

## Russia maintains its focus on gas. And everybody is fed up with Ukraine

**T**he Russian energy strategy for the next few years includes lofty goals. While other countries are investing 1.5 percent of their GDP in the energy sector, Russia is spending 5 percent. Russia wants to increase production and exports, especially of gas. Tatiana Mitrova from the Center for International Energy Markets Studies at the Russian Academy of Sciences in Moscow explained this during a talk at the Norwegian Institute of International Affairs (NUPI) Annual Conference on Russian and Eurasian Studies. The theme this year was “Russia, Europe, and Energy: Rule of Powers or Power of Rules”.

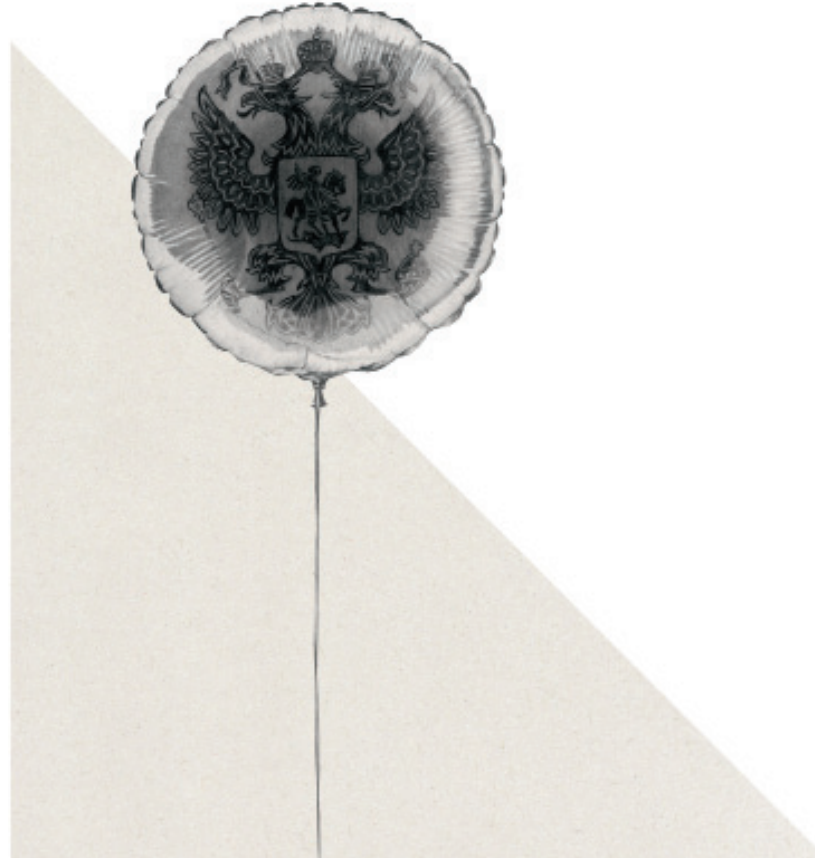
“The current strategy calls for energy exports to increase by 20–30 percent. But the share of gas exported to the EU is going to decline and the share exported to countries in the East, especially China, is expected to rise”, Mitrova said, and further noted that the plan is to increase exports of gas alone by 30 to 40 percent.

SINCE RUSSIA'S COSTLY projects and investments are risky, the country is eager to create stable contracts with long-term price agreements. Contracts in which the parties agree to import certain goods in exchange for others are also conceivable, especially when it comes to countries to the east.

Over the next few years, energy as a base product will account for no more than 70 percent of exports, according to the official energy strategy. Russia wants to process the energy itself. One area where foreign investors are being invited to participate involves planning and extracting oil offshore — where outside expertise is required.

The energy issues must be put into a greater context, according to Irina Busygina of the Moscow State Institute of International Relations (MGIMO). Russia is investing in the energy sector because the country wants to play a role in international politics. Busygina is inclined to link geopolitical initiatives to modernization initiatives. The message from the Kremlin is “trade with us but do not interfere”. Russia will manage its internal affairs on its own.

