

## GAS WAR

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**Abstract:** The last years have brought on Eurasia's geopolitical scene a new concept of "hard energy". It does not represent a new form of energy, but a new way to conduct foreign policy: natural gas against political concessions. On the one hand there is Russia, almost the sole supplier of natural gas, that has managed a spectacular transformation from a military superpower that threatened with tanks, in an energy superpower that threatens with closing the "tap", and on the other hand there is Europe which is in the delicate situation of being dependent on Russian gas. This study aims to accomplish an introspective, exploratory and interpretative analysis of the way natural gas has become a first-hand geopolitical factor in shaping the architecture of the geopolitical relations in Eurasia, relations determined by the gas and pipeline wars. From geoeconomy, back to geopolitics.

**Key words:** geostrategic resources, Caspian energy, gas war, Europe, Ukraine, Russia

### 1. INTRODUCTION

The Soviet Union's collapse and the implosion of the soviet block have radically changed the geopolitical scene of Eurasia, the transition towards a new international order being highlighted through a series of state of things, such as:

- international actors' multiplication and through it the arising of even more claimers to supremacy; "new actors" were added to the state, on the scene of geostrategic games-state- that up until recently, had an essential role in the international relationships: powerful economic companies (public or private, yet with transnational valences), regional blocks, all types of organisations etc.
- the reconfiguration of spheres of influence: the enlargement of the American one (NATO and EU's extension, Kosovo, the anti-missile shield) and the Russia's reply (gas war, South Ossetia);
- Europe's energy dependence;
- Middle East's instability and USA's presence in the region;
- The "thawing" of conflicts from the Caucasian-Caspian area.

The end of the Cold War has lead, among others, to the reconfiguration of spheres of influence. Disputed region: the Caspian space, the Caucasus and Central Asia. This region brings into the equation, not only the multiethnic and cultural crucible, but also the asymmetry resulted from the neighbourhood with Russia, together with the huge reserves of petroleum and natural gas which are considered geostrategic resources, fundamental for the supply with energy security, at least for the moment.

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As such, the stake becomes enormous for all the involved actors. They are different and so are their interests: on one hand there is the struggle between the old rivals- USA and its sphere of influence, which has extended to Russia's disadvantage, and looking to bring under its influence "Makinder's heartland" and USSR's "heir", which succeeded the most spectacular translation from a military superpower to an energy one.

On the other hand, there is the interest-game of the important European energy consumers together with the Occidental companies which have perceived the "emergence" of Caucasian and Central-Asian countries and Ukraine from the Russia's sphere of influence as an opportunity to reduce the energy dependence manifested up until then towards it. However, their role on the Eurasian scene still remains on a secondary plan, being caught between "the Western mirage" (the orange hue of the political power) and the much more realistic "near neighbourhood" (the heritage of the Russian infrastructure).

A third category of actors is constituted from the small countries which foresee especial economical advantages out of the Caspian transit of resources on their territory, these ones becoming quite often a "Morgan le Fay" depending on the strategies of USA, EU and Russia, the great majority of energy projects illustrating this matter, so far.

Another noticeable solution of the beginning of the 21<sup>st</sup> century is constituted by the removal of the gravity centre from oil ("the black gold") towards *natural gas*, also surnamed "the blue gold", which have easily gained the foreground on Eurasia's energy scene<sup>1</sup>, becoming much more than simple resources belonging to the oil field, namely an instrument of foreign policy. Moreover, the label of energy resource (an essential resource without which human society would no longer be able to develop and which could engage conflict outbreaks) has transformed "the Russian roulette" (in which the victim is random) into "geopolitical tap" (there is an unmistakable victim, targeted in advance)<sup>2</sup>.

## 2. FROM THE GEOGRAPHY OF GAS TO THE GEOPOLITICS OF GAS

Natural gas is a vital component of the world we live in, being mostly encountered in two dimensions, beyond its multiple use as products resulted from the chemical industry (methane, ethylene, ammonia, fertilizers, carbon black, plastics, fibres and synthetic fibres etc.): fuel (from this point of view, an excellent source with a full combustion which does not give off smoke, nor does it leave ash, allowing their transport through pipelines to thousands kilometre distance and not being as pollutant as other oils) and supplier of electric energy, nowadays over 24 % of global consumption of energy being assured by natural gas. It is indeed, the main reason for which the demand has increased more and more during the years following the Cold War.

**Gas market (reserves, production, consumption).** As far as natural secure gas reserves are concerned, in the last 20 years, between 1988 and 2008, their value has increased from 109 to 185 billion cubic meters, out of which the

<sup>1</sup> During a study realised in 2007 by a team of Russian researchers, under the aegis of the Council on Foreign and Defence Policy, on the way Moscow should manage its major global challenges in the next decade (2007-2017), *petroleum* is perceived as a source of global energy, *the natural gas*, as a source of regional energy and the coal is a source of local energy. (Sergei Karaganov – coord., *The World Around Russia: 2017 - An Outlook for the Midterm Future*, The Council on Foreign and Defence Policy, State University – Higher School of Economics, Rio-Centre, Moscow, 2007, p. 53).

<sup>2</sup> Silviu Neguț, Marius-Cristian Neacșu, Viorel Mionel, *European Union's Dependency on Russian Energy. Geopolitical Considerations*, in *The Romanian Economic Journal*, no. 25 bis, 2007, p. 309.

weight of reserves from the Middle East augmented with about 10 percent (from 31 % to 41 %), whereas the share of Europe and Eurasia out of the world total has decreased with 6 percent (from 40 % to 34 %)<sup>3</sup>.

