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www.afgazad.com

afgazad@gmail.com

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Sameer Jafri

Gas and Geopolitics: Prospects for Russia

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Energy has always been at the centre stage of constantly changing geopolitical contours of the world. Since the energy resources i.e. the fossil fuels are highly unevenly distributed across the globe, the competition for control over them eats up much of energy hungry major economies' time and money. With global energy demand increasing sharply and reserves being limited, this competition has only become intense with time and is bound to reach unprecedented levels in future.

Although petroleum is the primary fuel all over the world, natural gas is increasingly being preferred since it is abundant, cheaper, cleaner and more efficient fuel. These qualities vis-à-vis other fossil fuels have made natural gas a much more attractive energy source. Russia possesses the world's largest proven gas reserves. It is also the largest producer and exporter of natural gas. Since Europe is short of hydrocarbons, it relies on Russia for much of its natural gas requirements. Russian gas constitutes more than a quarter of natural gas consumed by the European Union. This makes Europe the largest customer of Russian gas. This monopolistic status provides Russia a certain degree of leverage to exercise its influence over Europe. Besides, Russia's bilateral ties with transit nations like Ukraine and Baltic states also play a determining factor in the continuity of gas supplies to Europe. Russia-Ukraine gas dispute in early 2009 very well exposed the vulnerability of Europe to resultant disruptions.

Nord Stream, the first leg of which has been commissioned recently, is however expected to partly allay the European fears of cutoff since it will deliver gas directly from Vyborg, Russia to Greifswald, Germany via underneath the Baltic Sea, thus bypassing transit nations and hence evading potential diplomatic attrition. Moreover, the savings from transit fees will add to economies of scale for both sides. While the EU has a reason

for contentment owing to assured gas supplies from Nord Stream; for Russia it will not only bring additional revenue, but also take away bargaining chip from its neighbours who time and again threaten it to disrupt supplies, thus allowing Russia to freely call the shots in the region.

Even though the West is backing the proposed Nabucco gas Pipeline, connecting Turkey to Austria, in an effort to reduce European dependence on Russian gas; serious doubts remain on its political feasibility and economic viability, owing to its diverse gas sources such as Iraq, Azerbaijan and Turkmenistan, which are fragile regions. Moreover, the pipeline is planned to pass through restive areas of the South Caucasus and Eastern Turkey. Therefore, security is a major hurdle circumscribing the prospects of this project. To further undermine Nabucco's prospects, Russia, along with Italy, has launched a rival South Stream pipeline project. It will transport Russian natural gas via the Black Sea to Bulgaria and further to Greece, Italy and Austria. The project being executed jointly by Russian giant Gazprom and Italy's Eni is expected to go on full stream by 2015, much before the proposed commissioning of Nabucco in 2017. Even if completed in time, Nabucco will be able to feed only limited number of European countries. Hence, both Nord Stream and South Stream combined are bound to make Russia the undisputed energy feeder to Europe, making it capable of enjoying an unprecedented influence over the continent at a time when all of its major economies are reeling under serious debt crises. To quote the Russian President Dmitry Medvedev during the launch of Nord Stream, "It marks a significant step in relations between Russia, the EU, Germany and a number of other countries which participated in the project. In the long run, it will bolster security in Europe, including in the energy sector, particularly amid the current economic difficulties." But this ecstasy need not overwhelm the Kremlin. It will be wise for Russia to utilise its ties with Europe to expedite modernisation and diversification of its energy-driven economy.

Expanding the scope of its energy diplomacy of late, Russia has tried to diversify its gas exports by finding new customers. In this attempt, a pipeline has already been laid to China. Another project, Altai gas pipeline, is on cards. In addition to this, Russia has proposed to lay a pipeline to feed Koreas, in an effort to reduce tensions on the Korean peninsula and give a boost to impoverished North Korean economy. Plans are also underway to take supplies to maritime neighbour Japan as well as to South-East Asia. The Eastern Siberia – Pacific Ocean oil pipeline is already pumping Russian crude to Japan, China and Korea. Since Asian economies' appetite for energy is huge, this diversification of supplies to Asia-Pacific will ensure guaranteed demand for Russian gas. It will also enable Moscow to have a greater say in the affairs of the region, which is certainly the most important geopolitical hotspot at present. It's an opportune moment for Russia whereby, by wisely and judiciously making use of its geography, it can establish itself as a strong pole in the emerging global order.