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THE NEW RUSSIAN ENERGY STRATEGY: THE FUTURE OF THE ECONOMIC DEVELOPMENT PROCESS BETWEEN OLD AND NEW PLAYERS

Abstract. *The geopolitical events influence the choices that a Country makes in order to establish its strategic route as well it could influence the route of somebody else. Russia as one of leading Country in gas and oil supply had to cope during the last year a multilevel crisis, the first political that is the “Ucranian crisis” the second more of economical-financial character namely the oil price collapse and at last the military interventantion in Syria and the following diplomatic crisis with Turkey, but all tied in somehow to each other.*

Surely all these aspects have constracted Russia to increase its speed versus a reorientation of energetic supply policy in which new actors will play a key role as recipients in Asia resizing the position of countries such as EU’s members and former URSS countries. Such reorganization should not be seen as a result of the events above but has its source in document published by the Ministry of Energy of RF in the begining of 2014 named Russian Energy Strategy 2035 that represent a draft of the new energy strategy of the next two decades in which was already evident the change of course towards new horizons.

By this paper we want to analyze the reasons that have conduct towards this new path and clarify the main development aspects that will involve the national as well as new partners economy.

Keywords: *Russia – energy strategy – China – economic development – strategy 2035 – South Stream – North Stream – EU’s energy Strategy – shale gas – Turkey Stream – gas war.*

In geopolitics as in other sciences or to be more precise in the science in the broadest sense, there are variables that strongly affect on the results or on the experimental process.

Time and space are the factors/variables of our science, the geopolitics¹, such factors are used here to analyze critically the facts and circumstances related with the energy, energy policy and the future scenarios within the economies of all the Countries involved – in this paper we will focus on Russia.

In the case study that we are going to explore in the following lines – *a reviewed version of a speech presented last May at Izmir Energy Symposium* – the timing of both choises and facts evolution and the space understood as territory had and will have a particular role.

Events that have occurred since 2014 – but for a more exact analysis we should let start from November/December 2013 – resulting at first with the “*defenestration*” of Viktor Yanukovich and then with annexation of Crimea into Russian Federation, the current conflict in Syria and

at last the diplomatic crisis with Ankara had many consequences on the political international scenario.

These and many other facts, that for lack of time and space we will report in other papers, affected deeply on the energy strategy of Russian Federation and both its past and future partners.

The purposes of this article are to analyze the geopolitical, economic and strategic reasons on which it is based the reorientation of Russian energy policy.

1.1. Russian energy sector and its export guidelines

The presence in several portions of territory of both wide oilfields and natural gasfields allow the Russian Federation play a role of global energy supplier and key actor on the “*chessboard*” of international energy.

Such role can be played because Russia by its daily oil and natural gas capacity production represent the second producer and supplier after Saudi Arabia and United States, (10,8 mln barrels of oil for day in 2013 and 649 Gcm)².

¹ In this article we will speak in terms of geopolitics as a whole but of course we are going to consider different aspects and different topics because we consider the field of research of this paper son of different fields such as economics, politics etc.

² British Petroleum (BP), Statistical Review of World Energy, 2014, pp. 6, 22, <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BPstatisticalreview-of-world-energy-2014-full-report.pdf>.

Russia holds within its land and maritime borders reserves of oil that can be approximately quantified in 93 billion of barrels, dislocated in different regions which represent the traditional areas of exploitation (such as Western Siberia, Volga and Urals), and in other regions as the Eastern Siberia, Sakhalin Island or the Russian Arctic section³.

As regards the natural gas, Russia can benefit of the second biggest reserves in the World after Iran (33.500 Gem), which represent one fifth of global reserves (16,8%)⁴.

Nevertheless the deposits dislocated in regions or areas as Siberia, Medvezh'ye, Yamburg and Uregoy provide about 40% of total national production, we should consider that such gas fields are nearly over exploited showing a relevant production decrease with the consequence that soon will be necessary to exploit new deposits and begin the production in other sites not explored yet.

Currently these sites are located in both off-shore and on-shore deposits in regions such as the Barents Sea, the Yamal peninsula or on Sakhalin Island⁵.

It is evident for everybody that the amount of resources held legitimate Russia to be at all a global supplier — first country for natural gas export and second for oil export after Saudi Arabia.

