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Russian Energy Policy: pivot to the East?

Implications for Australia

Edited by Dr Elizabeth Buchanan



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The Australian National University Centre for European Studies (ANUCES)

1 Liversidge Street, Building #67C
Canberra ACT 2601, Australia

T +61 2 6125 9896

E europe@anu.edu.au

W <http://ces.anu.edu.au>



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Jean Monnet Energy Policy Workshop

Dr Elizabeth Buchanan

ANU Centre for European Studies

Dr Elizabeth Buchanan is co-Managing Editor of the Institute for Regional Security's *Security Challenges* flagship academic journal. Dr Buchanan is a Jean Monnet Research Fellow at the ANU Centre for European Studies where her areas of expertise are Russian foreign energy strategy and Russian polar strategy. Elizabeth holds a PhD in Russian Arctic strategy and completed a sub thesis on Ukrainian-Russian gas wars. She has recently become a Non-Resident Fellow at WestPoint's Modern War Institute. Dr Buchanan was the Visiting Maritime Fellow at the NATO Defense College, working on Alliance capabilities in the High North. She has published widely on Russian energy and polar geopolitics most recently with *Foreign Policy*, *Foreign Affairs* and *The Australian*. She is a Fellow of the Institute of the North, Alaska, is a Polar Analyst for *The Moscow Times* and has been a Visiting Scholar at The Brookings Institution. In 2018, she was an Australian Institute of International Affairs Early Career Research Awardee and in 2019 Dr Buchanan was named a 'Young Australian Woman to Watch in International Affairs'.



Session 1: Asia Pacific energy outlook

Shoichi Itoh

Institute of Energy Economics, Japan

Shoichi Itoh is a senior analyst and manager at the Institute of Energy Economics, Japan (IEEJ). He has extensive expertise in global energy markets and geopolitics, and is a frequent speaker on energy security around the world. He held visiting fellowships at the Center for Strategic and International Studies (CSIS) in 2010, at the Brookings Institution in 2009 and at the Monterey Institute of International Studies in 2006. He also served at the Consulate-General of Japan in Khabarovsk as political and economic attaché in 2000-2003. He earned master's degrees at the University of London and the University of Tsukuba. Itoh has spearheaded a variety of policy projects particularly on the U.S.-Japan alliance and also widely published on the international relations and energy links among Japan, China, Russia, and the United States.



Dr Morena Skalamera*Leiden University*

Morena Skalamera is Assistant Professor of Russian and International Studies. She teaches courses in international political economy, with a regional focus on Russia and Eurasia. Her research interests include the political economy of Eurasia, Russian and post-Soviet Politics, and the Geopolitics of Energy in Eurasia. Dr Skalamera has spent extensive time conducting field research in post-Soviet Eurasia, especially in Russia and Central Asia, and in Turkey. Her current writings focus on issues of identity politics, exploring the particular interplay between international and domestic factors in policy making, and contemporary state-market relations with a focus on energy policy dynamics in Russia and Central Asia. She is currently working on a book manuscript that examines how energy firms have shaped the energy relationship between Russia and Europe and the energy strategies of the former Soviet states.



Session 2: Russian foreign energy strategy**Prof Jakub M Godzimirski***Norwegian Institute of International Affairs*

Jakub M. Godzimirski has been working on Russian foreign and security policy issues at NUPI for more than 20 years, paying special attention to the role of energy resources in Russian grand strategy. In addition he also has worked on European policy and its impact on developments in Central and Eastern Europe, including relations with Russia.



Prof Peter Rutland*Wesleyan University*

Peter Rutland works on contemporary Russian politics and political economy, with a side interest in nationalism. Recent articles cover topics such as Russian "soft power," the structure of the Russian elite, and Russia's performance in science and technology. He blogs about nationalism around the world at Nationalism Watch, and is currently working on the project "Visualizing the nation," which explores how political nationalism has expressed itself through visual media – film, television and the internet. Peter Rutland has taught at Wesleyan since 1989. Before that he taught at the University of Texas at Austin, and at the University of York and London University in the UK. He has a BA from Oxford and a D. Phil from York. He has also been a visiting professor at Columbia University, and is an associate of the Davis Center for Russian and Eurasian Studies at Harvard University.