On the basis of this general data, the particular concentration of secure reserves is to be noticed, more than a half of them being placed in three countries: 1. Russia (23.4 %), the heir of the Soviet Empire which claims its independence to act in the ancient space of influence, in relation to which it invented at least two geopolitical concepts: “near neighbourhood” thanks to which is the backer of a “limited sovereignty”, in which “the small sovereigns” of the Caspian Sea are included (Kazakhstan, Turkmenistan, Azerbaijan), 2. Iran (16 %), an Islamic fundamentalist country which runs into the ground the international community as far as the development of nuclear programs is concerned and which fully benefits of Russia’s “clemency” and 3. Qatar (13.8 %) which, together with Iran, is invited by Russia to form a cartel of natural gas.

All these three countries are members of the GECF<sup>4</sup>, initiated during the first ministerial reunion which was held at Teheran in 2001, alongside of which are also members: the main producers of North Africa (Egypt, Algeria, Libya, Nigeria, at which Equatorial Guinea is also added) and of Latin America (Bolivia, Venezuela and Trinidad-Tobago); Norway (which is independent from Russia as far as natural gas importation is concerned) and Kazakhstan have the statute of observers. During the last years, members such as Malaysia, Brunei, United Arab Emirates have also adhered and the tendencies are to individualise the statute of cartel (similarly to the OPEC- Organisation of the Petroleum Exporting Countries), idea launched by Vladimir Putin and reassumed by the Kazakh president Nursultan Nazarbaev in 2002, the former reinforcing the assertion according to which “*the era of cheap energy resources, of cheap gas, is of course coming to an end*”<sup>5</sup>, during the GECF reunion in December 2008 at Moscow.

Taking into account the geopolitical instability of the Middle East and the American presence in this area, Russia’s energy policy, the increasing of instability in the Caspian space (the Russian-Georgian war from August 2008) and the increasing gas demand of the EU, the inter-conditionings on the gas market and Europe’s dependency on difficult suppliers become visible enough.

Thus, among the *first ten countries which produced natural gas* on the Globe at the end of 2008, were as follows: Russia with 19.6 % of the global production, USA, 19.3 % and Canada, 5.7 % (the last two are not members of GECF), followed by Iran with 3.8 %, Norway, 3.2 % (one of the European countries which together with Great Britain does not depend on Russia, possessing its own reserves in the continental platform of the North Sea), followed by others, with small weights, such as: Algeria, Saudi Arabia, Qatar, China, Holland (Table 1).

One may notice the fact that the main producers are also exporters of natural gas, by means of pipelines, the first biggest exporter of the world remaining Russia, exporting more than 25 % from its production, mostly to Europe. As far as the liquefied natural gas is concerned, Qatar occupies the first place (39.6 billion cm), being followed by Malaysia (29.4) and Indonesia (26.8).

As for *consumption*, the comparative analysis of tables 1 and 2 highlights the fact that the biggest producers are also the biggest consumers of natural gas

<sup>3</sup> \*\*\*, *BP Statistical Review of World Energy*, British Petroleum, 2009, p. 23.

<sup>4</sup> Gas Exporting Countries Forum.

<sup>5</sup> BBC, December 23<sup>rd</sup> 2008 (<http://news.bbc.co.uk/2/hi/europe/7796806.stm>).

at which one can add Japan (which does not detain any reserves and it is the largest importer of liquefied gas, over 92 billion cm in 2008), one of the important producers replacing its consumption from importations. For example, USA produces 19 % out of the world total, but it consumes 22 % and Iran consumes its entire production.

Table1. The main producers and exporters of natural gas (2008)

**Source:** British Petroleum, 2009

No.	Producers	Billion cm	Growth (in comparison to 2007)	Percentage out of the total	No.	Exporters	Billion cm
1	Russia	601.7	1.4 %	19.6 %	1	Russia	154.4
2	USA	582.2	7.5 %	19.3 %	2	Canada	103.2
3	Canada	175.2	-5.1 %	5.7 %	3	Norway	92.7
4	Iran	116.3	3.6 %	3.8 %	4	Holland	55.0
5	Norway	99.2	10.4 %	3.2 %	5	Algeria	37.5
6	Algeria	86.5	1.7 %	2.8 %	6	USA	26.1
7	Saudi Arabia	78.1	4.7 %	2.5 %	7	Germany	15.1
8	Qatar	76.6	20.9 %	2.5 %	8	Bolivia	11.7
9	China	76.1	9.6 %	2.5 %	9	Great Britain	10.5
10	Indonesia	69.7	2.7 %	2.3 %	10	Myanmar	8.55

Table 2. The main consumers and importers of natural gas (2008)

**Source:** British Petroleum, 2009

No.	Consumers	Billions cm.	Growth (in comparison to 2007)	Percentage out of the total	No.	Importers	Billions cm.
1	USA	657.2	0.6 %	22.0 %	1	USA	104.4
2	Russia	420.2	-1.6 %	13.9 %	2	Germany	87.1
3	Iran	117.6	3.8 %	3.9 %	3	Italy	75.31
4	Canada	100.0	3.2 %	3.3 %	4	France	36.6
5	Great Britain	93.9	3.0 %	3.1 %	5	Great Britain	35.4
6	Japan	93.7	3.6 %	3.1 %	6	Turkey	32.3
7	Germany	82.0	-1.3 %	2.7 %	7	Belgium	18.2
8	China	80.7	15.8 %	2.7 %	8	Netherlands	18.0
9	Saudi Arabia	78.1	4.7 %	2.6 %	9	Canada	15.9
10	Italy	77.7	-0.4 %	2.6 %	10	Spain	10.8

Among the biggest European consumers in this area are counted: Great Britain, Germany, Italy, Ukraine, which are also importers, at which other important importers such as France, Turkey, Netherlands, or Spain are added.

