ONS 2026 COURAGE

ONS ENERGY AGENDA PREVIEW VOL.3

Energy security and geopolitical risk in turbulent times

Over the last four years geopolitical developments have propelled energy security to the top of the energy policy agenda.

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Russia's full-scale invasion of Ukraine in 2022 and its weaponization of energy made security of supply a more urgent priority than price or climate change for most of Europe. In 2025 Donald Trump's second administration further weakened the rules-based liberal international order, and raised the spectre of global geo-economic conflict. He has set out an ambition for US energy dominance, yet China is the dominant force in renewable energy. The new US posture and policy raises several strategic questions for governments and industry. The changing geopolitical order warrants new thinking about the roles of both regulation and firms, and their strategies for managing political risk.

From Globalization to Geopolitics

As soon as he took office as the 47th president, Trump made it clear that his second term would bring about a fundamental shift in US grand strategy.

The president's view of the country's role in the world and its foreign policy tools took the USA in a direction that broke with all his predecessors, Republican as well as Democrat. The global international order that the USA had taken the lead in building after the Second World War was now seen as an impediment to US interests. International regimes were unacceptable constraints. Allies were regarded more as a burden than a source of strength, calling for radical burden-shifting in NATO. The White House would give priority to Western Hemisphere, and pursue US interest by way of bilateral deals, also with the strongmen in Beijing and Moscow. In short: the USA is longer an upholder of the status quo.
It is a revisionist power.

Trump's grand strategy also departs from more traditional US foreign policy in terms of the use of military power. The use of force against Venezuela and Iran was timed as a surprise, not preceded by ultimatums. It was justified in terms of US interest, with little or no reference to domestic or international law. And it was limited in scope, compared to the overwhelming use of force in Iraq and Afghanistan. Most importantly, in both cases, Trump signaled that a new authoritarian regime led by a strong-man with whom the American president could make a deal, might be a good outcome.

Although this shift in US foreign policy was dramatic, it was not entirely a bolt from the blue. The Republican Party began to abandon the grand strategy of Richard Nixon, Ronald Reagan and George W. H. Bush three decades ago, first with the TEA Party movement and then with Bush Jr's global war on terror. Barack Obama's pivot to Asia also changed the Democrat's foreign policy.

Meanwhile in Europe, a range of populist right parties championed nativist sovereignty and rejected international institutions and European integration. Some rejected liberal democracy as such. The UK voted for Brexit, Hungary built an 'illiberal' state, and by 2026 most of continental Europe had far right parties in government or as the largest opposition party. The US National Security Strategy of November 2025 endorsed the European far right's world view when it warned that Europe faced civilizational erasure.

Trump's new grand strategy aligned better with that of Vladimir Putin and Xi Jinping than the USA's traditional allies. The logic of geopolitics, where great powers seek to control territory to achieve security and hard power matters more than international rules and regimes, guided both Russia's war in Ukraine and China's approach to the South China Sea and Taiwan. Russia's annexation of Crimea in 2014 and its full-scale invasion eight years later was based partly on a misreading of the European liberal democracies as too weak, vulnerable and divided to come up with a significant response.

The limited sanctions and continued expansion of gas trade after 2014 reinforced Putin's view that international law could safely be ignored.

Even deals, such as the 1994 Budapest Memorandum or the 2014 and 2015 Minsk agreements, were but temporary agreements to be broken at will.

This geopolitical world reflected the shifting realities of political, economic, technological and military power.

The liberal international order of the Cold War was a regional western phenomenon, based on its members' shared political values as well as a sense of community for security and trade. Its expansion to a global order, with illiberal regimes, was always going to be a challenge if the assumption that wealth brings democracy and economic liberalism did

not hold for Russia and China. With the economic and military rise of China, Xi's increasingly authoritarian turn, and the regime's technological capabilities, the Western-dominated international liberal order seemed increasingly unsustainable. New tools of statecraft were called for.

Geo-Economics and the Weaponization of Everything

The dynamics of international relations began to change long before Trump entered the White House or Putin attacked Ukraine. Two themes were particularly important: the changing nature of security and the changing character of war.

During the Cold War, the concept of security was primarily associated with protecting the state from a military threat from a known adversary. Globalisation, digitalisation and interdependence brought about a very different world, where security increasingly also meant protecting the economy, energy supply, critical infrastructure and the integrity of political processes.

At the same time the character of conflict changed, from a word in which countries were either at war or at peace, to one in which conflicts were pursued in the grey zone between peace and conventional war. Hybrid war came to include espionage, political influence, cyber-war and economic warfare. Everything from trade to refugee flows could be weaponised.

If geopolitics involved states' quest for control of territory to enhance military security, geo-economics is about controlling markets, technology and supply chains with a view to security across all dimensions.

Liberal grand strategy was based on a view of the world as populated by states that seek wealth and welfare, a positive-sum approach to trade, and the idea that trade brings interdependence and peace.

Mercantilism or transactionalism, by contrast, has security as the state's top priority, sees trade as a zero-sum game, and emphasises the risks of asymmetric interdependence.

The question that Western policy makers now face – with Moscow and Beijing's growing assertiveness – and with Trump's new grand strategy – is whether a liberal strategy can work in these turbulent times? Although it is too early to abandon the liberal international order and the rules governing international economic relations, **at the very least, this requires rethinking our tools of statecraft.**

Economic statecraft is as old as civilisation. The Greek city states and Roman emperors alike understood the power of economic instruments, and the importance of controlling chokepoints. History shows that trade and technology were as important as diplomacy and armed force in the expansion of European empires. Even the liberal idea

of free trade is a doctrine of economic statecraft.

