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Role of Energy Security in Homeland Defense: Understanding the Threat

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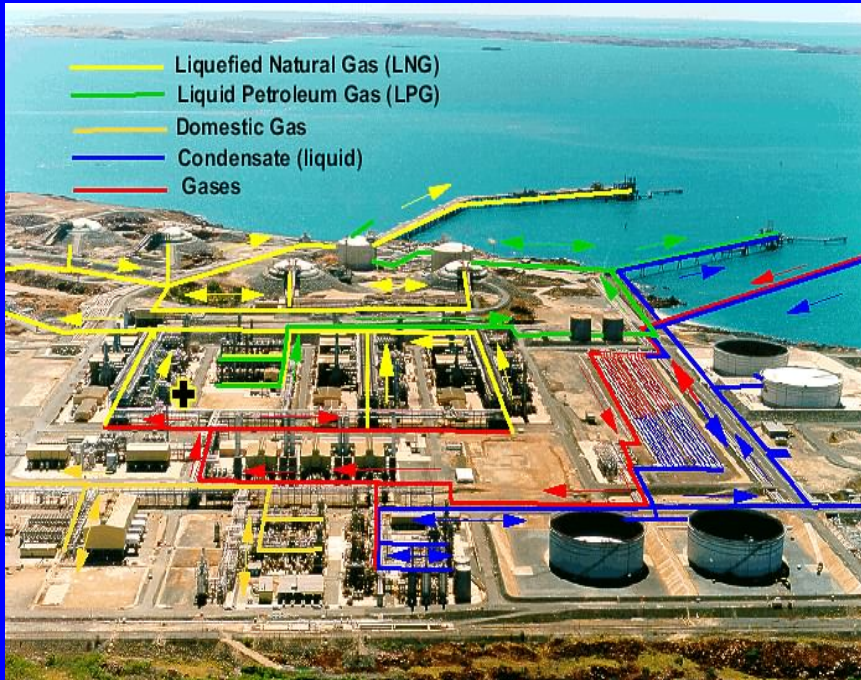
Role of Energy Security in Homeland Defense: Understanding the Threat



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The Strategic Setting



- Why Homeland Security?
- Proximate Threat
- Systemic Threat

Are Future Attacks Inevitable?

- Access to High Energy Systems Ubiquitous
- Cycles of Terrorism
- Broken Soldiers
- End of Cold War
 - Middle East in Political and Social Stasis
- Saudi Civil War
 - Corrosive effect of oil
 - Sunni-Shia tensions
- Skill Revolution

Strategic Importance of Homeland Security

1. Save Lives & Infrastructure
2. Global & Local Politics is the Target
3. Prevent Unwanted Transformation of U.S. Society
4. Prevent Escalation of GWOT
 - Prevent Unintended Consequences and Systemic Effects
5. Liberate Information/Skill Revolution from the Dead-Hand of Bureaucracy, Organizational Culture

The Proximate Threat



Why Attack Energy Systems?

- Immediate Prospect of Death and Destruction
 - By definition, “high-energy” systems
 - Use local materials to cause damage
- Economic & Social Disruption
 - Create Ripple/Synergistic Effects
- Destroy Critical Nodes
 - Transportation (Pipelines, Port Facilities)
 - Production Bottlenecks (Oil refineries)

Who is the threat?

- International Terrorism
 - Although unclear if they direct attacks to maximize damage
- Domestic Extremists
 - Environmentalists
 - Anti-globalization
 - Anti-government



The Challenge: Better I&W

- Expectation of Specific/Accurate Warning on Part of Policymakers
- Debate turns on Esoteric Issues
 - Often Technical in Nature
- Rationality Bias
- Lack of Cultural Awareness
- Need Net Assessment
 - Asymmetric attacks directed at Weaknesses, not Strengths
 - Does I&W inherently involve policy assessment?
 - Does I&W Account for Principal-Agent Problem
- Exquisite Problem of Victory
 - Underlying Problem Behind Iraq NIE

How Does I&W Address Our Problems

- Threats
 - *Few/Weak Signals*
 - *Capabilities Limited*
 - *Operations Undertaken on Finest of Margins*
 - *Directed at Our Weaknesses, Not Strengths*
- Focus Collection and Analysis
 - *Is Threat Directed At Opponent's "Named Areas of Interest"*
 - *Generate "Deep Indications and Warning" -- LA Terrorism Early Warning Group Approach*
- Detect Anomalies
 - *Evidence of Deception*
 - *Deception Based on Appearing Normal - Blending In*
- Response
 - *Small Changes in SOP can derail threats*
 - *Small Changes in SOP can overcome Rationality Bias*
 - *Small Changes in SOP can overcome Response Bias*

