



RUSSIA

Russia Says It's Not Weaponizing Its Gas Exports. Really?

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By Mike Eckel

In characteristically blunt fashion, Russian President Vladimir Putin had this to say when asked last month if Russia was again using its energy resources as a political weapon:

“This is complete nonsense, ravings, and politically motivated blather,” he told a Moscow energy conference on October 13.

Two weeks later, the European Union’s foreign policy chief was uncharacteristically blunt as he described Russia’s threat to cut gas supplies to Moldova, a decision that prompted the cash-strapped, aspiring EU member to declare a state of emergency: “the weaponization of gas supplies.”

With natural-gas prices hitting record highs, Europe’s winter of discontent is only beginning, fueled by misgivings over the bloc’s energy policies and suspicions over the intentions of the continent’s single largest supplier of gas.

Those suspicions have been fueled by Russian officials themselves, and they have compounded doubts about the specific intentions of Gazprom, the state export monopoly that is beholden to Kremlin policy.

The 27-member EU gets more than 40 percent of its gas imports from Russia.

A \$120 billion publicly traded company in which the Russian government holds a controlling stake, Gazprom ostensibly seeks to maximize profits through exports. Yet with prices climbing higher since at least the summer, the company has opted not to meet increased demand from European consumers, something that some European lawmakers have asserted is market manipulation.

For Gazprom, more exports mean more pipelines -- for example, Power of Siberia, across southern Siberia into China; or TurkStream, under the Black Sea to Turkey and southern Europe.

It also means an additional pipeline directly into the heart of Europe: Nord Stream 2, under the Black Sea.

The nearly complete pipeline is awaiting final certification from German regulators, who say the process could be completed by the new year.

Russian officials, including Deputy Prime Minister Aleksandr Novak and Kremlin spokesman Dmitry Peskov, have linked quick approval of the pipeline with stabilizing European markets. Those comments were perceived by some analysts and critics as a quid-pro-quo effort to prod German regulators to move faster.

Days before Putin's speech in Moscow, Russia's envoy to the EU suggested that the bloc's own policies were to blame for Russia's cold shoulder, something Putin himself later hammered on.

"The crux of the matter is only a matter of phraseology," Vladimir Chizhov told the Financial Times. "Change adversary to partner and things get resolved easier. When the EU finds enough political will to do this, they will know where to find us."

"Moscow alone can hardly be blamed for high prices and shortages," Stephen Sestanovich, a former U.S. ambassador-at-large for the former Soviet Union, wrote in an analysis last week. "Yet, the turmoil reconfirms Russia's willingness to exploit its customers' vulnerabilities -- as seen in previous disputes with Ukraine and Estonia."

Prices Jump. Europe Frets.

Just five days after Putin's speech, on October 18, market analysts and traders were watching an important trading deadline -- for when companies book shipping contracts for the upcoming month.

With available capacity in the primary pipeline route for Russian gas -- Ukraine -- and a secondary route via Poland, it would be easy to use the existing network, and for Moscow to meet the spiking demand and make a nice profit, experts said.

In what some saw as a poke directly at Russia, the International Energy Agency said Moscow could ship at least 15 percent more gas than it was already supplying.

Gazprom didn't. Prices jumped higher. European customers fretted more.

Gazprom did not immediately respond to e-mails from RFE/RL seeking comment.

Low Storage

Over the summer, analysts had warned that Europe's winter could be turbulent, with electricity prices spiking in line with spiking gas prices.

Among the compelling explanations for Gazprom's lack of interest in increasing supplies was the need to top up Russia's own storage units going into the cold weather months. Once that was completed, Gazprom could up its shipments to Europe, where stored gas volumes were also unusually low.

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In an October 28 meeting with Gazprom CEO Aleksei Miller, Putin directed him to supply storage units in Austria and Germany after November 8 -- when Russia's storage was expected to be filled.

By the following day, prices dropped nearly 29 percent on a key European trading hub, according to Independent Commodity Intelligence Services.

The United States has been largely hawkish on the question of Europe's reliance on Russian gas, and in particular, the potential dangers of a second Baltic Sea pipeline.

However, President Joe Biden's administration earlier this year opted not to block the end-stage construction of the nearly complete pipeline, over the protests of Republican lawmakers in Congress. Those protests, and the accusations that Russia was "weaponizing" its energy resources, have grown even louder.

Using energy as a weapon “is one of those things where you know it when you see it,” Amos Hochstein, the U.S. State Department’s top energy official, told reporters last month.

“I think we’re getting close to that line. If Russia indeed has the gas to supply and it chooses not to and will only do so if Europe accedes to other demands that are completely unrelated, then it’s hard to make the argument that it is not,” he said.

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Ukraine, which nets hundreds of millions of dollars in fees from Europe-bound Russian gas transiting its pipeline networks, also opposed the U.S. decision.

“We have always known that Gazprom’s decision not to ship gas through Ukraine was geopolitical at its core. And we now have overwhelming evidence,” Serhiy Makogon, the head of the Gas Transmission System Operator of Ukraine, the operator of the country’s pipeline network, said in a statement to RFE/RL.

Reverse Flow

For skeptics of Russia’s intentions, history is a guide. Moscow shut off gas supplies twice to Ukraine and its Western-leaning government in the 2000s. The shutoffs, which occurred in January, rippled into Europe, causing shortages and resulting in people shivering in unheated apartments in some countries.

One day after Putin’s meeting with Miller, another event caught analysts’ attention: Gas flowing westward to Germany via pipelines in Poland was reversed, flowing eastward instead. There was no official explanation for the reversal in the Yamal-Europe pipeline, which continued into November 1. Gazprom issued a statement saying it was still fulfilling its contractual obligations.

Tom Marzec-Manser, a gas analyst with Independent Commodity Intelligence Services, called the reversal “unusual” but not completely unheard of.

“The lack of flow on the pipeline: You can make your own judgment, your readers can, whether there is some political element to that,” he told RFE/RL.

“Gazprom has been consistently sending signals in opposite directions to agitate gas markets rather than alleviate the crisis,” said Leslie Palti-Guzman, president of the energy consultancy company Gas Vista LLC.

In addition to pressuring German regulators to speed up certification of Nord Stream 2, Palti-Guzman said, Russia may be seeking to undermine the allure of U.S. liquefied natural-gas shipments to Europe and also to pressure European customers to sign longer-term contracts.

Higher gas and electricity prices also fuel populist discontent, she said.

Moldova's Emergency

With a new government that supports closer ties with the EU, Moldova has been grappling with the end of a long-term contract with Gazprom. The company demanded drastically higher rates, and when Moldova balked, Gazprom cut deliveries by one-third.

That prompted Moldovan President Maia Sandu to declare a state of emergency.

On October 28, after a Brussels meeting with Moldova’s prime minister, EU foreign policy chief Josep Borrell accused Gazprom of using “political pressure” in return for lower gas prices.

The Russian company, meanwhile, denied that politics played any role in the talks, saying they were conducted “exclusively on commercial terms.”

A day later, the government agreed to a new, five-year contract with markedly higher prices.

Marzec-Manser, the gas analyst, said that while Moscow was clear in its disapproval of the Sandu government’s EU aspirations, Moldova’s old contract did not conform with EU standards.

“You can’t have your cake and eat it, too,” he said.