Historically Russian oil and natural gas export follows two different directions that we can define as the *Western route* that provides such resources to EU, Turkey and former Soviet Union countries — with some exception — and the second that we can call *Eastern route* exporting resources toward China, Japan and South Korea.

Despite the western direction constitutes the most relevant, we commit a grave mistake if we don't consider or undervalue the current and the future weight that other partners can have.

Over the 79% of Russian oil exports are directed to the European continent while only the 18% is intended for the Asian market⁶. Recently new agreements have been signed or are planned to be signed in the near future with new partners; of course the quote and all the positive repercussions on Russian trade balance will be visible on the long term.

For a better understanding of following discussion we have to notice from now that almost 80% of Russian oil

export is delivered by a wide system of pipelines while the remaining part arrive at consume markets by railway distribution or oil tankers; Transneft a state company hold the semi-monopoly of oil ground delivery⁷.

We find a stronger disequilibrium in the export direction as regards natural gas, in fact almost 93% of exports are delivered toward the Western route divided between EU, Turkey, Ukraine, Belarus and other former URSS countries. All the gas distribution directed to the countries above is led by pipeline infrastructures.

On the other side, just 6% of gas exports is allocated for the Eastern route; in this case all the export is delivered in form of liquid natural gas (LNG) by gas tankers meantime that the Russian-Chinese pipeline will be realized in accordance with the last May agreements.

Despite a new economical policy based on differentiation of production in order to create a wide Russian industry it's useful to know that the 50% of state income is based on mining activities and its export⁸.

1.2. The Western Route: is it really an ended relationship?

If we analyze with a superficial approach all the information that we have of course think that the relation between Europe and Russia is over because it is the easiest answer; but when we try to analyze events, relations at so wide level we have to avoid the mistake of a superficial analysis and consider all the variables.

As we can understand by the events of last months, Russian economy is strictly dependent on the profit that oil and gas economy provides to the nation and the drop of prices are confirming that despite Russia is seeking new models of development, still the price of hydrocarbons are hitting in term of growth.

Such necessity puts Russia in a condition of vulnerability that is affected also from the disequilibrium in the export between the *western and eastern route*. On the other side, even Europe has the necessity of a stable flow of resources that in the short term only Russia can provide⁹; if we read this situation by such terms we will find in front of us that paradoxical situation of the *dog is chasing its tail*.

In the following lines we will try to provide in brief an analysis of current situation about the energy cooperation between Europe and Russia trying to understand in how many time and if will be possible to resize such mutual dependence relation and which scenario we can expect

³ Ibidem, p. 6; U.S Energy Information Administration, Russia. Country Analysis, 12th March 2014, <http://www.eia.gov/countries/cab.cfm?fips=rs>.

⁴ British Petroleum (BP), Statistical Review of World Energy, 2014, p. 20, <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BPstatisticalreview-of-world-energy-2014-full-report.pdf>

⁵ Ibidem, p. 6; U.S Energy Information Administration, Russia. Country Analysis, 12th march 2014, <http://www.eia.gov/countries/cab.cfm?fips=rs>.

⁶ Ibidem.

⁷ The pipeline Tengiz- Novorossiysk represent an exception.

⁸ U.S Energy Information Administration, Oil and natural gas sales accounted for 68% of Russia's total export revenues in 2013, 23rd July 2014, <http://www.eia.gov/todayinenergy/detail.cfm?id=17231#>.

⁹ A. Monaghan, Russian Oil and EU Energy Security, Conflict Studies Research Center, November 2005, pp. 3–6.

for Russia as regards its dominant position and key role in the energy economy.

The progressive deterioration of the relation with Ukraine — that find the highest critical point with the annexation of Crimea and the escalation of conflict in region as Donbass and Lugansk — repeats theoretically again the risk of interrupting the transit of Russian gas export toward Europe as already happened twice in 2006 and 2009¹⁰. In other to avoid such unpleasant situations and to guarantee a regular and constant flows of gas to Europe, Russia tried during last years to develop different alternative routes in order to decrease the transit of its gas through the territory of Ukraine and on the same time trying to keep constant its export potential on the *Western route*.