The countries with developed economies were the first affected by the world economic crisis, this matter being directly reflected in the reduction of energy consumption. For example the consumption of natural gas in USA has recorded a growth of 0.6 % in 2008 in comparison to 2007, Germany, Italy and Australia recording negative "growths". In the same context, the world consumption of natural gas has increased with only 2.5 %, because of the reasons mentioned above.

**Natural gas – a geopolitical factor on the Eurasian scene.** The events that took place in Europe over the last years, as far as the energy resources market is concerned, have proven that, at least for the moment, the natural gas is *the most important instrument in the manifestation of power* on the Eurasian scene.

After the dissipation of USSR, the Russian Federation promoted a policy by means of which it pursued to maintain the ex-Soviet states in its sphere of influence, through privileged economic relationships. Thus, the political gravitation around Moscow was stimulated through the levy of a small price for the natural gas delivery by Russia, especially in the case of countries that became a swivel in their relationship with the Occident: Ukraine, Belarus, Caspian countries.

Problems began when Ukraine delayed payment and in 1991, 1992, 1993 the first signs of misunderstandings showed up between Ukraine and Russia. In 1999 Gazprom announced that Ukraine's debt had reached the value of 2.8 billion USD, problem solved in 2001 through the signing of an intergovernmental agreement which referred to additional measures regarding the transit of Russian gas on the Ukraine's territory.

In the '90s, during Boris El'tin's presidency, the disputes solved rather amiably, nevertheless the coming to power of Vladimir Putin, corroborated with the major changes on the Eurasian political scene – the interest of the Occident (Europe and USA) in the resources of the Caspian space (the Russian "Mare Nostrum" during the Soviet period, excepting the Iranian sector) and its support in the ongoing *Colour Revolutions* – "the Rose Revolution" from Georgia (2003), "the Orange Revolution" from Ukraine (2004), "the Tulip Revolution" from Kyrgyzstan (2005) led to a force policy within the relationships of Russia with the Occident, with its energy hue, between Russia, its European interface – Belarus, Ukraine, the Republic of Moldova – and the European Union.

Thus, "the Colour Revolutions" (which have defined the orientation towards Occident of the respective countries) marked the end of the economic privileges (the gradual price growth of supplied natural gas), the countries mentioned above at which Georgia was also added, being in turns the victims of Kremlin's strategy which used Gazprom as an instrument of foreign policy, by means of which he tried to persuade the claimants having pro-occidental interests to give up.

Relationships with Ukraine are representative for the results of the new foreign policy of Russia, pursued by the former Russian president by means of Gazprom and they materialised in 2005-2006 and 2008-2009 through *the Gas Wars*, that contoured a genuine "war of nerves" (Ougartchinska and Carré, 2009)<sup>6</sup>.

The Russian natural gas meant to arrive to the consumers from the European Union transits the territory of Ukraine, and Russia's disputes with the latter affects the entire Europe – it was not by chance that during the meeting from the "Valdai Club" (in September 2006, from Novo-Ogarevo, the presidential residence near Moscow), Vladimir Putin declared the following: "*Ukraine has been given subsidies for fifteen years. If the West wants an Orange Revolution, it must have at least the kindness to pay for it. Do you think we are stupid?*"<sup>7</sup> Even though the Russian force policy in the energy field has deeper roots- the cutting of oil supply to the Baltic countries in the early '90s in retaliation against liberation movements and their decision to expel the last Russian soldiers remained here, the interruption of gas and petroleum supplies (1993-1994)

<sup>6</sup> Roumiana Ougartchinska, Jean-Michel Carré (2009), *Războiul gazelor. Amenințarea rusă*, Editura Antet, București, p. 5./ *The Gas War. The Russian Menace*, Antet Publishing House, Bucharest.

<sup>7</sup> Michael Stürmer (2009), *Putin și noua Rusie*, Editura Litera Internațional, București, pag. 81./ *Putin and the New Russia*, Litera Internațional Publishing House, Bucharest

towards Ukraine nine times during the period 1998-2000 (in its attempt to gain the total control over the fleet of Black Sea and also over the Ukrainian petroleum transit system)<sup>8</sup>, the moment of January 1st 2006 was, however, the symbol moment of the starting of *Gas War*, Ukraine substituting the ceasing of gas delivery which so far was provided by Russia through the alimentation of gases that transited its territory towards the European consumers.

### **3. GAS WAR GAZPROM – RUSSIA’S “GEOPOLITICAL TAP”**

The heir to USSR’s Ministry of Gas Industry, Gazprom has thoroughly underwent, at the beginning of 2000, the interference of politics, being rethought by Putin as “the spoiled child” of Mother Russia, populating with his allies the key positions in the management of the company and acting so as to transform Gazprom into an indispensable presence to everybody.

The sealing of Russia rapprochement towards Europe was initially realised on the basis of a “win-win” game or “fair trade”: Russia offered the gas, Europe offered the sales market. In the long run, Gazprom-yet a public company- has infiltrated so much in the market that many European countries have found themselves in the delicate situation of being 100 % dependent on the natural gas supplied by it.