Everybody is talking about the modernization of Russia. But there is opposition among the masses. They



understand that modernization is not going to bring them any advantages in the foreseeable future, according to Busygina. She reminded listeners that the same applied to the “shock therapy” introduced after the fall of communism. Many groups were excluded, groups that have yet to benefit from economic growth in Russia.

“The question is not how Russia will manage to compete in a superpower arena, but how it will manage to become a normal country. These days, people in general are just trying to survive”, Busygina said during the lunch break.

She continued: “Russian policymakers are going to Silicon Valley and now they are talking about creating a similar high-tech center in Russia. As something to show off, a symbol that we are in the game. Innovation and creativity do not come without freedom. There is a discrepancy between vision and reality. The energy policy is one way to manifest to ourselves that we are still one of the big guys.”

RUSSIA INTENDS TO maintain its focus on gas, even though the economic crisis has led to declining demand for gas and

changed the price structure, according to Derek Averre of the Center for Russian and East European Studies (CREES) in Birmingham. He spoke about a changed realpolitik scenario in which strong, independent states are not in full control. Several other actors are now having an impact on state policy — actors that states cannot influence, such as major energy companies.

The EU has also developed a new energy strategy based on the 20–20–20 principle and an emphasis on investment in renewable energy sources. Similar thinking is seen in the strategy Germany's recently established.

The EU does not play an especially significant role in the design of energy policy between EU Member States and Russia, for example, said Indra Øverland of NUPI. Agreements on energy supply are made at the bilateral level, even though the EU is currently the biggest consumer of Russian energy and Russia is the EU's biggest supplier.

IN ONE EXAMPLE of the success of bilateral negotiations, an agreement was finalized last spring in the northern corridor between Norway and Russia concerning offshore rights in the Barents

region. Øverland emphasized that this agreement, which had been discussed for 40 years, was now made with no need for involvement by other parties, such as the EU.

Pavel Baev of the Peace Research Institute Oslo (PRIO) noted that gas projects in the southern corridor have been stalled. He sees no risk of conflict surrounding the issue, even though the positions are in gridlock and have been for some time. He notes that, miraculously enough, Russia has not been the victim of a terrorist attack on its pipelines in the Caucasus.

GAS IS A MULTIFACETED instrument for the exertion of power. Concerning the pipelines between the southern and northern corridors, through Ukraine, Baev believes that Russia and the EU are in agreement: no one wants anything to do with Ukraine for a while.

“The rational choice would be to go for Ukraine. It is the shortest way between Russian gas supplies and the European market”, said Baev, only to immediately state that this is not on the agenda for either Moscow or Brussels. Both, he said, are fed up with Ukraine.

During the following panel discussion, Ingmar Oldberg of the Swedish Institute of International Affairs (UI) noted that there had been discussion of oil and gas, but no mention of nuclear power.

Tatiana Mitrova answered that nuclear power is a topic people in Russia prefer not to talk about since the Chernobyl accident. A number of safety studies were performed afterwards, but no investments are currently being made in nuclear power, according to her. One pragmatic reason is that Russia has lost know-how.

“The people who had the expertise in this area have either retired or they died in the accident. A lot of them were sent there to study the site and they are now dead”, said Mitrova. ≈

ninna mörner

## Following the Nord Stream. Elder statesmen paved the way

“Pipelinestan” is a much-used concept by the eminent traveling reporter Pepe Escobar in *Asia Times*. “Follow the pipeline” was also one of the central themes of the 10<sup>th</sup> Aleksanteri Conference, “Fuelling the Future: Assessing Russia’s Role in Eurasia’s Energy Complex”, held at the University of Helsinki at the end of October 2010.

There is a growing interest in pipelines transporting oil and gas eastward, from Russia and Central Asia to China and other Asian countries, but Europe is still the most important market for energy from Caspian and neighboring fields, and there are competing projects for new pipelines to move oil and gas to the east.

Of these new projects, only Nord Stream is already being realized — no decision has been reached about the competing alternatives around the Black Sea — South Stream, Blue Stream or Nabucco — even though interest in them has been keener. Hanna Smith has some thoughts on this. She is a researcher at the Aleksanteri Institute and spoke at the conference about Nord Stream as an example of the importance of energy in Russian foreign policy.