Such goal allowed also to reinforce the European energy safety by the use of different supplying sources — which means just different pipelines — on the same time keeping the same supplier, (Russia), or even better consolidating its dominant position in the European market. Currently gas imports from Russia cover 30% of EU needs¹¹. Since 2011 with opening of North Stream pipeline, Russia has partially reached its goal to over go Ukraine creating an alternative export route that finally don't pass through a third country territory in order to avoid the risks of a potential "*gas war*" as explained above.

From that time the volume of exported gas that pass by Ukraine decreased from 80% to 50% of total. During 2013 just 16% of EU gas needs passed through Ukraine, portion that still represent a large quote of entire import¹².

If we consider both the current political situation and the policy of differentiation in supplying routes, an important role had the pipeline as called South Stream.

Such pipeline had the purpose to create a southern corridor to further decrease the dependence from Ukrainian pipelines¹³.

The South Stream pipeline — 4 conducts with a total capacity of 63 Gem for year — had the intention to transport by 2020 Russian gas through the Black Sea, Bulgaria, Serbia, Hungary, Slovenia, Austria and Italy in order to marginalize the Ukrainian position despite even in the

case of a full throttle flow it will be still relevant inasmuch that 50 Gem for year will pass through Ukraine.

South Stream, the project of expansion of North Stream that wanted to include the territory of Great Britain and the corridor Yamal-Europe n,(through Belarus), show us that the original intention of Moscow was a concrete expansion of the *Western Route*, remarking in this way how important is Europe as market.

Obviously, all the projects above are to consider still projects on paper which realization can require many time.

Despite the will showed, many are the reasons that have convinced the Russian government to rethink its national energy strategy bringing several changes on the gas export routes for western market.

At first, the stiffening of EU against Moscow after that the crisis between Kiev and Moscow became deep, stiffening followed by the adoption of a wide set of sanctions against Russia are all factors that demonstrate a big change in the energy cooperation framework between UE and Russia.

The clash between European ambitions to begin a energy policy of differentiation and the same strong ambitions declared from Moscow to expand its energy potential in the "*Old Continent*" could open a deeper wound if the pressure from Washington to supply its LNG — exploited using the fracking technique — could assume not just high political value operation but an opportunity to supply with profit to an hot market — as Europe¹⁴.

Furthermore, the will of the European Commission to apply coherently the Third Energy Package for a stronger regulation of the European energy field, de facto, impede the Russian energy policy, pushing Moscow to refocus its gas and oil exports towards new markets as the Asiatic one.

The most representative example of such policy is the project of extension on land of the North Stream pipeline, in fact the strict application of the Third Energy Package limits the complete use of such infrastructure because the European normative states that a quote of transport capacity must be destined to a *third party access*.

Many times the European Commission has granted an exemption to Gazprom of the new EU normative regarding the *third party access* in order to allow Gazprom to use the 50% of OPAL capacity¹⁵; by the way the European Commission seems determined to not grant anymore such kind of exemption as demonstrate the choice took by EU authority on September 2014 to frozen the request

¹⁰ To explore such events see: J. Stem, The Russian-Ukrainian gas crisis of January 2006, Oxford Institute for Energy Studies, gennaio 2006; S. Pirani, J. Stem e K. Yafimava, The Russo-Ukrainian gas dispute of January 2009: a comprehensive assessment, Oxford Institute for Energy Studies, 02/2009.

¹¹ S. Pirani et al., What the Ukrainian crisis means for gas markets, The Oxford Institute for Energy Studies, marzo 2014, p. 8, <http://www.oxfordenergy.org/wpcms/wpcontent/uploads/2014/03/What-the-Ukraine-crisis-means-for-gas-markets-GPC-3.pdf>.

¹² U S Energy Information Administration, 16% of natural gas consumed in Europe flows through Ukraine, 14th march 2014, <http://www.eia.gov/todayinenergy/detail.cfm?id=15411>.

¹³ It is necessary to remark that a potential threat of gas war it should be considered just an hypothesis due to the high level of dependence that still Ukraine has from Russian gas supply.

¹⁴ For more details see: J. Stem et al., Reducing European Dependence on Russian Gas: Distinguishing Natural Gas Security from Geopolitics, The Oxford Institute for Energy Studies, October 2014, <http://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/10/NG-92.pdf>.