At the present moment, Gazprom Group is the biggest company world-wide producing natural gas, with an annual production of about 550 billion cubic meters (549.7 in 2008), assuring 84 % of the national production and 17 % of the world production<sup>9</sup>. Furthermore, the company detains the biggest reserves and the most extended distribution system of natural gas (Unified Gas Supply System of Russia – which occupies a surface of 156 900 kilometres), also purchasing infrastructure elements (10 % of the interconnection pipeline between Belgium and Britain are also owned by Gazprom, the pipeline between Netherlands and Great Britain being on the priority list) pursuing the total control of pipelines.

Ever since the end of 2007, Gazprom detained investments in the majority of the 27 states of the EU. Guiding itself by the principle “divide et impera”, Gazprom prefers the bilateral contracts with the European countries, rather than a treaty concluded at a European level and on the international market it already has prospective and production agreements initialled with Latin-American countries (Venezuela, Bolivia, also willing to open an agency in Brazil) or African countries (Algeria, Libya, Nigeria).

The relationship between the European companies in the field and Gazprom is asymmetric: the first ones have access to the aerated fields of the Russian company, however both the monopoly over the gas deposit and the decision whether to export or not and furthermore the export’s destination belong to the Russian state, Gazprom having direct access at the European consumer market.

In this respect, Gazprom Group, through the delivered volume of gas outside Russia is the biggest exporter of the planet, more than a half of the produced gas quantity being destined to the consumers. Thus, the European Union imports between 35-40 % out of the total consumption of natural gas from Russia (36.7 % at the level of 2008, in decline in comparison to 2000 when the Russian imports

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<sup>8</sup> Roumiana Ougartchinska, Jean-Michel Carré (2009), *op. cit.*, p. 157-158.

<sup>9</sup> [www.gazprom.com](http://www.gazprom.com)

detained 51 % out of the consumption and in 2007, 41 %<sup>10</sup>), substituting its need with importations from Norway and Algeria. The international financial crisis has determined the European Union to pay more attention as far as natural gas consumption is concerned, even though the prospects of the European Commission from 2001 indicated a growth of dependency as far as the Russian gas goes with a recorded value of up to 70 % in 2030<sup>11</sup>.

Gazprom is the gas supplier of the biggest part of Central Europe, countries such as Germany buying about 38 billion cubic meters annually (Figure 1), at which are added Hungary, Czech Republic, Poland, Slovakia (8-9 billion cubic meters each), Austria, Romania (4-6 billion each) but also Mediterranean countries-Italy (over 22 billion cubic meters), Greece ( about 3 billion cubic meters) and countries from the Western Europe-Great Britain, France (10-20 billion cubic meters each), Netherlands, Belgium (5-7 billion cubic meters)<sup>12</sup>.

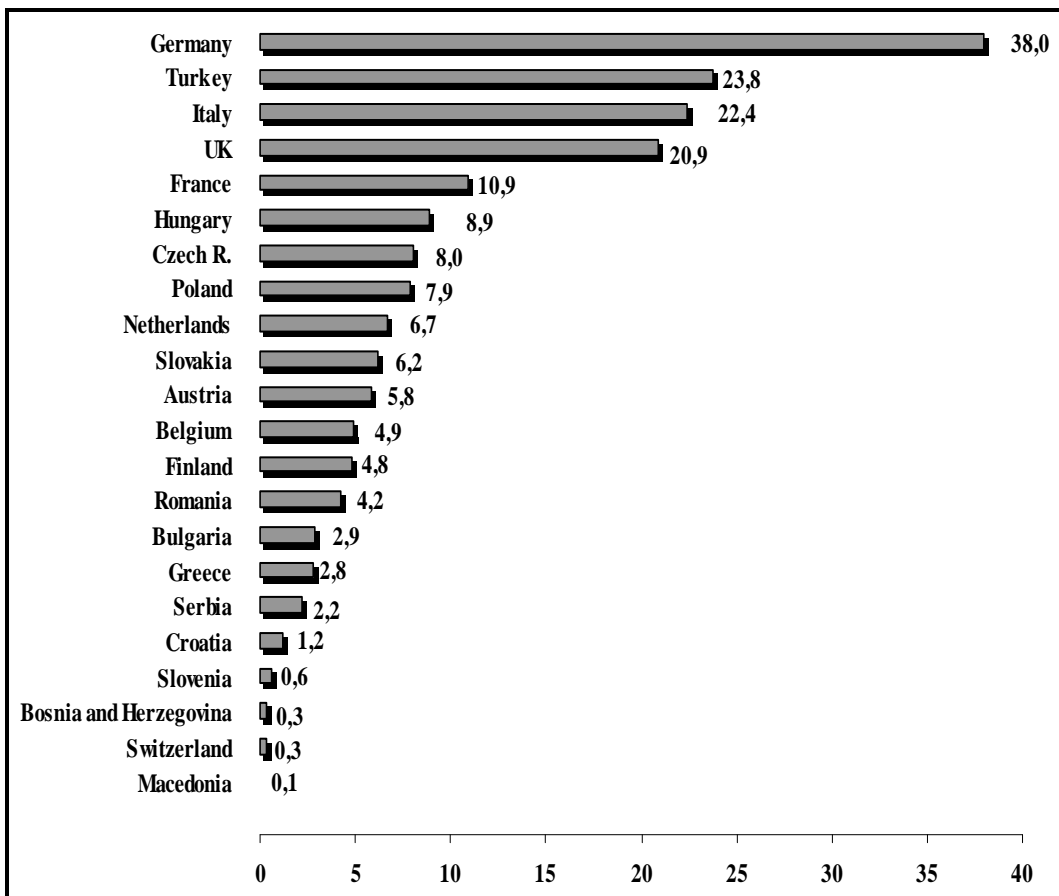


Fig. 1. The sales of Gazprom Group towards the European countries (2008, billion cm)

**Source:** Gazprom, 2008

<sup>10</sup> Paul Saunders, *Russian Energy and European Security. A Transatlantic Dialogue*, The Nixon Centre, New York, 2008, p.12.

