



Emerging diversity in Russia's energy relations: what role for Europe?

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András Deák Ph.D.

Senior Research Fellow, Institute of World Economics, HAS

Far Eastern and European markets – factors of choice

What influences global corporate choices between Far Eastern and European markets?

1. Market rationality:

Higher growth rates and bigger incremental demand.
Higher prices and potentially higher profits.
Export optionality, optimization of export volumes.

2. Strategic benefits:

Positive political externalities within the local establishment.

3. Corporate management factors, structural features of the markets.

Europe, the residual importer

Crude oil and oil products

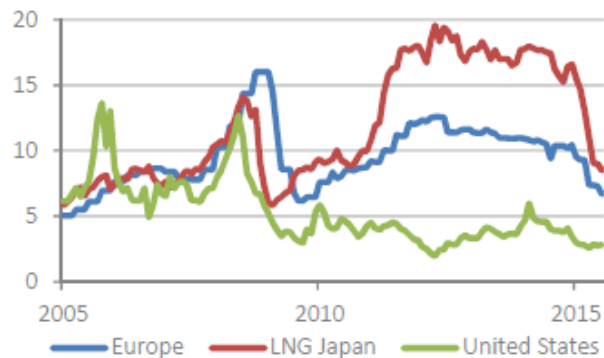
To:	Europe		Far Eastern Asia		United States		Total (Mtoe)	
From:	2001	2016	2001	2016	2001	2016	2001	2016
S. & Cent. America	8,9%	8,5%	1,4%	46,4%	81,7%	43,2%	154,5	207,0
Former Soviet Union	78,7%	64,8%	6,4%	21,5%	1,9%	4,3%	230,1	515,2
Middle East	18,6%	13,1%	60,1%	72,8%	14,6%	7,7%	946,6	1166,8
North Africa	72,2%	59,4%	5,8%	15,4%	10,2%	12,3%	134,2	83,0
West Africa	22,0%	30,0%	26,2%	47,9%	43,0%	10,9%	158,3	223,7

Natural gas

To:	Europe		Far Eastern Asia		United States		Total (bcm)	
From:	2001	2016	2001	2016	2001	2016	2001	2016
Former Soviet Union	96,8%	62,7%	0,0%	17,3%	0,0%	0,0%	131,1	278,8
Middle East	6,1%	20,9%	90,6%	56,2%	3,2%	0,0%	31,0	150,8
North Africa	94,3%	89,3%	0,0%	2,1%	3,1%	0,0%	59,0	58,1

Challenges for Russian diversification: profitability and optionality

Global gas prices, USD / MBtu



Source: IMF

Factors of confusion:

1. Global price convergence in oil and gas markets.
2. Russian Eastern projects are subsidized through state/regulation. (ESPO, Yamal LNG).
3. Optionality costs 2.5-3 times more than for seaborne exporters. (US LNG vs Altai, Saudi supplies vs ESPO).



Europe vs Asia-Pacific – 1

	<i>Sino-Russian trade</i>	vs.	<i>EU-Russia trade</i>
<i>Contractual duration</i>	Longer Asian	vs.	shorter EU contracts.
<i>Supply security</i>	Security premium	vs.	security disintencives.
<i>Financial scheme</i>	„loans-for-oil”	vs.	credits through markets.
<i>Corporate relations</i>	SOE actors	vs.	weakening former NOCs.
<i>Vertical approach</i>	Predominant	vs.	little.
<i>Strategic factors</i>	Politicization Supported	vs. vs.	policization. restrained.

Europe vs Asia-Pacific – 2

Sino-Russian trade vs. *EU-Russia trade*

Status of infrastructure Heavy Capex vs. almost ready.

Market power Oligopol supplier vs. market leader.

Investment reciprocity Unilateral Chinese vs. mutual investments.

Potential models of interpretation

1. Life-cycle model (Vernon):

European and Asian-Pacific markets are in different stage of development (maturity vs growth).

Assumption: Differences are normal and will be equalized.

2. National business systems (Jacobides):

Products are differently conditioned,
More translatable markets will prevail.

Assumption: Differences between the two markets will not disappear.

3. „Dependentalist” approach:

Differences stem from internal corporate competition between Russian companies/elites (Yukos vs. Rosneft, Novatek vs. Gazprom).
New market entries are about changing domestic status quos.

Assumption: Europe will lose Russian supply partly, but win in terms of liberalized Russian exports.



Thank You for Your attention!