¹⁵ Natural Gas Europe, EU Postpones Decision on Increased Volumes Through OPAL Project Again, NGE, 5th September 2014, <http://www.naturalgaseurope.com/eupostpones-decision-increased-volumes-opal-project>.

for a new exemption; such choice seems clearly connected with the current crisis between Russia and Ukraine that see Brussels involved as mediator – even if a key role in such game it is played by Paris and Berlin – in order to guarantee a gas supply to Ukraine after the decision of Moscow to interrupt it¹⁶.

It is our opinion that the position that Brussels decided to take in such dispute aim to reinforce Kiev's position not just in this negotiation but in the geopolitical chess-board at all.

Furthermore, it seems that the European position – regarding the exemption of *third party access* normative – began clear-cut, indeed the European authorities decided to open a case against Gazprom on charges of abuse of dominant position¹⁷.

The most representative case of strong power played by Brussels authorities seems that of South Stream. Indeed, unlike the other projects, the South Stream was the only one that have been following an execution road map.

In the case of South Stream, since December 2013, it was possible to observe the new approach aimed to decree the first concrete steps to the execution – from European side. In the end of 2013, the European Commission it ruled that the intergovernmental agreements concluded between the Russian government and the governments of the countries involved in the South Stream project are not comply with the rules introduced by the Third Energy Package, requiring consequently or the renegotiation or their annulment.

Indeed, the provision of law about the ownership unbundling aims to avoid the consolidation of market dominant position – as we saw above – in other to separate the activities of energy supply with that of transport to support the third party access in such field¹⁸.

The main pressure have been applied to the governments of Bulgaria and Serbia – between June 2014 and October 2014 – when the European Commission firstly required to Sofia to stop all the preliminary works for the realization of the infrastructure and than asked to Belgrade to postpone all the activities inasmuch the bilateral agreement between Russia and Serbia does not comply with the European directive; in the case of Serbia many pressure were applied using the weapon of EU membership candidature¹⁹.

¹⁶ A. Mac Donald e P. Blenkinshop, "Ukraine, Russia, EU agree to natural gas supply deal", Reuters, 30th October 2014, <http://www.reuters.com/article/2014/10/30/us-ukraine-crisis-gas-idUSKB-N0I10XQ20141030>

¹⁷ http://www.repubblica.it/economia/finanza/2015/04/22/news/gazprom_la_ue_l_accusa_di_abuso_di_posizione_dominante-112571906/?ref=search

¹⁸ http://europa.eu/rapid/press-release_MEMO-11-125_en.htm?locale=en

¹⁹ A. Rettman, "EU puts pressure on Serbia to stop South Stream gas pipeline", Euobserver, 7th October 2014, <http://euobserver.com/economic/125924>.

It is clear that such regulation damages Gazprom and its position on European market. By the way the situation of *fast and loose* – created by Brussels before applying pressure and than inviting Gazprom to ask again for an exemption – it resulted in the reaction of Moscow that by the voice of its president Vladimir Putin putted an end to the controversy. In fact, last December, during an official visit in Ankara, Vladimir Putin announced the decision to withdraw the South Stream project – declaring on the same time that an alternative pipeline project have been planned in partnership with Turkey and with the later inclusion of Athens that aim to become the main hub for southern Europe supply.

The estimate date of opening of this new route it was 2018 but at this stage it is nearly impossible that it will occur due to the current harsh crisis between Moscow and Ankara, direct consequence of the diplomatic incident of the last weeks.

1.3. The Silk Route: an eastern route as new Russian energy strategy

The new European behavior and strategy added to the effects of sanctions and the above described international situation which Russia has to face to – that in somehow have influenced negatively several joint projects in energy field – are fostering Russia to refocus its energy strategy for the future. The new energy policy is going to meet the demand of markets as that Asiatic with some attention even for the Pacific area and Latin America – as lasts agreements with Argentina can demonstrate.

Despite the deterioration of relations with western partners, the decision to reinforce the ties with Asia in term of energy cooperation has its source in the document called Energy Strategy 2030.

Within this document we can read that Russia has the will to destine part of its supply towards the Eastern route; such decision is based on different economical and geopolitical analysis.

Indeed, all the eastern markets – with particular attention for Asian and Pacific regions – are a relevant alternative to the *western route* for all the energy Russian exports. Such alternative could provide a new equilibrium between western and eastern route if we consider that currently the balance leans towards west²⁰.