<sup>11</sup> \*\*\*, *Green Paper: Towards a European Strategy for the Security of Energy Supply*, European Commission, Brussels, 2001, p. 23.

<sup>12</sup> \*\*\*, *OAO Gazprom Annual Report 2008*, Gazprom, p. 49 și \*\*\*, *Gazprom in Questions and Answers. Year 2008 Highlights*, Gazprom, p. 52.

Among the European Union countries, the biggest consumers of Russian gas are the most developed economies, as well – Germany, Italy, Great Britain and France, members of G8, however the weight of natural gas delivered by Gazprom out of the national consumption attaining a value between 30-40 %.

Turkey is much more dependent on the importation from Russia, the former being a candidate country to adhesion and at the same time one of the most important pylons of the Occidental project Nabucco (pipeline which would supply the big European consumers with resources from the Caspian space, thus reducing the dependence of Europe on Russia), that annually buys over 20 billion cubic meters of natural gas from Gazprom (this representing over 60 % from the national consumption).

As far as relationship between the great Russian producer and the ex-Soviet countries which used to belong to USSR is concerned, on the pathway of natural gas importation, Ukraine stands out significantly as it is the country in which Gazprom sales every year over 50 billion cubic meters (56.2 at the level of 2008, Figure 2), followed by Belarus (over 20 billion cubic meters in 2008). As such, the degree of dependence on the importations from Russia is quite high, over 60 % in the case of Ukraine and 100 % in the one of Belarus.

The two countries present a particular strategic importance from the point of view of the current infrastructure, both for the European consumers and Russia, the main pipelines which connect the Russian centres of production to the European Union sales market, transiting their territory. The equilibrium was kept as long as Ukraine and Belarus gravitated into the political sphere of Moscow, their geographic and geopolitical position inducing an increased vulnerability in Europe's supply with energy resources, the moment when the two of them understood that this is the sole instrument of pressure they could detain, both in their relationship with Moscow and the Occident.

A high dependence linked to the supply of natural gas by Gazprom is resented by the Baltic countries, as well, Lithuania importing the most, about 3 billion cubic meters, representing approximately 80 % from the total national consumption.

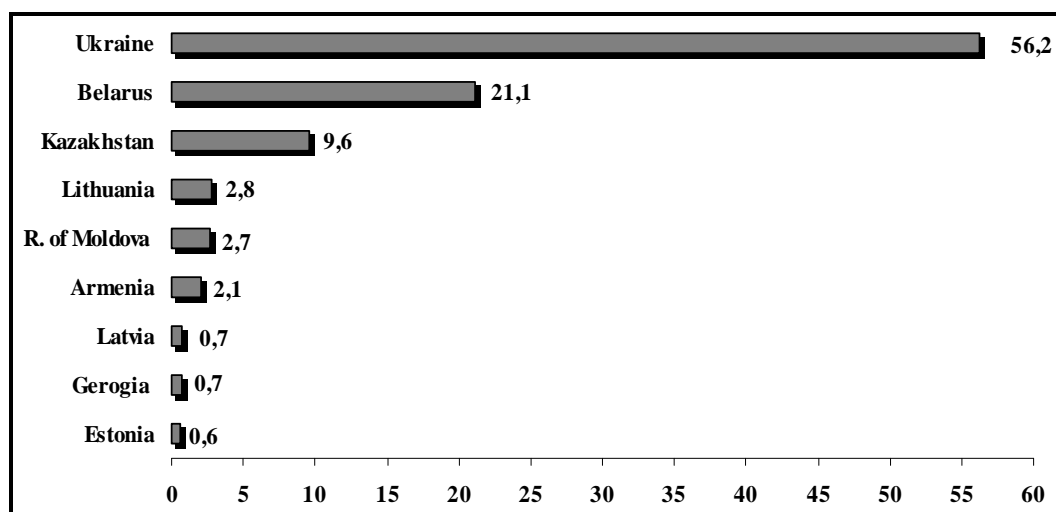


Fig. 2. The sales of Gazprom Group towards the Baltic countries and CIS (2008, billion cm)

**Source:** Gazprom, 2008



### **The Natural Gas War (Russia-Ukraine-Europe)**

**2005-2006 Conflict.** The escalation of the first conflict of natural gas took place in March 2005, as “reprisals” of the Orange Revolution and of the pro-Occidental orientation towards an Ukraine which was far too unprepared and too close from Russia. It was then, when the Gazprom Group informed Ukraine that the price for the supplied natural gas was about to raise three times (from approximately 50 USD for a thousand cubic meter up to 160 USD), attaining the market quotas (that is the loss of the preferential tariff practiced until then) and marking the beginning of a long dispute between Moscow and Kiev.

