

Nord Stream 2 and the Power of Siberia: What are the Stakes in Russia's Recent Natural Gas Pipeline Policies?

David Alenga*

How does the history of Russia's complex energy politics influence perceptions of its recent natural gas pipeline policies? The goal of this paper is to examine how Russia's gas route diversification is being impacted by broader geopolitical questions. A case study of two massive Russian-backed energy megaprojects, Nord Stream 2 and the Power of Siberia pipelines, aimed at delivering natural gas to the heart of Europe and China respectively. As Nord Stream is technically designed to bypass a number of transit countries coupled with an EU divided on the project, the Power of Siberia project presents an alternative track for extending Russia's commercial partnership with Asia. This paper asserts that while critics are concerned about the implications of Russia's diversification objectives, the differences in strategic thinking aside, the pipelines will actually have no discernable impact on Moscow's foreign policy.

Keywords: Energy Security, Gas Pipelines, Nord Stream 2 and Power of Siberia, Gazprom, Diversification

* David Alenga is a research fellow at the Department of Modern History and Society (IMS) of the Norwegian University of Science and Technology (NTNU). He can be reached at david.alenga@ntnu.no.

I . Introduction

A lot has been written about the intimate link between Russia's vast hydrocarbon resources and its geopolitical implications. While there has been consternation about the European market's dependence on Russian natural gas and in many ways a reflection of the geopolitical sensitivities conjured to back this concern, Russia achieved a major strategic breakthrough with the pipeline deal to China, a deal long in the making. Indeed, while Moscow jostled to consolidate its traditional European market, the Chinese and for that matter the broader Asian market has always been a tempting plum for Gazprom.

While Russia remains central to the Eurasian geopolitical berth, much of the literature has a major dearth in the "Eastern" dimension of Russia's energy geopolitics. There is also a certain constancy in the literature of constructivists and realists traditions of international relations vigorously debating each other over the link between their theories and praxis in the Russian worldview.¹ The unintended consequence of both is often a Euro-Russo slant evolving from an uncritical analysis of the full range of the vagaries of Moscow's energy diplomacy.² Which is why this paper asks what impact does the bilateral Sino-Russo natural gas pipeline deal have on the geopolitical landscape of the Eurasian region? Will it have a discernible impact on Russia's geopolitical options?

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- 1 Ralf Dickel, Elham Hassanzadeh, James Henderson, Anouk Honoré, Laura El-Katiri, Simon Pirani, Howard Rogers, Jonathan Stern, and Katja Yafimava, "Reducing European Dependence on Russian Gas," *Oxford Institute for Energy Studies, OIES Paper: NG 92* (2014): 4-7; Robert Larsson, "Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier," *FOI - Swedish Defence Research Agency Report no. 'FOI-R-1934-SE'* (2006): 24; Ole Waever, "Waltz's Theory of Theory," *International Relations* 23, no. 2 (2009): 201-222; Pavel Baev, "From European to Eurasian energy security: Russia needs and energy Perestroika," *Journal of Eurasian Studies* 3 (2012): 177-184.
 - 2 Alexander Rahr, "Germany and Russia: A Special Relationship," *The Washington Quarterly* 30, no. 2 (2007): 137-145; Filippos Proedrou, "The EU-Russia Energy Approach under the Prism of Interdependence," *European Security* 16, no. 3 (2007): 329-355; Jakob Hedenskog and Robert Larsson, "Russian Leverage on the CIS and the Baltic States," *FOI - Swedish Defence Research Agency Report no. 'FOI-R-2280-SE'* (2007).

Thus, this paper lends itself to the foregoing questions through a case study of two mega pipeline projects, the North European Gas Pipeline 2 (Nord Stream 2) and the Power of Siberia. Both pipelines backed by Russia's giant gas corporation Gazprom, are designed to connect consumers in Europe and China to the hydrocarbon wealth of the Siberian expanse. The importance of this study is based on the fact that it brings new insight into the literature on Russia's energy geopolitics in the Eurasian region in two respects. Firstly, it is part of a limited cohort of research work on the Power of Siberia and its place in the calculus of Moscow's strategic energy policies. Secondly, it adds another layer of insight to the subject through a careful case study of Nord Stream 2 as another Russian priority pipeline project.

By way of structure, it starts with a review of the literature with a view to situating this current work within the context of ongoing Eurasian energy politics. The next two sections present the historical background for discussing how the two projects are predicated primarily on Russia's need for secure markets for its exports. It then highlights the extent to which this need for diversification complements both ongoing European energy security discourses and the burgeoning Chinese energy market. They highlight the range of voices competing to determine its outcome and the crucial place of the stakeholders in upholding every step of the project. The fourth section is an analysis of the policy implication of the quest to resolve the uneasy tension between commercial and broadly construed political ends. It concludes with a summary of the main points raised.

II. Literature Review

In his book *Connectography: Mapping the Future of Global Civilization*, Parag Khanna presents a very sanguine appraisal of the role of infrastructure in challenging our traditional conceptualization of political geography. The increasingly connected world – from the megaprojects to the sublime fiber optic cable systems – can tell us a lot more about the systemic global order than any of the arbitrarily constructed traditional political maps, he asserts.³ Citing the case of one of the world's volatile regions, he argues "natural gas

pipelines, not military supply lines, could pave the way for stability in power-starved Central Asia."⁴ The Trans-Afghanistan Pipeline designed to transport Central Asian natural gas to the Indian market, he further asserts, is able to break the direct causal link between economic deprivation and political instability.⁵ Call it a sort of pipeline diplomacy, but a project of this magnitude has the potential to bring together all the regional players from restive Afghanistan, Iran, Pakistan and India in ways that potentially defy the traditional limits of diplomacy.

A great deal of the literature on Russia's energy policy is frozen in a discursive process of mental maps to explain what on the surface appears to be inconsistency in the Kremlin's energy politics. They can be found in the detailed geo-economic critique to the sweeping inferences about how the Kremlin's posturing portends for the international balance of power.⁶ For instance, there is a subset of geopolitical theoreticians in this field whose primary thesis is that Moscow reflexively operates in a Hobbesian worldview, therefore history as an observed pattern of behavior provides a credible insight into Moscow's foreign policy priorities.⁷ For adherents of this position, it is Russia, straddled as it is in a Hobbesian worldview, that is predisposed to approaching its interactions with other actors as a

3 Khanna, *Connectography*, 79.

4 Khanna and Ali, "Energizing Peace."

5 Khanna, "Central Asia's New Silk Roads."

6 Stanislav Zhiznin, "Russian energy diplomacy and international energy security (geopolitics and economics)," *Baltic Region* 3, no.1 (2010): 7-11; Thomas R. Stauffer, "Caspian Fantasy: The Economics of Political Pipelines," *Brown Journal of World Affairs* 7, no. 2 (2000): 45; Adam Stulber, "Moving Beyond the Great Game: The Geoeconomics of Russia's Influence in the Caspian Energy Bonanza," *Geopolitics* 10, no. 1 (2005): 53.