In addition, such policy has a strategic relevance due to the financial and technological potential that markets as China, Japan and South Korea hold in order to allow

²⁰ Subdivision Russian energy export. Oil: 79% western route, 18% eastern route and 3% others. Natural gas: 96% western route and 6% eastern route.

British Petroleum (BP), Statistical Review of World Energy, 2014, pp. 6, 22, <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BPstatisticalreview-of-world-energy-2014-full-report.pdf>

Russia to increase the mineral production – enhancing all the deposits that have not been explored yet – and to realize all the production and transport infrastructures necessary to guarantee a stable supply.

The Russian dependency from hydrocarbons export forces Moscow to adopt a diversification supply policy in order to maximize the profit and be protected from external decisions – as the events connected with Ukrainian crises demonstrate.

The cooperation with China, Japan and South Korea offer also a condition of energy safety if we look with geopolitical eyes, in fact all the hydrocarbons exports directed to these countries should not pass through any third country as happen with all the exports direct to the west. An additional reason that marks a strength is that a wide part of all the unexplored gas fields are located in the eastern part of Siberia geographically closer to the new markets.

On the other side, the new energy strategy assume a relevant aspect even for receiver markets inasmuch allow them to avoid the desperate need and dependence of hydrocarbons imports – connected with the prevision of an high level of energy demand for the near future; it is estimate that Beijing within 2040 should increase its imports of oil of a quote equal to 10,7 million barrels for day in order to satisfy the national energy demand²¹.

Another twofold perk for receivers is the territorial proximity of supplier that in a future perspective will see a relevant reduction of the energy price due to a minor transport costs and also the opportunity to bypass the critical *chokepoints* of Malacca and Hormuz that potentially represent a point of geopolitical instability for oil and gas delivery²².

The strategy of developing an eastern route has an impact on Russian domestic policy inasmuch will intensify the develop of those regions located in the far east of the country by an industrial energy program²³.

The guidelines of such policy have their source in a document – edited by the Ministry of Energy of the Russian Federation – called “*Energy Strategy 2035*” that had been explain by the Minister of Energy already before that the final edition have been wrote.

According this strategy, within 2035 Russia will increase its quote of energy exports towards the eastern

markets that is estimated in 23% of total; in details, there will be an increase of supply of natural gas (delivered in form of LNG) from the current 6% to 31%, while the oil supply will reach the quote of 32% in spite of current 18%²⁴.

If compared with the previous document (Energy Strategy 2030) edited in 2010, the goal to develop and maximize the production of all deposits located in the eastern part of Siberia, Russian Far East and Yamal has a different timing of realization, in fact such goal according the version “2010” should been reached between 2015 and 2022 in spite of current version where is required to conclude the *Stage II* in 3 years (2021–2025)²⁵.

Speaking in terms of exports diversification opportunities, market capacity and investments capabilities it seems that China represents the right partner to expand the eastern export corridor as demonstrate the realization of *Espo*, a pipeline that pass through the Eastern Siberia arriving till the Pacific Ocean as well as the agreement for a new pipeline know as “Power of Siberia”.

Since 2011 China imports by *Espo* 300.000 barrels of Russian oil for day.

Moreover, Beijing has granted to Rosneft and Transneft different credit lines in order to open a way for a further wide oil flow in favor of its 2 state companies – *China National Petroleum Corporation and Sinopec* – involved in these projects with Russia.

Within 2018 it is estimated that *Espo* will be completed and able to reach an exploit capacity of 1,8 million barrels for day that on the other side will allow Russia to export a quantity of oil three time bigger – becoming the first oil supplier for China.

A wider cooperation with China – especially on the infrastructures side – will allow Russia to increase its export to Japan and South Korea by the terminal of Kuzmino. The Shanghai’s agreement signed on May 2014 represent an important step towards the realization of a the most important eastern vector as regards minerals export. According such agreement – that ties Russia and China for 30 years – Moscow agrees to provide 38 Gcm for year from 2018. All the resources necessary to accomplish the agreement above will be extracted from the gas fields of Kovykta and Chayadin and then delivered to China to

²¹ U.S. Energy Information Administration, International Energy Outlook 2014, September 2014, p. 6, [http://www.eia.gov/forecasts/ieo/pdf/0484\(2014\).pdf](http://www.eia.gov/forecasts/ieo/pdf/0484(2014).pdf).

