

Russia in the Global Energy Arena: *An Actor-Specific Analysis*

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Main Argument:

Yet Russia's desire to be an "energy superpower" in world politics remains as a political rhetoric. Existing structural and relational problems vs. ambitious expansion plans. But taking needed measures, especially in promising gas sector and Gazprom would provide Russia this status.

Home-distilled vodka
(САМОГОН) : National
Heritage

BEER



VODKA



**Attention: Plate Reminds
Gazprom Logo!**

Gazprom: National Heritage

Agenda:

- **Energy superpower: Criteria?**
- **Main Energy Policy Objectives**
- **Domestic policy making environment**
- **External policy making environment: Main Policy Objectives and Dispute Matters**
 - **Former Soviet Union**
 - **The EU**
 - **Middle East and Africa**
 - **Asia-Pacific Region**
 - **Limits of international energy cooperation?**
 - **Turkey: An interdependence? Strategic partnership?**

Instead of Introduction

Well, we have gas in Russia!
So, what do you have?



Energy Superpower?

✓ **No common definition**

- ❑ Just something rhetorical?

Canadian Prime Harper:

- “Canada is an emerging energy superpower” (2006)
- “Canada would become a clean energy superpower” (2007)

✓ **Criteria?**

- ❑ Rich in energy resources: then Saudi Arabia? (difference from petro state?)

- ❑ A transnational performer

- ❑ Emergence of world-wide effective energy companies (Simonov, 2006)

- ❑ Presence of high-tech and know-how

- ❑ **Soft power+ hard power:** Energy tools could be decisive only then, if they are effectively accompanied with intensive diplomacy, economic and military power (Cutler, 2008, Kazantsev, 2010)

- ✓ Officially first declared by Putin in December 2005 at National Security Council

- ✓ President Degree on Foreign Policy (2008)

Main Energy Policy Objectives

(// multipolar world system)

- Diversification of export markets
- Diversification of exported energy commodity
- To increase export supply volumes
 - Develop domestic energy sector
 - Know how
 - Market Regulation
- Diversification of export roads
 - Decrease the number of transit countries, even create ways for direct access to demand markets.
- Create world wide energy giants acting in accordance with State's top foreign policy goals.

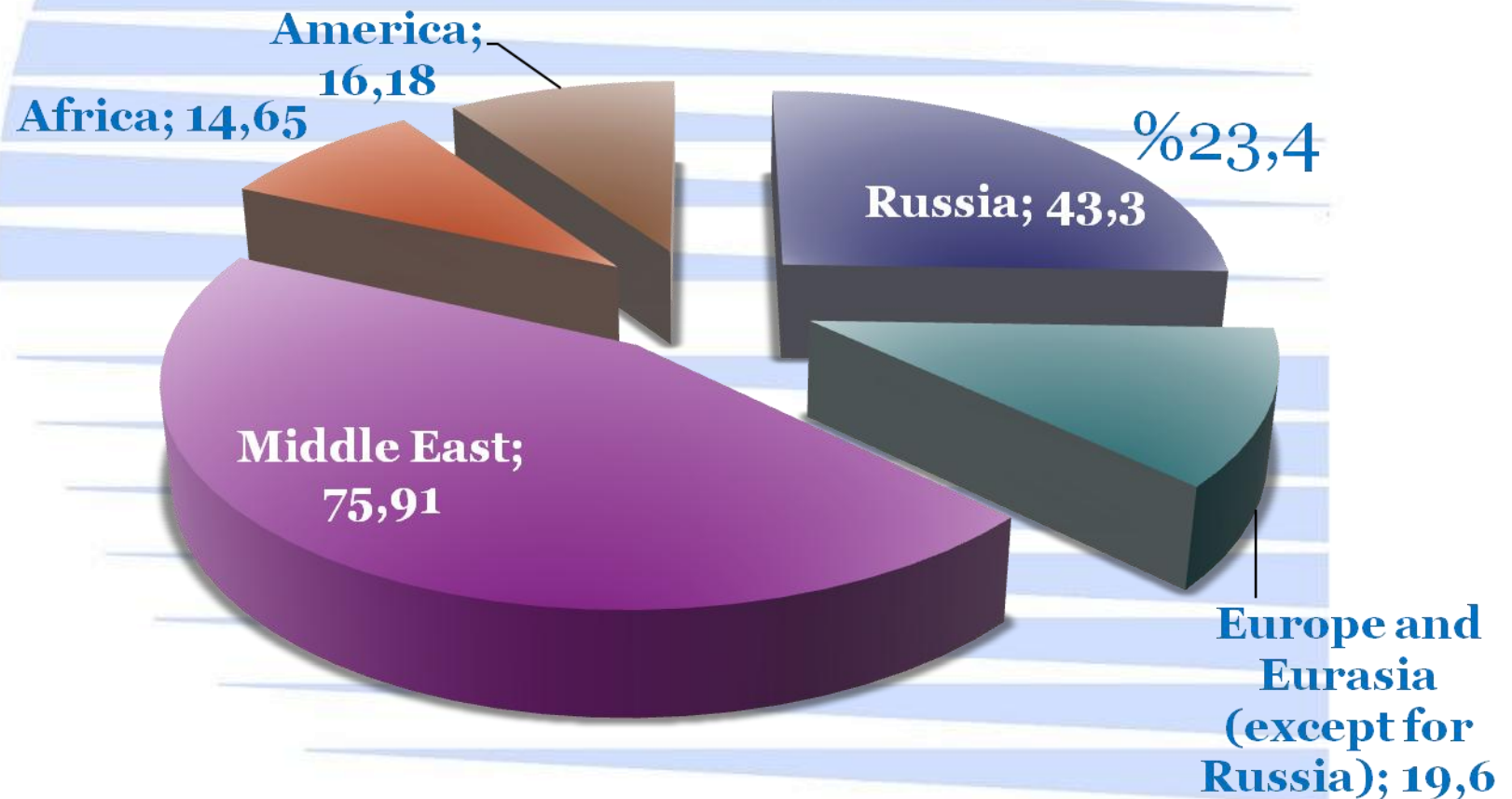
Energy Strategy

Ambitious targets?

- **Strategy 2020 Project**
 - “Dutch Disease” threat for Russia – How to get rid of it?
- **Energy Strategy toward 2020 & 2030**
 - Change in export policy: routes, export commodity
 - Foresees to reshape domestic production structure
 - Emphasis on the important role of successful energy policy in implementing certain foreign policy goals

