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Energy Experts Panel

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Russian Gas Transit through Ukraine: How to Ensure the Energy Security of Europe?

Background Thoughts and Sideline Notes



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- Russian Gas Transit through Ukraine: How to Ensure the Energy Security of Europe?

Or

- Is Russian gas transit through Ukraine the key question when “seeking to ensure European energy security”?

- For Global Energy Governance Institutions - security of supply and security of demand have become superseded by concerns over security of transit (Russia-Ukraine transit disputes 2006-09/small reduction in Feb 2012;

- TAP pipeline projects SS and NS arise due to Russian concerns over security of transit;

- Panic in the European Commission after Jan 09/attacks on both Ukraine and Russia/

- Energy Charter Treaty failure to provide security of transit via Article 7 of the ECT and failure to conclude negotiations on a new transit protocol

(K Malafeyeva recent book on the transit dimension)

- Is transit really the problem and are we giving too much attention to the security of transit concept ? **Myth or reality?** Grachev from yesterday on shale gas and renewable energy (!)

- Is the Russia-Ukraine gas relationship a problem for the EU/energy security context?

The Main features of Russia-Ukraine gas relationship:

- Ukraine imports around 50bcm/year of gas from Russia and pays up to \$450 per 1000 m3/one of Russia's largest markets;

- Ukraine wants to have a better deal on gas supplies/looks to reduce dependence on Russia/promote ties with foreign investors (LNG terminals Odessa, shale gas)

- Russia wants a strong stake in Ukraine's GTS and Kiev's entry into Moscow-led CIS trade spaces/Moscow wants political influence

- Ukraine-Russia conduct long and tough negotiations with no breakthrough yet in sight/more negotiations after the Ukrainian Parliamentary elections. (Yanukovich: we want to change the current situation which has its immediate roots in the Jan 09 agreements)

Anything wrong with this in relation to the energy security concerns of two sovereign state actors ?

- Turkey and Azerbaijan same situation. (Algeria-Tunisia)

- Neither Turkey, Azerbaijan, Ukraine or Russia think of EU energy security as “top priority” when they negotiate their gas supply agreements (independent nation state actors; issues that dominate are price; asset swaps; market access)

- Governance model is different in these countries, which creates an “issue” for the EU and Western foreign investors (no transparency in deals; role of middle men:

knock on effects for the EU) is the issue of concern.

Does Europe (i.e., the EU 27) have an energy security problem?

- The main issues is the supplier-consumer relationship (EU 500bcm/year gas market; Russia supplies 25-30 %?).

Cleutin: - Energy relationship between EU and Russia has changed to something totally unrecognizable.

- Energy is a much more strategic commodity. Why? comes back to the consumer-producer relationship/onset of producer power/"the new seven sisters"/NOCs/High oil price and increasingly difficult access to reserves/supplies;

*- **Gas supply disruptions stemming from transit disputes are a major political issue for European politicians.** However they are generally short and the fallout is predominantly political, not economic or social*

(babushki do not freeze in Brussels, Paris or Berlin)

Harms: - Germany does not have a security of supply problem and sees Russia as a reliable supplier (dido other "old Europe" countries;)

- The EU suffers from "regional imbalances" in its security of supply equation (ie, overly dependent countries Vs balanced dependencies).

- Brussels is now paying the political price for the 2004 enlargement. The 2009 gas supply disruption would not have been an EU energy security crisis had it not been for the big bang enlargement (12 + 2).

- Now Europe needs to meet its responsibility. The ball more in its court.

- Russia-Ukraine is a bilateral relationship and the EU has little leverage over it (just like it has little leverage over Turkey-Azerbaijan, or perhaps even Tunisia-Algeria)