Kiev accepted to pay a bigger price for the natural gas with a single condition, the one that Russia should pay bigger transit taxes, a condition which was considered as unacceptable despite the fact that certain concessions and efforts have been made by Ukraine in order to solve the problem from the economic point of view and not from the political one.

Therefore, the 1<sup>st</sup> of January 2006, Russia stopped the supply of natural gas towards Ukraine, leaving the European countries dependent on the Russian gas feel the strength of a simple tap.

The announcement made by Gazprom came during the New Year’s wishes, but it had nothing to do with the holidays: *“Today, at 10 o’clock, because Naftogaz Ukraine refused to sign the contract for the supply with gas in 2006, Gazprom interrupted the supply for the consumers in Ukraine, previously sending an official notification to the Ukrainian part on the 31<sup>st</sup> of December 2005.”*<sup>13</sup>

The occidental pressures, together with the efforts of the two sides, have lead to a relative alleviation of the situation: on the 4<sup>th</sup> of January 2006 a 5 year contract was signed, mentioning the fact that prices have been established only for a 6 month period. According to the contract, the gas was no longer sold to the Ukrainian company Naftogaz, but to the Swiss-Russian company RosUkrEnerg, so that the new price for the Ukrainians was 95 USD for a thousand cubic meter.

What’s more, the price of transiting the Ukrainian territory by the Russian gas raised from 1,06 USD to 1,09 USD for a thousand cubic meters reported from 100 kilometres from the pipeline, Russians assuring them of the fact that price was about to fluctuate according to the market.

Ukraine also had to make other concessions as a compensation for Russia’s gas: the postponement of the referendum for the adhesion to NATO, an agreement according to which the Russian fleet from the Black Sea could remain in the Sevastopol port until 2017 and maybe even more, the use of the intermediate company RosUkrEnerg for another five years and the importation of gas from Turkmenistan only through Russia<sup>14</sup>. After Ukraine, Georgia and Belarus followed. For example, in the night of 21<sup>st</sup> to 22<sup>nd</sup> of January 2006, two explosions took place on the main section and on a secondary niche of the Mozdok pipeline-Tbilisi, the main pipeline which supplies Georgia and Armenia. The deflagrations took place on the Russian side, not so far from the Georgian border, event that resulted in the interruption of gas supplying and electric energy to Georgia.

Afterwards, another deflagration interrupted the supply of electric energy to Georgia, as well. In spite of the fact that Russians accused the Georgians of

<sup>13</sup> The News Archive of Gazprom (<http://gazprom.com/eng/news/2006/01/01.shtml>).

<sup>14</sup> Richard Anderson, *Europe’s Dependence on Russian Natural Gas: Perspectives and Recommendations for a Long-term Strategy*, The George C. Marshall European Center for Security Studies, Occasional Paper Series, No. 19, 2008, p. 21.

“sabotage” (an impossible situation if one takes into account the fact that their stock of gas assured the consumption for only 24 hours and there was winter), the Saakashvili president denounced the “blackmail” exerted by Moscow.

In the same year, Gazprom also raised the gas price delivered to Belarus (the price following a three-time growth starting with 2007), the Russian company being willing to take over 50 % of the Belarusian company Beltransgaz stocks, the owner of the national network of pipelines that supply Europe in order to no longer pay transit taxes.

Being confronted with this force manifestation from Russia, European consumers turned their attention towards the North of Africa, as a possible alternative, being known the fact that out of the total European importations of natural gas, about 18 % come from Algeria ( representing 11 % from the total consumption). However, Vladimir Putin had an immediate reaction, Russia negotiating with Algeria the effacement of its external debt which attained a value of 5 billion USD, in exchange of two conditions: the purchase of Russian arms on behalf of 80 % of the debt and what’s more, the access of Gazprom company to the petroleum fields and natural gas of Algeria. The inducement of the North-African country has continued, but not surpassing this year, in 2009, the management of Gazprom expressing its “conviction” that Europe’s energy security could only be achieved by connecting its own pipelines with the southern ones (by means of the Italian company ENI), supplied by North-Africa.

**2007-2008 Conflict.** The scenario has accurately repeated in the following year, as well. Ukraine did not pay the invoice for the consumed natural gas and Gazprom threatened on the 2<sup>nd</sup> of October 2007 that it would cease the supply of gas.

Once again, Russia asked for the raising of the paid price as far as the natural gas delivered to Ukraine was concerned, at the level determined by the international demand and offer and also the defrayal of the cumulated debt, reaching a value of 1.5 billion USD until the 11<sup>th</sup> of January 2008, otherwise the reduction of supply being affixed. The new conditions, on which the two presidents agreed – Putin and Iușcenko were the following: Ukraine was about to defray its debt and to pay a price of 179.5 USD for a thousand of cubic meters, during 2008. Furthermore, the creation of a new intermediary was established – a mixed society between Gazprom and Naftogaz.

However, the Ukrainian premier’s position held back the application of the presidential meeting’s results, the showing up of a new intermediary on the Ukrainian market not being accepted and having as a consequence the worsening of the existent tensions between Russia and Ukraine during 2008, tension that escalated in the toughest gas war, the third one, that took place at the beginning of the following year.

**2008-2009 Conflict.** In an almost identical manner to previous years, Russia was willing to raise the sell price of natural gas, Ukraine not agreeing with this.

