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ENERGY CONSOLIDATION OF EURASIA SHOULD BE BASED ON GAS [GGP]

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SUMMARY

Today's problems and turbulences in the world economy as well as in the European energy sector are the result of the beginning of the end of the "long century" of US dominance in the global economy and politics.

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From this author's view, today's problems and turbulences in the world economy (as well as in the European energy sector – the key, until recently, export market for the USSR/Russia) are the result of the beginning of the end of the “long century” (the term of Giovanni Arrighi) of US dominance in the global economy and politics. And they reflect the beginning of the end (or the end which has already taken place) of globalisation in its traditional meaning as the process of conscious, well-directed and goal-oriented formation by the sovereign nation states of the common and mutually acceptable rules of the game in the more and more integrated world economy. Such a “long age” of the US was supported, inter alia, by faster growth of globalisation in energy which was driven by the shift from physical energy markets (energy as a physical good) to paper energy markets through commoditization (energy as a commodity) and financialization (energy as a financial asset) phases based on the single dominant reserve currency which has been the US dollar. Now this type of organisation of the global economy has been eroded and the new “long century” of the new dominant economic power(s) seems to be coming.

New coming dominant “long century” – whether of China or of Eurasia?

So what will take the place of the US “long century” in the so de-globalized world in which the common legal basis has been purposefully destroyed? And what might be the possible place of Russia within such a world after it has been cut off from the

Question #1:

How many US LNG export projects will reach final investment decisions in 2023?



European energy market? And what should be the rational actions of this country within the framework of the forming, beyond Russia's will, the new world order which is imposed by the trans-Atlantic community? And where will (might) the rational place of gas be there?

Key Y-fork, from my view, is whether the new coming "long age" would be the "long age" of China or the "long age" of Eurasia within the de-globalized world? Both concepts have their supporters.

In the first case Russia might face the role of the lead country, one of the "trace horses" within the Eurasian "team of horses" where the only one "head horse", the driver and engine of Eurasian economic development, would be China. And Russia would stay for China as the supplier of natural resources, first of all – primary energy resources. I do not think that such a scenario is a welcome one for my country.

The purposeful scenario for Russia and for the whole of Eurasia should be, from my view, the "long age" of Eurasia. Within such a

coming "long age" the roles and best effective niches for Russia, China, India, Iran, Saudi Arabia, Indonesia, other countries of the continent should be defined through the dynamic process of negotiating multilateral balance of interests of the contracting parties. And it is the open-ended set of key Eurasian states, not the single states, who should play the coordinated role of collective "head horses."

The dominant trend in Russia's international energy development for the last 50-plus years was within "Broader Energy Europe" (BEE). This was abruptly brought to an end last year, and not by Russia. This is why radical reassessment of strategic energy development trends should be taken now by my country with new long-term priorities to be defined.

Today and in the future Russia shall base its energy development upon "three legs" – on the three continental energy markets: the domestic Russian one and two export ones – those of Europe and Asia. And to unite these three markets with the stationary and mobile infrastructure. In gas this means that in addition to the existing inflexible pipeline gas infrastructure the flexible LNG infrastructure should be developed as well.

Pipeline gas infrastructure within Russia-EU energy dimension has been developed since 1968 (the year of first USSR gas supplies to Western Europe) and current radial-circle architecture of Russia gas export to the EU would have been finished in full if not the artificial barriers for Nord Stream 2, OPAL and on-shore continuation of Turkish Stream pipelines within the EU.

So within the "three leg" approach the European "leg" will inevitably be paralyzed for some time in the future, which may last for rather long – until the new elites in Europe will come to power with a new, non-anti-Russian vision.

Stationary pipeline infrastructure is the current dominator in the Russia-Asia energy dimension within the "Eastern gas programme" which has been realised in practice since 2002 when the practical Russia's "turn to the East" took place.

Now it's time to develop mobile LNG infrastructure – both traditional maritime, off-shore, as well as new continental, on-shore – to work with physical flexibility at the global market, first and most in Asia. Thus to possess at export markets technical abilities to work both on the basis of LTCs as well as with arbitrage deals between the markets.

The above-said means multi-facet diversification, both of the gas markets, gas technologies and contractual structures.

Current Russia's external economic development shall be constructed with the aim of creating the multilateral balance of interests within the forming "Common Eurasian Energy Space" (CEAES) taking into consideration both positive and negative experience of the former creation of the BEE. And considering also the current geo-political and geo-economic realities. The triad of the priorities for Russia in the new given circumstances is: energy efficiency within all segments of the whole energy value chain, natural gas in its

traditional and new technological undertakings, and reliance on our own steam by appropriation of the integrity of four sovereignties (intellectual, technological, financial which three enable the fourth one – real permanent state sovereignty on natural resources).