Session 3: Sino-Russian energy relations

Dr Bobo Lo

Independent Analyst

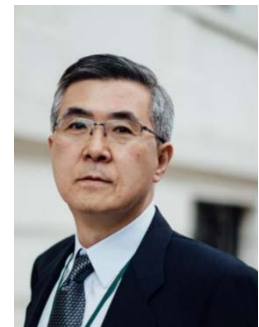
Bobo Lo is a Nonresident Fellow at the Lowy Institute. He is an independent analyst and an Associate Research Fellow with the Russia/NIS Center at the French Institute of International Relations (IFRI). He was previously Head of the Russia and Eurasia Programme at Chatham House and Deputy Head of Mission at the Australian Embassy in Moscow. He has written extensively on Russian foreign and security policy, with a particular focus on Sino-Russian relations. He is the author of *Russia and the New World Disorder*, which was short-listed for the 2016 Pushkin House Prize and described by *The Economist* as the 'best attempt yet to explain Russia's unhappy relationship with the rest of the world'. His latest book, *A Wary Embrace: What the China-Russia Relationship Means for the World*, was published in 2017. He has a MA from Oxford and a PhD from Melbourne University.



Prof Keun-Wook Paik

Oxford University

Professor Keun-Wook Paik is an associate fellow of the Energy, Environment and Resources department at Chatham House and an expert in Asian energy issues. He is a senior research fellow at the Oxford Institute for Energy Studies and the author of *Sino-Russian Oil and Gas Cooperation: The Reality and Implications* (Oxford University Press, 2012). Currently he is also adjunct professor at Yonsei-Seri EU Centre under Institute of East-West Studies, Yonsei University, and at China University of Petroleum (Beijing) respectively. During the last two decades, he has been advising energy related institutions in Russia, China, Korea, Japan, US and UN with regard to the geopolitics of pipeline development in Northeast Asia, China's natural gas expansion, and DPRK's oil exploration and development issues.



Presentation: Australian energy security strategy

Air Vice-Marshal John Blackburn AO (retd)

Institute for Integrated Economic Research

Air Vice-Marshal John Blackburn AO (Retd.) is a leading Australian strategist. He has most recently been Deputy Chairman of both the Kokoda Foundation and the Williams Foundations where he has led key efforts to reshape Australian and allied thinking about defense transformation appropriate to the evolving strategic environment. John Blackburn joined the Air Force in 1975. In 1996 he was promoted and appointed to command No. 41 Wing, in charge of all military air defence radar / C2 and surveillance units and all Military ATC. His later appointments included the Director General Policy and Plans in Air Force Headquarters, the Director General of Military Strategy in Defence Headquarters. On promotion to Air Vice-Marshal in 2002, he became Head of Strategic Policy for Defence. In this latter position he was responsible for the development of ADF strategic policy and led the development of the Defence Joint Vision, the Future War Fighting Concept and the Network-Centric Warfare Concept and Roadmap for the ADF. In 2004 John was appointed the Commander of the Integrated Area Defence System located in Malaysia, commanding a multi-national headquarters established to effect the Five Power Defence Arrangements (FPDA). Under these arrangements, he oversaw bi-annual military exercises over Peninsula Malaysia, Singapore and the South China Sea. John returned to Canberra in 2005, to the position of Deputy Chief of Air Force. In this role he was responsible for Air Force's strategic plans and policy, capability plans, financial resources, personnel policy and career management. He also served as the Airworthiness regulator for all Defence Force Aviation and as a Board chairman for Australian Defence Airworthiness Boards. He was appointed an Officer of the Order of Australia in 2008. He retired from full time service in the RAAF in September 2008 with 3000 hours experience as a test pilot and fighter pilot in over 20 aircraft types. He is now a consultant in the fields of Defence and National Security and remains on the RAAF Reserve.