7 İşeri Emre and Volkan Özdemir, "Geopolitical Economy of Russia's Foreign Policy Duality: Lockean in its East and Hobbesian in its West," *Rising Power Quarterly* 2, no. 1 (2012): 53-79; Mark Bassin, *Imperial visions: nationalist imagination and geographical expansion in the Russian Far East, 1840-1865* (Cambridge: Cambridge University Press, 1999): 36-39; Nick Megoran, "Revisiting the 'Pivot': The Influence of Halford Mackinder on Analysis of Uzbekistan's International Relations," *The Geographical Journal* 170, no. 4 (2014): 67.

geopolitical zero-sum-game contest.

Then there is yet another related subset of this argument that is routinely funneled through an ad hominem reading of Kenneth Waltz's neo-realist thesis on power projection. Waltz's theory is made out to sound like a rigid proposition often by both his supporters and critics.⁸

For example, Ole Waever takes on this issue as he laments the consistent misinterpretation of Waltz on the very question of theory. A misinterpretation often by those who routinely invoke him to back their positions, which consequently tends to miss a critical analytical step.⁹ An unintended byproduct of this analytical paradigm is the risk of conflating the perception rather than the reality of power projection capabilities. Essentially, it has to do with the sort of mental maps that are created to simulate the actions and counteractions within a given spatial structure. Stephen Cohen's work also questions the realist mental maps purporting to explain Russia's foreign policy broadly. He has long contended that Russia's post-Soviet foreign policy, especially under Vladimir Putin, needs to be afforded more nuance than the dominant narrative of belligerence.¹⁰ It is this nuance that so often falls between the analytical cracks of the theoretical paradigms.

Moreover, the geopolitical simulation often used to explain Russia's energy politics and its linkage to the broader power projection capabilities tend to miss the critical mark.¹¹ Let's take the pipeline discourses as a good case in point. The argument is often made that the Nord Stream project, like its cousins the South Stream and Nabucco, reflects Gazprom's long-term goal of getting rid of transit states through privileging underwater pipelines which reeks of a cynical ploy to ultimately consolidate its dominance of the domestic energy markets of each country it seeks to enter.¹² Granted this were the

8 Waltz, *Theory of International Politics*, 67-89.

9 Waever Ole, "Waltz's Theory of Theory," *International Relations* 23, no. 2 (2009): 210.

10 Stephen Cohen, *Soviet Fates and Lost Alternatives: From Stalinism to the New Cold War* (New York: Columbia University Press, 2011), 189-201.

11 Pavel Baev, *Russian energy policy and military power* (London: Routledge, 2008), 87-94; Cohen, *Soviet Fates and Lost Alternatives: From Stalinism to the New Cold War*, 192.

case, one still needs to take a step backward to see the full context at play. It was in the early 2,000s when Moscow made route diversification a principal policy objective. Recurrent squabbles with major transit nations like Ukraine and Belarus have been viewed by Moscow as not just a nuisance but one increasingly fraught with latent risks. Nord Stream 2 and the attendant rancor it has generated have been couched to a significant degree as the Kremlin's attempts to bypass transit nations like Ukraine that are standing in the way of direct access between producer and consumer. Some even consider the bypassing process to be a question of achieving greater efficiency, in that respect.¹³

Germany, for strategic and economic reasons, remains the main anchor of the energy relationship between the EU and Russia. Berlin's role in leading the Euro-Russo energy relationship, argues Alexander Rahr, in many ways, hearkens back to former German Chancellor Willy Brandt's *Ostpolitik* of constructive engagement of the socialist bloc.¹⁴

Russia's dependence on the European market for its gas exports is only complemented by Europe's own desire for a reasonably priced and stable source of gas imports. Thus, for Berlin, the strategic benefit of the gas relationship with Russia should be measured by the capacity of the interdependence it generates to engender peace. Proponents of this thesis have even gone as far as to argue that the gas pipeline networks can be analogous to the role of the Coal and Steel Union in laying the foundations for European integration.¹⁵

12 Tatiana Mitrova, Tim Boersma, and Ana Galkina, "Scenarios of Russian Natural Gas in Europe," *Energy Strategy Reviews* 11, no.12 (2014): 19-28; Anders Åslund, "Gazprom: challenged giant in need of reform," eds. Åslund, S. Guriev and A. Kuchins in *Russia after the global economic crisis* (Washington: Peterson Institute for International Economics, 2010), 151-168; Jan Kalicki, and David Goldwyn, *Energy & security: Towards a new foreign policy strategy* (Baltimore: Johns Hopkins University, 2005), 92.

13 Ibid.

14 Alexander Rahr, "Germany and Russia: A Special Relationship," *The Washington Quarterly* 30, no. 2 (2007): 137-145.

15 Christopher-Alexander Paillard, "Russia and Europe's Mutual Energy Dependence,"

But these voices are repeatedly being challenged by those who doubt the benign ethos attributed to the Euro-Russo gas relationship. This group tends to align with the diversification mantra. For them, it is the very mercurial and indeed the recent kinetic disposition of the Russian Federation that makes the need to diversify all the more urgent.¹⁶ It has to be stressed that diversification when used in this context tends to place the accent on "European diversification" with very little thought given to Russia. If anything, the diversification narrative has not always gone unnoticed in Moscow. European diversification is precisely the sort of problem that confronts Gazprom as it seeks to safeguard its market access. Jonathan Stern's work *The Future of Russian Gas and Gazprom* stands out for its uniquely deep insight into how this question of diversification is perceived in the Kremlin's halls of power.

After a thorough analysis of Gazprom's reserve base and its export potential, he casts a pessimistic outlook for the industry. In addition to the issues with reserve depletion and infrastructural limitation, nearly all of Stern's predictions about the geopolitical posturing of Gazprom's foray outside of its traditional markets have fallen flat. For example, the future scenario as he forcefully argues, is intimately bound to how Russia's agitations with transit states like Belarus and Ukraine will determine Gazprom's share of the European market.