Today economic statecraft involves both positive and negative forms of power: open flows of goods and services as well as sanctions and other restrictive measures. The toolbox used is increasingly about finance, technology and know-how, as well as more traditional instruments such as tariffs and trade in physical goods. This has fundamentally changed energy trade.

The EU, Putin's Russia, and Energy Security

Energy is both a private good and a public good. But above all else, in today's geopolitical world, it is a strategic good.

Even as a commodity, energy has features that make it more than an ordinary private good. Regulatory regimes establish ownership rights, contain rent-seeking, and address problems arising from inelastic supply and demand. As a public good, energy merits regulation both because its production and trade affects wealth and welfare, and because of its negative externalities in terms of pollution and climate change.

But significantly, since 2022, these two aspects of energy policy have been overshadowed by the strategic goods aspect of energy. Putin's weaponisation of gas trade in the context of the full-scale invasion of Ukraine taught three important lessons.

First, it killed off the idea that energy trade could prevent armed conflict.

A key assumption in EU energy policy was that Russia's dependence on European oil and gas markets would limits Putin's use of armed force. An all-out attack would destroy energy trade and simply involve unacceptable costs.

As it turned out, Russia openly unleashed its energy weapon. It reduced gas supplies to the EU in the run up to the war, ended supply to "unfriendly" states in the spring, and stopped all gas flowing through the Nord Strem pipeline in the summer. When the Nord Steam 1 and 2 pipelines were blown up in September, Russia had already suspended the flow of gas indefinitely.

Second, it showed how difficult it is to use economic deterrence. Although the loss of EU markets clearly involves a high cost for Moscow, Putin had good cause to believe that the EU had neither the will nor the means to break off oil and gas trade. In the winter of 2021-22 the EU looked politically and economically vulnerable to the threat to a Russian gas cut-off. Even as autumn turned to winter in 2021, it did little or nothing to deter Russia from launching the much-expected invasion. The EU did not deploy its regulatory toolbox; it did not send a unified message to Moscow; and it did little to signal that it could impose high costs on Russia.

Whether or not Putin could have been deterred, this was a classic failure of deterrence in terms of poor communication of capability, credibility and costs.

Third, the EU proved far better prepared – and more willing - than it communicated to Russia, or even to itself. Within a few weeks of the invasion, as Russia began to reduce gas sales to some member states, the Commission presented its plan to secure more pipeline gas from other suppliers, increase its capacity to import LNG, use other forms of fuel to replace gas, accelerate renewable energy, reduce consumption, improve energy efficiency and shield consumers from some of the effect of rising prices.

On the other hand, Russia struggles to find buyers for its gas. China can barely take more than a third of the 150 BCM that Europe bought, and even if pipeline capacity is expanded China will not pay European prices.

These three lessons have fundamentally changed the EU's energy policy.

Both the internal market and the green transition are now seen thought the lens of energy security. Decisions involve the highest political level, not just energy or environment ministers. Both temporary crisis management measures (such as the gas price cap) and permanent changes (such as the gas storage regulation) suggest a change of paradigm. Whatever the outcome of peace talks in Ukraine, there is no going back to the liberal EU gas markets of the early 2000s and extensive imports of Russian gas.

Geopolitics, Geo-Economics and Energy Security

The European energy war has three broader lessons for energy security.

The first lesson is that the weaponization of energy is the new normal. Even in Europe, this was an accident waiting to happen in the sense that it reflected deeper change in the role energy plays in security. Energy has always been a potential source of conflict, a means of funding that sustains conflict, and a tool of economic statecraft. As hybrid conflicts increase in frequency and importance, so do the geopolitical risks of energy trade. In 2009 and 2014 the signal drowned in the noise of geopolitics. Since 2022, not so much.

The second lesson is that a more geopolitical world merits new foreign policy tools. Until 2022, the EU stood out as a liberal actor in a realist world – both by design and by choice. But after 2014 it began to explore the external reach of its regulatory power, also in the world of energy. On some occasions, it tested fully-blown economic hard power. In 2022 this paid off.

The third lesson is about the importance of economic and regulatory power in a world where conflicts often play out below the level of full-scale conventional war.

Russia is at war with Ukraine, and in a hybrid conflict short of war with the EU. Conventional and nuclear deterrence remains the cornerstone of European national security. But as long as deterrence holds, geo-economics is as important as geopolitics. Efforts to control trade, investment and supply chains as are essential to the new broader concept of national security as territorial control was to security in the narrower military sense.

Firms and NGOs may be the targets of security threats, but they also have a key role to play in resilience and Nordic-style total defence. Historically this has always been the case in the world of oil and gas. Today is it increasingly obvious that it applies to most sectors of the economy.

> We live in an age of both energy transition and a broader geopolitical shift. We face radical uncertainty about the speed and direction of change.

States are rethinking their grand strategies and the nature of alliances and commitments. They are experimenting with new instruments of economic statecraft. As a key part of this, they are also rethinking the role of energy in terms of both competitiveness, security and sustainability.

This affects business as much as governments, as well the relationship between them. In times of hybrid conflict, firms are both targets and instruments. In an uncertain and unpredictable world, the top priority for both government and business must be to strengthen their capacity to understand, analyze and manage geopolitical risk.

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This is a preview of the complete ONS Energy Agenda vol. 3 which will be published for ONS 2026.

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