
RUSSIA'S ENERGY POLICY

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Russia has used its natural resources to put economic and political pressure on its neighboring buyers. In other words, gas has played a major role in enhancing Russias diplomacy. Yet, there are questions regarding Russias capability for using gas as a political weapon.

Russia is the second largest producer of dry natural gas in the world. Gazprom, a Russian national gas and oil company, has a monopoly over exporting gas. Gazprom owns the worlds largest gas reserves, controlling 72% of Russian reserves and 17% of global gas reserves.

Russias large territory has enabled Gazprom to sell more than 50 percent of its gas to the domestic market and the rest to more than 30 countries □ mostly its neighbors and European countries.

Russias Energy Policy towards Its Small, Neighboring Countries

Russia is the largest country in the world and has fourteen neighboring countries. During the time of the Soviet Union, communist neighboring countries received Russian gas with low prices while capitalist countries in the west received Russian gas with much higher prices. Russian gas in the Soviet era was an ideological tool, and now it is a political tool to put pressure on neighboring countries.

Russia tries to widen its sphere of influence by making its neighbors entirely dependent on its resources to the point where it achieves its political gains. As it stands, several states in central and eastern Europe are finding it hard not to rely on Russian oil and gas even at the expense of compromising their political autonomy. These states include Ukraine, Georgia, Moldova, and the Baltic States.

Gazprom is state-controlled – what it does is produce gas and oil at very cheap prices in Russia in order to keep a monopoly inside, while using its monopoly of gas over its neighbors to sell for higher prices abroad. The company appears to be more focused on achieving political gains than generating economic profit and attracting foreign investment.

In the case of Moldova, the country is entirely dependent on Russian gas as it is the poorest country in Europe. Russia is using Gazprom to pressure the Moldovan government into agreeing to buy the gas at double the price, or risk having its gas supplies cut off.

Ukraine is in a relatively better state than Moldova. This is slightly due to the country having some reserves of gas, and largely due to major oil and gas pipelines to central and western Europe passing through the countrys territory. Still, Russia did not stop attempting to interfere in the internal affairs of the country, supporting some candidates while pressuring the entire country by manipulating the price of its gas, which is a very valuable resource for Ukraine to use in industrial and heating sectors.

For instance, Gazprom began demanding the market price of \$230 per thousand cubic meters, instead of the old \$50. This is a very sharp increase in the price, and it came following the loss of the candidate they supported for the presidential campaign. In the end, a compromise was made by both sides to settle on \$95 per tcm, on the condition that it goes through an intermediary firm. This was probably to send a message and remind Ukraine of how dependent it is on Russian energy. This became even more evident, when Viktor Yanukovych, Russias ally, finally managed to win the elections. As expected, Gazproms negotiations with the new prime minister went much smoother than the former. Gazprom managed to get Ukraine to agree to a deal which stated that the price of Russian natural gas will gradually increase until it reaches market price in 2012-2013.

Georgia is much like Ukraine and has a major pipeline passing through its territory. This helps to not be very dependent on Russian gas for power. Georgia is in a better position than Ukraine due to having an energy producing country like Azerbaijan as a neighbor that shares a land border. Similar to what happened in Moldova and Ukraine, Gazprom attempted to flex some muscles and demand a higher price for their gas.

In all three cases, Russia/Gazprom was originally selling its gas at a low price, in exchange for more involvement in the internal affairs of theses neighboring countries. But as Russian influence is established and deepens, and as the people and/or the governments of these countries start to reject Russian interference, Gazprom shows up demanding the market price for gas. This is used to put pressure on the governments of said countries to agree on unfavorable deals. Lastly, Russia supports new regimes and candidates for elections, with promises of reduced prices of gas, and so on.

The future of this energy super power is unclear, yet the current statues enable them to talk big in world politics.

Kaynak/Source: