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Jaggudan Ratnoo
PhD Scholar, JNU,
New Delhi, India

The role of external actors in Russia-European union energy relations

Jaggudan Ratnoo

Abstract

This paper attempts to explain the role of external factors, particularly United States of America and Ukraine, as a determinate element in the relations between Russian Federation and the European Union. External actors have played a destabilising role in the relationship. They have added complexity in the expanding ties between the two. A broad overview of the paper will describe the role of external actors in as determinate factors in Russia-EU energy relationship. In this paper, we have taken two external actors for a case study-the first is United States of America and second is Ukraine. Broadly the paper will be divided into three parts. In the first part, the paper will deal with the objectives of the external actors in Russia –EU energy relations. I have mentioned the reasons behind the interference of United States of America. Further, in the second part of this paper, I have explained in detail their role in Russia-EU energy partnerships.

Keywords: External actors, Russia-European union, international politics

Introduction

In this paper, the external actors are USA and Ukraine, and they have been taken to study the significance of energy and the absence of an institutional structure of external actors in the Russian-EU relations. With interlinking their correlation, we will attempt to see how they have proved to be a major factor for Russian Federation as well as for the European Union states. In this paper, USA's defence and security policy strategic initiatives will be discussed in detail. Ukraine role has been very significant in term of its geographical location which provides transit routes to Russian energy pipelines to the European continent. Its foreign policies decisions have been mostly determined by external environment of international politics.

Why are these actors interfering in their internal matters? Historically throughout the Cold War western world has ideological confrontations with the Soviet Union and so it remains after the end of Cold War. As the concepts of globalisation, liberalisation and privatisation applied by the global community in international relation and politics. In the spheres of world politics, the end of bipolarity, USA became the sole super power in the worlds. It became essential for the USA to sustain its status to play a decisive role in relations between countries all over the world and in particular in the Russian-EU relations.

Pipelines through which its requirements of energy would be meet



Map 1 ⁽¹⁾: Russian Pipeline to European Countries from Russian Energy Survey,

Correspondence
Jaggudan Ratnoo
PhD Scholar, JNU,
New Delhi, India

Objectives of External Actors in Russia-EU Energy Relations

USA and Ukraine have been playing a very prominent role in relations between Russian Federation and the European Union. The principal objective of USA, as an external actor, has been to expand its influence over European states through expanding NATO membership to Russian immediate member countries. The second one is to reduce the dependency of the European Union states upon Russian Federation for energy supplies. Third, consistent rivalry over defence and security issues such as politically chaotic matters related to resolutions in West Asia at UNO or humanitarian intervention issues. Therefore the USA chose South Caucasus region due to its geostrategic importance. That is why the USA intervened in Russia-Georgia war.

Case study of USA as an external factor in Russia-EU energy relations

For a long time, USA has been interested in diversifying energy sources to European states through laying down alternative pipelines bypassing Russian territory. However, post-Cold War USA leverage over European policy increasingly lessened comparatively, which had been during most of the Cold War. Russian monopoly over suppliers e.g. Transneft and Gazprom respectively for oil and gas suppliers is called as state capitalism ^[1].

Some countries of European Union have resisted the moves of the USA like Germany and Portugal, the issue of energy has been thus put up for debate. The fact remained that these countries had prevented any deal for common EU security strategy and the unified market for energy. The Russian press has labelled USA policies as interference in European internal affairs. However, the history of the role of USA dates back to 1984-85 when the United Kingdom was pressured not supplying steel for pipes for Russian gas & oil shipments to the European continent during Reagan administration, and General Electric was debarred from trading pumps and compressors for gas pipelines to USSR. In the direction of containing the influence of Russia across Europe, the efforts of USA have not been successful at all, but it delayed to a degree the supplying of equipment for construction of gas pipelines.

Pipelines politics

The oil pipeline namely, Baku-Tbilisi-Ceyhan (BTC) had initially projected by Turkey in 1992. In the late 1990s, it acquired the strong support of the USA. In 2005 it completed that pipeline was intended to stay away from Russian territory and the Bosphorus strait. It is built to transport crude oil from the Caspian region countries to the European market. The USA firmly backed the project till to start to gather with a certain degree of cynicism in Europe concerning its commercial and economic viability. Another leading project has also back up by the USA is Nabucco pipeline, intended to transport Caspian gas to Europe via Turkey and the Balkan, which has constructed in 2002 by Turkey and then hold up by Austrian company OMV. The terminal of the Caspian gas was decided in Austria. While this project has chosen as a preference to the EU. That time European Commission provided little support. The aims of USA were clear is that its security interests would be well

protected by recognising early on that Europe and USA interests respectively security and economic better protected by having one oil route from Central Asia.