“Peak curve” of historical energy development with Europe

In the past, USSR/Russia’s external economic relations in energy have been developed primarily through formation with the EU of the “Broader Energy Europe” – which is a geographic space united by a cross-border immobile capital-intensive large-scale long-distant well-diversified energy infrastructure which covers geographic Europe, part of Asia (Western Siberia, Central Asia, Caucasus), Northern Africa - this means just Western part of Eurasia. This was justified by historic and economic reasons. And has proved then validity to the statement of the prominent Soviet oilman, the then USSR Oil Minister and later Head of the USSR State Planning Committee (GOSPLAN) Nikolay K. Baibakov that “Oil always flows from the East to the West”.

Within BEE the EU objectively dominated as the main energy customer/market and USSR/Russia as the main supplier of conventional energy resources. Russia has finally reached a dominant position in the EU market supplying around a third of its gas supplies (with the peak at around 200bn m³ of annual gas export to the EU in 2019) by winning global competition for the EU market with other non-EU pipeline gas suppliers and global LNG.

At early historical stages cooperation was based on balance of interests within a number of bilateral “diagonal” deals – long-term contracts between USSR and corresponding Western European companies. Later the search for multilateral balance of interests was undertaken within multi-level diversification on both sides. Till 2003/2004 Russia-EU energy collaboration was going upward. Since 2014 it turned downturn when, after Crimea, Russia-EU Energy Dialogue was frozen by the EU within all its facets except one channel of informal communication in the gas sphere. And it was finally fully stopped by the EU in March 2022 with the stated EU aim by the Commission to nullify Russian energy imports to the EU by 2027.

Nevertheless, Russia is still an indispensable part of the BEE. We are united by the common (to underline once again: a cross-border, immobile, capital-intensive, large-scale and long-distance) energy infrastructure. Within this BEE infrastructure my country has been

aiming to form its optimal niche, primarily as the supplier of (mostly primary) energy resources to the EU. This has enabled economic growth of Europe in the Soviet and post-Soviet times. Today this has been in a flash forgotten.

Russia's opponents (both within and beyond the EU) have been trying to mortify the common Russia-EU energy infrastructure both economically and physically. Economically - by stopping purchases of Russian energy (this means its transportation through the joint infrastructure) since it is the transportations costs of the supplier (i.e. transportation tariffs for the owner/operator of infrastructure) which create financial flows to maintain this infrastructure in operational conditions beyond the territory of the supplying/producing country. Or creating conditions that Russia would be obliged to stop transportation due to safety reasons – like in the case with Canadian retroactive embargo on gas-pumping Siemens turbines for the Portovaya compressor station at the Nord Stream gas pipeline in the summer of 2022. Or physically – by real damaging of the pipelines, like in case with diversion at Nord Stream 1 and 2 gas pipelines in Danish exclusive economic zone in Baltic Sea on 26/09/2022.

So the European “leg” of the “three leg” construction should be considered as inactive for some time in the future.

Fight against energy poverty as the main consolidating vehicle in Eurasia

It is the consolidation of Eurasia that the key efforts should be concentrated on by my state within its international activity from now on. From my view, Russia can (should) propose such a congregational agenda for consolidation of all Eurasian states. I see energy and its infrastructure, both in traditional and new energy industries, as the backbone of such an agenda.

The key strategic task for Eurasia, which consists, within non-Russian Asia, of 60% of global population but provides only 40% of global GDP, is to provide economic growth to the overpopulated and thus poor, much below middle-income levels (if measured in GDP per capita), Asian countries which is impossible without bringing them out from energy poverty. The countries of the so-called “golden billion” (mostly OECD states of North America, Europe, Australia, Japan) with well-above middle-income levels can afford themselves to consider as the main task the fight, moreover - at any price, against climate change which is the UN sustainable development goal only #13 within total 17 SDGs, this means not a top global priority.

But this is not the priority case for most of Eurasian states despite the fact that they have joined, within the overall global collective move, the Paris agreement (COP-21) as of 2015. I would assume that it was done mostly in the perceived expectation of strong financial flows from advanced OECD economies to emerging states to materially support the move of the latter to the lower-emissions economic development. For Asian states of Eurasia the higher priority SDGs in their agenda are those which are at the top of the UN list. This is SDG #1 “No poverty”, #2 “Zero hunger”, ..., #6 “Clean water and sanitation”, #7 “Affordable and clean energy”, #8 “Decent work and economic growth”, All those are placed much higher in the UN SDG list compared to SDG #13 “Climate action”.

And all these high-ranking UN SDG aims cannot be reached without overcoming the energy poverty in Eurasia and in other emerging economies like Africa and Latin America.