Session 4: Russian energy strategy into 2020

Dr Maria Shagina

Ritsumeikan University

Dr. Maria Shagina is a JSPS Postdoctoral Fellow at Ritsumeikan University, Japan. She was a visiting fellow at the Centre for Russian, European and Eurasian Studies, University of Birmingham and is currently affiliated with the Geneva International Sanctions Network. She holds a PhD in Political Science from the University of Lucerne, Switzerland. She is a political risk analyst for Global Risk Insights, she covers energy politics and sanctions in post-Soviet countries.



Associate Prof Stephen Fortescue*University of New South Wales*

Stephen Fortescue is Honorary Associate Professor in Russian Politics at the University of New South Wales, and Visiting Fellow at the Centre for European Studies, Australian National University. His areas of research interest include the contemporary Russian policy-making process, business-state relations, and Russia's commercial involvement in the Asia Pacific. He received his PhD in Soviet Politics from the Australian National University.



Associate Prof Tatiana Romanova*St Petersburg University*

Tatiana holds a PhD (St. Petersburg State University 2002) and MA in Politics and Administration (College of Europe, Brugge, 2001). She is an Associate Professor at St. Petersburg State University and at Higher School of Economics, Moscow. She holds a Jean Monnet Chair (2011), and is Director of a Jean Monnet Centre of Excellence (2015). Her research interests include: EU-Russian economic, legal and political relations, normative competition, resilience, legal approximation, sanctions, energy markets and security, Russian foreign policy, EU institutions and decision-making.





Energy Policy Workshop

Russian energy strategy and implications for Australia

Summary

The ANU Centre for European Studies held an invitation only roundtable on 20 August 2019 which explored Russia's energy strategy and the implications for Australia and the Asia-Pacific more broadly. This roundtable was part of the ANU Centre for European Studies Jean Monnet Energy Policy Workshop. The following is a summation of the day's presentations and discussions.

Session 1: Asia-Pacific energy outlook

There is a strong market for natural gas in the Asia-Pacific. Both the production and consumption levels of natural gas (LNG) have increased dramatically in recent years and are expected to continue to grow at a fast rate. China, Japan and South Korea in particular are huge consumers of energy and rely heavily on foreign energy. Russia has shown itself to have a huge LNG ambition through its strategy to increase export capacity of LNG by 400% by the mid-2030s. This strategy's success is contingent on the realisation of the Russia's Arctic gas projects and the cooperation of Asian partners. The United States (US) is also placed to increase their LNG exports in the region following the shale gas revolution. Political factors are increasing uncertainty of energy security in the region. For example, China may wish to increase energy imports from Russia, rather than from the US, in the face of the US-China conflict.

Russia has identified the opportunities for LNG exports to Asia and has shifted its focus away from Europe and into the Asian region. This shift is due to factors such as the US shale gas revolution and changes in Europe's gas markets. While Russia's energy exports to Europe have been used as political leverage, it is expected that gas trade between Russia and Asia will remain largely unpoliticised. Russia is increasing trade relations notably with Japan and South Korea.

Session 2: Russian foreign energy strategy

There are debates over whether Russia has a grand strategy in relation to its use of energy security. Some argue that Russia's policies since the mid-2000s have shown elements of grand strategy. What is clear is that Putin is an exceptional opportunist and has sought to maintain Russia's survival and ensure its political, economic and military power. Energy is used by Russia as a key tool to achieve the realisation of its grand strategy. The Asian energy market provides Russia with a wide range of strategic relationships, an ability to limit Western influence and significant economic stimulation. However, these opportunities for Russia in Asia are met with numerous challenges.

