Heinrich Schwabecher: Russia – A Reliable Energy Partner for Europe?

Energy security is increasingly becoming a central factor in foreign policy. Because energy consumption is growing and extraction is declining, the world faces an energy shortage which will make Europe more dependent on supplies from abroad. In this context, Russia still plays a special role as one of Europe's energy suppliers. However, Europe's and Germany's growing dependence on Russia gives rise not only to the question of whether Russia is a reliable supplier but also of what to do about the increasing political differences between the two sides. Does Russia want to guarantee Europe's and Germany's energy security? Can Russia use its energy as a political lever? Is the country capable of securing Europe's energy demand in the long run? What are its alternatives to exporting energy? And what are Germany's options?

It is likely that the energy consumption of the OECD states will grow slowly but constantly in the future. By 2030, Europe will probably have to import 70 percent of its energy to meet its demand. In 2005, imports already accounted for about half of all energy carriers required. It is to be expected that European oil and gas reserves will be depleted by 2030. In Germany, the situation is similar. Having obtained somewhat more than 34 percent of its oil and somewhat more than 40 percent of its gas imports from Russia in 2005, the country will – more than ever before – depend on external supplies in the future.

Around 62 percent of the world's conventional oil reserves are located in the Middle East, while Europe and the post-Soviet region hold only 11.7 percent. Although it is the second biggest oil producer worldwide, Russia's share of only 6.2 percent is rather modest. A similarly asymmetrical distribution can be observed in the world's gas reserves. C. 41 percent are located in the Middle East and 32 percent in the post-Soviet region. Russia, Iran, and Qatar alone hold more than 56 percent of all reserves.

Taken by itself, Russia's share in the world's gas reserves is 26.6 percent. However, the country is not only the biggest producer of natural gas by far but also the second biggest consumer. The country will retain its role as Europe's key gas producer in the future. Even today, 98 percent of Russia's oil and 100 percent of its gas exports go to Europe. This is not surprising, given the situation during the Cold War when Moscow gave priority to supplying its former allies of the Warsaw Pact with energy.

Russia's oil deposits are concentrated in three regions – western Siberia east of the Urals, Timan-Pechora in northern Russia, and the Volga-Ural region. Russia's biggest gas deposits are in western Siberia – Yamburg, Urengoy, and Medvezhye. These will be the deposits from which Europe's gas demand will be fed in the medium-term. At the moment, Russia's pipeline system for exporting gas consists of four main lines: The 'Northern Lights' runs through Belarus and Ukraine, 'Brotherhood' and 'Union' both run through Ukraine, and 'Blue Stream' through the Black Sea towards Turkey.

Doubts about Russia's reliability as an energy supplier have by now gained currency in Europe. It is feared that Russia is using crude oil and natural gas as a political lever vis-à-vis the post-Soviet states and might use this 'energy weapon' against Europe in the future.

Ever since 2000, president Vladimir Putin's most important goal has been Russia's economic renewal. For this purpose, he is effectively making use of the country's economic potentials which, in his opinion, constitutes a prerequisite for achieving this goal and establishing Russia as both a great and an industrial power after the fall of the Soviet Union. Foreign policy also aims at reviving Russia's economy, its main tool once again being the export of energy.

Russia's regression in its democratisation process is arousing concern in Europe and Germany, especially as it painfully demonstrates their own dependence on energy. What will happen if Russia does indeed instrumentalise its energy resources to the disadvantage of Europe and Germany? If we analyse current developments in Russia in more detail, however, these concerns fade a little: Europe's and Germany's dependence on Russia is by no means one-sided; rather, Russia itself is dependent on Europe. Russia does not have any alternative energy markets. The political differences between Russia and the EU have not yet affected the supply of energy. The states of the post-Soviet region can hardly be compared to those of the EU. Finally, by reducing its energy deliveries Russia would cause serious political and economic harm to itself.

Therefore, the question of whether Russia's economy will be capable of meeting Europe's energy demand in the long run is far more serious. 80 percent of the gas Russia delivers to Europe comes from the almost depleted west Siberian fields. It is foreseeable that gas extraction from these fields will decrease, especially as it stagnated as early as 2005. What is also alarming is that several bottlenecks have occurred in Russia's domestic supply in the past. To continue delivering energy to Europe in the future, Moscow must invest. According to government estimates, investments of about 150 billion Euros will be needed until 2015 to meet the domestic demand and to safeguard exports.

At the moment, Russia is almost entirely dependent on European buyers of energy, especially as it does not yet have a single pipeline to China or India. However, the country has already begun diversifying its energy exports: There are plans to start building a gas pipeline which will connect the east Siberian deposits to China, Japan, and South Korea and carry about 40 billion m^3 of gas after 2015. The 'Altai pipeline', which is supposed to transport c. 30 billion m^3 to China from 2011 onwards, is already under construction. Finally, it is planned to build a pipeline that runs from the west Siberian fields to Murmansk as well as a liquefaction plant for gas extracted from the Shtokman field. However, deliveries from Shtokman and the Yamal peninsula to Europe may not be expected before 2013, nor will the Altai pipeline be commissioned any time soon. And as deficits are expected to occur on Russia's own market as early as 2010, Europe's situation could become precarious as the current extraction volume hardly meets the general demand. Russia will have to set new priorities.

Indeed, Moscow has only a few options left: It will try to diversify its west Siberian energy exports. And it will endeavour to strike roots as an energy buyer in Central Asia and the Caspian region to keep the Europeans away from these regions. Finally, it will strive to delay European plans for alternative pipelines and projects.

Germany and Europe are facing new challenges in energy policy; however, their starting position is favourable. C. 80 percent of the world's energy reserves are located in the geographical vicinity – in Russia, northern Africa, the Middle East, and the Caspian region. Geographically diversifying their energy supply will be no insurmountable problem.

Russia will certainly continue to be one of Europe's energy suppliers. Another option would be the Caspian region which, however, would have some disadvantages: Europe would meet with tough competition from Russia and China. Because of its level of democracy development and stability, the region would be an even more difficult partner than Russia. Finally, the stakes would probably be too high given the energy import volume to be expected.

What should Germany do? Russia will continue supplying it with energy in the long run via the existing pipeline system. Europe's and Germany's debate about diversification should be stepped up. Russia should be urged by political and economic means to ratify the energy charter. Given their importance for Europe’s and Germany’s energy security, relations with the transit countries should be deepened. Russia’s plan to raise the energy prices for transit countries deserves to be supported. At the same time, the interests of these states should not be disregarded. Finally, Germany should build an infrastructure for liquefied natural gas (LNG).

Russia regards itself as a strong player ready to compete with other great powers. Europe and Germany should not ignore this fact. Rather, the EU should – despite all political differences – intensify its strategic partnership with Russia instead of seeking confrontation. However, such a partnership must not be based solely on pragmatism and interests but rest on a foundation of common values, as this is the only way to establish sustainable, open and fertile cooperation.