Though the Ukraine crisis continues to fester, it has not had a palpable impact on gas exports. On the contrary, we have seen a vigorous attempt at route diversification to bypass sensitive transit states. Nord Stream and

Journal of International Affairs 63, no. 2 (2010): 65-84; Jaaskelainen Jaakko, Höysniemi Sakari, Syri Sanaa and Veli-Pekka Tynkkynen, "Finland's dependence on Russian energy-mutually beneficial trade relations or an energy security threat?," *Sustainability* 10 (2018): 34-45.

16 Tatiana Mitrova, Tim Boersma and Anna Galkina, "Scenarios of Russian Natural Gas in Europe," *Energy Strategy Reviews* 11, no. 12 (2016): 19-28; Adam Stulberg, "Moving Beyond the Great Game: The Geoeconomics of Russia's Influence in the Caspian Energy Bonanza," *Geopolitics* 10, no. 1 (2006): 69; Bjorn Gens, "Germany's Russia policy and geo-economics: Nord Stream 2, sanctions and the question of EU leadership towards Russia," *Global Affairs* 5, no. 4-5 (2019): 721; Robert Legvold, *Russian Foreign Policy in the 21st Century & the Shadow of the Past* (New York: Columbia University Press, 2007), 89-105.

the short-lived South Stream were the Kremlin's response to these problems. For all his rigorous analysis, Stern misses the mark in terms of not just Gazprom's export potential, but also underestimating the eastward export orientation. He oversells the impact of the Central Asian exporters while passively mentioning the potential growth opportunities in crucial Asian markets like China, Korea and Japan.

The case of China has in many ways inspired a flurry of works ostensibly on Russia's own version of a "Pivot to Asia."¹⁷ Unlike Stern's failure to appreciate the impact of China in shaping the energy dynamics of the Eurasian market, researchers like Chris Miller and Jeffrey Mankoff attribute the centrality of China in this evolving process to an inevitable exogenous process.¹⁸ In other words, they make very materialist arguments about how Gazprom as an institution is riding on the tailcoats of processes that it has no ability to determine in any discernible way. In any case, these streams of thinking and analytical paradigms reflect crucial gaps in understanding the geopolitical nuances that occasion, what they dismissively describe as Russia's pivot to the east. It is in this respect that this current study aims to address through disentangling the assumptions that are at the forefront of the gas pipeline politics of the Eurasian region.

III. History of Gazprom's Foray into Europe's Gas Market

A German parliamentary panel was convened on July 1, 2020 in response to a second raft of American sanctions aimed at halting work on the final phase of the Nord Stream 2 pipeline project. Annen Niels, a Minister of State in Germany's Ministry of Foreign Affairs, decried the planned sanctions as a "direct and grave interference in Germany and Europe's sovereignty and energy policy."¹⁹ The outrage from Berlin hearkens back to the Cold War

¹⁷ Ibid.

¹⁸ Chris Miller, "Will Russia's Pivot to Asia Last?" *Orbis* 64, no. 1 (2020): 56; Jeffrey Mankoff, "Russia's Asia Pivot," *Asia Policy* no. 19 (2015): 65-88.

¹⁹ Erika Solomon and Guy Chazan, "Direct and grave interference in Germany

when it was a principal American strategic policy to sever Europe's connection to Russian hydrocarbons. In the early 1980s, the Reagan White House, for example, repeatedly warned Western European states against staking their economies on imported Soviet hydrocarbons. Despite American pressure, Soviet and Western European negotiators pushed through a deal for the construction of an East-West gas pipeline in 1982, to the chagrin of Washington.²⁰ Then, as now, Washington denounced the plan as undermining the West's strategic interests as the project allowed for the transfer of vital technology needed for the pipeline. The strategic imperative, as Washington warned, lay in preventing a growing European dependency on Soviet hydrocarbons as it was in providing the Kremlin with a cash cow to sustain its sprawling military industrial complex.²¹

The East-West gas channels continued to run for much of the 1990s. However, the biggest challenge confronting gas transmission during this period lay in delivery capacity. For much of the 1990s, delivery capacity to Europe was mainly offset by the tepid consumption necessitated by the decline in heavy industrial production in the former Soviet-bloc region. About the same time increasing energy demand in Europe raised serious questions about the long-term sustainability of Russia's capacity to serve its European market.²² The Nord Stream project was thus borne out of this desire to shore up export

and Europe's sovereignty and energy policy" *Financial Times*, August 3, 2020, <https://www.ft.com/content/81a1d823-730f-4412-a698-670e4fc4f6f1> (accessed April 19, 2021).

20 Milov et. al. "Russia's Energy Policy."

21 Andreas Goldthau, "Assessing Nord Stream 2: Regulation, Geopolitics and Energy Security in the EU, Central Eastern Europe and the UK," *European Centre for Energy and Resource Security (EUCERS) Strategy Paper 10* (2016): 12; Michael McLaughlin, "Controls Still Needed on High Technology Exports to the U.S.S.R.," May 16, 2020, <https://www.heritage.org/trade/report/controls-still-needed-high-technology-exports-the-ussr> (accessed April 12, 2021).

22 Jakub Godzimirski, "Energy and Identity – Readings of Shtokman and NEGP," *Security Policy Library*, no. 2 (2007): 19; Andreas Goldthau, "Assessing Nord Stream 2: Regulation"; Katinka Barysch, *Pipelines, politics and power: The future of EU-Russia energy relations* (London: CER, 2008), 76-89.

capacity to Germany as an entry point to the broader European market. The goal was to make the Nord Stream project a comprehensive pathway for launching alternative routes via the Baltic Sea. Towards that goal, working in collaboration with the then Finnish firm Neste, Gazprom set up a joint holding company called North Transgas Oy in 1997 to begin exploratory work. Following several months of feasibility study of possible routes, they recommended an offshore project as the most feasible and cost-effective option given the other options.

Thereafter in the mid-2000s North Transgas Oy was joined by BASF\ Wintershall and E.ON Ruhrgas. Neste, which changed its name to Fortum, withdrew from the planned project in 2005 following disagreements with Gazprom over questions about the proposed Finnish section of the pipeline. The disagreement was ostensibly precipitated by Gazprom's plan to use the Shtokman field solely for Liquefied Natural Gas (LNG) exports.²³ The remaining members of the consortium agreed to plough through with the construction of the maiden Nord Stream in the autumn of 2005.²⁴

The Nord Stream project was billed as one of the world's longest offshore pipelines, with an annual capacity of 55 billion cubic meters (bcm). Initially conceived as a 1,200km double pipeline, the consortium aimed to link the Yuzhno-Russkoye, Shtokmanovskoye, and the Ob-Taz Bay fields to the Greifswald terminal in Germany. Countries, like Finland, Sweden, Germany, and Denmark would have the pipeline run through their territorial waters, subject to regulatory approvals. An Environmental Impact Assessment of the project was launched in late 2006 in partnership with all the concerned states involved. The applications had to meet the regulatory standards of each individual affected state.²⁵

23 Alan Riley, "The coming of the Russian gas deficit: Consequences and solutions," *CEPS Policy Brief* no. 116 (Brussels: CEPS, 2006).