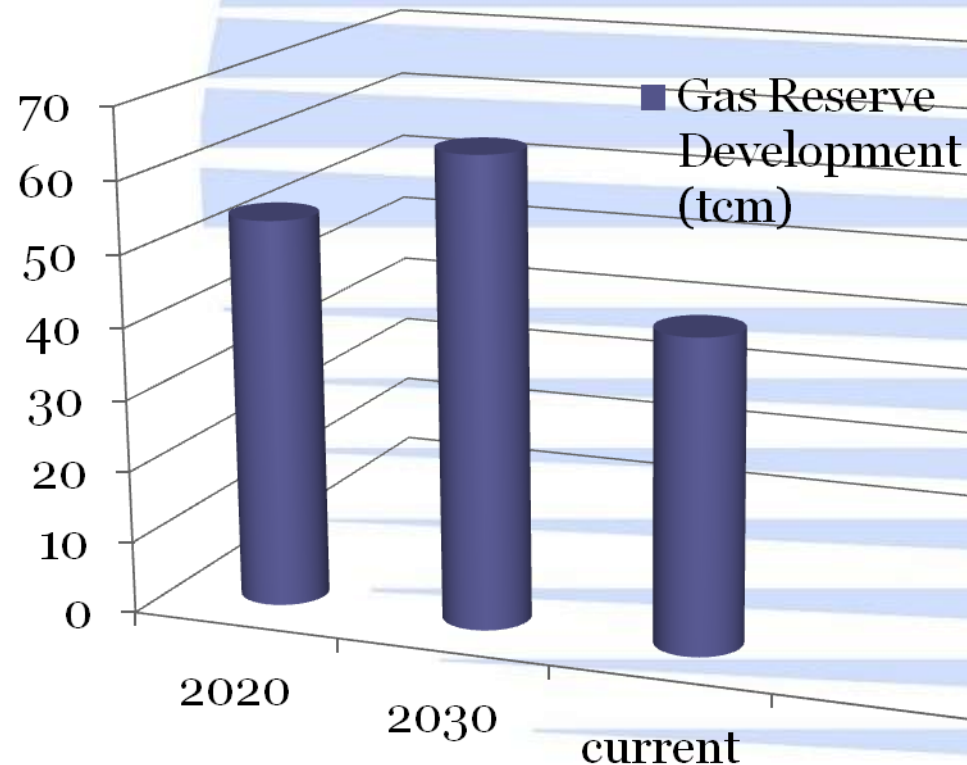
Russian Energy Sector in Figures:

GAS SECTOR - Proven Reserves (tcm)



Russian Energy Sector in Figures:

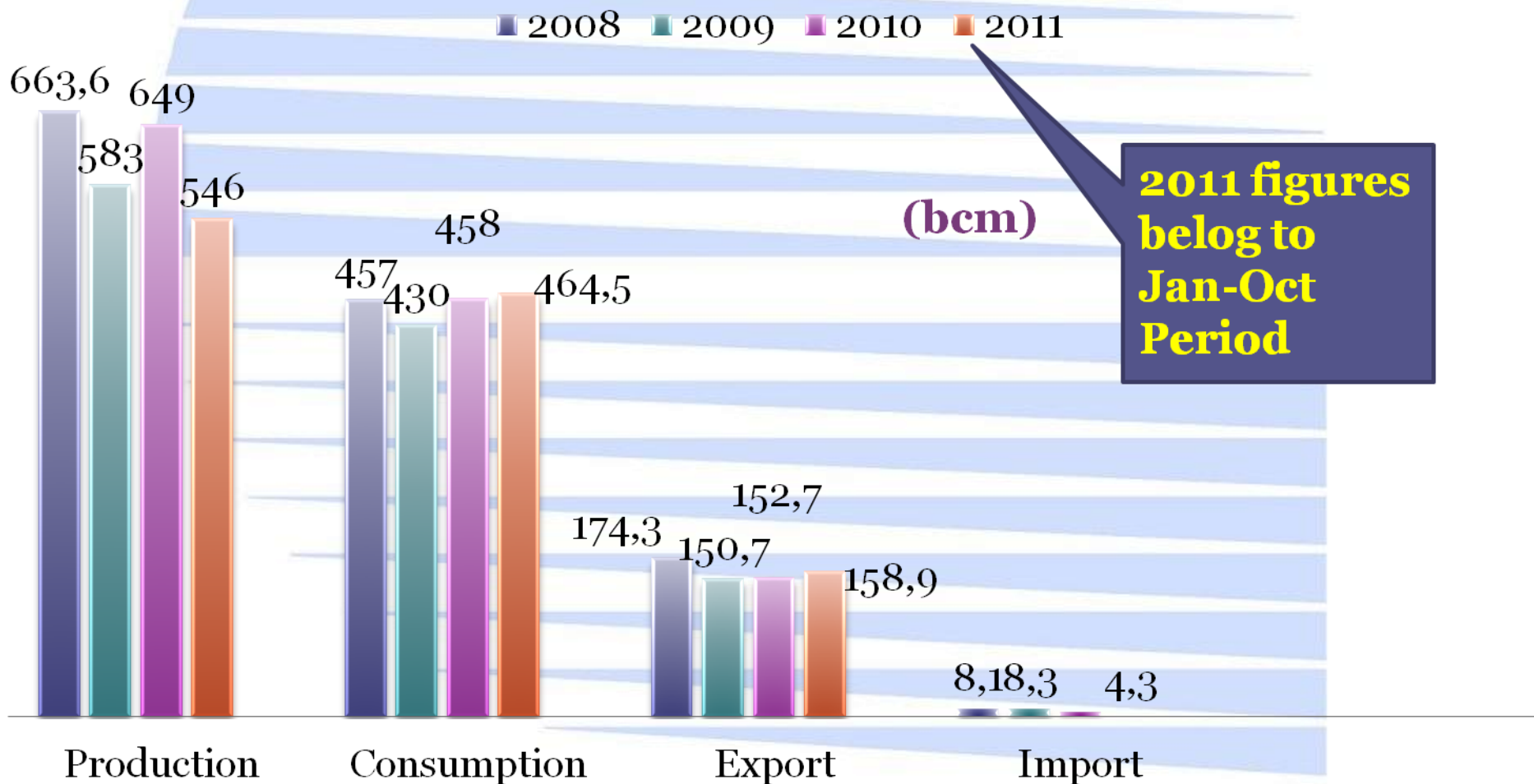
GAS SECTOR - Reserve Development Forecasts for 2020, 2030
According to Strategy Documents (tcm)



Federal Agency
for Mineral
Sources
Utilization –
ROSNEDRA :
“Expected gas
reserve volumes
are 150 trillion
cubic metres.”

Russian Energy Sector in Figures:

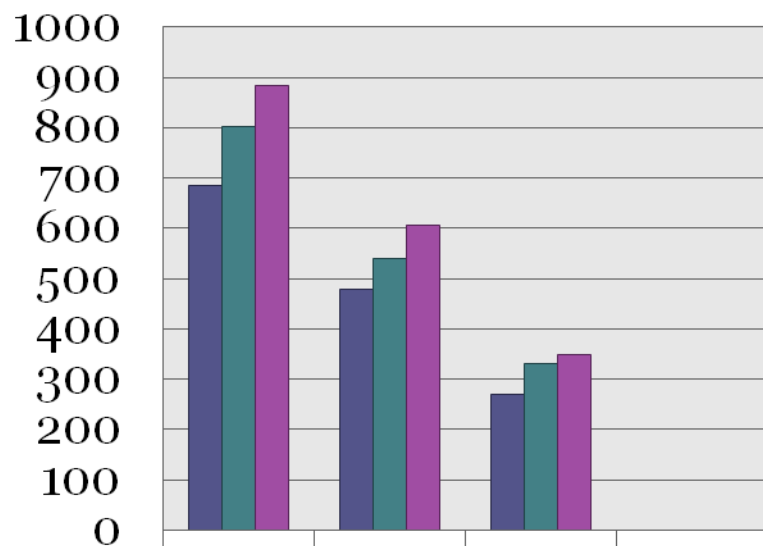
GAS SECTOR - Production, Consumption, Export, Import
(2008, 2009, 2010, 2011 (Jan-Oct.))



