

*Nadia Campaner*

## **THE EASTERN VECTOR OF RUSSIAN OIL AND GAS EXPORTS: WHAT IMPACT ON THE EU ENERGY SECURITY?**

Nadia Campaner: Centre de Géopolitique et des Matières Premières  
Université Paris-Dauphine, Place du Maréchal de Lattre de Tassigny  
75775 Paris cedex 16, e-mail: ncampaner@gmail.com

### **Overview**

The security of Russian energy supplies to the EU member states is discussed in an impressive amount of reports and articles. However, most of the analysis is generally based on a single assumption, that the EU would remain the primary destination for Russian hydrocarbons exports. Such a hypothesis is supported by the fact that the EU is the most profitable market and is already linked by transport infrastructures inherited from the Soviet Union. Long-term contracts in the gas sector and new costly infrastructure projects such as the North European Gas Pipeline reinforce the existing mutual dependency relationship and leave little doubt about the preservation of the status quo in the medium term.

Yet one should not overlook the new horizons of the Russian export strategy. The Energy Strategy approved by the government in 2003 reflects a significant change in exporting priorities: Russia is determined to diversify its export markets, which are currently predominantly destined for EU countries. For instance, the share of oil exports to the Asia-Pacific region is projected to increase from 3% to 30% by 2020, while the share going to Europe is projected to decline from above 80% to 64%. The share of gas exports to the Asia-Pacific region is projected to represent 15% of total gas exports by 2020 from zero at present. Nevertheless, large uncertainties exist concerning the successful realisation of these ambitious plans.

This paper investigates the new trends in the Russian export strategy and questions the potential impact of diversification projects on the European energy security on the medium and long term.

### **Methods**

In this study, statistical data from Russian gas and oil industry is analysed. The quantitative analysis is used to assess the existing trends and compare the various scenarios for projection of Russian export levels. Furthermore, the major constraints on Russian production and exports are identified. The Russian governmental strategy and the strategy of major private and state-controlled companies are reviewed. Interviews with politicians, economists and top managers from the oil and gas industry give an insight into the competing interests and political dynamics that shape the Russian export projects. In this study, we argue that diversification projects of Russia emerge from a set of internal and external elements from geopolitical and economical origin. The dynamics of international political and economical relations and their consequences for the EU's energy security of supply from Russia will be discussed.

### **Results**

So far, the diversification plans of Russia are not considered as a hindrance for the EU's energy security. Indeed, exports to new markets such as in the South East region remain significantly constraint without the building of costly infrastructures and the development of Siberian oil and gas resources. Moreover, it is assumed that exports projects to the East would be mostly fuelled with Eastern Siberian reserves, thus not interfering with European oriented exports fluxes from Western Siberian fields. Nevertheless, Gazprom

recently announced that the project of the Altaï pipeline system to China would have as a supply base the Western Siberian fields. Such a reorientation may cause additional strain on Russian exports to Europe.

In this respect, Russia's potential to fulfil the role of a global energy supplier while satisfying domestic needs is questioned. Diversification raises the issue of Russia's potential to satisfy simultaneously its growing domestic demand and the planned export growth to both regions (Asia and Europe), even North America. In particular, there remains a substantial uncertainty about future production and consumption levels in Russia. The paper also questions the potential decline in the attractiveness of the European market for Russian hydrocarbons exports in the long term. To what extent Russia could bring other export markets into competition?

### **Conclusions**

The increasing competition between major consuming regions for an access to energy resources raises new geopolitical issues. The planned increase of oil and gas exports from Russia to the East is one of them, where Russia is demonstrating its resolution to act as a global energy supplier.

The paper discusses the potential geopolitical shift imbedded in Russia's global strategy and its consequences for EU's energy security. It is shown that exports to new markets outside Europe is viewed in Russia as a legitimate response to the EU's own diversification plans. Recent disputes with transit states (Belarus, Ukraine) underlined the necessity not to rely on a single export market and infrastructures. Above all, the country is seeking to maximise its exports revenues in a context of high prices in both Europe and Asia.

The paper concludes that overall diversification of Russian oil and gas market could be a critical ingredient to the European energy security in the long term. As global competition for securing energy resources is intensifying, such new parameter should be taken into account when considering the European energy security.

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