24 Bendik Solum Whist, "Nord Stream: Not Just a Pipeline An analysis of the political debates in the Baltic Sea region regarding the planned gas pipeline from Russia to Germany," *FNI Report 15/2008*; "The Pipeline," <https://www.nord-stream.com/the-project/pipeline/> (accessed April 22, 2021).

25 For full details of the report, see "Nord Stream Environmental Impact Assessment

On March 9, 2009, the completed report of the transnational impact assessment was sent to all the concerned states. The assessment with the accompanying application ran into regulatory roadblocks. The government of Sweden raised concerns in 2008 that the pipeline's path risked unduly affecting parts of its Exclusive Economic Zone (EEZ). The Swedish authorities found Nord Stream AG's application to be lacking detailed analysis of the project and proceeded to reject the request.

A revised application package was resubmitted to the satisfaction of the authorities in Stockholm who proceeded to give the green light for the pipeline.²⁶ Approvals from Denmark and Finland were to follow in 2009 and 2010 respectively, paving the way for the design engineering of the pipeline to begin. Supply contracts were awarded in early 2008 to a host of European companies for the pipes.²⁷ Work on the pipeline began earnestly with the installation of the Portovaya compressor station adjacent the Gulf of Finland,

Documentation for Consultation under the Espoo Convention,"
<https://www.nord-stream.com> > download > document (accessed July 18, 2020).

26 See Nord Stream 2 report "Background: Permitting Process in Sweden,"
<https://www.nord-stream2.com/media/documents/pdf/en/2019/02/nsp2-background-paper-permitting-process-in-sweden-en-20180824.pdf> (accessed April 10, 2021).

27 OMK and EUROPIPE were awarded the contracts to supply the pipes in September 2007. Then six months later EUPEC PipeCoatings S.A. was granted the concrete weight coating contract. See "Nord Stream Decides on Second Pipe Tender,"

<https://www.nord-stream.com/press-info/press-releases/nord-stream-decided-on-pipe-tender-156/> (accessed April 19, 2021).

Rolls-Royce Plc was contracted in December 2008 to provide the compressor's turbines, followed by a seabed dredging contract awarded jointly to Rohde Nielsen A/S and Royal Boskalis Westminster in January 2009. See "Gazprom Awards Compressor Contract for Nord Stream Pipeline to Rolls-Royce,"
https://www.rigzone.com/news/oil_gas/a/149231/Gazprom_Awards_Compressor_Contract_for_Nord_Stream_Pipeline_to_RollsRoyce/ (accessed April 10, 2021).

Additional details can be found on "Nord Stream to Ink LOI with EUPEC for \$953M,"
https://www.rigzone.com/news/oil_gas/a/56979/nord_stream_to_ink_loi_with_eupec_for_953m/ (accessed April 11, 2021).

In early 2010 Europipe, OMK and Sumitomo Heavy Industries were awarded the supply contracts.

traversing Sweden's EEZ the same year.²⁸ Once laying the pipelines was completed and connected to the OPAL main pipeline, gas was officially pumped through the network on September 06, 2011. It was followed by the completion of the second line in the summer of 2012.

With just a few months of operation, Nord Stream AG commenced exploratory talks in 2011 on the expansion of the existing pipelines. The expanded project was dubbed Nord Stream 2, with the goal of adding an extra annual capacity of 110 billion bcm. An application to that effect was submitted to the governments of Estonia and Finland seeking permission to conduct underwater assessments for the additional pipelines, which was scheduled to go through their respective EEZs. The pipeline's routes were expected to run through a route similar to that of the main Nord Stream as well as possessing the same capacity.

Its path traverses a distance of approximately 1,200 km from Russia's Baltic coastline, across the Gulf of Finland, via the Baltic Sea to the island of Gotland, en route to its final destination at the Greifswald port in Germany. Much of the difficulties and hold ups in the Nord Stream 2 project can be put down to very subtle but nonetheless consequential changes across the EU in the intervening years. It was the 2009 Ukraine transit crisis which reawakened the ghosts of Russia's capacity to guarantee supply security to Europe and to some degree its suitability as a credible partner.

As with the original Nord Stream project, Nord Stream 2 had to go through its own set of regulatory hurdles, with political sensitivities often lurking in the background. By mid-2015 the Nord Stream 2 consortium was put in place to kick start the project pending approval to set the final logistical processes in motion. With wrangling and opposition to the project coming in nearly every step of the process, one of the crucial construction permits finally came from Germany in early 2018.²⁹ Construction formally commenced in mid-2018

28 Philipp Offenberg, "The European Neighbourhood and the EU's Security of Supply with Natural Gas," *Policy Paper* no. 156 (January 15, 2016): 15; Andreas Goldthau, "Assessing Nord Stream 2: Regulation"; Svante Cornell and Niklas Nilsson, "Europe's energy security," 23.

on the Greifswald section traversing through Germany's territorial waters close to areas around Lubmin.³⁰ Under threats of American extra-territorial sanctions, the project's main contractor, Allseas, a Swiss company, withdrew on December 21, 2019, temporarily setting back its completion schedule. In response to the Swiss corporation's withdrawal, President Vladimir Putin vowed to plough through with the project and have it completed by the end of 2020 or latest the first quarter of 2021.³¹

29 Despite Germany's deep commitment to the Nord Stream 2 Project, its energy regulator, acting ostensibly to assuage the concerns of the project's critics, denied granting special waivers from complying with European Union competition rules. The rule in question requires the Nord Stream 2 to decouple the gas ownership from the transmission stream. For details see Vanessa Dezem and Brian Parkin, "German Regulator Set to Deny Nord Stream 2 Waiver from EU Rules," *Bloomberg News*, May 4, 2020, <https://www.bloomberg.com/news/articles/2020-05-04/german-regulator-set-to-deny-nord-stream-2-waiver-from-eu-rules> (accessed April 11, 2021).

30 Poland's criticism has been consistent, and Warsaw has left no stone unturned in a bid to make good its objections to the Nord Stream 2 project. See Georgi Gotev, "Poland rolls out big legal gun against Nord Stream 2," *Euractiv*, May 9, 2018, <https://www.euractiv.com/section/energy/news/poland-rolls-out-big-legal-gun-against-nord-stream-2/> (accessed March 19, 2021).

