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

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UCTEÀ, 8th Energy Symposium,
İstanbul, 17.11.2011
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.

Attention: Plate Reminds Gazprom Logo!

Home-distilled vodka (САМОГОН) : National Herritage
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)

- Russia: 43.3
- Middle East: 75.91
- Africa: 14.65
- America: 16.18
- Europe and Eurasia (except for Russia): 19.6

%23.4
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:


- **Production**
  - 2008: 663.6 bcm
  - 2009: 649 bcm
  - 2010: 583 bcm
  - 2011: 546 bcm

- **Consumption**
  - 2008: 457 bcm
  - 2009: 430 bcm
  - 2010: 458 bcm
  - 2011: 464.5 bcm

- **Export**
  - 2008: 174.3 bcm
  - 2009: 152.7 bcm
  - 2010: 150.7 bcm
  - 2011: 158.9 bcm

- **Import**
  - 2010: 8.183 bcm
  - 2011: 4.3 bcm

2011 figures belong to Jan-Oct Period.
Russian Energy Sector in Figures:

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

<table>
<thead>
<tr>
<th>MINIMUM FORECASTS (bcm)</th>
<th>MAXIMUM FORECASTS (bcm)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1000</strong></td>
<td><strong>1000</strong></td>
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<tr>
<td>900</td>
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<td>800</td>
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<td>100</td>
<td>100</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
<th>Export</th>
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<tbody>
<tr>
<td>2015</td>
<td>685</td>
<td>478</td>
<td>270</td>
</tr>
<tr>
<td>2020</td>
<td>803</td>
<td>539</td>
<td>332</td>
</tr>
<tr>
<td>2030</td>
<td>885</td>
<td>605</td>
<td>349</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>745</td>
<td>519</td>
<td>294</td>
</tr>
<tr>
<td>2020</td>
<td>837</td>
<td>564</td>
<td>341</td>
</tr>
<tr>
<td>2030</td>
<td>940</td>
<td>641</td>
<td>398</td>
</tr>
</tbody>
</table>
Russian Energy Sector in Figures: 
**GAS SECTOR** - Investment Requirements (Minimum)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Production</th>
<th>Transport.</th>
<th>Storage Fac. etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>150</td>
<td>45</td>
<td>73</td>
<td>32</td>
</tr>
<tr>
<td>2020</td>
<td>131</td>
<td>43</td>
<td>63</td>
<td>25</td>
</tr>
<tr>
<td>2030</td>
<td>284</td>
<td>98</td>
<td>141</td>
<td>45</td>
</tr>
<tr>
<td>Total</td>
<td>565</td>
<td>186</td>
<td>277</td>
<td>103</td>
</tr>
</tbody>
</table>

Forecasted max. total investment requirement reaches to 590 billion US dollars.
Russian Energy Sector in Figures:

OIL SECTOR - Proven Reserves

- Middle East: 102%
- Russia: 10.8% (6.3%)
- Africa: 16.6%
- Europe & Eurasia (except for Russia): 8.4%
- N. And C. America: 27.3%
Russian Energy Sector in Figures:

**OIL SECTOR:** Production, Consumption, and Export

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>505.2</td>
<td>228</td>
<td>246.8</td>
</tr>
<tr>
<td>2011 (till November)</td>
<td>425.3</td>
<td>230</td>
<td>200.9</td>
</tr>
<tr>
<td>2015</td>
<td>495</td>
<td>239</td>
<td>244</td>
</tr>
<tr>
<td>2020</td>
<td>525</td>
<td>260</td>
<td>252</td>
</tr>
<tr>
<td>2030</td>
<td>535</td>
<td>311</td>
<td>248</td>
</tr>
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Russian Energy Sector in Figures:

**OIL SECTOR:** Investment Requirements

Forecasted max. Total investment requirement reaches to 625 billion US dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>Exploration &amp; Production</th>
<th>Refining</th>
<th>Transport</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>110</td>
<td>21</td>
<td>31</td>
<td>162</td>
</tr>
<tr>
<td>2020</td>
<td>109</td>
<td>8</td>
<td>17</td>
<td>134</td>
</tr>
<tr>
<td>2030</td>
<td>272</td>
<td>18</td>
<td>23</td>
<td>313</td>
</tr>
<tr>
<td>Total</td>
<td>491</td>
<td>47</td>
<td>71</td>
<td>609</td>
</tr>
</tbody>
</table>
Russian Energy Sector in Figures:

Coal Sector:
- N. & S. America: 261,103
- Asia Pacific: 259,253
- Russia: 157,01
- M. East & Africa: 33,399

Proven Reserves (billion tonnes)
Russian Energy Sector in Figures:

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>320,9</td>
<td>97,4</td>
</tr>
<tr>
<td>2011 (till November)</td>
<td>271</td>
<td>88,1</td>
</tr>
<tr>
<td>2015</td>
<td>350</td>
<td>74</td>
</tr>
<tr>
<td>2020</td>
<td>410</td>
<td>75</td>
</tr>
<tr>
<td>2030</td>
<td>470</td>
<td>74</td>
</tr>
</tbody>
</table>
Russian Energy Sector in Figures: *Electricity Sector:* Production, Consumption, Export (billion kWh)

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<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Consumption</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>953</td>
<td>941</td>
<td>12</td>
</tr>
<tr>
<td>2008</td>
<td>1037</td>
<td>1021</td>
<td>16</td>
</tr>
<tr>
<td>2015</td>
<td>1245</td>
<td>1218</td>
<td>25</td>
</tr>
<tr>
<td>2020</td>
<td>1555</td>
<td>1518</td>
<td>35</td>
</tr>
<tr>
<td>2030</td>
<td>2210</td>
<td>2164</td>
<td>60</td>
</tr>
</tbody>
</table>
```
**Russian Energy Sector in Figures:**

**Electricity Sector: Production Structure (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Nuclear</th>
<th>Renewable, Hydro</th>
<th>Condensation</th>
<th>Heat and power plants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>15.7</td>
<td>18.3</td>
<td>29.1</td>
<td>36.9</td>
</tr>
<tr>
<td>2008</td>
<td>15.7</td>
<td>16.1</td>
<td>31.1</td>
<td>37.1</td>
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<tr>
<td>2015</td>
<td>18.3</td>
<td>17.1</td>
<td>34</td>
<td>36.4</td>
</tr>
<tr>
<td>2020</td>
<td>18.3</td>
<td>16.6</td>
<td>38.1</td>
<td>33.1</td>
</tr>
<tr>
<td>2030</td>
<td>19.8</td>
<td>19.1</td>
<td>39.5</td>
<td>28.1</td>
</tr>
</tbody>
</table>
Russian Energy Sector in Figures:
REQUIRED TOTAL CAPITAL INVESTMENT BY SECTORS (US billion $)

TOTAL STRATEGY IMPLEMENTATION REQUIRES 2765 billion dollars! (Max. estimation)
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:**

1990s– Nomenclatura (i.e. Chernomyrdin) control and influence over the company.

2000–2005: State (Kremlin Administration) seems to get control over Gazprom.

But still, who really manipulates Gazprom is an issue of discussion.
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)
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?!

- ВОТ ТЕБЕ, СОСЕД, И УЗЕЛОК НА ПАМЯТЬ, ЧТОБ ПЛАТИТЬ НЕ ЗАБЫВАЛ!

- ЦІ РУКИ НІЧОГО НЕ КРАЛИ!

We stole nothing with our hands!

-- All has happened in this way!

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

— УСЄ ТАК І БУЛО!
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 (Aftereffects 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 branches of Soviet Industry" (1972)

INSTEAD of CONCLUSION!
THANK YOU FOR YOUR ATTENTION!