According to Smith, this is an interesting case study in several respects: it combines bilateralism, multilateralism, and globalization. Several states, as well as the EU, commercial enterprises, and “elder statesmen”, have been involved, and historical memory plays an important role here. Nord Stream is a result of bilateral negotiations between Germany and Russia and bypasses the Baltic countries and Poland, which has resulted in accusations of a new Molotov-Ribbentrop pact. The point of contention was probably about the transit fees for which these countries had been hoping. Some other EU countries thought that the gas deliveries should have been a question for the entire European Union, not just for Germany. In Sweden, fears were voiced that the pipeline could be used for espionage. The EU Commission, however, declared that the project was important for the Union.

The primary concerns were, however, about the environmental effects of the pipeline on the shallow Baltic Sea.



Since the pipeline from Vyborg to Greifswald — the longest sub-sea pipeline in the world — mainly goes through the Finnish and Swedish economic zones, the project had to pass environmental examinations in both countries. One of the problems is the number of mines and old munitions on the bottom of the Baltic Sea. To minimize this problem it was decided to change the type of ship laying down the pipeline from one stabilizing by laying anchor to one stabilizing in another way. Anchoring would also have disturbed sea life more.

HANNA SMITH THINKS this was one of the points where the “elder statesmen” engaged by Nord Stream, such as former prime ministers Gerhard Schröder of Germany and Paavo Lipponen of Finland, were useful: they not only lobbied for support for the project in their countries, but were also able to tell Gazprom how details of the project should be modified in order to get it approved:

“This has also been a learning process for Russian decision makers; they got to know how to take care of this and that in a way that would not have been

possible in Russia.”

It might even be that this mostly rational process in the North of Europe has helped the Nord Stream project get off to a faster start than the competing projects in South Eastern Europe.

Hanna Smith reminds us that the first idea for Nord Stream was a Finnish one. The Neste oil company proposed in 1995 that a gas pipeline be built through Finland to its most Southern point, Hanko. From there the plan was for it to continue to Germany, presumably through Sweden. For Neste, the idea was to use part of the gas in Finland — and there would also have been other benefits for the country. When Finland was left aside, Neste withdrew from the project and Gazprom continued planning with its German partners. The project grew much bigger when the Netherlands, France, and even the United Kingdom, became interested in buying Russian gas.

About the foreign policy aspects of energy, Hanna Smith said that the relationship is complex. It is often thought that energy simply provides power; however this is too simple. Energy can

be used as a foreign policy tool in a negative sense, but such a use can also turn against those using it in this way.

Russia is, according to her, so dependent on its energy that even if it can use it as a “weapon”, it is at the same time also a prisoner of the framework. In the case of Nord Stream, Russia has invested not only a lot of money, but also too much prestige to allow it to fail.

THE CONFERENCE WAS organized by the Eurasian Energy Group, one of the most important units of the Aleksanteri Institute, connecting its own researchers with an international network of experts. It was established in 2005 and is led by David Dusseault, acting professor in Russian Energy Policy at the Institute. The group has been trying to formulate a “social-structurationist approach to energy policy”, which was presented at the conference, but most of the approximately 70 presentations described more practical aspects of Russian energy policy, from the coexistence of the gas industry and the reindeer herders in Siberia, to Gazprom as a media owner. ≈

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## Energy issues are being dealt with by a variety of actors; governance and cooperation are lacking

**T**he EU wants the Baltic region to have a common energy sector, something the region does not have today. Political governance is weak and the people making the investments have yet to prioritize regional cooperation.

This is the view of Michael Bradshaw, professor of human geography at Leicester University, who opened the first Baltic Worlds Annual Round Table on November 24 at Södertörn University in Stockholm. The general theme was "The Energy Sector in the Baltic Sea Region: Governance, Sustainability, and Knowledge".

Bradshaw noted that the global energy sector is facing a number of challenges for the future: Consumers must have a secure energy supply and tariffs must not threaten economic growth, while carbon emissions must be reduced — if they are not, climate change will have an even worse impact on the economy in the long run.

Development of the energy sector, according to Bradshaw, is controlled by the value and priority policymakers assign to economic growth, reliable access to energy, and environmentally sustainable development. Prioritizations are determined by national economic development levels and energy supply.

THE COUNTRIES IN the Baltic region differ from one another: some are post-socialist economies that consume a great deal of energy; others are developed market economies that are more or less energy efficient. Some countries export energy, but most need to import it.

The Baltic region gives a picture, in miniature, of the global challenges of the energy sector, but the region has no common energy strategy outside of EU program declarations. There would be advantages to such cooperation, according to Bradshaw, and Russia should not be excluded.

The task is made more difficult by the fact that many governments in the region have only limited control over energy decisions in their countries. Within the EU's deregulated energy sector, investments are made — and most priorities set — by corporations. For this reason, someone who wants to study the genesis of Nord Stream, for



example, needs to study the companies behind the construction project rather than the states affected.

TORA LEIFLAND HOLMSTRÖM is a communications project manager at Nord Stream. Previously, she was involved in permit examination in preparation for the pipeline construction, and before that was a political expert for the Swedish Ministry of Agriculture. She reported that the Nord Stream pipeline will cost about 7.4 billion euros, has a planned lifetime of 50 years, and will have the capacity to supply 26 million households in Europe with energy, and with half the carbon emissions produced by consumption of oil and coal.

That the Baltic countries are not an integrated region was apparent during the permit processes. Companies had to comply with the national laws of five countries, EU laws, and international laws involving nine countries.

Russia is not really included in the region and there is some hesitation and sometimes opposition to Europe becoming dependent on Russian gas.

"But such a dependency becomes

mutual. Nord Stream will be dependent on revenues from Europe and the Russian state on tax revenues from Gazprom", said Leifland Holmström.

"Russia is on the Baltic coast, but is often not counted as part of the region politically", said Nikolai Dobronravin, professor of international relations at Saint Petersburg State University. Dobronravin does not see the Baltic region as a cohesive region and nor could it become one — since Russia does not fit into the picture. But Russia plays a key role in the region, especially in the energy sector.

DOBRONRAVIN REFERRED TO European voices calling for the diversification of energy supplies to avoid too much dependence on energy imports from Russia. This could mean building of ports and pipelines for importing liquid natural gas and oil from countries other than Russia.

Meanwhile, Russia wants to continue exporting oil and gas, preferably to Europe. But the new gas and oil fields are getting further away from Europe and closer to China. If Europe wants to

reduce its energy dependency on Russia, Russia may begin selling to China instead, leaving Europe without the gas in such demand.

"But the gas and oil transports through the Baltic are going to increase even if the energy is not consumed in Europe; this is a risk that demands joint action."

SHORT-TERM, THE RUSSIAN energy sector is prioritizing secure energy supply and economic growth, not environmental sustainability, according to Dobronravin. As yet, there is no serious discussion of long-term environmental objectives and Russia has no major renewable energy programs in the works like those in China.

Nuclear power is another component of the energy sector in the Baltic region. Susanne Oxenstierna, senior security policy researcher at FOI (the Swedish Defense Research Agency) has surveyed Russian nuclear power initiatives.

On the domestic front, primarily in the European parts of Russia, including Kaliningrad, the country plans to build new power plants and more than double nuclear power production by 2030. Rosatom, the state-owned nuclear power company, is engaged in building seven nuclear power plants and another seventeen are planned. In addition, Russia has thirty-two nuclear reactors in operation, eleven of the Chernobyl type. The reactors of this type closest to the Baltic Sea are in Saint Petersburg — these have been rebuilt to improve safety.

THE POINT OF the nuclear power expansion is to enable Russia to export gas instead of using it at home. Nuclear power is also considered an important aspect of the Russian push to modernize its economy. Russia is the world's fourth nuclear power nation, has an extremely advanced nuclear research program, and is an exporter of nuclear power plants and nuclear fuel — about one fifth of Europe's nuclear fuel is purchased from Russia and milled and enriched there as well. However, safety is considered a weak spot in Russian nuclear power.