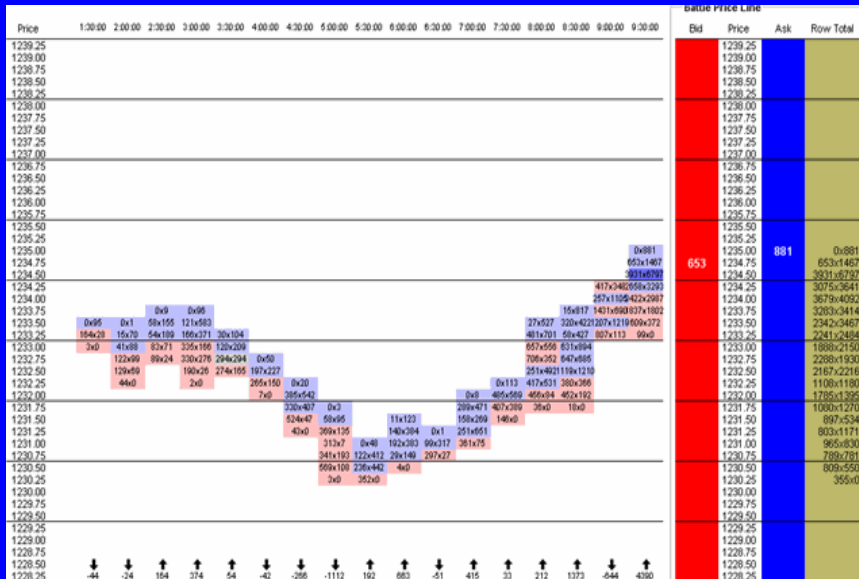
Systemic Threat: Militarization of Energy Security



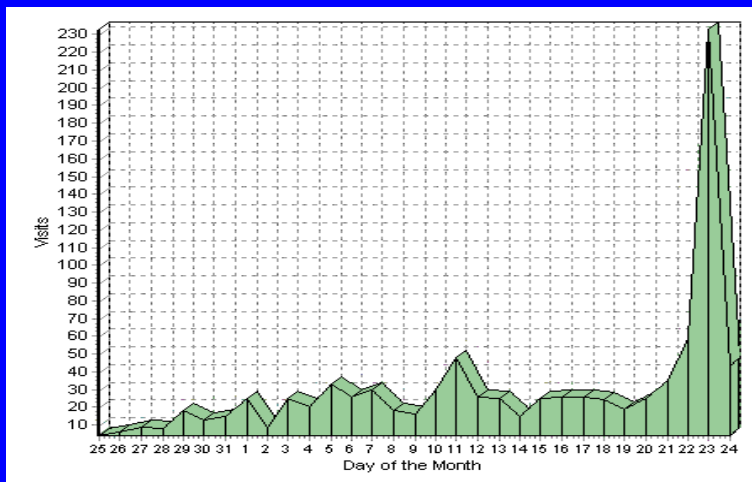
How Fragile is the Market?

- War Does Not Pay - Market is most efficient way to allocate resources
- Will Access To Energy Supplies be based on Armed Struggle?
 - High Energy Prices Necessary but not Sufficient to Produce change
- Commitment to Market Mechanisms might be weak.
 - E.g., what is China's Commitment to the Market
- Militarization of energy security might occur when insults take place in a context in which the stability of energy supplies is recognizably at risk

Market



- Prices in almost any market demonstrate three basic tendencies: short-term volatility, medium-term momentum, and long-term reversion to the mean.
- Reversion to the mean is key



Possible Catalysts for Catastrophic Breakdown

1. Direct seizure of energy assets by military means.
2. Destroying energy assets to deny their use to competitors.
3. Military confrontation arising from competitive efforts to identify and exploit new energy resources
 - on the high seas, where legal claims of sovereignty are absent;
 - in archipelagic regions like Southeast Asia, where they are routinely contested;
 - in Antarctica, where they are subject to a treaty regime whose resilience has never been seriously tested.

Possible Catalysts for Catastrophic Breakdown

4. Indirect control of energy assets through the creation of puppet states.
5. Military overthrow of governments whose outlook or conduct are deemed to be important to the functioning of energy markets.
6. Military protection of (or attacks upon) the energy production and transportation infrastructure, including oil fields, refineries, pipelines, port facilities, etc.
7. Protection of (or attacks upon) international straits and archipelagic waters through which energy assets move.

Possible Catalysts for Catastrophic Breakdown

8. Intervention to defend governments of energy-producing states against internal upheaval, on terms that incite suspicion among other market participants.
9. The development of exclusive energy trading blocs based upon commitments of mutual defense, and reminiscent of the systems of “imperial preference” that existed before 1945.
10. The conveyance of major military assets to regional energy producers in exchange for preferential market treatment, or with a view to enabling them to impose themselves upon neighboring states.

Responding to the Threat to Energy Markets

- Military Intervention to Preserve Markets
 - Although Likely to Increase Uncertainty
- Protect Infrastructure
- Reduce Dependency
 - Increase Freedom of Action
 - Reduce Vulnerability of Market itself by preserving some excess capacity
 - Accept Political Change to Preserve Market



Conclusion

- Better I&W
 - Force Analysts to Think Realistically about Threats
 - Force Analysts and Policymakers to Confront Bad News in a Constructive Way
 - Focus Collection and Analysis
 - Proportionate Response to Threat Assessment
- Strategic Perspective
 - MKT itself is the ultimate domestic and global targets
 - Protect against Systemic disruption of MKT
 - What Role Does HLS Play in Protecting MKTS