In early 2019 a series of letters were sent to all the principal corporations involved in the Nord Stream 2 by Richard Grenell, United States ambassador to Germany, sternly asking them to immediately halt participating in the project or risk facing a slew of American sanctions. See "US Ambassador Richard Grenell threatens German firms over Russian pipeline," *DW TV*, January 13, 2019, <https://www.dw.com/en/us-ambassador-richard-grenell-threatens-german-firms-over-russian-pipeline/a-47062540> (accessed April 12, 2021).

31 Vladimir Soldatkin and Rinke Andreas, "Putin: Nord Stream 2 pipeline will be finished by year-end or Q1 2021," Reuters News, June 19, 2020, <https://www.reuters.com/article/us-russia-germany-pipeline/putin-nord-stream-2-pipeline-will-be-finished-by-year-end-or-q1-2021-idUSKBN1ZA0NA> (accessed February 12, 2021).

IV. History of Sino–Russo Bilateral Gas Pipeline Deal

Since the early 1990s, there has been multiple rounds of negotiations to link Russia's sprawling gas reserves to the growing Chinese market. Achieving a project of such magnitude will have significant implications for the Eurasian region, more so for the Russian side for a number of compelling reasons. Up until the signing of the Power of Siberia deal, China's gas needs were largely met by large quantities of LNG imports from the Pacific Basin and a host of other Central Asian pipeline sources. To understand why a project of such significance had to go through a drawn-out process of negotiations, one would have to look into the history of how the geopolitical power constellations influenced how the stakes were defined and defended.

Their shared interest notwithstanding, the biggest source of contention in the Sino-Russo negotiations always centered on price over and above all other considerations. A 1994 Memorandum of Understanding (MoU) was signed between the Russian Ministry of Energy and the China National Petroleum Corporation (CNPC) for the construction of pipelines to transport petroleum products from Eastern Siberia via the Russia-China frontier (Paik, 2005). It was the culmination of discussions initiated a couple of years earlier, following positive geological appraisals of the promising potential of gas reserves in the Irkutsk region of Siberia. The now defunct Siberian oil and gas company Sidanco,³² then the field's main operator, had earmarked the Kovykta field for export of 30 bcma of gas to China and South Korea.

Based on the 1994 MoU, Russia entered another agreement in 1997 during Premier Viktor Chernomyrdin's visit to China, for the export of natural gas and electricity from Russia. CNPC then entered a formal cooperation agreement with Gazprom as part of laying the foundations for making forays into the Asian market.³³ Even as Gazprom was putting pen to paper with CNPC, it

32 Matthew Brzezinski, "Russia Annuls Sidanco Issue, Heartening Minority Investors," *Wall Street Journal*, February 19, 1998, <https://www.wsj.com/articles/SB887837604808864500> (accessed April 10, 2021).

33 Jonathan Stern, *Natural Gas in Asia* (Oxford: Oxford University Press 2008), 22-56; James Henderson, "The Pricing Debate over Russian Gas Exports to China,"

was Sidanco and a host of other smaller operators that owned most of the commercially viable gas reserves. It is worth stating that despite being a state monopoly and by far the biggest operator, Gazprom's real dominance was in its exports to the European market. Not only was Europe its traditional turf, the Asian market was in many respects still in its formative years.³⁴

Gazprom's response to this challenge was to look to the Altai project to come to the rescue. Its chief proposed in 1998 that the Bolshekhetskaya Depression in Western Siberia be connected to Altai to reach Xinjiang in China for onward transmission to the Chinese domestic market. In addition, Gazprom proposed a second route aimed at Beijing to run through Mongolia and Irkutsk, but it did not include the Sidanco-controlled Kovykta field for obvious reasons.³⁵ All this meant Gazprom was going full steam with proposals to enter the Chinese market even though it had no controlling stake in any of the supply chains on the envisaged routes.³⁶

Even without settling Gazprom's asset dilemma, Moscow pushed through a 1999 agreement with Beijing whose terms stipulated the gas exports from Western Siberia and Irkutsk to Daqing in mainland China. According to Paik Keun wook, the agreement all but gave full state sanction to what was ostensibly two competing Russian pipeline projects.³⁷ For example, as Gazprom was consistently championing the Western Siberia route, a simultaneous feasibility study of the Kovykta field was being jointly conducted by South Korea, China and Russia whose results will not be out until mid-2003. In the meantime, Gazprom would enter a deal with PetroChina in 2002 to participate in a pipeline

The Oxford Institute for Energy Studies, NG 56 (2011): 78-89; Keunwook Paik, *Pipeline Gas Introduction to the Korean Peninsula* (London: Chatham House, 2005), 76.

34 Sergei Livishin, "The Year of Russia in China: A New Quality of Partnership," *Far Eastern Affairs* 34, no. 1 (2006): 1-13.

35 S. H. Ahn and M. T. Jones, "Northeast Asia's Kovykta Conundrum: A Decade of Promise and Peril," *Asia Policy* no. 5 (2008): 105-140.

36 Sergei Livishin, "The Year of Russia in China: A New Quality of Partnership," *Far Eastern Affairs* no. 1 (2006): 1-13

37 Keunwook Paik, *Northeast Asian Countries' Oil and Gas Relations with Russia. The Geopolitics of Energy in Eurasia: Russia as an Energy Lynch Pin* (The Hague: Clingendael Institute, 2008), 120.

project for transporting gas to Shanghai from Xinjiang.