Russian Energy Sector in Figures:

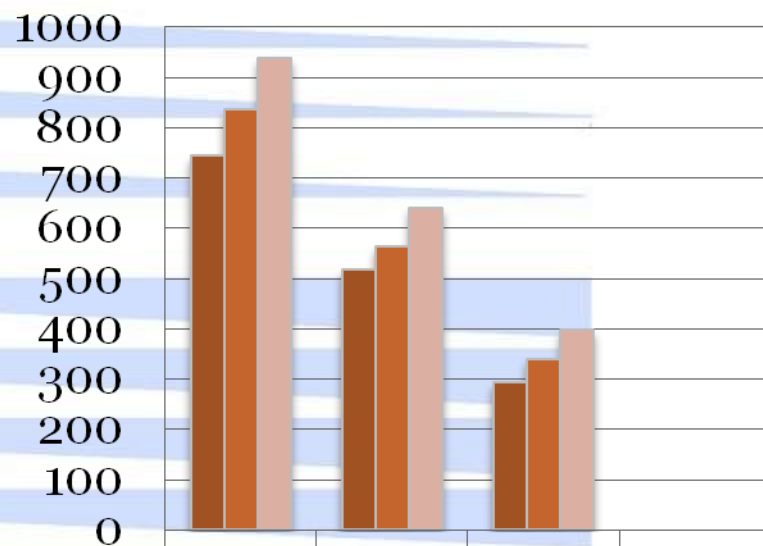
GAS SECTOR - 2015, 2020 & 2030 Targets According to Strategy Documents (Min. & Max.)

MINIMUM FORECASTS (bcm)



	Pro.	Cons.	Exp.	
2015	685	478	270	
2020	803	539	332	
2030	885	605	349	

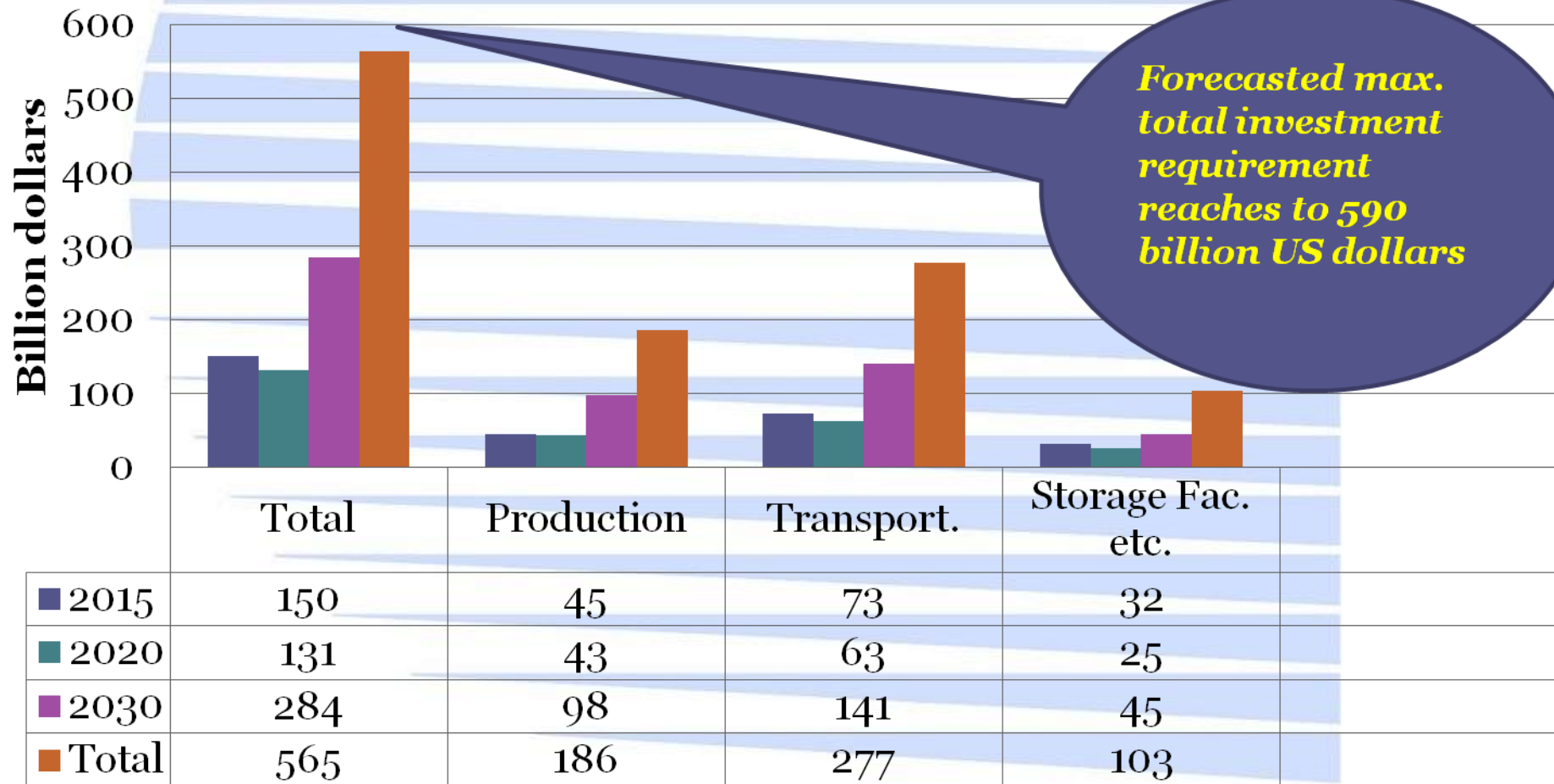
MAXIMUM FORECASTS (bcm)