²² F. Indeo, The vulnerability of maritime energy routes and Chinese energy security: Hormuz and Malacca chokepoints dilemmas, in Oil Routes, edited by A. Beltran, Peter Lang edition, 2014

²³ J. Handerson, Russian energy policy – The shift East and its implications for Europe, in Energy Moves and Power Shifts: EU Foreign Policy and Global Energy Security, edited by I. Dreyer, G Stang, Paris, EU Institute for Security Studies, n. 18, February 2014, pp.74–75, http://www.iss.europa.eu/uploads/media/Report_18.pdf.

²⁴ Ministry of Energy of the Russian Federation, Основные положения проекта Энергетической стратегии России на период до 2035 года <http://minenergo.gov.ru/documents/razrabotka/17481.html>; “Russia to double oil, gas flows to Asia by 2035-draft document”, Reuters, 24 January 2014, <http://www.reuters.com/article/2014/01/24/russia-oil-asia-idUSL5N0K Y0 JW20140124>.

²⁵ Ministry of Energy of the Russian Federation, Russian Energy Strategy 2035. Innovative Potential Of Russian Fuel And Energy Complex: Opportunities And Prospects, from Power Point of I.S. Ivanov, Department of State Energy Policy, Ministry of Energy of the Russian Federation, [http://www.i-regions.org/\(I_S_Ivanov\)MoE%20Presentation.ppt](http://www.i-regions.org/(I_S_Ivanov)MoE%20Presentation.ppt).

cover the needs of all the coastal towns on the Pacific side. Indeed, the demand of energy in this area of China it suppose to be very high in the near future.

In details, the agreements provides that for this project, Gazprom should undertake an investment of \$55 billion – for exploration and infrastructures building – while the counterpart will provide \$20 billion to build the Chinese pipeline section.

The synergy between this two energy giants open the Eastern export land way that is subordinated to the realization of the project “Power of Siberia”.

This project – born as an integrated system of gas distribution with a maximum capacity of 60 Gem – is intended to carry all the gas produced in the center of Irkutsk and Yakutia towards Vladivostok – on the Pacific Ocean – then to reach the Chinese territory through its North-West borders. The Chinese financial and technological support will help to develop these deposits and then to sell their production; the intentions are to achieve the goal of 100 Gem for year²⁶.

Within 2018, in fact, it should be completed in Vladivostok the second Russian terminal to export the LNG exploited from Yakutia and Irkutsk.

This terminal is a Gazprom project that involve as partner a Japanese consortium – currently forth market in the world for gas consume and country highly dependent from LNG imports.

This wide cooperation with Chinese – and other Asian countries as well – will of course help Russia to cope the impact of sanctions imposed on energy by EU and USA – that especially on the first round tried to hit Russian energy sector with less results than a wide damaging for western companies involved in joint venture and other projects (on-shore and off-shore) with Russian counterparts²⁷.

Particular are the cases of ExxonMobil – involved in a joint venture with Rosneft in the Russian Artie section – Total that in consortium with Cnpc and INovatek for the exploitation of resources located in Yamal deposits – were forced to give up all the activities.

All the projects above are very important – almost vital – for Russia in order to increase its production and exploit those deposits that need instruments based on modern technology that Russia has no. We are talking about all those deposits that host not conventional hy-

drocarbons such as those of tight oil located in Bazhenov and Achimov (Western Siberia).

According the Minister of Energy of Russian Federation, such events will not stop completely all the production, in fact it is estimated that Russia will be able within 2020 to produce 440.000 barrels for day from *tight oil* production²⁸.

The future commercialization of these resources will allow companies as Rosneft and Novatek to consolidate their position not only as producer but as well as export suppliers if we consider the new liberalization policy that partially ends the long era of Gazprom monopoly on export infrastructures.

If we consider the case of Yamal, here the Chinese support both at financial and technological level will permit to conduct an ambitious project of gas liquefaction plants and export either, (value of operation 27 billion dollar); during the first stage it will be reached a capacity of 7,5 Gem for year – set to increase till 22 Gem.