The result of the feasibility study confirmed the commercial viability of the Kovykta field, and it had the capacity to deliver between 30-35 bcma to principal markets in Asia. Because neither Gazprom nor CNPC were participants in the deal, in principle it meant a series of complex legal and bureaucratic hurdles had to be crossed in order to develop the field for export. After TNK-BP took over Sidanco in 2004, Gazprom served notice that the field could not be developed without Gazprom. Working through the murky world of Russian bureaucracy, state authorities, with the nudging of Gazprom, threatened to withdraw TNK-BP's licenses, accusing it of legislative infringements. Moreover, in 2007, Gazprom's controlling stake as the state monopoly was ratified under a legislative directive dubbed the Eastern Gas Program under the auspices of the Energy ministry.³⁸

The pressure Gazprom brought to bear on TNK-BP achieved the critical goal of deterring its potential customers, as it essentially created the impression that the Kovykta field's ownership was disputed, which did not prevent Gazprom from continuing to court CNPC with prospects of exports from Eastern Siberia. Working level negotiations eventually advanced to a point where a formal deal was signed in 2006 between Gazprom and CNPC whose terms stipulated that gas would start flowing to China in 2011, with a cumulative total volume of 68 bcma jointly from the parallel Eastern and Western Siberian routes. No sooner had the deal been signed than disagreements emerged over pricing. Bilateral negotiations continued throughout 2007 to break the pricing deadlock. Sources close to the negotiations indicated that Gazprom was unwilling to accept CNPC's offer to start its pricing on the European price benchmark. For Gazprom, a fair deal would have incorporated \$50/mcm, given the incredibly long distance between Siberia and the export destination in Shanghai.³⁹

Prior to entering this deal, Gazprom took the extraordinary step of buying out TNK-BP's stake in the Kovykta, only for the deal to fall through a few

38 Sergei Livishin, "The Year of Russia in China: A New Quality of Partnership."

39 Ibid.

months later during the 2008 global financial meltdown. Gazprom was hit with liquidity problems thanks to historically low gas prices in Europe compounded by the financial crisis further delaying the takeover. After unrelenting legal maneuvering and pressures brought to bear on the operators of the Kovykta field, Gazprom was finally able to take control of the field following a bankruptcy auction at the knockdown price of \$770 million.⁴⁰ Apart from the unresolved Kovykta field, Gazprom's preference was to prioritize the Western route through the Altai project. Moreover, the slump in the global economy did not bode too well for gas exports, resulting in negotiations pacing along very slowly. But negotiations did pickup pace in 2009, which culminated in tentative agreements among other things on the parallel route track, the technical standards and most crucially on using the Japanese Crude Cocktail (JCC) oil benchmark for gas pricing. Because of the drawn-out negotiation, the projected export date had to be moved from 2011 to 2015. However, as of 2011, both sides had not reached a definitively binding agreement, despite a flurry of diplomatic activities. The only clear message coming out of this phase of the negotiations was the negotiating posturing of each respective side.

V. Turning to the East with The Power of Siberia

During a 2014 inspection of a mega gas pipeline project traversing through Siberia to China, Vladimir Putin was quoted as saying "the pipeline will give great advantages to carry out flows depending on the situation on the world markets—either to the west more efficiently, or to the east."⁴¹ While Gazprom has a history and experience with the European market, it has barely made any significant inroads into the Asian market as a whole. The Power of Siberia pipeline spanning an estimated 4,000 km has been touted by Moscow as having

40 Vaguet Yvette, "Oil and Gas towns in Western Siberia: past, present and future challenges," *Nordregio Working Paper* 6, no. 218 (2013): 125-132; Nikolay Shishatsky, "The Prospects of the Northern and Arctic territories and their development within the Yenisei Siberia megaproject," *Arctic and North* 33 (2018): 76.

41 "Putin appreciated the capabilities of the Power of Siberia," *Argumente I Facte*, November 12, 2019, <https://aif.ru/money/economy/1328252> (accessed February 11, 2021).

the potential to become one of the largest undertakings in the history of oil and gas transportation in Russia.⁴² The announcement of the CNPC-Gazprom deal came at a time when many wondered how Russia would handle the cooling of Euro-Russo relations. Whereas the US and the EU have threatened economic sanctions against Russia, China has refused to take sides in the simmering disagreements and remains more independent from US pressure than other large economies.⁴³

It is estimated that the project will cost the contracting parties, CNPC and Gazprom, \$70 billion, with the Russian side responsible for \$55 billion and the Chinese side for \$15 billion of total project costs.⁴⁴ As part of facilitating the project's smooth run, Russian authorities lifted an informal ban on foreign ownership of strategic assets, apparently paving the way for Chinese companies to take part in developing the gas fields and pipeline. To give Gazprom more wiggle room with the price and jumpstart the negotiations, Russian President Vladimir Putin offered to exempt resource extraction tax on gas destined for China and in return, China offered to cancel import duties on the gas. Vladimir Putin "is ready to diversify gas supplies at any expense," observes Vladimir Milov, a former Russian Deputy Minister of Energy, largely "because he considers it geopolitically important."⁴⁵

This notwithstanding, there are several aspects of the project that run through both sides of the ledger. For example, there is something to be said of its potential as a stable and long-term contractual relationship. If completed,

42 Gazprom Press Release, "Alexey Miller: Russia and China signed the biggest contract in the entire history of Gazprom," September 19, 2019, <http://www.gazprom.com/press/news/2014/may/article191451/> (accessed May 14, 2021).

43 Janet Liao, "China's energy diplomacy towards Central Asia and the implications on its belt and road initiative," *Pacific Review Online*, 24, December 2019: 22; Andreas Goldthau, "Assessing Nord Stream 2: Regulation."

44 Gazprom, "Power of Siberia 2015," <http://www.gazprom.com/about/production/projects/pipelines/ykv/> (accessed April 12, 2021).

45 Alec Luhn and Terry Macalister, "Russia Signs 30-Year Deal Worth \$400 bn To Deliver Gas To China," *The Guardian*, May 21, 2014, <http://www.theguardian.com/world/2014/may/21/russia-30-year-400bn-gas-deal-china> (accessed March 28, 2021).

it is projected that the pipeline will serve as the economic basis for the development of the Far East—a region that occupies 60 percent of Russia's territory but is occupied by only 10% of its population.⁴⁶ Conversely, the project is also definitely a gargantuan undertaking with downstream and mid-stream components that currently rely on a single market, China. Approximately 75% of the transmission system's capacity is dedicated to the deliveries pursuant to the CNPC–Gazprom deal. However, unless the construction phase under the agreement is performed in full, Gazprom's ambitions regarding the remaining 25% of the transmission capacity, currently earmarked for domestic consumption or diversified for onward exports, will not come to fruition. Moreover, a host of analysts have questioned the project's socioeconomic and geopolitical viability.

Despite President Putin's personal blessing of the project at a ceremony commemorating the start of construction on September 1, 2014, the project has been marred by many setbacks.

In May 2018, Sberbank CIB investment advisory group released a report which raised critical questions about the commercial viability of the project.⁴⁷ It pointed out that Gazprom chose the Power of Siberia over a much cheaper alternative – the Altai gas pipeline project – and that the main beneficiaries of this decision were the principal construction company contractors that were going to work on it. The project remains unprofitable even though the government has exempted it from the mineral extraction tax and property tax.⁴⁸ The Power of Siberia is also unlikely to add much to Russia's leverage in the energy market according to the project's critics. Gazprom used to primarily export westwards via a number of pipeline routes.⁴⁹ The Power of Siberia project, however, has a limit of 38 bcm and it is unlikely that another

46 James Henderson and Tatiana Mitrova, "Energy Relations between Russia and China: Playing Chess with the Dragon," *OIES Paper* (OIES: Oxford, 2016).

