



Russia's Foreign Energy Policy in the New Context of International Energy Security

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Abstract

The factor of energy has played more and more important part in the international economic and geo-political relations in the era of globalization. In the face of growing demand for energy and various risks and threats it has produced, seeking security through cooperation is an inevitable choice for the international community to safeguard world energy security. The notable feature of the current international energy security situation is that the contradictions between oil producing and consuming countries have intensified. As a world-class energy-exporting country, Russia has the world energy interests. In recent years, Russia has taken an active part in the international multilateral energy cooperation at the global level while at the regional level it has continued to deepen the dialogues and bilateral cooperation with the energy subjects. It has strived to turn the scale against the West in the energy bouts in the Central Asia, and gone all out to enter the Asia-Pacific energy market. Russia advocates the establishment of the global energy security system in the framework of Group of 8 Nations (G8), harmonizing the relations of energy producing and consuming countries. Its participating actively in the process of the world energy integration has laid a solid foundation for the realization of economic rise and national rejuvenation.

Keywords: World energy security, International energy security situations, Foreign energy policy, Energy cooperation, Energy pipelines

1. Issues of world energy security and its causes.

World energy security is a comprehensive concept. It does not only refer to guarantee a reliable supply of energy for the world economic development at a reasonable price but means to minimize the damage to the natural environment. It also means a capacity of protecting the international community and its members from the potential risks and threats, which have something with the current and future world energy situations and will affect the world political stability and the balance of socio-economic development. (Note 1).

Different countries may have completely different interpretations on this concept. For most of the industrialized countries, because energy import is dominant in their fuel supply, energy security in the first place refers to the reliability of access to energy. That is to say, at acceptable economy (reasonable prices), by techniques (the equal treatment and security in the transportation) and on ecological conditions, they can have an uninterrupted access to energy supply from the outside. As far as energy exporting countries are concerned, energy security means that they have the adequate resources (ratio between proven reserves and the minable), the investment required for the exploration, technological and ecological feasibility, and the potential risks to maintain the position of providing raw materials which may undermine their own macroeconomic development. As for the relatively poor developing countries, to secure the economic sustainability, including the energy supply of daily use by the residents and modern energy services, becomes the main factor affecting national energy security of this kind. (Note 2). Today, when world energy is demanded increasingly, reserves of main types of resources (such as oil, natural gas, coal and hydro-energy) are imbalanced geographically, which leads to even closer energy interdependence of all countries. Time has gone by when national energy security was secured by relying on authoritarian rule and self-sufficiency. And seeking security through cooperation has become an inevitable choice for the maintenance of today's and future's world energy security.

The potential risks and threats of world energy security are mainly about the following aspects: (Note 3). Resource reserves in most industrialized countries are nearly depleted; economy of high energy consumption in such countries presses for more energy, as China and India with a large population; in the places rich in energy reserves, the political situation is in turmoil, such as the Middle East and Central Asia; pipeline transportation across the frontiers is getting more and more insecure because of aging equipment, official corruption and terrorist attacks; the world energy market has become instable due to the imbalance of supply and demand relationship and the speculation by market subjects,

which is conspicuously displayed by the drastic fluctuation of oil price in the current world; the process becomes comparatively slow to develop and utilize safe atomic energy, nuclear energy and renewable sources of non-fuel. Since energy is of more and more significance in the international economic and geo-political relations in the era of globalization, energy cooperation has become an effective means by which every country can achieve the stable development of its own. Facing the growing energy demand and a variety of risks and threats it has produced, to settle the issue of the world energy security, all members of the international community should be mobilized to take decisive actions together. Russia, as a new energy power, is striving to become a credible global energy supplier in the new century, acting as the intermediary or go-between of energy exporting and importing countries, then playing the role of securing world energy to realize the transformation from a military superpower to an energy superpower.

2. The new features of international energy security situation.

In the geo-political and economic reality of the new century, the development of the world energy will depend primarily on such countries and regions as the United States, the Middle East, Russia, China and the European Union. Among them, the United States is the world largest energy importer and consumer of oil. China is the fastest growing oil consumer in the world. Some developed countries of the European Union nearly depleted oil and gas reserves and their dependence on foreign energy is mounting up. Russia and the Middle East countries are the world-class energy exporting countries, and the Middle East are the place with the richest oil resources in the world. Russia has the largest reserves of natural gas and its gas pipelines trade also ranks first in the world. Its oil export quantity is less than that of Saudi Arabia, ranking second in the world.