	Pro.	Cons.	Exp.	
2015	745	519	294	
2020	837	564	341	
2030	940	641	398	

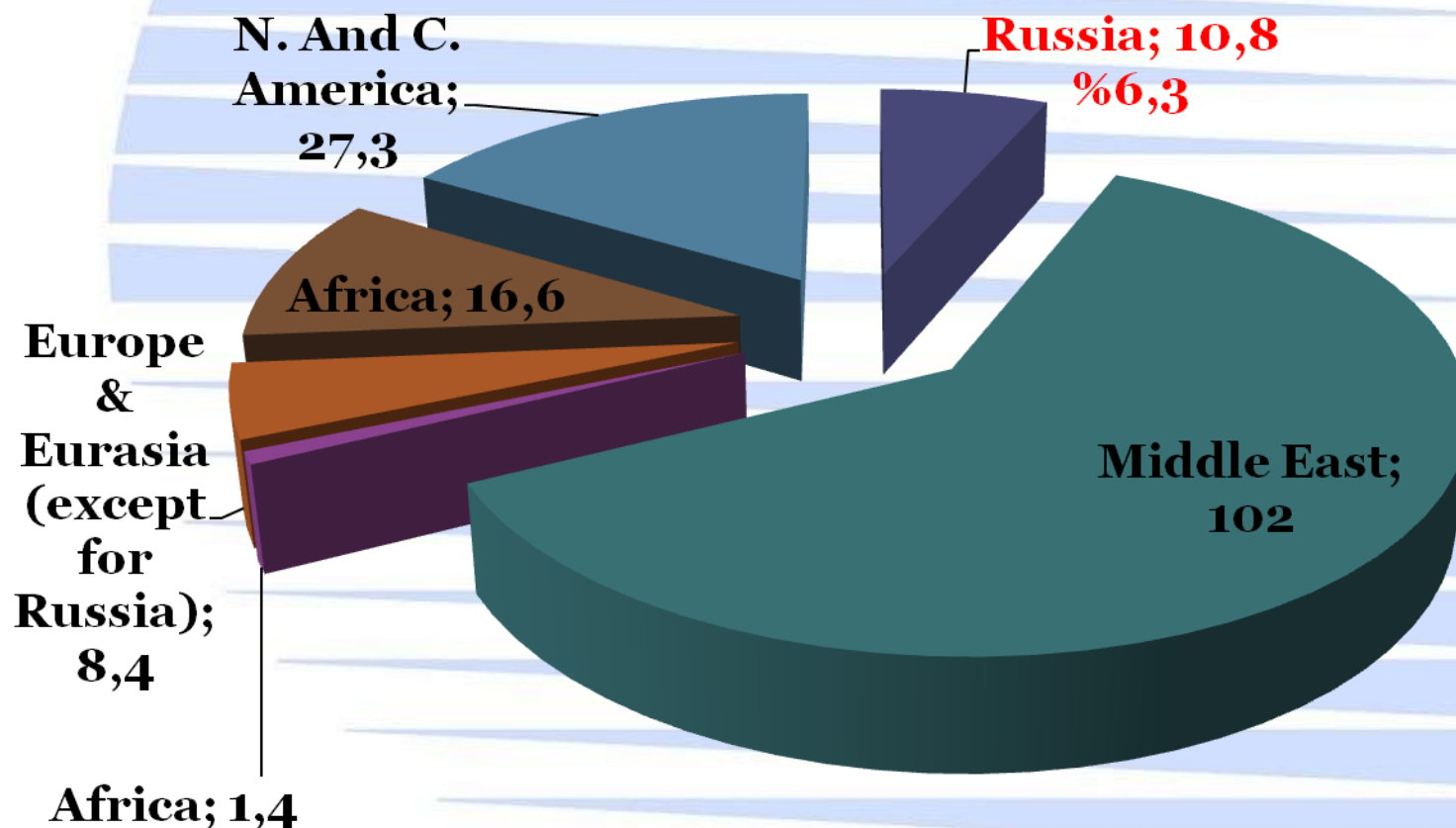
Russian Energy Sector in Figures:

GAS SECTOR - Investment Requirements (Minimum)



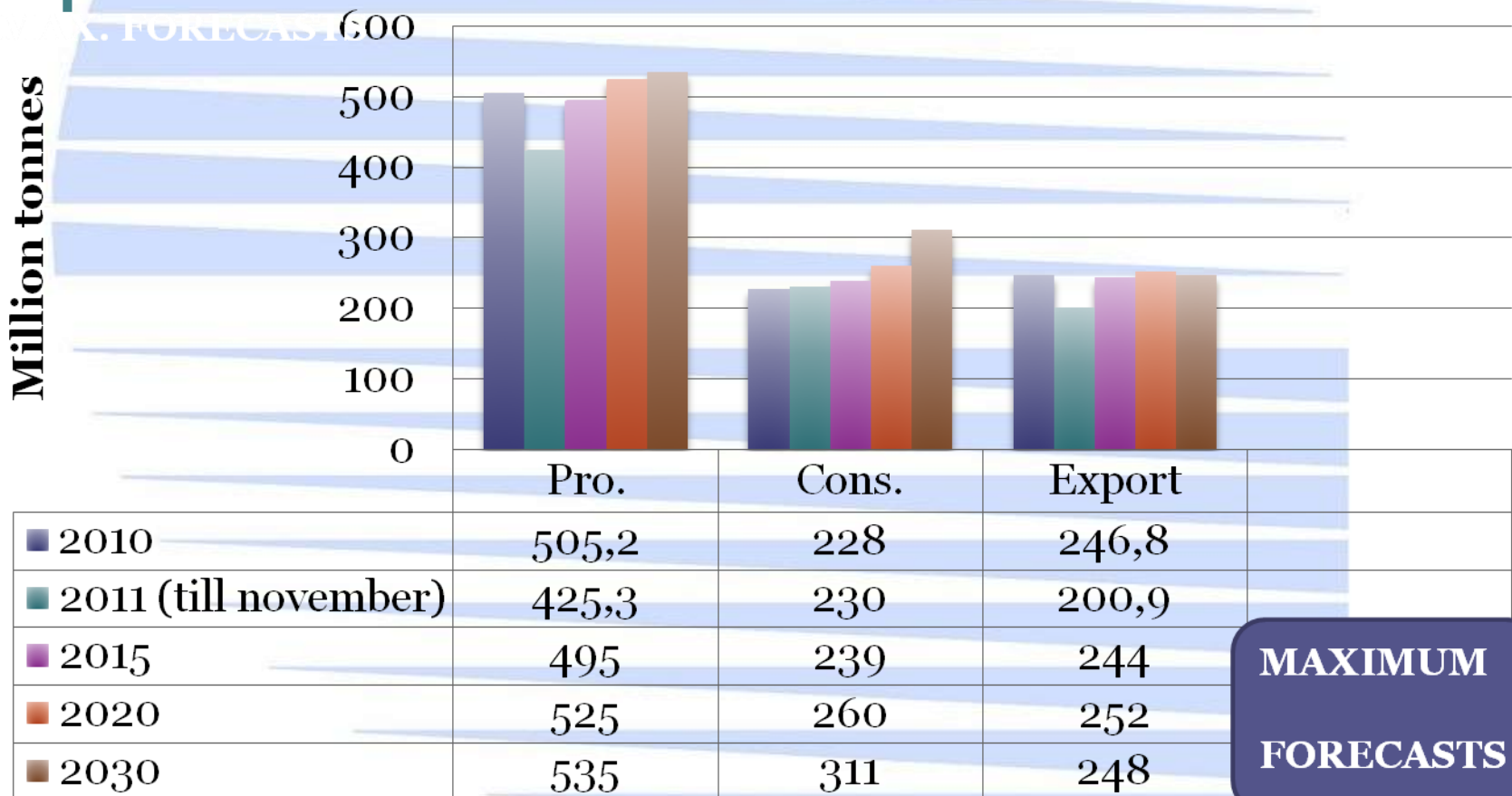
Russian Energy Sector in Figures:

OIL SECTOR- Proven Reserves



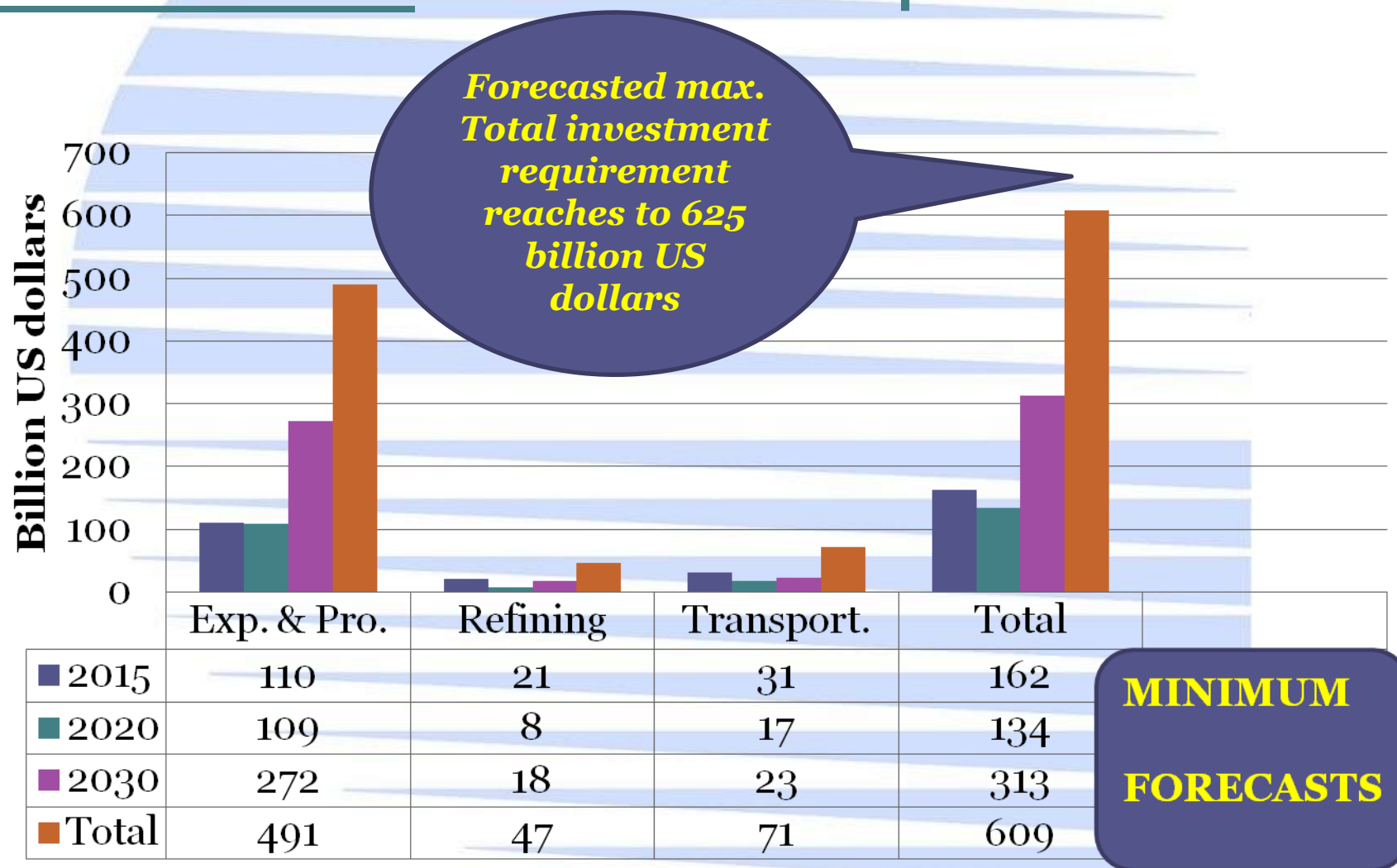
Russian Energy Sector in Figures:

OIL SECTOR: Production, Consumption, and Export



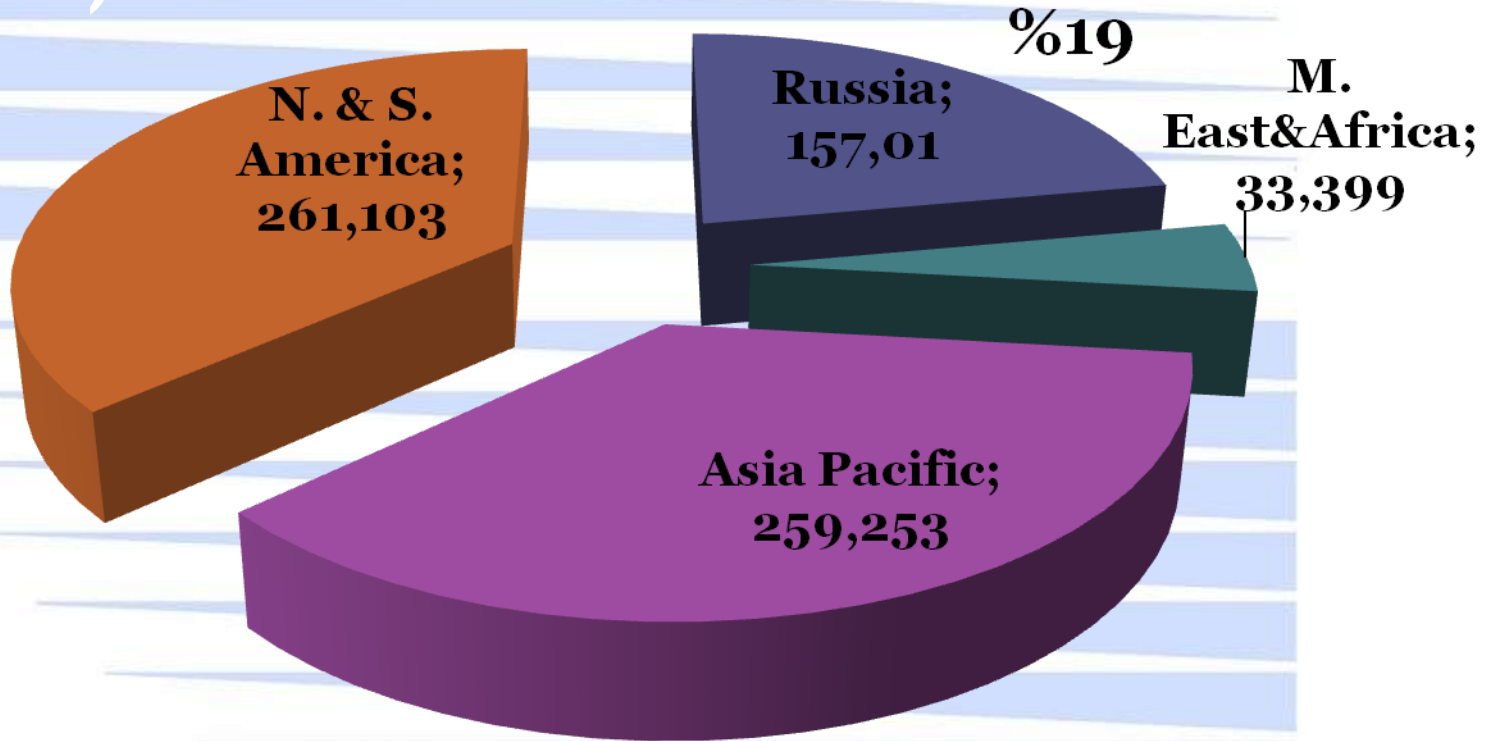
Russian Energy Sector in Figures:

OIL SECTOR: Investment Requirements



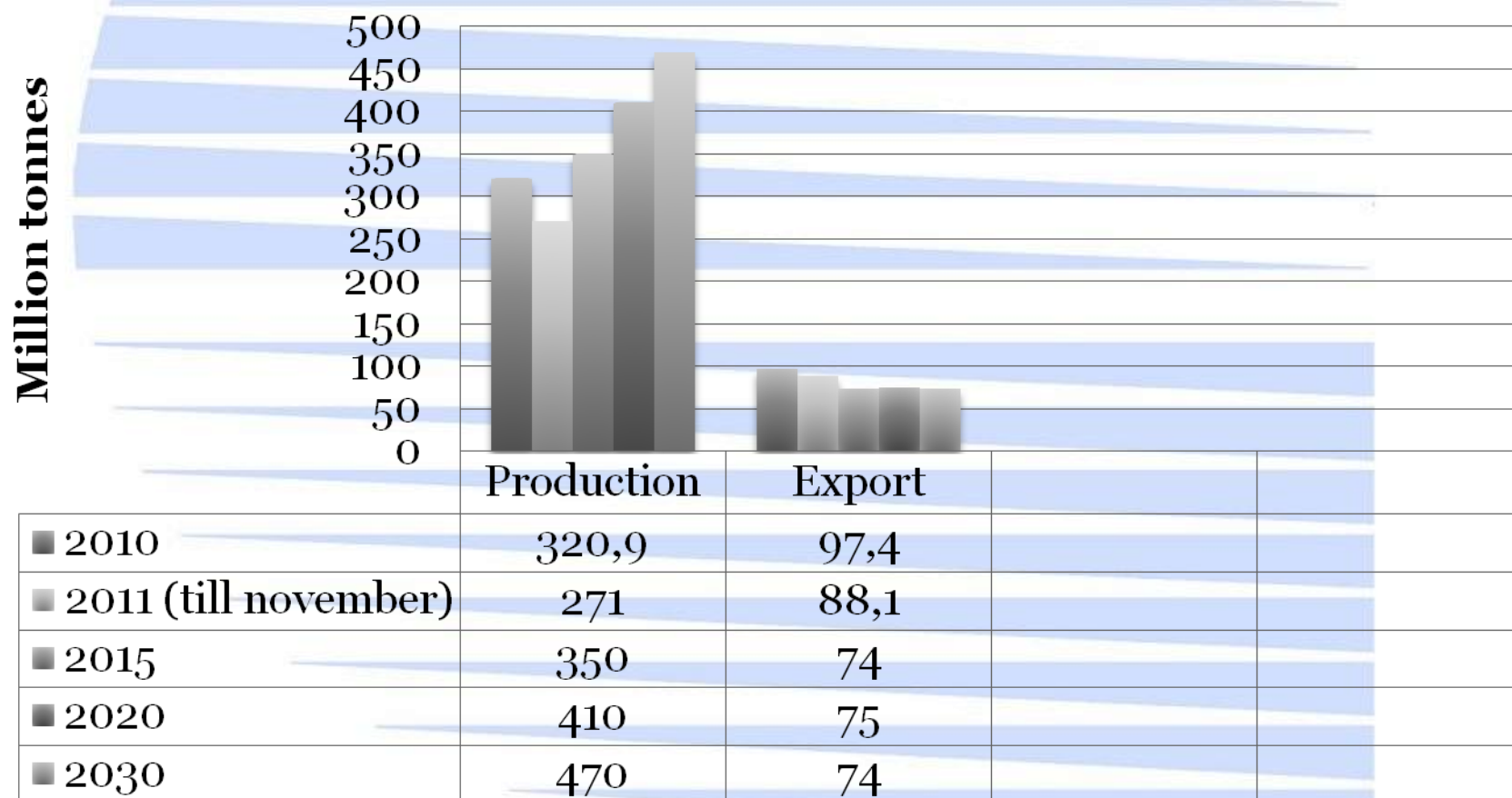
Russian Energy Sector in Figures:

(Sector: Proven Reserves in
billion tonnes)



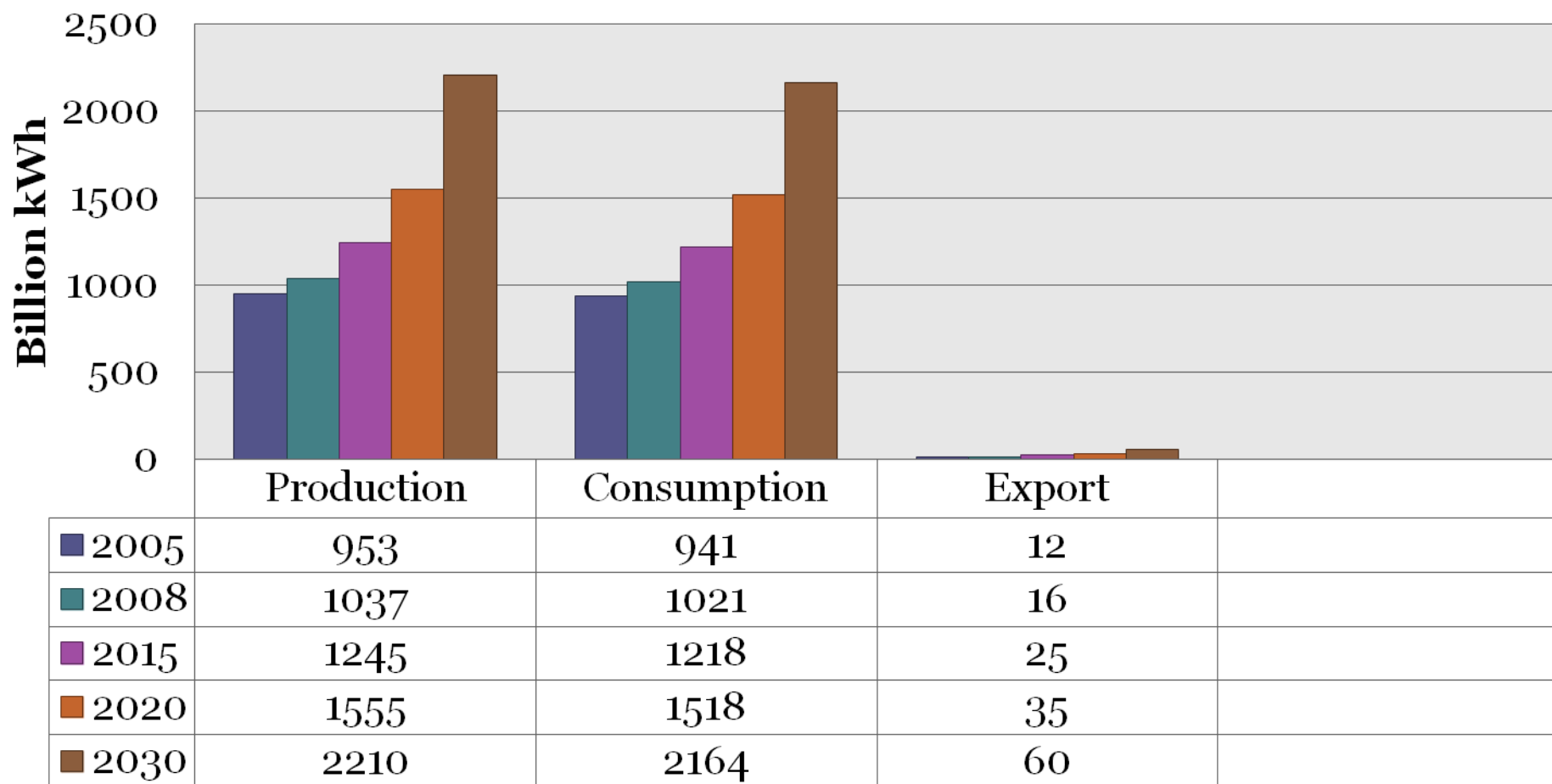
Russian Energy Sector in Figures:

Coal Sector: Production, Consumption, Export (million tonnes)



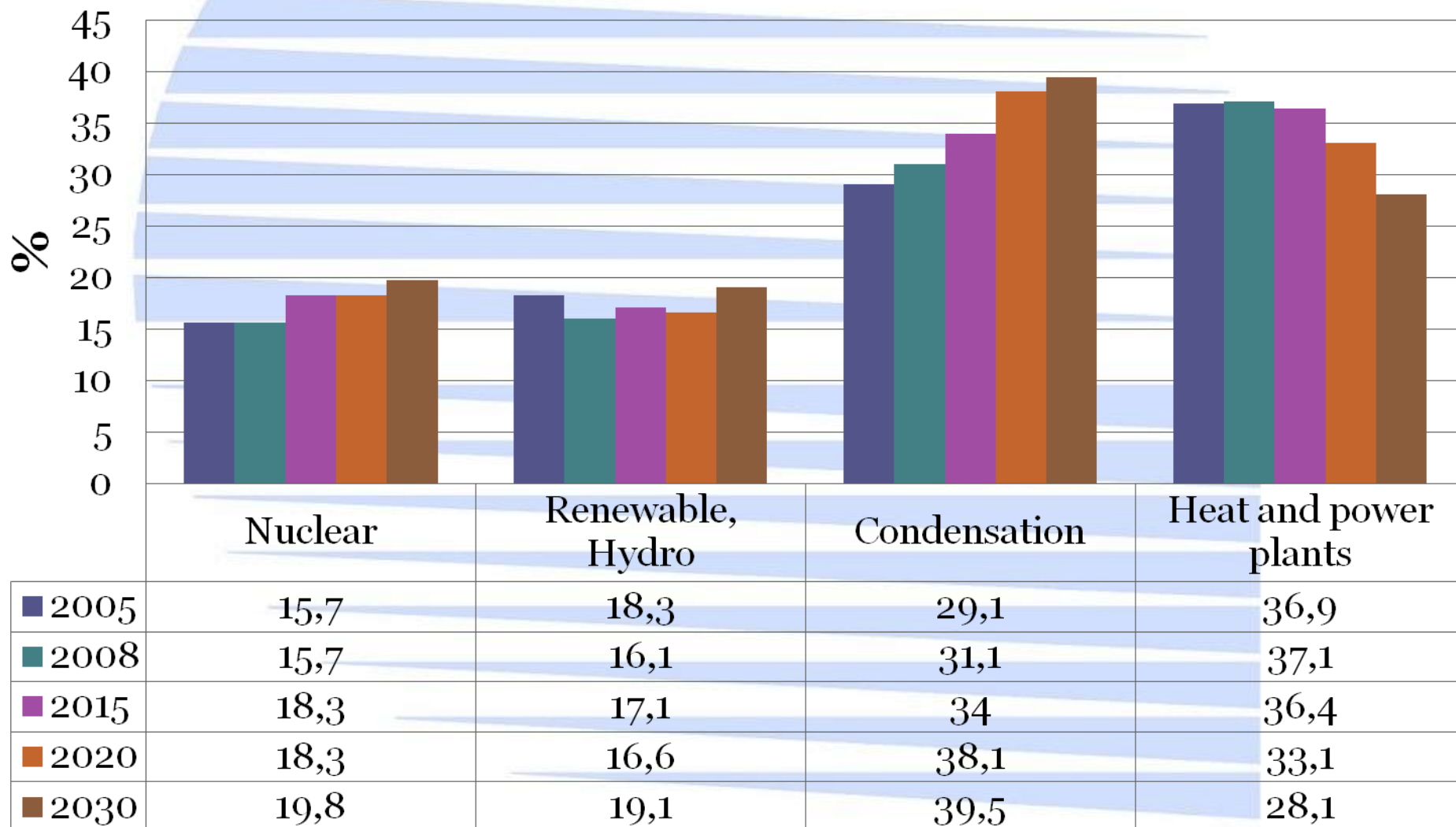
Russian Energy Sector in Figures:

Electricity Sector: Production, Consumption, Export (billion kWh)



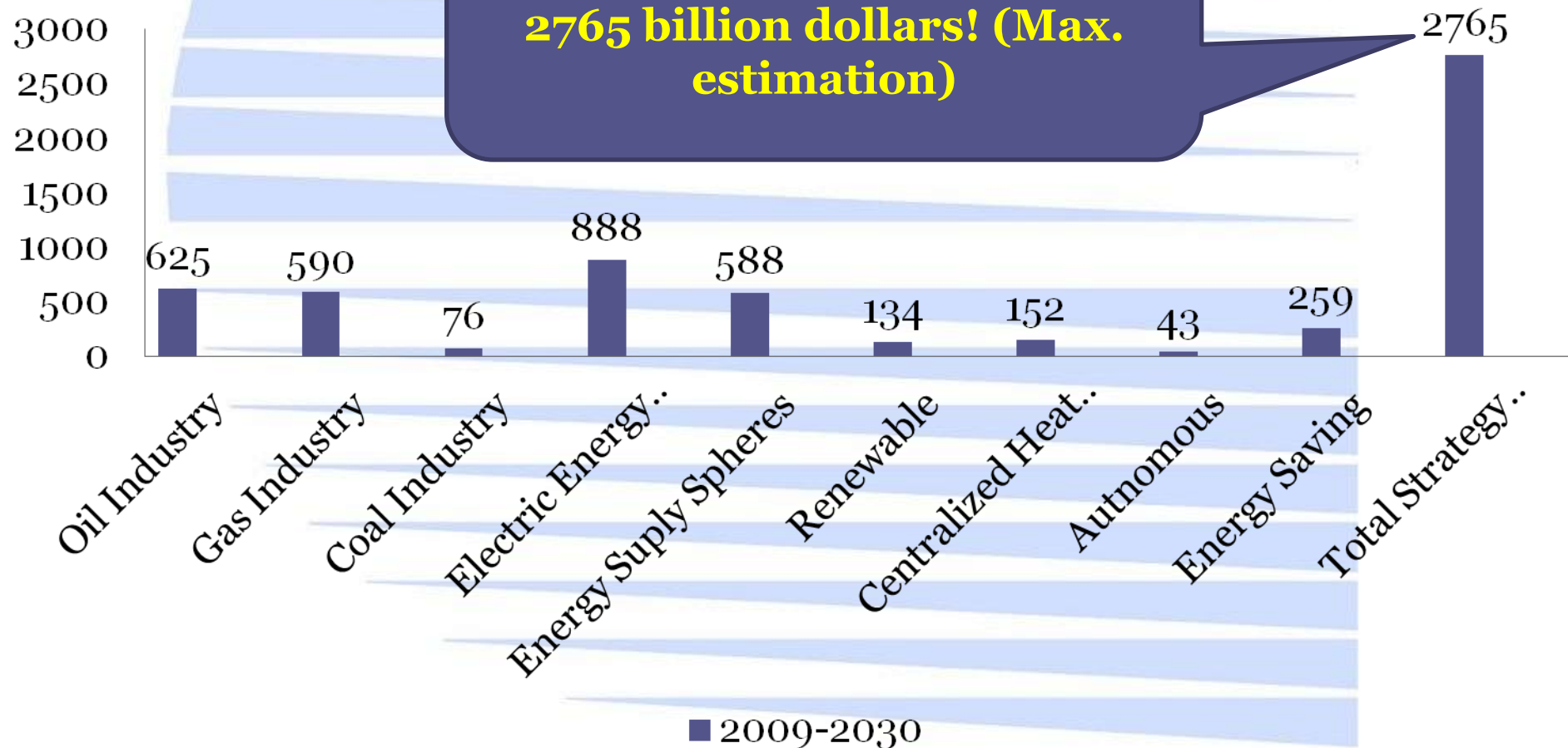
Russian Energy Sector in Figures:

Electricity Sector: Production Structure (%)



Russian Energy Sector in Figures:

REQUIRED TOTAL CAPITAL INVESTMENT BY SECTORS (US billion \$)



Domestic Energy Policy Making Environment

Energy Sector Overview

- Sector share in economy should be minimized
 - Threat of Dutch disease!
- Kyoto Requirements!
- Respectively liberalized oil sector
- United Electric Systems Reform
- Gazprom monopoly over the sector
(independent producers %26)



Contradictions!

Domestic Energy Policy Making Environment

- **Socio-politic structure and decision making : *Real center (s) of power matter!***
 - **1990s** – oligarchs effective economy and politics
 - **2000- 2004** : Putin vs. oligarchs (liberals), members of the top brass (силовики) got stronger
 - **2004-2008** :
 - Good macro-economic indicators.
 - Energy superpower rhetoric exists!
 - National energy giant creating:
 - Gazprom + Rosneft (an unsuccessful attempt?!)
 - **2008-2012**: Medvedev Period (liberal thinking?!)
 - Putin vs. Medvedev?
 - Administrative Tandem?
 - **March 2012** Presidential elections: Putin is coming back again!

Domestic Energy Policy Making Environment

GAZPROM:

is – Nomenclatura (i.e. Chernomyrdin) – control and influence over the economy

2000-2005: State (Kremlin Administration)

is to get control over

GAZPROM

GAZPROM is an

GAZPROM is an

GAZPROM is an



Domestic Energy Policy Making Environment

GAZPROM:

- **2006-... : A political weapon?**
 - December 2005: Putin's Speech at National Council
 - January 2006: Russo-Ukrainian gas dispute
 - July 2006: G-8 Summit in Petersburg
 - July 2006: Gazprom gets monopoly over gas export in regard with presidential degree.
 - March 2007: Putin's Munich Speech
 - June 2008: New Foreign Policy Concept
 - August 2008: 5-day-war on Georgia
 - November 2008: Black Tuesday– world economic crisis
 - January 2009: Rus-Ukr. Gas crisis a new round! (a matter of politics, or just a clash of interests– third parties!)
 - 2008-2011: Administrative tandem and Gazprom



Domestic Energy Policy Making Environment

- **Gazprom:** A global gas giant with big problems
 - Troubles vs. expansion, how, why?
 - Overcoming the existing problems vital for implementation of Russia's ambitious energy strategy. To gain energy superpower status highly depends on the success in the gas sector. (Hill, 2004)
 - “A troubled giant, but too big to fail” (de Leon, 2010)



Domestic Energy Policy Making Environment

• PUTIN TURNS BACK to KREMLIN (2012-2024 ?)

*A more aggressive energy diplomacy?

**Gazprom monopoly over the energy sector will be saved, even possibly it can enlarge its power

- Active state lobbying of Gazprom interests in the abroad
- Negotiations over price, pipeline routes can be harder
- Foreign direct investments?



External Energy Policy Making Environment

FORMER SOVIET UNION

- **CENTRAL ASIA:** *Energy policy zigzags! 4 dilemmas of RF* (Kazantsev, 2008):
 1. **Political or economical motives?**
 - Energy is a highly politicized issue
 - Political control over the region serves for Russia's energy superpower rhetoric.
 - Russian energy corporations also political organizations. But political priorities not always coincides with economics.
 2. **Responsibility or free hands?**
 3. **Cooperation or competition with the regional /global players**
 4. **Maximization or minimization of energy production volumes in Central Asia?**

External Energy Policy Making Environment

FORMER SOVIET UNION

- 2011: Belarus-Kazakhstan-Russia Customs Union

The Arms of Post-Soviet Gas Transporting Republics Union

WE ARE STRONG with GAS FRIENDSHIP!

- Ukraine: Disloyal brother!
 - Traditional gas disputes: Reasons, ways of solution
 - Russian offer for Gazprom-Naftogaz Ukrainy merger (April 2010)



FORMER SOVIET UNION: Ukraine the disloyal brother?!



Well to you, neighbour, a knot as a keepsake, maybe makes you not forget to pay!



We stole nothing with our hands!

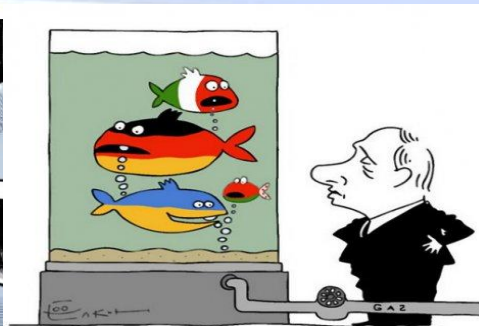
-- All has happened in this way!



External Energy Policy

Making Environment: The EU

- Politicization vs. Securitization of energy:
 - Differentiation in energy security understanding
- Post-crisis situation
- The EU-Russian energy dialog:
 - Dispute matters:
 - The Energy Charter Treaty
 - Third Party Access
 - Russia's further expansion desire vs. EU's 3rd package (Afteraffects of Russia's WTO membership)



External Energy Policy Making Environment:

Asia-Pacific Region:

- Will Energy-Thirsty Asia Dragons let Russia to expand inside?
- Central Asian resources
- Price negotiations with China

➤ Limits of international energy cooperation?

- ❑ Energy Club within Shanghai Cooperation Organization
- ❑ Gas-OPEC

External Energy Policy Making Environment:

The Middle East and Africa

- Middle East and Africa is the biggest rival in access to consumer markets
- Traces of Arab Spring for Russia and Russian energy companies?
- Gas discoveries in Israeli and aftereffects
- Iran's nuclear program
- Turkey: An interdependence? Strategic partnership? NO!
 - Energy in foreign trade balance
 - Foreign policy attitudes do not overlap: Syria, Libya, Cyprus, etc.



“GO BEYOND PLANS!
Imply the 7-year plan ahead of
schedule” (1960)

**“Figures of 5-year plans
diligently blazing: We will
promptly improve all
braches of Soviet
Industy” (1972)**

INSTEAD of CONCLUSION!



*THANK YOU FOR YOUR
ATTENTION!*