47 Ibid.

48 "Profit for contractors: how much Gazprom shareholders lose at construction sites," May 21, 2018, <https://www.rbc.ru/business/21/05/2018/5afc50979a79471ce133d69a> (accessed March 03, 2021).

49 Ibid.

major pipeline project would be launched any time soon. Thus, it is wishful thinking that Gazprom would be able to switch export flows as it pleases. Addressing Russian politicians in April 2015, Deputy Minister of Energy Yuri Sentyurin informed his audience that the Power of Siberia is not about "investing in a project which has to pay off its costs."⁵⁰

Contrast the somewhat modest assessment of the project with the rather upbeat projections of Gazprom. Alexey Miller, then Gazprom CEO, remarked in February 2018 that "there are no doubts about the profitability of the pipeline. The price formula, which is written in the contract with China, allows us to feel absolutely confident at current hydrocarbon prices."⁵¹

In the medium term, the Power of Siberia will surely have a big impact in terms of diversifying Russia's energy exports or giving it additional leverage to negotiate pricing. For China, on the other hand, it is a small, but welcome, addition to its energy import diversification. China already obtains the bulk of its gas from large pipelines from Central Asia and a smaller pipeline from Myanmar and two major LNG suppliers - Australia and Qatar. It is also working on a program for developing indigenous resources, including shale gas. For the project's critics, the Power of Siberia is nothing but a misguided huge self-aggrandizing stunt for Russia.⁵² There is very little about it that points to profitability as a driving force behind how it was originally conceived, either by Gazprom or the political masters in the Kremlin.

50 Mikhail Khrutkin, "Power of Siberia or power of China?"

How will the new gas pipeline between Russia and China affect the dynamics of their economic relations?," *Al Jazeera English*, December 19, 2019, <https://www.aljazeera.com/indepth/opinion/power-siberia-power-china-191218112035197.html> (accessed March 12, 2021).

51 Henry Foy, "Russia's \$55bn pipeline gamble on China's demand for gas," *The Financial Times*, April 2, 2018,

<https://ig.ft.com/gazprom-pipeline-power-of-siberia/> (accessed May 11, 2021).

52 James Henderson, and Tatiana Mitrova (2016), "Energy Relations"; Alexey Kontorovich, Leontey Eder, Irina Filimonova and Sergey Nikitenko "Key Problems in the Development of the Power of Siberia Project," *Regional Research of Russia*, 8 (2018): 95; Alexey Mastepanov, "Implementation of the 'gascontract' with China: problems and opportunities," *Probl. Ekon. Uprav. Neftegazov. Kompleksom*, no. 3 (2015): 09.

The foregoing notwithstanding, viewing the Power of Siberia project in isolation potentially runs the risk of missing the bigger picture and perhaps the sort of strategic long game at play. Let us take the Asia Pacific gas market as our starting point. This region has been for all intents and purposes the fastest growing sector in the world, especially for LNG.⁵³ However, as soon as the new wave of LNG projects came along on the world market, Asia Pacific LNG markets stopped expanding and prices began to plummet as a result of oversupply and the oil price falling beginning from the second quarter of 2014.⁵⁴ There is a sense that Russia stands to gain the most from this dynamic Asian market, simply for reasons of proximity.

A significant chunk of the country's Far Eastern LNG fields are relatively closer to major consumers in the Asia Pacific Region. In many respects, the Sakhalin-Khabarovsk-Vladivostok pipeline's capacity as a potential export hub for Korea, China and Japan still remains central to Gazprom's East Asia aspirations. The Moon Jae-in government in Seoul's New Northern Policy is augmented by plans to expand cooperation in the energy field. Though much has yet to come of the 2008 memorandum of understanding entered between Gazprom and KOGAS, Korean corporations have been participating in the development of energy fields in the Arctic. A number of Russian LNG tanker fleets transporting gas from the Yamal-SPG destined for the East Asian market relied on Korean technology and corporations.

Similarly, prices of Sakhalin LNG destined for the Japanese market remained stable even though all other LNG prices to Japan sky-rocketed after

53 Trevor Sikorski and Alex Tertzakian, "China gas data," <https://www.energyaspects.com/publications/view/china-gas-data> (accessed March 4, 2021); Stern Jonathan, *The Future of Russian Gas and Gazprom* (Oxford: Oxford University Press 2005), 33–35; "Demand from Asia is set to power the growth of the global gas industry over the next five years," *IEA*, <https://www.iea.org/news/demand-from-asia-is-set-to-power-the-growth-of-the-global-gas-industry-over-the-next-five-years> (accessed April 10, 2021).

54 Tim Treadgold, "Merrill Lynch Says Russia's Gas Deal With China Was A Political Win But A Business Loss," *Forbes*, May 28, 2014, <https://www.forbes.com/sites/timtreadgold/2014/05/28/merrill-lynch-says-russias-gas-deal-with-china-was-a-political-win-but-a-business-loss/#32fabab64e7b> (accessed March 11, 2021).

the Fukushima disaster and due to high oil prices. Transportation routes from Russia to East Asian countries do not include choke points such as the Malacca Strait where there is tanker traffic congestion. Sakha-lin LNG has a price advantage over its competitors from the Middle East and Australia thanks to low transportation costs. The fact that Sakhalin LNG has been selling more than its production capacity each year proves that it is one of the preferred suppliers for buyers.⁵⁵

While Russian LNG projects have their clear merits, they are not without problems. Except Yamal LNG, which is already under construction, other LNG projects being constructed such as the Sakhalin II LNG expansion, Sakhalin I and Vladivostok LNG have been facing lengthy delays for various reasons. It is anticipated that the Asia Pacific market will stay oversupplied and prices will not return to previous levels in the region of \$15/mmbtu for the foreseeable future.⁵⁶

VI. Discussion of the Contending Stakes

The main opposition to the Nord Stream 2 project has come from within the EU itself. Criticism has ranged from its perceived incompatibility with EU legislation, conflicts with the bloc's Energy Union, down to the unarticulated question of the project's impact on the supply security of some member states.⁵⁷ Poland was among the strongest critics, complaining of the project's potential to violate the anti-competition regulations governing the domestic Polish gas market.⁵⁸ For the Nord Stream consortium and its supporters, diversification

55 Marc Ozawa, Chyong Chi Kong, Kun-Chin Lin, Tim Reilly, Caroline Humphrey, Corine Wood-Donnelly, *The Power of Siberia: A Eurasian Pipeline Policy 'Good' for Whom? In Search of Good Energy Policy* (Cambridge: Cambridge University Press, 2019).