The notable feature of the current international security situation in the energy is that the contradictions between oil producers and consuming countries have intensified. The root cause of the geopolitical conflict is the uneven distribution of the world oil resources. Most developed countries and the new emerging big countries are the major energy consumers while the world hydrocarbon resources mainly exist in a small number of developing countries and countries with economy in transition. It is this contradiction that decides the trend of international energy security and the behavior style of the important participants in the world energy market. As major energy consumers, the United States, the European Union and China have launched fierce tussles in the world energy market by using the economic and political resources of their own. At the same time, the Middle East, due to its continual turmoil situation and the pressure from the United States, has become less control over the oil prices. All these give Russia an opportunity to wage its energy expansion. Because oil exploration in the developed countries is declining gradually, it means that oil import in these countries will increase in the near future. Particularly, they will depend more on the countries with instable political and economic situation in the Persian Gulf. The world energy status quo is that almost two thirds of world oil reserves are in the volatile Middle East, and under the control of the Organization of Petroleum Exporting Countries (OPEC). According to statistics, the daily crude oil output of 20 top producers of the world is 57 million barrels (covering 87% of the total crude oil output in the world), of which 24 million barrels are from OPEC member countries (including the new members of Angola and Sudan) (covering 43% of total crude oil output in the world). (Note 4). Therefore, the issue of diverse energy supplies has become the focus for many countries in their national energy strategy. More and more energy consuming countries and large multinational corporations have begun to turn to their eyeballs to the energy-producing areas which do not belong to the OPEC countries. These areas refer to the relatively stable Russia and the other CIS countries. Russia, with its rich energy reserves and a solid foundation for industrial energy and the potential capacity of exploration, has become one of the biggest exporting countries of hydrocarbon raw materials in the world. The stability and reliability of oil and gas supply in the world, to a large extent, depend on the operational efficiency of the Russian fuel complex. Russia has unique geographical location, which creates an objective advantage for it to consolidate its strong position in the international energy market and enable it to play a key role in ensuring the energy supply system for regional and global security.

Since the end of the 20th century, due to the soaring oil prices, continued instability in the Middle East, international terrorist activities, and the growing world energy consumption, energy security has become the main topic in many important global and regional international multilateral meetings, such as the G8, the United Nations, the International Energy Conference, the International Energy Agency, OPEC, APEC, and the Energy Charter Conference, etc. Energy security on agenda has focused primarily on how to protect the reliability of energy supply and how to prevent the energy supply disruptions due to technical problems and accidents.

After September 11th Incident, energy infrastructure and transportation pipeline have faced with the new threats from terrorist attacks. Thus, it is more urgent to give them timely and international protection than ever before. In this new geo-political case, the international cooperation aiming at ensuring energy security appears to be particularly important. At present, to all countries such as energy exporting and importing countries, the developed countries and developing countries, the oil prices which continuously make records and the drastic fluctuation in the international energy market have become the main economic threats that the world energy security confronts. Therefore, to continue strengthening the energy dialogues between energy producers and consumers is of great significance. In the context of economic

globalization, every country participating in dealing with the energy security, climate changes and other global issues has become the consensus of the international community. Different countries exchanging information concerning the national energy cases of their own, mid-term and long-term energy development planning and the outline will help to enhance the transparency, stability and predictability of the future international energy market.

3. The new trend of Russian foreign energy policy.

At present, the Russian energy export is the main source of its foreign exchange earnings. It was reported that Russia earned 220 billion US dollars of the energy export only in 2007. It is the important foundation for the Russian government to achieve its annual economic growth of 6.6 percent. (Jianhong, Yu. 2008). Increasing energy foreign exchange revenue does not only provide a strong driving force for the rise of the Russian economy but also gives Russia political influences in the international arena. The continued high demand for energy by international community will push Russia again at the center of the international stage, and has brought opportune time for Russia to enhance its international prestige in the field of energy. As a world-class energy power, Russia hopes to truly take on the responsibility of energy security guarantor and grasp this opportunity to reconstruct its own image as a major power. To achieve the above objectives, in recent years, Russia has carried out its comprehensive energy diplomacy and taken an active part in the world energy integration process. In practice, at the global level, Russia has participated in international multilateral energy cooperation while at the regional level continued to deepen the energy dialogues and bilateral cooperation with energy subjects. It has also supported Russian companies by diplomatic means to equally participate in international energy cooperation to safeguard its own foreign economic and geopolitical interests. In the new international security situation, Russian foreign energy policy is mainly displayed as the followings.

3.1 Going great length to turn its adverse situation in the trial with the Western countries in the Central Asia and make Europe more dependent on Russian energy.

Central Asia—the Caspian region is not only of strategic position but rich in natural resources. It is known as the energy base in 21st century. In recent years, the United States, Europe and Japan have implemented a number of oil and gas pipeline construction projects in Central Asia and attempted to break the situation that Russian's pipelines has controlled. It is notably mentioned that the United States has never given up its efforts to undermine the Russian energy monopoly in Central Asia.

In May 2006, the pipeline, supported by the United States, connecting the Caspian Sea and the Mediterranean while bypassing the Baku (Azerbaijan)-Tbilisi (Georgia)-Ceyhan (Turkey) has opened and run well. This greatly weakened Russia's control of the oil shipment in the Caspian Sea. Recently Baku-Tbilisi-Erzurum (Turkey) natural gas pipeline has been officially opened. Natural gas in the Central Asia can be transported immediately to the international market without Russia's control. The United States and the EU also support the trans-Caspian pipeline project from the Turkish port to the Europe. It is scheduled the natural gas through the pipeline is from Iran, Kazakhstan and Turkmenistan. Which direction the tube walks to decides the interests. As the oil and gas pipeline projects have been implemented and put into use, the subtle geopolitical balance in Central Asia after the Cold War is broken. And the trend favoring the West in geo-political and economic strategy has come to the surface.

In this context, Russia, as for its energy diplomacy in the 2007, on the one hand, actively reasons Kazakhstan, Turkmenistan and Uzbekistan to participate in laying new gas pipeline along the Caspian Sea, forming a strong competition against the trans-Caspian pipeline initiated by the United States and the Europe and succeeding in guiding the oil and gas in the Central Asian to go north to resist the distributary planned by the West. On the other hand, it urges Greece and Bulgaria to reach an intergovernmental agreement of building oil pipelines across Balkan to open the new channel of transporting the oil of the Central Asia direct to Europe by the Caspian Sea, Bulgaria and Greece. The new pipeline will avoid Ukraine, Belarus, Poland and other oil and gas countries, which in recent years repeatedly have conflicts with Russia on the issue of oil crossing borders. Thus European energy dependence on Russia is greatly increased.

Russian President Vladimir Putin on May 10, 2007 launched a Central Asia energy trip to Kazakhstan and Turkmenistan. The three heads, on May 12, held a high level meeting in Turkmen and with the president of Uzbekistan, issued a joint statement declaring that the natural gas pipeline available from Central Asia to Russia will be upgraded and new pipelines along the Caspian Sea will be paved. On 20th, Dec 2007, Russia, Kazakhstan and Turkmenistan signed the Agreement of Natural Gas Pipeline along the Caspian Sea. The new pipeline from Kazakhstan and Turkmenistan to Russia is expected to connect with the old pipeline. Its annual transportation capacity is 20 billion cubic meters. It is planned to be put into use in 2010. (Note 5). This will enable Russia in access to new chips in the energy dialogue with the United States and Europe. First, Russia has again strengthened the energy and pipeline control in Central Asia, and the cooperation with the Central Asian countries helps Russia consolidate its world energy power status. Second, once the natural gas pipeline project along the Caspian is implemented, the largest natural gas transportation system in the Central Asian region will come into being, which will undoubtedly maul heavily the gas pipeline plan of the West, or even lead it to an abortion. The Russian media have pictured it as that Putin is turning off the gas valve.

On March 15, 2007, Russia, Greece and Bulgaria signed in Athens the intergovernmental agreement, namely, On paving Inter-Balkan Oil Pipeline from Burgas to Alexandroupolis (briefly, the Papua Oil Pipeline Project), ending the 15-year-long marathon negotiations. This will be an only direct channel for Russian oil to Europe. Russia accounts for 51% of the shares in Papua project and gains the holding power on construction, management and operation, and an absolute leadership position as well. The rest 49% stock is divided by Bulgaria and Greek equally. Laying Papua New pipeline is consistent with Russian strategy of expanding its oil export, which can realize the high efficiency and diversifications of the export supply. The pipeline completed will ease the bottleneck of the current Russian crude oil export, improve transportation capacity and speed, consolidate the share Russia has at the European and world markets. This is the basis and premise for Russia to have negotiations with Greek and Bulgaria. Papua pipeline completed will further deepen Europe's energy dependence on Russia, to some extent, compensate for Russia's declining control over energy in Central Asia, thus turning the scale of the difficult situation that Russia faces in the international energy competition pattern.

Judging from the current situation, Russia has led up in the energy competition with the West. But the future energy cooperation between Russia and the Central Asian countries is bound to be bothered by the West. Furthermore, in order to achieve the maximization of their own political and economic interests, the Central Asian countries have been seeking diversified energy exports. Therefore, the export channels completely controlled by Russia are clearly incompatible with the long-term interests of the Central Asian countries. In fact, when the Central Asian countries reached a series of important agreements with Russia, they have not given up the energy cooperation with the Western countries. They have made for complete success all the time. It can be predicted that the United States and Europe, with a lot of funds and advanced technology, will not stop the fight for the geopolitics with Russia. Their competition in energy field of the Central Asia will proceed on.

3.2 Russia speeds up developing the new oil and gas fields in its eastern part, and goes all its out to push ahead the oil pipeline construction in the Far East, marches toward the Asia-Pacific energy markets in accordance with its energy strategy.

Europe is the traditional market to which Russia exports its oil. Although western pipeline has inadequate capacity and aging equipment, generally speaking it is still relatively complete comparing with the east. As for the Asia-Pacific market, Russia is currently in an embarrassment of no basic pipeline. However, the Asia-Pacific energy market is the fastest growing market in the present world. According to the assessment by the International Energy Agency, demand for energy will increase faster than any other countries in the world. The annual average of oil consumption is 3% to 4%. And gas consumption increases 4% to 6% annually. For this reason, Russia has begun to pay more attention to Asian and the Pacific countries in its energy strategy. On the whole, the Asia-Pacific market is expected to cover the share of the Russian oil export from the current 3% to 30% in 2020 (100 million tons will be increased in export). And natural gas increased from 5% to 25% (65 billion cubic meters will be increased in export). (Note 6).

Development to the east is of strategic significance in Russian foreign energy policy. Japan and South Korea are influential in the world economy. China and India have vast markets and great potential for industrialization. Southeast Asian countries are in great boom in economy with strong confidence. While as for its internal parts of the eastern Siberia and the Far East, it is extremely difficult to develop relying on the plan of west development. Probably the words by Lomonosov, a famous Russian poet are gradually becoming true. He said, strong Russia will be closely linked to Siberia.

On December 31, 2004, Russian Prime Minister Mikhail Fradkov signed the order on the construction of the Far East oil pipeline (Eastern Siberia-Pacific pipeline). The total length of the pipeline is more than 4,800 km. It will become the longest oil pipeline built in Russia. By that time, Russia will have significantly increased its oil export capacity.

What that Russian Far East oil pipeline carries is mainly from the new oilfield of Eastern Siberia and the Kasha Republic. The pipeline construction will have been completed in two phases. For petroleum resources in the new areas is at the early stage of exploration, Russia is preparing to use oil resources in West Siberia to secure the oil supply of the pipeline project at the first phase. When the second phase starts will depend on the exploration progress of the new oilfields in the East Siberia and the Republic of Sakha.

According to Russian Ministry of Natural Resources in 2007, at the current speed of exploring oilfield in East Siberia and the Republic of Sakha, the whole oil pipeline capacity of the Far East will have not been likely to reach 80 million tons annually of the design scale by 2012. The main reason for this is the evil natural conditions, complex geological structure and too much investment in the oil exploration. There still exist some risks and dangers, too. In addition, Russia stops foreign investors from exploring its oil and gas fields of strategic significance, which is also considered to be one of the factors to slow the pace of developing oil resources in the area.

In light of this situation, the Russian Federation is expected in the next few years will greatly increase finance for oil and gas exploration in the region and take effective measures to attract and encourage investors to develop the difficult

mine. (Most belong to this type). That is to say, by the tax lever can the enthusiasm of the oil companies be evoked to develop new oil field. Department of Energy proposes that a tax-free period (of 5 to 7 years) should be implemented in the new producing area. And in the area developed by the investors no tax rate of mineral resources exploitation will be combined with the priority of using the mineral resources. This will prompt the companies able to develop the mineral resources with high risk in East Siberia, the Far East and the continental shelf waters. (Note 7). Russian government is making efforts to resolve the bottleneck that constraints the second phase of the pipeline project and protect its transportation of Far East oil pipeline, which is the important measure that Russia has taken to implement its Eastern energy diplomacy strategy and achieve diversification of energy export. On November 6, 2007, Chinese premier and Russian prime minister held the 12th regular meeting in Moscow. They once again stressed to ensure that the Sino-Russian crude oil pipeline must be completed and put into operation in the end of 2008, at the same time to speed up the negotiations about long-term cooperation of oil supply trade and enhance cooperation in downstream oil and gas field.

It is obvious to see that the long-term national interests of Russia lies in the fact that by virtue of its geographical advantage of the Far East region and its advantages in resources, it strives to attract more domestic and foreign capital to participate in the exploration and utilization of resources in its east part, giving impetus to the national overall economic development. By means of energy as a breakthrough, Russia has sped up to melt into the Asia-Pacific multilateral economic cooperation to lay a foundation for the genuine integration with the world economy.

3.3 Within the framework of Group of 8 Nations, Russia harmonizes the relations of energy producing and consuming countries and advocates the establishment of the global energy security system.

Energy security issue has always been one of the main topics for discussion that Group of Seven and the current G8 have paid much attention to. In this sense, Group of Seven set up in 1975 can be seen as the response to the 1973 energy crisis in the world. The crisis resulted in the first soaring oil price in the 20th century and threatened economic development in many countries. During that period, Group of Seven had played an active part in harmonize energy reserves policy of the industrialized countries and building up strategic oil reserves. The energy issues thus have become the central ones for the United States and other industrial countries. (Note 8)

Members of Group of Seven are the major energy consumers. After accepting Russia as a member, from the viewpoint of energy security, G8 is more capable of harmonizing the relations between the energy producing and consuming countries. Advocated by Russia, G8 and the EU energy ministers held the first conference in Moscow to discuss the world energy issues in the spring of 1998. Since September 11th Incident, great changes have taken place in the world geopolitical situation. And the world energy market has undergone a fierce competition. In May 2002, G8 and the EU energy ministers held the second conference in Detroit of the United States to discuss energy security and how to maintain the stability of world energy market. In July 2006, summit meeting was held in Petersburg. Russia, grasping the chance that it was its turn to become the chairman, decided issues of energy security to be the main topic for the meeting, and promoted G8 to pass St. Petersburg Energy Security Initiative. On the eve of the summit, G8 energy ministers held meeting in Moscow in March 2006 to give an extensive discussion on the global energy security issues on behalf of mutual interests.

In the framework of G8, Russia advocates establishing a long-term energy security strategy and a global energy security system. The energy proposals that Russian have mainly focus on that a balance point of interests between the energy producing and consuming countries must be found because it is the only way to prevent the world energy market from turbulence and resulting soaring prices. From the resolutions of St. Petersburg summit, it can be seen that proposals of Russia have covered the key elements of energy security issues—from increasing energy production to promoting the energy efficiency of economy, which reflects the environmental issues that the industrialized countries are concerned about. And the pressing demand that the Third World countries have is also taken into consideration, for example, how the developing countries can shake off energy poverty had been deeply explored. (Note 9).

It is obvious that energy has become a ticket for Russia to squash in G8. And energy security issues will occupy more lasting and unique position on the agenda of G8. Russia participating in the discussion on energy issues and exploring ways to resolve them does not only conform to the interests of Russia itself, but also to the interests of other partners in G8. (Note 10). Although Russia is not the member of International Energy Agency and the Organization of Petroleum Exporting Countries, it still develops positive mutual relations with the international energy organizations. Russian energy industries have given more and more impact on the stability of the world energy market, which has been recognized by major developed countries.

As a world-class energy producing country, Russia has its world energy interests. Russia is making good use of its natural energy advantages and taking active part in the world energy market governance to earn a more favorable position in the existing international energy order (Note 11) and have a greater voice in the international oil and gas market. (Haiyun, Wang, 2007.12. p.30.) The rise of Russia in the field of energy has accelerated the adjustment of the pattern of international energy strategy in the new century. In the overall situation that the world oil supply and demand

relationship will continue to change, Russia by actively participating in the design and operation of the new global energy management system, can gradually improve its international prestige in the field of energy and lay a solid foundation for steadily pushing forward the strategy of strong state and rich nation to achieve the great cause of its national rejuvenation.

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Notes

Note 1. Проблемы глобальной энергетической безопасности. Энергетическая политика. 2005, №4, с. 65.

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Note 11. International energy order is a vital part of the international political and economic order. It refers to the system arrangement concerning the international energy power relations. It concentrates on the expression of the power balance, interrelationship and the mechanism of rules among various international energy subjects. In the existing international energy order, a serious imbalance of power exists between developing and developed countries. At the same time, the existing international energy order is under a dynamic change. The oil and gas exporting countries have a comparatively higher position. The US dollar international oil and financial system is facing serious challenges. A multi-polar energy pattern has loomed in the world.