There are also questions over whether Russia remains an 'energy superpower' post events on the Crimean Peninsula in 2014. The general consensus is that Russia was, but no longer remains a superpower. Russia's over-reliance on energy revenues have hurt Putin's reputation domestically and internationally. Russia's energy rents have resulted in increased military spending and also the consolidation of oligarchical power. This makes long term security outlooks problematic. Climate change also poses challenges to Russia as it has no policies in place to promote renewables beyond nuclear and hydro. This is in contrast to China, which leads in developing solar, as well as wind technologies.

Session 3: Sino-Russian energy relations

Bilateral energy cooperation has been central to the development of Sino-Russian relations. The relationship between the two states is of strategic convenience, rather than authoritarian cooperation. Russia has increased its focus on the Asian energy market to improve their political leverage to offset some of Beijing's political dominance. Russia is also seeking Chinese funding for its Arctic energy projects. On the contrary, China needs Russian energy to fuel its own projects, such as the Belt and Road Initiative. China also wants to increase Russia's dependence on them as a buyer, as a tool to control prices. China sees the advantages of funding Russia's Arctic projects, as this gives them some power over its resource flows.

Russian energy firms have a clear Asia-Pacific strategy. The Russian oil sector had huge successes in China with pipeline infrastructure ensuring ease of passage. Russia is now the biggest exporter of crude oil to China. Russia's LNG sector has been slow to improve its energy infrastructure projects, which are either not yet completed or are in limited operation. The development of new Russian energy projects is key to Russia lifting its LNG revenues from Asian markets. China is expected to be the price setter moving ahead, given its huge consumption of LNG from a wide variety of sources.

Presentation: Australia and Asia-Pacific energy interests

Australia does not have an energy security strategy and its fuel import dependency has grown to over 90% in the last decade. Australia's strategic fuel reserves are so low that a serious disruption in oil supply would lead to market failure. Tensions in the South-China Sea could affect shipping routes and lead to disruptions in oil supply. In Australia, the topic of energy security is highly politicised when it should instead be addressed with non-partisan political support. As energy security is vital to national security, Australia should develop an energy security plan.

Russian energy strategy into 2020

Russia's international behaviour has led it to be subject to Western sanctions, thus Moscow has developed adaption strategies. Most sanctions seek to raise the costs for Russia to develop its long-term infrastructure projects. Russia's revenues from energy exports are currently at record highs, however sanctions will affect production volumes in the future. Russia's adaption strategy has been import substitution, which involves new policies aimed at improving domestic technological capabilities to reduce Russia's vulnerability. Import substitution has often been protracted by weak prices and low quality. As a result, Russia has looked to increase imports of technology from Asia. This has been crucial in replacing

the weak import substitution policies, but it has left Russia particularly dependent on the Chinese market.

There are questions over the future of Russian coal exports to the Asia-Pacific. Russia has been a robust producer of coal since the fall of the Soviet Union. Russia is investing heavily in coal production in Siberia but it is likely to face big challenges in relation to climate impact and potentially low reserves. The coal industry in Russia is entirely private but state-owned stakes are slowly increasing to give Moscow more control. The Russian government already offers huge concessions to the coal industry and it is predicted that the government would bail out producers should the need arise.

Russia's 2019 Energy Security Doctrine has been a source of debate in domestic politics. Upon analysis of the Doctrine, there is substantial continuity in the strategy of geopolitics versus market and geographical diversification. The profound shift in strategy is in relation to energy mix and energy transition, which has come under scrutiny. The Doctrine encompasses more market rhetoric in diversification as a tool to justify increases in geopolitics and state intervention.