56 Ibid.

57 Philipp Offenber, "The European Neighbourhood and the EU's Security of Supply with Natural Gas," *Policy Paper* 156 (2016).

58 Vusala Abassova, "Poland Puts Pressure on Russia Through Nord Stream 2 Gas Pipeline," *Caspian News*, April 29, 2020,

of supply routes, one of the EU energy policy Green Paper's principal proposals did as much as justify the project's purpose. Nord Stream, more than any other related project, has demonstrated more inherent commercial attributes than any benign geopolitically conjured theory can conceivably explain.⁵⁹ Thus, the Nord Stream 2 pipeline and its supporting Western consortium have served to reassure the Kremlin that in the grand scheme of things, it is not a stretch that geo-economics overrides neo-geopolitical inclinations.

Given that the German market is the largest gas market in Europe, the incentives for Gazprom's quest to further expand into the broader EU market via this channel is self-explanatory. Germany, apart from currently being Gazprom's largest customer, is intimately integrated into a great deal of the country's supply chain, a privilege that makes it possible to gain entry access to some of the biggest storage outposts on continental Europe. Then there are the long-term contractual deals, with some going into the future as far as 2034, which are able to sustain Gazprom's volume-driven strategy as it seeks to consolidate its market share. The quantitative-centered strategy additionally gives it significant leeway to reflexively respond to the dynamics of the EU's gas market, be they for regulatory or consumption patterns. Such flexibility undeniably shields it against potentially adversarial competition down the road in what is steadily becoming a crowded gas market. It explains why the project's proponents reckoned that Nord Stream is an important contribution to security of supply. Germany's ongoing coal and nuclear power phase-outs is poised to increase its demand for natural gas,⁶⁰ which inevitably makes supply security through diversification a major policy priority.

Natural gas's reputation as a relatively cleaner source of energy to some degree explains its appeal in China where chronic air pollution is a serious

<https://caspiannews.com/news-detail/poland-puts-pressure-on-russia-through-nord-stream-2-gas-pipeline-2020-4-29-39/> (accessed March 12, 2021).

59 Thijs Van de Graaf and Sovacool B, "Thinking big: politics, progress, and security in the management of Asian and European energy megaprojects," *Energy Policy* 16 (June 2014): 16–27.

60 "Germany 2020: Energy Policy Review," <https://www.iea.org/reports/germany-2020> (accessed April 19, 2021).

menace. The government is further touting an ambitious policy goal of phasing out coal's prominent share in the country's energy mix. Depending on the source, estimates range from between a reduction of coal's place to below 65% and 50% over a decade.⁶¹ A total ban has already been placed on the construction of coal fired power plants around the metropolises of Guangzhou, Beijing and Shanghai since 2016 only for the plants to be restarted again a couple of years later. The Chinese market, by way of volume, leads the pack, especially in LNG imports. The reported growth has been more than threefold between 2009 to 2013. In the immediate to long term, LNG will continue to play a prominent role in deliveries until such a time that conditions on the ground in both China and Russia change.

Questions are being asked whether when the Power of Siberia pipeline eventually comes online, it will have any real impact on China's gas imports. The project's media hype aside, it is widely seen as a modest addition to a stream of pipelines that will feed the Chinese gas market. But due consideration needs to be given to forecasts of future demand in China and how that ultimately impacts supply. Demand will be definitely impacted by the outcome of ongoing efforts at developing indigenous gas sources, with shale gas touted as a very tempting prospect.⁶² In its current form, the Power of Siberia is by no means a commercially scalable project. It is as much an aspirational gamble as it is the Kremlin's desire to hedge its place in the fluid energy industry. This much can be inferred from Putin's contention that the project offers Russia the option of connectivity and increased flexibility to respond to market conditions. Under both conditions, Russia holds no potentially discernible leverage on either its traditional European market nor the emerging Chinese market. Thus, the real plausible basis for the Power of Siberia pipeline lies in the perception of security of demand so coveted by Russia.

Not until future expansions, Europe's own desire for supply security will

61 Trevor Sikorski, and Alex Tertzakian, "China gas data," <https://www.energyaspects.com/publications/view/china-gas-data> (accessed February 12, 2021).

62 James and Tatiana, *Russian energy policy and military power*.

continue to bind Russia to this Eurasia nexus of pipeline connectivity. Its reputation as a relatively cleaner fuel source makes natural gas consumption and the pipelines that transmit them portend very well for the future of low carbon development. Pipelines represent a far more effective alternative to marine transportation and the attendant pollution generated. In the medium to long term, the pipeline infrastructure will present very good opportunities to address China's complicated relationship with dirty fuels such as coals.

VII. Conclusion

Khanna's sanguine appraisal of the role of mega-infrastructure projects in linking peoples and countries, rooted in the constructivist theoretical paradigm of peace through cooperation has implications for Russia's energy policies. Critics of Russia's pipeline megaprojects see them as anything but benign projects, warning that Russia's perceived track record of overt interplay of energy and geopolitics has serious implications for the Eurasian regional order and beyond. This paper's goal has been to use two mega pipeline projects within the context of arguments. While this current work has not exhaustively scrutinized the fullest scope of the purported economic benefits, it has been able to view it within the context of a specific set of mainly geopolitical factors. The inference here has been that the tenor of the commentary of both projects has privileged the political implications over the economic. The discourse on the Nord Stream 2 project has been analogized to an economic trojan horse by critics of Russia. Conversely, Gazprom and its political overlords have struggled to make a genuinely economic case for The Power of Siberia. Domestic critics of the project in Russia, as has been discussed earlier, have seen it as a massive pork barrel tinged in political symbolism. In the eyes of the Kremlin, talk of political symbolism misses the big picture at play--the intimate binding link between energy and economic security. After all, the Russian state's heavy reliance on export of hydrocarbons makes it implausible to separate energy production from legitimate economic security concerns. While critics are concerned about the implications of bringing Russia's strategic resources to the European heartland and its Asia diversification objectives,

this paper presents a nuanced interpretation of the implications of the pipelines. It argues that on both strands, the pipelines serve as a commercial imperative link in the Eurasian region, which will have no impact on political behavior in any discernible way. If anything, they consolidate the Eurasian nexus rather than sever it, the differences in strategic thinking aside.

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