The USA's relations with Russia have somewhat developed satisfactorily during the late 1990s. It has been perceived is that their long-term interests will be better served if the states of Central Asia achieved, to a greater degree political independence also economic independence, from the now non-Communist Russian Federation. Finally, some key companies of USA and Europe had established enough footholds to get benefits from these ventures.

The aggravation to normal gas supply from the Russian Federation was particularly essential for all nations with gas infrastructure, but it impacted distinctive countries in the area in different ways. The region is supplied by trademark gas from Russia from three geographical sub-regions and is served by three unmistakable courses of action. Romania, Bulgaria, Greece and Macedonia are supplied to through Ukraine. Bosnia, Serbia and Herzegovina's energy supply from Ukraine. Supply to Hungary and Croatia are fulfilled through Austria and Slovenia. The supply systems of these nations are not related which is a security issue. The gas situation of the main countries in the zone has aggravated in later years in regards to infrequent instabilities, infrastructure utilisation and the decline of nearby sources where it existed.

The USA-Georgia Charter on Strategic Partnership was signed in January 2009, was intended to focus on "common interests", which were incorporated to bolster Eurasian Energy Security" ^[2]. Further mentioned in this charter very clearly is "Southern Corridor to help Georgia, and the rest of Europe diversify their supplies of natural gas by securing imports from Azerbaijan and Central Asia" ^[3], an apparent indication to the anticipated Nabucco pipeline also projected to bypass Russian land and supplying natural gas from the Caspian region to European market (German, 2009)

Some scholars have been sceptical about these events, but some have coined this event as 'pipeline war'. Here the remarks of Germany is that "accusations that Russian forces intentionally besieged the Baku-Supsa and Western-backed Baku-Tbilisi-Ceyhan (BTC) oil pipelines, both of them bypass Russian territory, lent credence to the claim that Russia's military intervention in Georgia was less about the declared objective of 'protecting its citizens' in South Ossetia (so-called Putin-Medvedev Doctrine) and more about the control of strategic energy infrastructure and exports to Europe" ^[4].

The USA's Role for Diversification of energy requirements to Europe

These pipelines such -BTC, BTE and Baku-Supra have been supported by USA. They have provided direct links between the Caspian region and European land. In the case of the BTC pipeline, it is explained by some scholars as an "umbilical cord" attaching Azerbaijan and Georgia steadily within the European point of views ^[5]. It provided European Union direct way to the Central Asian region.

2. "United States -Georgia Charter on Strategic Partnership", signed in January 9, 2009

3. Ibid

4. Tracey C. German; "Pipeline politics: Georgia and Energy security", 2009, p.344

5. Cornell and Starr, "The Baku-Tbilisi-Ceyhan Pipeline", p.17

1. Bremmer, Ian (2009); "State capitalism and the crisis", Insights and Publications

These pipelines are backed by the US, which has intended to connect East–West export energy routes from Central Asia and the Caucasus region to bypassing Russia and Iran. Thereby it will weaken the influence of the Russians in this region. This will also undermine Russia's associations with Turkey. The construction of the pipeline mentioned above BTC has considerably changed the balance of power in Central Asia. It has strengthened the political and economic autonomy of countries like Georgia and Azerbaijan. They have started to reduce Russian supremacy and reinforcing the attachment to Western players i.e. the USA and the European countries. In 2009, even though the Baku-Tbilisi-Cyhan pipeline transported only 1 percent of total worldwide oil supply. Nevertheless, it has provided a major portion of energy needs of the Europeans giving a big boost to the diversification of energy supplies [6].

Case study of Ukraine as an external actor in Russian-EU energy relations

The role of Ukraine as an external factor has been acknowledged by Simon Waslander [7]. From the Russian point of view, Ukraine has been blocking the pipelines and has indulged in the theft of gas. On the other hand, Ukrainian's view is that Russia has been unsuccessful in supplying gas.