Key outlines for the CEAES

In my vision the suggested consolidating agenda for the partners in Eurasia should be based on formation of joint energy infrastructure of the CEAES. Here are some of its main outlines.

Electricity and heat supplies, with consideration of low-emission factors, should be based on gas (both pipeline and LNG), nuclear (stationary onshore and mini-nuclear modular offshore-based “Lomonosov”-type) and renewables (RES). Without an increase of energy supplies it would not be possible to provide economic growth and to take from poverty these overpopulated countries.

Gas and nuclear should be used for both centralised and decentralised energy supply, and RES – mostly for decentralised off-grid electricity supply. Purposeful gas use should be accompanied by its use as a back-up fuel for RES-based electricity production.

Pipeline gas supplies are to be aimed for internal continental supplies of Eurasia. Big distances from continental fields (in Russia, Middle Asia, Iran) to consumption centres predetermine the necessity of “scale effect” for centralised supplies. This means availability of large individual and/or consolidated consumers (public or industrial) on the pipe, maybe of inter-state origin. This will require coordination of both producers (this might predetermine the new role of the Gas Exporting Countries Forum/GECF) and consumers (for

instance, coordination of the state gasification programmes as an instrument of collective actions against energy poverty) – one other element of consolidating Eurasian states for the common aim.

Large-scale LNG supplies (in traditional LNG tankers) would be undertaken mostly to the coastal areas and to the island economies of Eurasia from the existing (Qatar, Malaysia, Russia) and new, including joint (like future Russia-Iran joint centre of large-scale LNG production in the Persian Gulf which would be developed, from my view, since badly needed for the two for multiple reasons) centres of its production in competition with other key producers (USA, Australia).

Small-scale LNG supplies should be developed in the cryogenic tanks for decentralised use and transportation in standard 20ft and/or 40ft tank-containers. Their transportation vehicle would depend on existing transportation infrastructure – rail-, road-, river-based. In its absence, transportation vehicle would be a cargo-carrying heavy-lift airship. It will deliver small-scale LNG packaged in cryogenic tanks and in tank-containers for the modular gasification of the objects of different purpose, scale, production cycle (permanent/discrete). A discrete line-up of modular power generation gas-fired turbines should be developed to be combined (like in LEGO constructor-game for children) in power stations of needed capacity at this or that consumption area.

We have developed such a scenario with Vladimir V.Voroshilov (“Airships of Yakutia” consortia) for the areas of Russia to the East of the Urals and the Arctic zone; it is well-workable for continental Eurasia as well. An airship can deliver one standard 20-ft tank-container with one cryogenic tank, whose weight, if full, is about 30 metric tons, within the circle of 2000 km diameter. In the case of one standard 40-ft container with twice as large cryogenic tanks (or two 20-ft containers with two standard tanks), which weigh about 60 mt when full, the delivery circle would be 1000 km in diameter. What is important, there will be no empty running: one way an airship will deliver a full tank with LNG and on the way back it will bring an empty tank for refilling at the small/medium-scale LNG plant. Such plants should be placed at some compressor stations of the existing and/or new pipelines coming through Eurasia and/or at the large-scale regasification LNG terminals at the coast. And their location should correspond with the airship's stations and storage areas of tank-containers.

For organisational purposes the EU-developed mechanism of “Projects of Common Interests” (CPI) could be used for the new joint, including inter-states, centres of gas production and use (both pipeline and LNG) in Eurasia.

Not to repeat in Eurasia the negative EU-related experience

Within the consolidation of Eurasia energy path Russia should try to avoid repetition of the past negative experiences related to development of energy cooperation with the EU. Within the creation of cross-border Russia-EU energy value chains under increased (until recently) energy supplies only lower segments of such value chains were left to my country.

Gazprom has proposed in early 2000s to its partners in the EU the joint participation model through the whole has value chain from gas production in Russia to the gas end-use in the gas-fired power generation in the EU as a common rule for the new business model of Russia-EU business cooperation. But this concept (“exchange of assets”) was not supported by the EU as a general rule.

I suppose that such decline in the EU approach can be taken as a basis for the new Russian energy policy in Eurasia, within an updated and expanded understanding of the meaning of the term “turn to the East”. I do transcribe the “exchange of assets” term as participation of Russian and Asian companies within all segments of the production and supply energy chains up to the highest possible processing stages (from energy to manufacturing and further on) both within energy and non-energy use of energy resources.

This means “exchange of assets” both while moving through the supply chains, as well as while creating with interested and competent partners the similar joint chains deviating from the key energy supply chains into the conjugate and accessory production activities (like, for instance, lithium production value chain as a by-product of rich gas production). This will enable interpenetration, associativity and interdependency of the Eurasian states on the basis of the energy component of economic cooperation. Because there is no economic development without energy.

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