The presence on field of Cnpc through its partnership became much more relevant because the same company decided to sign a contract – on May 2014 – that will guarantee 4 Gem for year of gas produced from Yamal. Further, on July 2014, another company, subsidiary of China National Offshore Oil Corporation (Cnooc) decided to make an investment of 1,6 billion dollars to realize an LNG terminal²⁹.

With regards on all the activities concentrated in the Kara Sea and led by ExxonMobil, Igor Sechin – Rosneft’s CEO- declared publically that he will ask the cooperation of Chinese and South Korean company in order to provide the necessary technology to continue all the activities of exploration already started in that site³⁰.

In addition, have been already decided to frozen the Shtokman project – a wide gas field with resources estimated in 3.800 Gem of natural gas located in the Barents Sea. Many had been the reasons that influenced such decision such as adverse weather conditions, an high cost level to lead all the operations and than the American competition with its shale gas.³¹ It is not excluded that such project could be renewed involving Asian companies continuing to adopt the new Russian strategy of refocusing towards the Eastern Route.

²⁸ J. Henderson, Tight oil developments in Russia, WPM 52, Oxford Institute for Energy Studies, October 2013, p. 7, <http://www.oxfordenergy.org/wpcms/wpcontent/uploads/2013/10/WPM-52.pdf>.

²⁹ “China to Amplify Cooperation on Russia’s Yamal LNG Project: Chinese Official”, Ria Novosti, 19th September 2014, <http://en.ria.ru/business/20140919/193104311/Chinato-Amplify-Cooperation-on-Russias-Yamal-LNG-Project.html>.

³⁰ G. Chazan e J. Farchy, “Russia Arctic energy ambitions jeopardised by western sanctions”, Financial Times, 1st September 2014, <http://www.ft.com/cms/s/2/41d19b16-31c9-11e4-al9b-00144feabdc0.html#slide0>.

³¹ F. Indeo, The impact of “shale gas revolution” on Russian energy strategy, EGS Working Paper, n. 8, 2013, pp. 9–10.

²⁶ In prospective, the volume of gas originated in Siberia will be added to that one exploited from the deposits located on the Sakhalin Island in order to generate a flow of gas that will satisfy the demand from China and that from all the Pacific area markets either – with a particular focus on Japanese and South Korean.

²⁷ “Russia’s Yamal gas megaplan to become symbol of sanctions defiance”, Euractiv, 19th September 2014, <http://www.euractiv.com/sections/global-europe/russias-yamal-gas-megaplan-become-symbol-sanctions-defiance-308570>.

The develop of this new partnerships with China, Japan and South Korea will permit to reach all the objectives that were already determined in the previous energy strategy known as “Strategy 2030”³².

1.4. Not a conclusion ...

Despite the strong will of Russia to realize a concrete foreign energy policy aimed to diversify its energy exports direction – through the reinforcement of the *Eastern Route*, the reality shows us that the achievement of such strategy could not be reached in the short-middle time, inasmuch the Russian authorities have to cope with many unanswered questions such as the difficulties of exploiting and delivering all the hydrocarbons from the Arctic section and Siberia – if we don't want to consider the high costs to explore and exploit all the not conventional hydrocarbons fields.

On the other side, the increasing supply level of oil led by Saudi Arabia – and the lowest price since 2009 – could represent for Russia an impediment for its ambitions to become the first or key supplier in these markets.

If the American and Canadian exports represent an obstacle for Russia in Asian- Pacific area it cannot have

a considerable problem for its position into the European market – even with the return of Iran as supplier, inasmuch the lack of LNG terminal in Europe connected with the difficulties to compete with lower gas cost delivered by other suppliers, cut away for the moment USA and Canada from the competition allowing on the same time Russia to don't lose relevant market shares.

We believe that even if the Eastern Route represent a wide opportunity it cannot replace completely all the exports directed to Europe because at least for two reasons – economical and geopolitical inasmuch EU's market is still dependent from Russian energy supply and this represent for Russia a useful weapon on the foreign policy chessboard. In this view we can read the position of strong hostility that is being applied from Moscow to the Tran Caucasian Pipeline and the intention to increase the efforts to realize energy cooperation with Berlin by a new Northern Stream pipeline.

The energy policy is considered at all levels a branch of the foreign policy, for such reason we cannot provide certain and long term forecast especially in a period of instability as which that we are living now on different fields.

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