

Russia: threats and offers of energy cooperation

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On 12 October, Vladimir Putin gave a speech as part of Russian Energy Week (one of the largest annual energy sector events in Russia). He once again blamed the West for the current energy crisis in Europe, pointing out that one of its sources are errors in the European Union's energy policy. He devoted a lot of attention to the damage of the Nord Stream 1 and 2 gas pipelines. He claimed that the recent incidents were an act of international terrorism, suggesting that the countries that benefited the most from the neutralisation of the transmission infrastructure used to export Russian gas were behind it (for example, the US).

The Russian president strongly criticised Western countries' plans to introduce a price cap on Russian oil, threatening that Moscow will stop supplying oil and gas to the countries that introduce these price limits. Putin provided assurances that Russia has an alternative to cooperation with Europe (mainly in Asia), but also suggested a readiness for energy cooperation with the West. On the one hand, he suggested that there was an option of launching gas supplies through the undamaged branch of the Nord Stream 2 gas pipeline and, on the other, creating a new gas hub for Europe in Turkey. This would make it possible to redirect the volumes of gas previously transported through the Baltic Sea to the Black Sea. Behind the scenes of Russian Energy Week, Russian Deputy Prime Minister Alexander Novak said that Russia would be ready to expand the gas transmission infrastructure through the Black Sea. However, no details have yet been provided regarding the implementation of this type of investment (capacity, costs, etc.).

Commentary

- On the one hand, the Putin's speech indicates that Moscow is ready for further steps to escalate the tension in energy relations with the West. This is demonstrated above all by the threat of suspending supplies to countries that introduce price restrictions on Russian oil or gas. Statements from Putin and Gazprom's CEO Alexei Miller about the deepening energy crisis in Europe suggesting that the situation may deteriorate further in the coming months also fit in with this strategy. Furthermore, Miller said that it could take years to repair the damaged branches of Nord Stream 1 and 2. The statement of Gazprom's CEO regarding the inauguration of the construction of a connector between Russia's European and Asian gas networks is another element of increasing pressure on European customers. This is intended to create the possibility of redirecting gas exports from Europe to Asia.

- On the other hand, however, the tone of Putin's speech and the offer to resume gas cooperation with Western partners may indicate that Moscow is beginning to realise that the Asian markets will not become a viable alternative to Europe in the long term. An illustration of this is not only the readiness to launch gas supplies through the undamaged Nord Stream 2 branch, but also the suggestion regarding the possibility of expanding the transmission infrastructure through the Black Sea.
- However, Moscow's plans to expand Russia's transmission infrastructure across the Black Sea and to create a hub for Russian gas in Turkey seem unrealistic. Firstly, not even preliminary agreements have been concluded with Turkey regarding this matter. Furthermore, Ankara's first statements show that the Russian proposal caught the Turkish government somewhat off guard. Secondly, the construction of new undersea gas pipelines seems unrealistic, given the sanctions imposed on Russia due to its aggression against Ukraine. Moscow could not count on the option of concluding contracts with Western companies that have technical capabilities and experience in building this type of infrastructure (the Swiss company Allseas was responsible for laying pipes as part of the TurkStream project). Admittedly, in 2021, Gazprom managed to complete the construction of the Nord Stream 2 gas pipeline using its own ships, despite the restrictions introduced in 2019 by the US, but the geographical conditions in the Black Sea are different from those in the Baltic Sea and require carrying out construction work at much greater depths. It is therefore unlikely that Russia will be able to use its own fleet involved in the construction of Nord Stream 2 for laying pipes. Thirdly and finally, it seems very unrealistic that Moscow would be able to find European countries interested in implementing this type of investment. The main reason for this would be the current tense situation in relations between Russia and the West, which includes the Kremlin's policy of weaponising energy (limiting and suspending gas supplies and acts of sabotage towards Nord Stream 1 and 2). Moreover, the construction of new gas pipeline branches running across the Black Sea would be economically illogical. The existing transmission infrastructure (TurkStream, one line of which is used to supply Russian gas to the countries of Southern and Central Europe) is fully sufficient to meet Gazprom's contractual obligations. At the same time, it seems completely unrealistic that the countries of Northern and Western Europe could be interested in receiving gas from Russia via the Black Sea (Putin suggested that the limited transmission capacity in the Baltic Sea, related to the damage to Nord Stream 1 and 2, could be compensated by the new Black Sea gas pipelines).
- The Russian threats of energy escalation combined with signs of a readiness to develop gas infrastructure in the Black Sea or to launch supplies via Nord Stream 2 are primarily an attempt to exert political pressure on European countries. It is partly aimed at persuading their partners in Europe not only to revise their approach to energy cooperation with Russia, in particular to lift or reduce the sanctions imposed against it and to refrain from introducing new ones (price caps for Russian oil and gas). However, it is also intended to reduce political and military support for Ukraine.