On December 30, Naftogaz paid 1.5 billion USD, its debt to Gazprom, the single legal dispute remaining the price for 2009, situation that has led to the total stoppage of natural gas supply to Ukraine, in full winter, on the 1<sup>st</sup> of January 2009. In the press release of that day, Gazprom announced that it would do its best in order to fulfil its obligations towards European consumers, in spite of the existent tensions between Russia and Ukraine. However, having no solution for the situation, as transit was made through Ukraine, on January 2<sup>nd</sup> reductions of the natural gas pressure were recorded in several European

countries, and on January 3<sup>rd</sup> the European Union launched an official declaration<sup>15</sup>, through which it summoned the solving of the gas problem between Ukraine and Russia, as it was apprised of a considerable reduction of natural gas pressure in Poland and Hungary. In the same day, Gazprom announced that it would sue Ukraine at the International Court of Arbitration from Stockholm (during the month of January, Ukraine being accused of trying to “solve” the situation by substituting its gas- which was not supplied by Gazprom, with the one destined to the Occident, from the pipelines that transited its territory, the reason for which the supply of Europe was stopped, as well).

On the 19<sup>th</sup> of January Gazprom and Naftogaz signed an agreement of natural gas supply during a period of 10 years. According to the contract, Ukraine was about to pay in the first trimester of 2009 the price of 360 USD for a thousand cubic meters, the price being modified each trimester, after a certain formula. Moreover, Ukraine engaged to pay the price for any of the year’s months in the seventh day of the following months, otherwise having to pay in advance.

To keep supplying natural gas according to the concluded contracts, the Russian company increased the transported gas debit through pipelines that transit Belarus even by means of Blue Stream pipeline, yet the majority of European countries had already recorded loses.

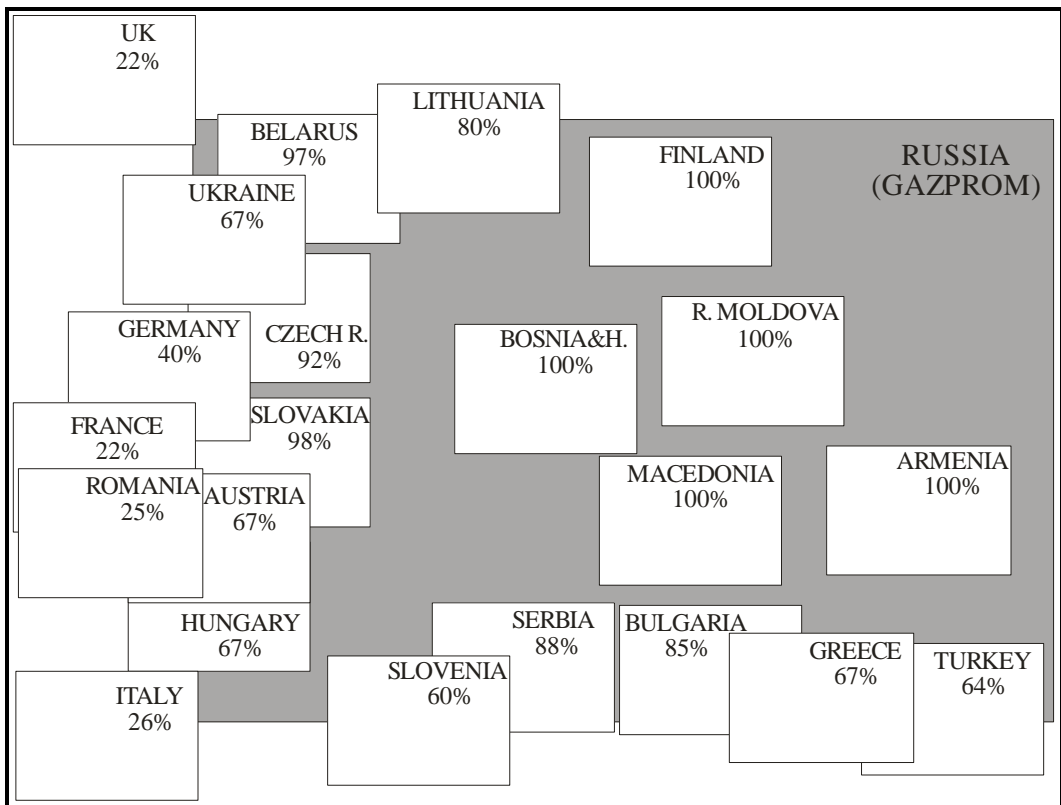


Fig. 3. The degree of energy dependence of European countries towards Russia (the weight of natural gas import from Gazprom in the national consumption)

**Source:** adaptation after Gazprom data, 2008

<sup>15</sup> [www.eu2009.cz/en/news-and-documents/news/yx-4651](http://www.eu2009.cz/en/news-and-documents/news/yx-4651)

On the other side, Russia surviving from the economical point of view almost exclusively through the export of raw materials, out of which more than a third are those of hydrocarbons, in the conditions of a global financial crisis that led in 2009 to the collapse of petroleum price (an effect of a reduction in overall consumption), determined Russia, by means of its premier Vladimir Putin to pursue a compensation for this situation through the use of the geopolitical tap-the use of the European dependence on the Russian energy in order to obtain a higher price for the natural gas.

The events mentioned above have only proven once more the European Union and Europe's vulnerability, in general, towards the Russian natural gas (Figure3) which has become a genuine geopolitical factor; these events, at which there are added the context of the current crisis and the temporary reduction of petroleum price can constitute the premises of the gas war continuation.

#### **4. Conclusions**

The exploratory and introspective analysis of the geostrategic games, between the Western World and Russia, on the Eurasian energy scene has led to the following conclusions:

*A. Russia's reaction and its policy in regards to energy resources is a consequence of the geopolitical reconfigurations that are taking place on the Eurasian scene.*

The end of the Cold War and, at the same time, of the bipolar world order, due to the collapse of the Soviet empire, brings into focus the following layout: a strong Western World represented by the only superpower left standing, USA and Western Europe, Central and Eastern Europe that forms a "grey area" full of geopolitical uncertainties and a fully collapsed Russia.

The pro-Western orientation of the ex-communist countries in Central Europe's Eastern region but also of the ex-soviet ones ("colour revolutions"), backed by NATO's and EU's expansion to the East, USA's advance towards the Caspian Region and their presence in the Middle East, have each represented pressure factors on Russia who, through the August 2008 war against Georgia (a sign that it will no longer accept Western intrusions in its old sphere of influence, the so called "near neighbourhood"), reiterates its presence in the global geopolitical system.

The seeds of a New Cold War (the problems of the nuclear arsenal, the American anti-missile shield in the ex-communist countries, reconfiguration of the spheres of influence: South Ossetia vs. Kosovo) are gone quickly, new emerging powers are appearing on the international scene (RIC, BRIC, BRIMC, BRIIK, N-11 etc.), non-state actors (TNCs, NGOs, global terrorist organisations and so on), powerful regional blocks (EU, NAFTA, SCO and others), which bring new challenges to the international geopolitical system, challenges that in turn lead to Russia's transformation from a late military superpower to an energy superpower.

*B. The Caspian basin is not an economic problem, but a political one.*

The increase in energy resources consumption and the implosion of the Soviet system has attracted, both the Western World's attention on the Caspian basin (USA, because of its strategic position, Europe because of the hydrocarbons resources), and the Eastern World's (great Asian consumers: Japan, China currently in an "insane" economic growth rhythm). The problem: Russia and its Soviet legacy. A "frustrated" Russia in search of a way to regain its superpower status and its ex-soviet countries in the Caspian basin, too poor to invest in modern technologies with which to capitalise natural resources

(being in search of Western capital) and too weak to break free of Moscow's gravitational pull (the Caspian Sea riverside countries' – Azerbaijan, Kazakhstan etc. – reticence to form consortiums with Western partners in spite of their Russian ones has increased after the military intervention in Georgia, 2008).

On the other hand, the European consumers' desire to gain access as fast as possible to the energy resources of the Caspian basin, but eluding Russia, staking on its decreasing influence in the Caspian riverside countries has led to Russia's transformation of the energy resource in a real foreign policy instrument and also a geopolitical factor: concepts such as "soft security" or "politically correct" have collapsed when Russia reverted to an aggressive power ("hard power") – gas against political concessions (or better said "hard energy").

*C. Natural gas represents a geostrategic resource with only one supplier – Russia and a great dependent – Europe.*

The geopolitical instability of the Middle East in the last 20 years (the Gulf Wars) and the American presence in the region, Iran's radical position on the international scene, as well as the changes that took place in Eurasia, have brought to light another energy resource, that became strategic, widely found in Russia and the Caspian region. The only problem is that the European economic vision did not fold over the Russian geoeconomical vision, thus leading, in an almost imperceptible way, to a delicate situation: a Russian gas dependent Europe – in the last mandates of the European Union's presidency, the energy security has been endlessly reiterated as "zero" priority.

But the geometry of Russian gas dependence is variable: from *reduced dependence*, close to zero (Spain and Portugal), to *medium dependence* (with less than half of the internal gas consumption coming from Russia) in which category we can place the Western Europe countries – Great Britain, France, Southern Europe countries – Italy (supplied in part from Norway, in Great Britain's case, or North Africa in the other's case) or countries from Central Europe (Germany, who is being supplied by, for example, Romania, who also has national reserves), *high dependence* (with more than half of the national consumption coming from imports) – Austria, Hungary from Central Europe, Slovenia, Serbia, Bulgaria, Greece, Turkey from the Balkans, Ukraine from Eastern Europe and *total dependence* (100 % of internal gas consumption coming from Russia) – Finland, Czech Republic, Slovakia, Bosnia and Herzegovina, Belarus, Armenia, Macedonia, R. Moldova.

*D. From Gazprom to Russia or from geoeconomy, back, to geopolitics.*

Gazprom is the best example for the manifestation of power in foreign policy through the economic instrument: gas against political concessions (calling into question the pro-Western orientation, delaying the decisions in regards of joining NATO etc.), especially in relation with the countries in the "near neighbourhood" – Caucasian countries, Caspian countries, Ukraine and Belarus. When these countries begun emerging from Moscow's political gravitational pull, Gazprom was used as a geopolitical tap: from the accelerated price growth to total interruption of gas and energy supplying (the case of Ukraine and Georgia). Thus, Gazprom's political economy has begun to identify with Russia's foreign policy when in the company's top management were infiltrated very loyal people of president Vladimir Putin.

*E. The gas war will continue with the pipeline war.*

Europe's dependence on Russian gas will be increased by its dependence on the pipelines that transport the gas for the European consumers. To this end, there are two visions: the Western one – reducing dependence on Russia, at least

in regards of energy routes and the Russian one – claiming monopoly over transport as well. This is the premise that triggered the pipeline war, Nabucco (a continental route between Turkey – Bulgaria – Romania – Hungary – Austria – Germany) vs. South Stream (on the bottom of the Black Sea), just an example, every signatory member of Nabucco being under Russian pressures.

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