

Working paper

Research Unit Russia/CIS
Stiftung Wissenschaft und Politik
German Institute for International
and Security Affairs



Roland Götz

Managing European- Russian Energy Interdependence

Oslo Energy Workshop
12-13 December 2007

FG 5 2008/1, January 2008

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.

Roland Götz

German Institute for International and
Security Affairs

Stiftung Wissenschaft und Politik

www.swp-berlin.org

Managing European-Russian
energy interdependence

Oslo energy workshop
12-13 december 2007

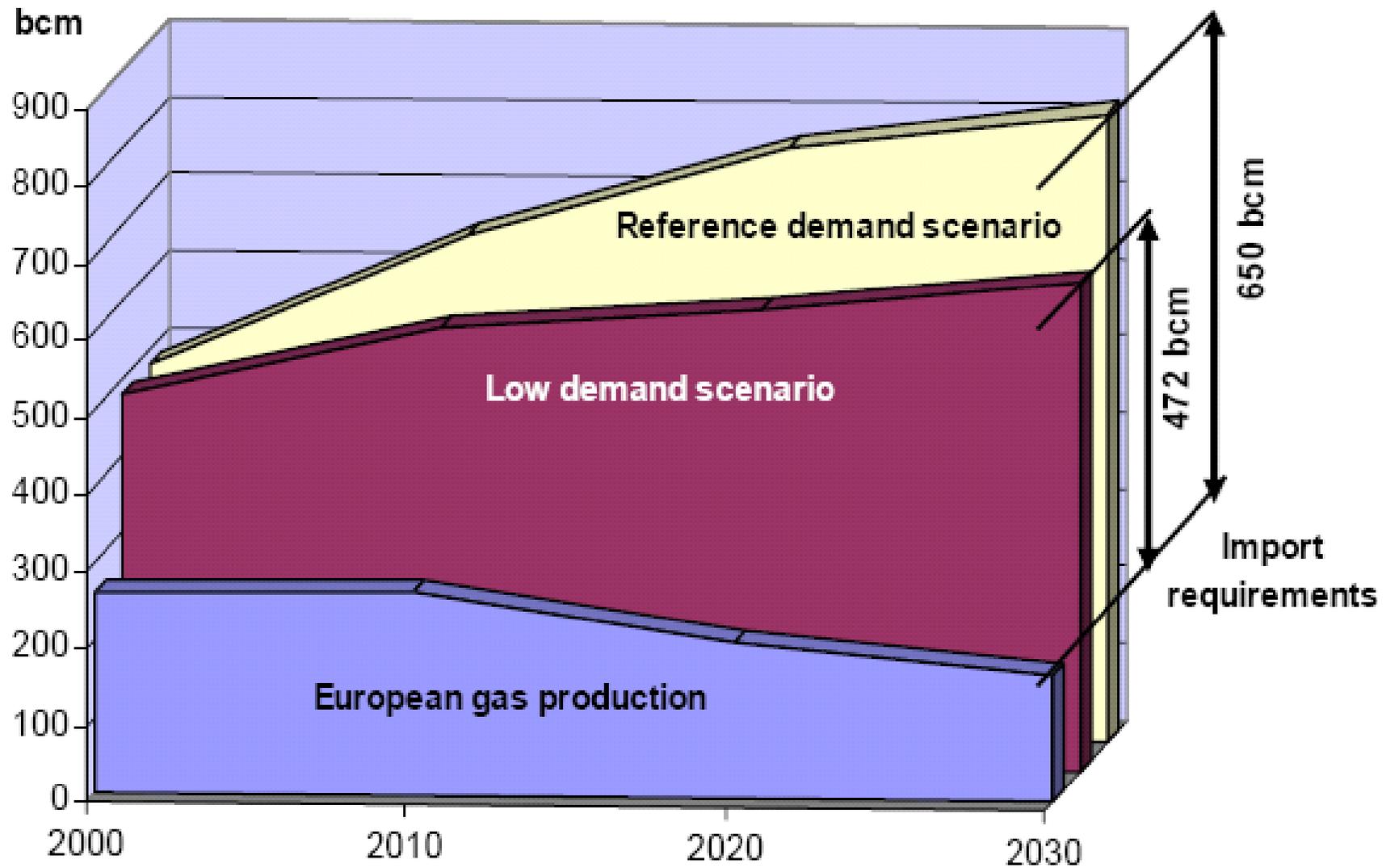
Europe

- Including Norway, Turkey, Balcans
- Excluding CIS states
- = Europe 34

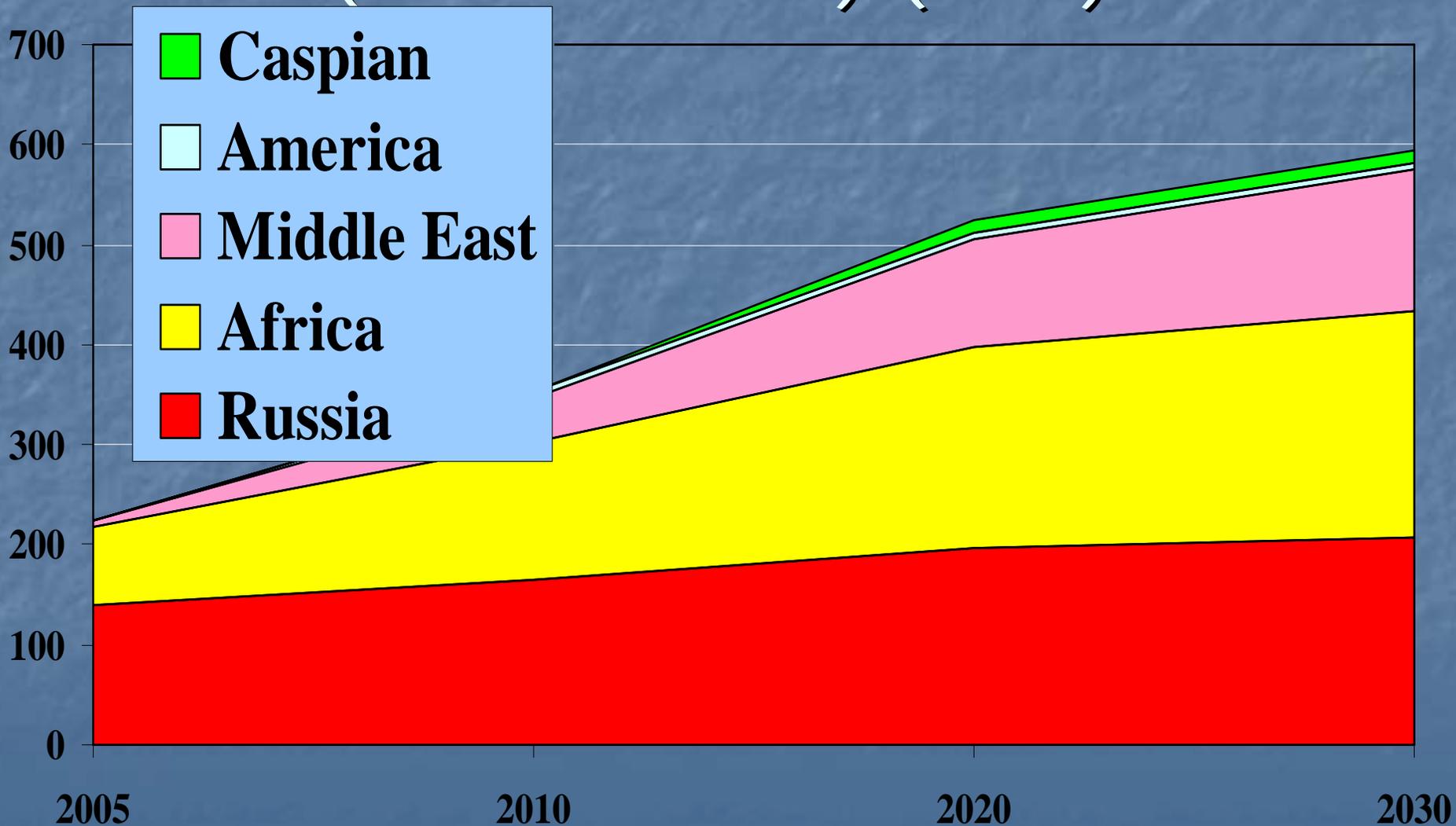
European Russian Energy Interdependence

- 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



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