Russia's Foray into Asia

Dr Morena Skalamera

- The emergence of U.S. shale upended global energy markets and created a dual challenge for Russia; in oil, it suppressed long-term prices with potentially devastating consequences for the country's budget. In natural gas, it created a new rival in the increasingly globalizing markets for liquefied natural gas (LNG), both in Europe and in Asia.
- Anticipating a steady decline in Europe's demand, Russia has long advocated the need to turn to Asia, the world's epicenter of economic growth. Yet easy money in Europe had over the years made Gazprom fat and slow to change course.
- In 2014, all this had changed. Western sanctions mixed with the tangible results of the U.S. unconventional revolution upended this picture in fundamental ways. China was crucial part of this plan to lessen the impact of Western sanctions by finding alternative markets and sources of capital – but the strategy, allegedly, was to “pivot” Russia's economy towards Asia, and not just to China.
- Moscow's “China-first” policy in Asia also had a constraining effect on its engagement with other Asian players, especially with countries that have difficult relations with Beijing, as is the case with India and Japan. This has now changed. Increasingly, there is action in addition to diversity talk in Russia's Pivot to Asia, thereby somewhat moderating the notion of Russia's difficulty in pursuing a fully independent foreign policy in Asia given its near-total reliance on China.
- The Kremlin has been acutely aware of the need not to be overly dependent on the Xi-Putin alignment. Taken together, the Novatek deals are a notable breakthrough in this endeavor.
- As the U.S. and other global LNG exporters rewrite the world's markets for natural gas, Russia has an interest in closer cooperation with Japan, China, and South Korea, the world's fastest-absorbing LNG buyers. It also quietly welcomes an escalating U.S-China trade war.
- Homegrown Arctic LNG is an absolute priority of the Putin administration. While deliberating on important issues such as a coherent national emissions policy and the need to balance between LNG exports and energy security at home, Canberra should do so with the awareness that some of its overseas competitors have a clear, top-down notion of what energy market competition means.
- Moscow's push to be a major LNG exporter is real. In the Asia-Pacific region, however, Russia will not be able to replicate the unusually strong hold it enjoys over European gas markets.
- That said, the many investment partners that Russia has been able to secure have succeeded in lessening the country's dependence on Western financing, blunting the concerted efforts by the U.S. to economically isolate Russia.
- New competition by Russia will definitely shape the Asia-Pacific market and may be a hindrance to Australia's business. It is not likely, however, to be a determinative factor on its own on the question of whether Australia will be able to maintain its crown as the world's largest LNG exporter.

Asian Dimension of Russian grand and energy strategy

Professor Jakub M. Godzimirski

- Russia is an important global energy player as a number one exporter of energy resources. Energy plays also an important part in Russian economy and strategy providing the country with an important internal and external leverage. In 2018, the energy sector represented 20 percent of the country's GDP, and generated 45 percent of budget revenues and 60 percent of Russia's export revenues.
- Abundant energy resources have played an important role in Russia's strategy both before the collapse of the Soviet Union and in the post-Soviet period as they have generated huge revenues and helped Russia establish long-term strategic relations with countries to which energy resources have been exported.
- Although there is no agreement among Russian and Western experts on whether the current regime has a consistent long-term grand strategy or conducts mostly a reactive, opportunistic policy, it is widely accepted that Russian energy resources play an important part in Russian strategic designs today. Revenues generated by production and trade in energy resources have allowed critical investments and increases in defense spending to be made, which in turn helped Russia re-establish its position as an important regional and global player and agenda setter, which is one of the persistent goals of Russian national strategy.
- Viewed from this strategic perspective Russian energy resources should be considered as:
 - A resource (means) facilitating achievement of other strategic goals, for instance the re-establishment of Russia's position as a great power to be reckoned with;
 - An instrument/tool helping Russia to project its economic and political power to areas that depend on energy supplies coming from Russia;
 - An objective of Russian state policy as the energy resources play an important role securing the stability and survival of the current regime and its ability to project power beyond Russia's borders – the two strategic objectives sought to be achieved by the current Russian administration.
- Asia plays an important part in Russian strategic designs. After a short period of what is in Russian debate referred to as romantic Atlanticism, Russia has embarked on closer cooperation with other centres of power with the aim of undermining what was referred to as 'the Western hegemony'. Already in 1996 the idea of multipolarity became a trademark of Russian foreign policy and Russia sought a closer cooperation with two Asian emerging powers – China and India – as a means of countering the growing Western power. This Russian pivot to Asia got a new boost after the 2014 crisis in Ukraine resulting in Western sanctions, Russian countersanctions and in dramatic worsening of relations between Russia and the West.
- One of the elements of this Russian pivot to Asia is a greater focus on strengthening energy relations between Russia and its key Asian partners. However, for the time being, Russia's position on the Asian market is relatively weak – in 2018 Russia exported 34 percent of its crude oil to Asia, but this represented only 8 percent of oil import to Asia; 16 percent of Russian export of petroleum products went to Asia, but they represented only 6 percent of the overall import to Asia; 69 percent of Russian LNG export (17.2 bcm) went to the Asian market, but this represented only 5 percent of LNG imports to

