Working papers are papers in the subject area of a Research Unit which are not officially published by SWP. These papers are either preliminary studies that later become papers published by SWP or papers that are published elsewhere. Your comments are always welcome.
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Managing European-Russian energy interdependence

Oslo energy workshop
12-13 december 2007
Europe

- Including Norway, Turkey, Balcans
- Excluding CIS states
- = Europe 34
European Russian Energy Interdependence

- Oil sector: Small interdependence (Friendship pipeline, 1 mbd); tanker transport
- Gas sector: High interdependence (Russia supplies 60 percent of European imports; Europe consumes 75% of Russian exports), pipeline transport
- Coal: very small interdependence
Gas import requirements by 2030, Europe-34

- **Reference demand scenario**: 650 bcm
- **Low demand scenario**: 472 bcm
- **European gas production**: Base level at the beginning of the period and decreases over time.

**Source**: EC DG TREN
Gas export potential to Europe
(Source: OME) (bcm)
Managing Russian-European gas interdependence: Existing and possible elements

- **Existing:**
  - Long-range gas contracts
  - Diversification of supply sources
  - Energy dialogue

- **Possible:**
  - Diversification of transport routes
  - Institutionalisation of energy relations
  - Common external energy policy
Long-term gas contracts

- Fixed quantities, take or pay
- Gas price is fixed to oil price
- For Europe: Security of supply
- For Russia: Security of demand
- Consequences:
  - No quarrels about gas price
  - Price not regulating demand and supply
Diversification of gas supply

- Diversification of sources:
  - Existing: Russia, Africa
  - Possible: Azerbaijan, Qatar, Iran

- Diversification of transport routes:
  - Baltic pipeline, Nabucco pipeline, South Stream

- Problems:
  - Economic viability vs. political considerations
  - Perception trap leads to diversification race (Nabucco vs. South Stream)
Energy dialogue EU – Russia

- Information function:
  - Investment plans, production forecasts, demand forecasts
- Both sides: dependent on information by companies
- Dialogue should concentrate on
  - efficiency and saving,
  - clean gas/coal,
  - investment climate
Institutionalisation of energy relations

- Energy Charter Treaty: Not signed by USA and Opec countries, not ratified by Norway, Australia and Russia

- EU argumentation:
  - ECT does not demand unconditional pipeline access and access to resources

- Russian argumentation:
  - ECT does not cover trade with nuclear fuels
  - Russia rejects „Regional Integration Clause“ of EU

- Open questions: Can ETC be „updated“? Can Russia be compensated?
EU: Common external energy policy

- EU: competence for competition policy, not for energy policy; Unbundling as a surrogate instrument
- Storages and interconnections
- Policies of national energy companies are thwarting a common strategy (EON/Gazprom: Nord Stream; ENI/Gazprom: South stream)
- Energy: public good or commodity?
Long-term perspectives in the Barents area
Industrial options we will pursue up to 2030

Short-term (2012)
- Snøhvit I & II
- Pechora oil
- Shtokman I
- Areas F & G

Medium-term (2020)
- Barents West piped gas
- Shtokman II

Long-term (2020+)
- Shtokman III