Per Högström, senior administrative



## When nuclear weapons are reduced to an existential question. In civil society they are a non-question

officer of the Energy Division at the Swedish Ministry of Enterprise, Energy, and Communications, talked about cooperation among Baltic governments in the energy sector. In that context, he discussed the Baltic Energy Market Interconnection Plan (BEMIP). BEMIP is part of the EU strategy for the Baltic Sea region, the objective of which is to integrate the electricity and gas markets of Estonia, Latvia, and Lithuania with markets in the Nordic countries in order to reduce the Baltic countries' dependency on Russia. Actions include completion of the NordBalt submarine power cable between Lithuania and Sweden by 2016.

HÖGSTRÖM AGREES THAT energy market development is largely under corporate control.

"If we want a deregulated energy market in the EU, then the investments have to be made by market players, on market terms. But the state also plays a role, by initiating projects and issuing permits." ≈

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**T**he question of nuclear disarmament has been largely absent from the public conversation since the end of the Cold War. The previously widespread political commitment seems to have ended as the issue of nuclear weapons was transformed to an expert matter for nuclear physicists.

David Holloway, professor of international history at Stanford University, has been specializing as a Cold War scholar for a long time, not least through his book *Stalin and the Bomb: The Soviet Union and Atomic Energy, 1939–1956* (1994), for which he won several awards. He has recently delved into many archives in an attempt to find the answer to the question of the significance of the atom bomb during the Cold War. He presented part of his findings at a research seminar at CBEES in September.

ACCORDING TO Holloway, the Cold War was so dominated by the focus on security that the significance of social and political movements in Eastern Europe was misjudged. Holloway and others have noted that there are at least two narratives about the end of the Cold War, one focusing on the dismantling of the Cold War security systems, and the other focusing on social and political movements. Neither of these alone can explain what happened.

In Holloway's estimation, the role of British prime minister Winston Churchill in the arms race was significant. Churchill believed the atom bomb could restore the balance of power in Europe. One important consequence of the presence of atomic weapons in Europe was the ever-tighter closing of the Iron Curtain: from this perspective, the conflict was intensified by the existence of the bomb, and the bomb did nothing to bring about the end of the Cold War.

IN US DOMESTIC policy, nuclear weapons functioned as a "guarantee of our security". Nuclear weapons were considered deterrents and their danger was probably why they were never used: a nuclear war in Europe would have been so devastating that it would not have served the political purposes of either side. Finally, Holloway believes that the disarmament treaties of the 1980s and the conversion to new security



systems changed the balance of power in Europe. The trend was reinforced by changes within the nations.

But the end of the Cold War reduced the international importance of nuclear weapons. They still abound and there are no fewer nuclear weapon states.

DAVID HOLLOWAY'S SEMINAR was followed by a panel discussion at the Nobel Museum in Stockholm. Other participants in the discussion were Anna Ek, chair of the Swedish Peace and Arbitration Society, and ambassador Henrik Salander, who has many years of experience as the Head of the Disarmament and Non-Proliferation Department of the Swedish Ministry for Foreign Affairs. He served as secretary-general of the Weapons of Mass Destruction Commission, also known as the Blix Commission. The debate dealt with the current nuclear weapons situation from a global perspective: how can the number of nuclear weapon states be limited or eliminated, and what opportunities are there for getting closer to global nuclear disarmament? Holloway, who has also been Barack Obama's adviser in matters

of nuclear disarmament, referred to the American president's speech in Prague in April 2009, when the issue once again landed on the political agenda. Salander mentioned the Blix Commission's 60 steps toward a world free of nuclear weapons.

But even though the issue is once again on the agenda, it still has no major presence in civil society. Teenagers and young adults who have not lived under the threat of nuclear weapons seem to have a hard time understanding the problem and thus a hard time getting involved. The threat of the atom bomb is so abstract that it becomes more of an existential question. But for those who go to Hiroshima and look at the survivors' drawings of the events on and after the 6th of August, 1945, the consequences of the atom bomb of that time become utterly concrete. It is to think the unthinkable. ≈

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