this area and only 2.1 percent of the gas consumption in Asia Pacific region. The situation in the gas sector will change in 2019 when the power of Siberia pipeline will start supplying piped gas to China, strengthening Russia's position in the Chinese and Asian market.

- An important strategic change is also the Asian partners' involvement in realization of various Russian strategic energy projects, that they support by providing funding and some technological solutions – this trend will most probably continue for years to come, helping Russia diversify not only markets but also partnerships and thus interdependencies.

Is Russia still an 'energy superpower'?

Professor Peter Rutland

- In the 2000s, analysts started talking about Russia as an "energy superpower." A top three global producer of oil and gas, Russia seemed willing to use energy sales as a lever to exert influence over neighboring countries.
- However, after 2008 the situation has changed, and worries about Russia as an energy superpower has receded.
- Since 2008 Russia has been willing to use hard power to advance its interests - through military intervention in Georgia 2008, Ukraine 2014 and Syria 2015. These actions achieved their immediate goals. Their success in part was due to the fact that Putin tripled military spending in real terms since 2000. Putin has also rattled the nuclear sabre, investing in new weapons and more aggressive deployment of existing weapons.
- These hard-power actions posed a more immediate threat to the security of other countries than vulnerability to disruptions in Russia energy supplies - which could easily be insured against through investment in diversification of supplies.
- Second, this shift to hard power was accompanied by the consolidation of authoritarianism under Putin has seen a concentration of political and economic power in the hands of Putin's inner circle. The small circle of oligarchs who benefited from this system shared some of the energy rents with the military-industrial complex, though relations between these two groups remain tense and potentially unstable.
- Russia exhibited more of the characteristics of a "petrostate" - corruption, authoritarianism, and decreasing economic competitiveness. It is these features of the domestic political system that dominate Russia's image in the West, not its role in oil and gas markets.
- At the same time, important shifts in global energy markets have weakened Russia's position in global energy markets.
- The 2008 global financial crisis hit Russia hard, and the sanctions introduced after the annexation of Crimea in 2014 revealed Russia's exposure to Western provision of key technologies and financial services.
- The rise of China as the world's largest energy importer has led Russia to start shifting its oil and gas exports to the Chinese market. However, the costs of developing fields and transport networks to feed the Chinese market are high, and Russia's bargaining position vis-a-vis China is weaker than with Europe.
- The US fracking revolution has put a cap on global oil prices and has led to a halving of the global LNG price, cutting Gazprom's revenue stream.
- The rise of renewables in the face of climate change limits the long-run prospects for Russia's oil and coal industries.
- Thus Russia's capacity to wield the energy "weapon" to advance its interests looks more questionable today than it did in 2008. The main geopolitical importance of energy when it comes to understanding Russia is its role in shaping the behavior of the Russian power elite. There are some important feedback loops – both positive and negative – between the domestic political regime of the "petrostate" and the aspirational international role as an "energy superpower."