Ukraine has been second most decisive and major external factor in any analysis of the relations between Russian Federation and the European Union. The geostrategic location of Ukraine has given it particular importance to determine further the direction of their dealings. Ukraine provides transit route to energy supply from Russian mainland to the European market. Some major gas pipelines are the pipeline systems such as the Bratstvo (Brotherhood) and Soyuz (Union) that carry Russian gas through Ukraine to Western Europe. The Bratstvo pipeline is Russia's largest pipeline. It supplies Russian natural gas to Slovakia and divides into two, one for the northern and other for the southern European states. The Soyuz pipeline connects Russian natural gas to Central Asia and supplies additional volumes to central and northern Europe. A third major pipeline delivers to the Balkan states and Turkey.

Therefore, both sides have accused each other. Russia has accused Ukraine of theft of its energy sources. On the other hand, Ukraine left no stone unturned and accused Russian Federation of stopping energy supplies, and that energy was being used as a political weapon against European states.

Most importantly there has been acknowledged the role of the third party in ensuring an effective interaction. Thus, for Ukraine and EU and to be capable of working together efficiently, both had to sustain at least normal relationship with Russia

The Ukraine geostrategic location has played a significant role in the relations between Russia and EU. Russia had cut off energy supply to EU markets several times because Russia has bilateral confrontations with the Ukrainian regime. Ukraine has tried to become a member of the EU and also has sought to reduce its difference with the USA and therefore NATO. These steps have antagonised the Russian political elites and prompted them to reduce or cut off subsidised energy supply to Ukraine.

If we look back, in the examination of energy relations between Russian Federation and Ukraine then post the breakdown of USSR there has been somewhat of a converse relationship that has manifested itself in price hikes, blackmailing and sometimes disputes over gas supply. Moreover, most significantly, the Russian-led gas pipeline projects - North Stream and South Stream will weaken Ukraine's role as a principal transit country into the EU's energy market. The North Stream 1224 km offshore gas pipeline directly connecting Russia and Germany, it is set up under the Baltic Sea. Therefore it stays away from conventional transit routes through Ukraine and Belarus is the other one. The shared project has been constructed by four key European companies – Gasunie, Wintershall, E.ON, GDF Suez and one Russian Gazprom. Its total capacity is 55 billion cubic meters (bcm).



Source: U.S. Energy Information Administration, IHS EDIN, and International Energy Agency; March 2014.

Map 2: Major Natural Gas Transit Pipelines flowing through Ukraine.

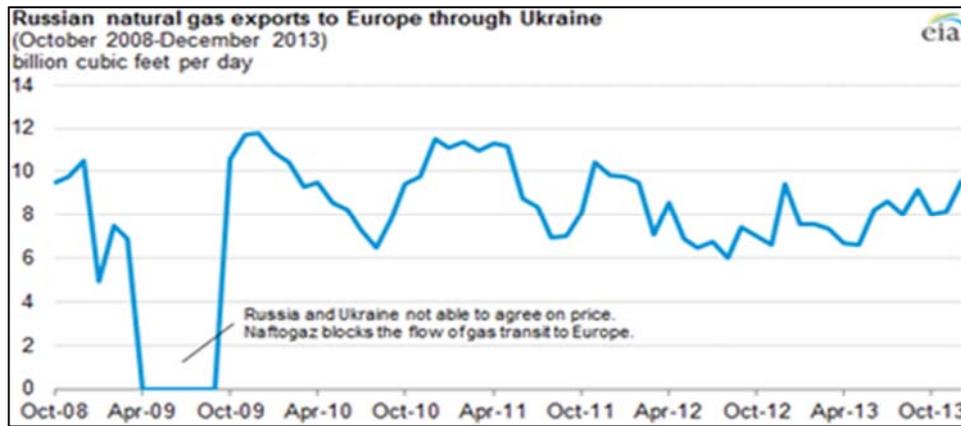
Flowing through Ukrainian territory including all EU members and some other states are Norway, Turkey, Switzerland and the non-EU Balkan states, consumed 18.7 trillion cubic feet of natural gas in 2013. That amount is counted this volume of the total supplied 30% by Russia⁸. It is estimated that 16% of the total natural gas consumed in European countries passed through Ukraine's pipeline network. (Gazprom and Eastern Bloc Energy, 2013)

If we focus the data of previous years then found that more than 80 percent of Russian natural gas exported to EU market through Ukraine. However, this number has dropped to 50-60 percent since the working of Nord Stream pipeline. Which proved direct link Russia to Germany the beneath Baltic Sea. By season the Russian natural gas flow through Ukraine are respectively 12 Bcf and 6 Bcf per day in winter and summer.

