson, Ranking Member Murphy, and the members of the subcommittee for the opportunity to appear today, to discuss European energy security, an issue of vital importance to the United States.

A discussion of the role the Russian Federation plays in Europe's overall energy security is both fitting and timely.

I will focus on several themes, including the dangers of energy over-dependence and the critical importance of energy diversification in bolstering energy security. I will highlight the contribution that liquefied natural gas (LNG) can make to Europe's energy diversification efforts and also the need for Europe to continue to improve its energy infrastructure and to implement measures to promote a more integrated and flexible energy market.

Europe's energy security is central to the national security of our NATO allies and EU partners, and it undergirds what is currently the world's single largest trade and investment relationship.

The United States strongly supports enhancing European energy security. An energy secure Europe serves as a strong partner for the United States in meeting global challenges, and the Administration is working closely with our European allies and partners to aid them in achieving their own goals to enhance their energy security.

Energy security is a top policy priority for our European partners because many of them are highly dependent on a single supplier – the Russian Federation – for gas imports. Although some of the most vulnerable countries in Europe are making rapid progress to reduce their dependence, eleven continue to rely on Russian gas for 75 percent or more of their annual needs, and several others for 50 percent or more.

The dangers of excessive dependence on a single supplier were highlighted in 2006, 2009, and 2014 when Russia cut off gas supplies to and through Ukraine, hurting both Ukraine and other European countries. Such actions are a reminder of Russia’s persistent use of energy as a weapon. In light of these actions, the United States has worked with allies and partners to address single supplier dependence. Understandably, many European countries view overreliance on Russia as a vulnerability – a national security threat – and we are working to support their efforts to diversify their energy supply and improve energy infrastructure, including cybersecurity.

The United States does not seek to eliminate Russian gas from the market. Russian gas can and should remain part of a diversified energy mix for Europe. Our priority is helping Europe minimize dependence upon a single supplier. The United States supports a pro-Europe energy security policy based on diversification of fuel types, supply sources, and delivery routes. These actions are all needed to foster a more open and competitive European energy market – one in which all companies play by free market rules.

Indeed the United States advocates in favor of infrastructure projects – projects identified by the European Union as “Projects of Common Interest” – that enhance diversification.

We have long advocated for projects like the Southern Gas Corridor that will help Southern and Central Europe diversify its natural gas supply with 10 billion cubic meters per year of gas from Azerbaijan and the Caspian Sea region as soon as 2020. This will be among the first entirely new sources of gas for Europe in many years.

In similar fashion, together with the European Union, we promote the merits of projects like Baltic Pipe, which would bring new supplies of natural gas from Norway via Denmark to Poland and on to other countries of Central and Eastern Europe.

Importation of liquefied natural gas (LNG), including from the United States when market conditions dictate, can also play an important role in diversification of Europe's gas supply; however, to secure the maximum benefit that LNG offers in promoting diversification, the proper infrastructure is essential. Europe must have both sufficient regasification capacity and the pipeline interconnectors to deliver the gas to the broadest range of consumers.

We applaud the steps taken by Poland to construct a regasification terminal at Swinoujscie (sveen-oh-OOSH-chay) and by Lithuania to build a floating storage and regasification unit (FSRU) in the port of Klaipeda (KLAY-peh-duh). The impact of introducing LNG import infrastructure can be transformative. Lithuania's 2015 deployment of the Klaipeda FSRU provided real competition for Russian gas pipelines. After inaugurating its LNG terminal, Lithuania was able to negotiate a 20 percent reduction in the price it pays for Russian gas. More importantly, the ability to import LNG from alternative sources led to a reduction in Gazprom's share of Lithuania's gas market from 100 percent in 2015 to 45 percent in 2016.

While these are positive steps, much work remains if LNG is to contribute more options to Europe's energy supply. The United States supports the establishment of an FSRU at Krk Island, Croatia, and has committed technical assistance and diplomatic engagement to the realization of this project. In addition, the United States has endorsed key pipeline interconnectors like the Interconnector Greece-Bulgaria and the Interconnector Bulgaria-Serbia. These interconnectors will enable non-Russian gas – including LNG imported through Greece and gas imported via the Southern Gas Corridor – to reach consumers in South Central Europe – a region that is among the most dependent on Russian gas supplies.

We continue to oppose projects that foster dependence on Russia, including Nord Stream II and a multi-line Turkish Stream. Russia's aim is political in nature, as they want to develop these projects to gain the technical capacity to make good on its threat to eliminate Ukraine as a gas transit state. This not only would deprive Ukraine of over \$2 billion in annual transit revenues, but of a vital, physical and symbolic link to the West. Construction of Nord Stream II would concentrate 75 to 80 percent of Russian gas imports to the EU through a single route, thereby creating a potential choke point that would significantly increase Europe's vulnerability to supply disruption, whether intentional or accidental.

We welcome the skepticism and the vocal opposition within Europe to these unwise projects. We applaud the efforts of European partners who are scrutinizing all aspects of these projects – assessing the legal, environmental, and security implications – and seeking full application of EU regulations on energy market liberalization.

We note, too, that a number of European allies have expressed national security and energy security concerns over Nord Stream II – reasonable concerns, in our view, in light of Russia's increasingly aggressive military posture in the Baltic Sea region and history of using its energy resources for political purposes.

As I close, permit me to offer a few words on sanctions and energy security. Our goal in implementing sanctions, both those imposed by Executive Order and those provided for in law, has been to impose costs on Russia, the target of these sanctions, for its malign behavior. Neither the U.S. business community, nor the firms of our partners and allies are the targets of our sanctions. We are committed to the coordination with partners and allies called for in the Countering America's Adversaries Through Sanctions Act of 2017, and have consulted on multiple occasions with European, G7 and other allies. We are committed to the full implementation of this new sanctions law.

Again, I would like to thank the subcommittee for the opportunity to appear today, and I look forward to your questions.