Russian Energy Firms' Asia Pacific Strategy: focused on Sino-Russian oil and gas cooperation

Professor Keun-Wook Paik

- The result of Russia's strategy of entering into Asia-Pacific market during the last two decades is mixed - very positive results from the oil sector, and mixed results from the gas sector;
- The oil sector's performance was excellent based on the East-Siberia Pacific Oil (ESPO) pipeline completion in 2009 and ESPO pipeline has played a pivotal role in making Russia the biggest crude oil exporter to China in 2018, with the volume of 71.5 mt/y, more than 15 mt/y, Saudi Arabia's volume. The driving force of this tangible result was Russia's state-owned company Rosneft;
- The gas sector's performance was mixed. Even though Gazprom is set to supply Power of Siberia (POS) 1 gas to northern China from December 2019, it will take a full five years to increase volume of supply to reach the target volume of 38 bcm/y. The two thirds of POS1 gas covering Heilongjiang, Jilin, Liaoning and Hebei province will not be affected by the competition from LNG supply, but the one third of POS 1 gas will be quite vulnerable from LNG with the competitive price. Another headache for Gazprom is whether and when the long negotiated Altai gas line or POS 2 line can be introduced to China's Xinjiang Province during the first half of 2020s.
- The biggest challenge towards global LNG supply during the 2020s will come from Novatek's Arctic LNG2, if the on time and on budget performance of Yamal LNG is repeated. Even though the onslaught of LNG supply from Qatar, Australia, and the US cannot be ignored, China is very well positioned to be the LNG price setter in the coming 2020s. If Novatek's Arctic LNG 3, and 4's 40 mt/y LNG flow is materialised with on time and on budget performance, it will make sure Russia's Arctic onshore gas based LNG export is a massive game changer in the 2020s. China holds the key for the financing and market provision.

Australian Energy Security Strategy

Air Vice-Marshal John Blackburn AO (Retd)

- Energy security is fundamental to our way of life. Without energy security and without resilient supply chains our society would cease to operate if our national energy infrastructure and associated supply chains falter.
- Australia does not have an Energy Security Strategy. There is no coherent Australian energy policy; as the International Energy Agency (IEA) has noted, “energy policy governance in Australia is very complex and fragmented.”¹
- Over the past decade, Australia’s oil and refined fuel import dependency has grown to over 90%, we have closed 3 oil refineries leaving only 4 in operation and there is no Government policy to retain any refineries. The reason offered by the Dept of Energy at the time of the last refinery closure was that it is cheaper to import refined products from Asian refineries and therefore it would be acceptable to have no refineries in operation.
- Australia is the only IEA member country that fails to meet its membership oil/fuel stockholding obligations. The IEA has also reported that Australia’s stocks are at an all-time low, with the country having no strategic oil stocks (in country) and not placing any stockholding obligation on industry.
- The IEA concluded that it is less clear how the country (Australia) would respond in the event of a serious oil supply disruption leading to market failure.
- The last National Energy Security Assessment was published in 2011. The scenarios it used to assess our fuel security were simplistic and inadequate for the risks we face in the forthcoming decade, particularly with respect to the growing tensions in the South China Sea.
- An updated NESA was due in 2015. It has not been delivered and it is now four years late despite separate Senate and Parliamentary Joint Committee recommendations to do so.
- The reality is that energy security, like national security, can only be addressed with consistent nonpartisan political support. Sadly, the topic of energy has become so politicised, both between the major parties and within the Liberal party. The result is that the national interest has been subsumed by both party and personal interests.
- There are significant issues with our energy systems that should concern us all; the idea that we are at peace and “business as usual” where our energy security can be left “to the market” is frankly out of date.
- Energy security is a vital component of national security and an increased level of Government control / leadership with respect to energy security is warranted.
- We need a National Security Strategy that integrates all aspects of national power. An energy security strategy plan should be an integral part of such a broader strategy.

¹ IEA 2018 Review of Australia's Energy Policies

Western sanctions and Russia's energy sector

Dr Maria Shagina

- By design Western sanctions do not limit the current supply of energy exported from Russia, but aim to raise costs for Russia to develop its long-term and technologically challenging projects. The short-term effect of sanctions is modest at its very best, while Russia's oil and gas production is currently at record high levels. For now, the ban of Western equipment and limited access to Western capital has negatively impacted Russia's capital-intensive offshore and shale projects that require advanced technology. In the long run, however, the impact will be more discernible.
- It is the combination of financial and technological sanctions that will affect Russia's ability to maintain production volumes in the future. With the brownfields in Western Siberia gradually depleting, access to enhanced oil recovery technology will be crucial, yet it is currently denied by the sanctions. In Eastern Siberia, both financial restrictions and a ban on technology transfer will be critical for the development of new fields. As the majority of Eastern Siberian fields are underdeveloped, larger investments and advanced technology will be necessary for the exploration and development of resource deposits.
- Accelerated by Western sanctions, Russia's import substitution aimed to safeguard the country's economic and technological sovereignty. Originally designed as a way to stimulate economic growth and competitiveness, after sanctions import substitution descended into selective protectionism with political undertones, favouring state-controlled firms in the capital-intensive sectors. Striving to securitize the economy, the state significantly increased its involvement in import substitution, providing lavish public funds and limiting access to critical information.
- Over the last five years, import substitution has failed to produce tangible results. While there are some successful examples of homegrown equipment, they are either low-tech or were produced with the help of foreign suppliers. Due to the lack of domestic capabilities, poor inter-sectoral cooperation and rent-seeking, the progress on import substitution has been protracted and weighed down by uncompetitive prices and low quality. As a result, import diversification to non-Western (mainly Asian) markets and localisation of foreign products and technology has gradually replaced Russia-made import substitution.
- The pivot to Asia has proven to be crucial as an alternative energy market and source of advanced technology and financial support. The Russian energy companies are becoming increasingly overdependent on Chinese market, equipment and services. In the long-run, the over-reliance on China will be detrimental to Russia's local manufacturing as Beijing's financial support often comes with binding contracts. Japan and South Korea have been instrumental in supporting technologically and financially vital, yet not sanctioned, areas of the energy sector such as shipbuilding, LNG and nuclear. Due to the expanding US sanctions, their cooperation remains limited as Asia's private sectors are wary of high reputational risks, often leading to over-compliance. Energy cooperation is largely contingent on the support from government-backed institutions to mitigate sanctions risks.

The 2019 Energy Security Doctrine and Debates around It in Russia

Associate Professor Tatiana Romanova

- Energy Security Doctrine (ESD) is a conceptual document with an opaque legal status. The 2019 ESD is the third document of its kind and the first one, which was published in full. No real debates took place before the adoption and preparation is rather secretive. Yet debates can be identified from the reception of the ESD and from discussions on energy that take place in parallel.
- The first group of issues: Geopolitics vs. Markets
 - Russia is traditionally geared to geopolitics
 - This bias is bolstered.
 - Yet in a perverted way market rhetoric is maintained (sanctions are conceptualised as a means of unfair competition)
 - Not much debate, except for import substitution and competition at external markets.
- The second group of issues – Energy balance
 - This is important in Russia because of the domestic supply and competition in external markets.
 - Traditionally Russia is sceptical about clean energy.
 - 2019 ESD acknowledges that decreased energy demand as a result of the EU's policy choice poses an economic challenge; increased competition because of LNG and renewables is an economic challenge; and climate change agenda is an external political challenge. This is a mixture of economic and political reasoning.
 - This is where Russia has had most of debates on ESD issues: sceptics on clean energy versus the possibility to lose a substantial part of its revenues
- Geographical diversification has been around for some time.
 - The ESD has no mention of Europe and the economic reasoning for the diversification to Asia.
 - Debates: companies about competition in external markets; experts – economic justification and concerns about how real this diversification is.
- Conclusions:
 - There is a good deal of continuity in geopolitics / market and geographical diversification.
 - There is really profound change when it comes to energy mix and energy transition. This is also the set of issues that provoke most of the debates.
 - There is more market rhetoric in diversification but also this justifies more geopolitics and state involvement, and in countering challenges of the energy mix – economization of the political discourse (in contrast to its politicization prior to 2014)

- Healthy debates; the problem is not so much in the spectrum of views but rather in the extent to which this spectrum affects policy choices and conceptual documents like the 2019 ESD