6. Tracey C. German, 'Pipeline politics: Georgia and energy security', 2009, pp.351

7. Simon Waslander, "Why is Ukraine so Important for Russia?" from Foresight International B.V. 2015

8. U.S. Energy Information Administration, IHS EDIN, and International Energy Agency March, 2014



Source: U.S. Energy Information Administration, International Energy Agency, and Eastern Bloc Energy

Fig 4: Russian Natural gas export to Europe through Ukraine, (October 2008-December 2013) billion cubic feet per day

The possibility of Russian aggression, Prime Minister of Ukraine Yulia Tymoshenko, visited to Brussels 2008 and proposed a joint EU-Ukraine project to bring more Caspian gas to Europe. The project, termed 'White Stream', would bring gas from Turkmenistan via the Caspian Sea, South Caucasus and the Black Sea to Ukraine and EU territory. During her first premiership, Tymoshenko who often dresses in white originally outlined this concept in 2005.

Ukraine is of enormous strategic importance to Russia, both from an economic perspective, due to the strategic gas and oil pipelines that lie in the country, and from a geopolitical angle, as the last buffer against NATO. This describes why Russia has been willing to risk so much in bid to resume its influence in Ukraine. Russia's hostile attitude has also been reinforced by the local political environment in which President Putin operates. Even with the Ukraine being so strategically important, given the current economic and geopolitical realities facing Russia, it is highly unlikely that Putin will continue his current course.

Russian policies and Responses toward actions of external actors

The Russian Federation has launched its 'South Stream' project in response to 'Southern Corridor' project which directly competes with 'Nabucco'. The "South Stream" pipeline will channel Russian gas to the EU market, targeting the similar consumer countries in Central Europe, as 'Nabucco' does. Russia and Germany signed to agreement Oct, 2006 regarding to Nord Stream gas pipeline project under the Baltic Sea. Both Greece and Bulgaria have signed agreements (2007) with Gazprom "Burgas-Alexandroupolis" oil pipeline to ensure their energy supplies through a part of, 'South Stream', a Trans-Balkan pipeline channelling gas from the Russian Black Sea. Russia agreed on a bilateral agreement in 2006 according to that, Hungary would fulfil its national energy requirements through Gazprom in the medium term.

Consequences of external actors on the Russian Economy and European markets as well

1. The Russian economy has been heavily dependent upon investment from European Countries

Particularly through foreign direct investment and Foreign Institutional Investment, and almost its whole economy is dependent on European markets. With the result of pipeline

politics played by external actors like the USA, it has affected their relations to a great extent.

2. Uncertainty about alternative market to Europe

For EU, vulnerable to energy requirements and economic integration of Europe in transition Nord gas pipeline has been cancelled in 2012, because of mounting pressure led Russian Federation. European markets have pressure from two sides: it has become a sandwiched zone in international politics. On the one hand, the USA has been pressuring them to align with the norms of NATO. On the other, the Russian private companies have been looking east, and that is why Russia has moved to establish closer relations with China from its Siberian region.

3. Decreasing influence of Russia on EU and immediate neighbour

Consistent rivalry over international security and defence issues, USA always had used UNO institutions to hit its interests like in Kosovo crisis, Serbia and recently in Libyan and Syrian political crisis. On these disputes, Russian Federation had proposed a balanced and peaceful solution with representative mechanisms. However, the USA had boycotted Russian efforts.

Conclusion

For a long time, USA has been interested in diversifying energy sources to the European states. However, post-Cold War USA's leverage over European policy has been lessened comparatively with what it had during the Cold War. Especially they have played a very critical role in diversifying European energy sources through building gas pipeline bypassing Russian territory and its frontier states. USA backed Nabucco pipeline, through which European countries fulfilled energy requirements to some extent. Georgia's Western orientation has antagonised Moscow, which is unhappy with its southern neighbour's European leanings and productive relationship with Washington, and particularly with the growing US influence in the South Caucasus. The construction of these pipelines have considerably changed the balance of power in the region, strengthening and economic autonomy of states such as Azerbaijan and Georgia, reducing Russian the political dominance and cementing the involvement of Western actors such as Europe and the US. A clear reference to the

proposed Nabucco pipeline, which can transport natural gas from the Caspian region to Europe, bypassing Russia but it has been cancelled. They are motivated by international political economic development. USA role is to diversification to European energy market by assisting in transfer of technology to generate renewable energy and is cooperating in building gas and oil pipeline by bypassing Russian territory.

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