



Stanislav Zhiznin with Jeroen van der Veer, CEO of Shell, at the inauguration of the secretariat of the International Energy Forum, Riyadh, November 2005. Photo: CED (Center of Energy Diplomacy and Geopolitics).

Stanislav Zhiznin on Russian energy diplomacy

‘Russia is following the example of Norway’

Proposals made by the European Commission in September to limit Russian investments in the energy infrastructure in the EU have put an extra strain on already greatly strained EU-Russian relations. In his new book *Energy Diplomacy*, Stanislav Zhiznin, President of the Center for Energy Diplomacy and Geopolitics in Moscow and one of the architects of Russian energy policy, puts into perspective Russian energy policies of the last thirty years.

| *By Karel Beckman*

Stanislav Zhiznin started writing on ‘energy diplomacy’ thirty years ago, but, he says, ‘in the Soviet Union there was no demand for such research’. The foreign energy policy of the USSR was completely controlled by political considerations. The system of oil pipelines called *Drujba* (Friendship), constructed from the end of the 1950s to the middle of the 1960s, was intended to provide the ‘brother nations’ of eastern Europe with oil at ‘friendly’ prices – as well as to meet the needs of the Warsaw Pact

armies. The construction of the gas pipeline system had similar motives. From the middle of the 1970s, pipelines to Western Europe were built, despite American opposition and Russia and Western Europe slowly started to develop a commercial energy relationship.

Following the break-up of the Soviet Union, much Russian oil production was privatised. There was no energy policy or strategy. In 1993 and 1994, experts at the

Ministry of Foreign Affairs and the Ministry of Fuel and Energy, Zhiznin included, got together for the first time to address this problem. ‘These meetings marked the beginning of the foreign energy policy and diplomacy of modern Russia’, says Zhiznin. Little by little, a new conceptual base for a new energy strategy was developed. This led in 1994 to a first energy strategy paper, ‘Energy Strategy of Russia for the Period up to 2010’, which was followed in 2000 by the second policy statement, ‘Energy Strategy of

Russia for the Period up to 2020'. The latter was adopted by the Russian government in 2003.

'One of the recommendations we made', Zhiznin says, 'was for Russia to follow the example of Norway'. That means, 'to have good relations with other parties, for example with Opec, IEA and the EU, and to become more active in the global energy dialogue, but at the same time to develop our own technological and economic potential and to use our resource base in our own interest.' Zhiznin had made a thorough study of western energy policies. He concluded that the success of western energy strategy is due to very tight cooperation and coordination between western governments and their international oil companies – as well as the cooperation of the oil companies among themselves. The famous 'Seven Sisters' managed to avoid 'chaotic and mutually destructive competition', he notes. He also observes that when American oil companies 'stake out a claim', they act 'extremely tough', driven by corporate interests, which, 'rather often coincide with the national interests of the US and receive corresponding foreign policy and diplomatic support from the State Department'. 'All that is of great practical value for new-born Russian companies', Zhiznin notes dryly.

Zhiznin makes no attempt to hide his disappointment at the European Commission's recent proposal to limit Russian investment in energy infrastructure in the EU. 'European companies also invest a lot in Russia', he says. He is convinced that opportunities for European companies will increase in future now that Russia's new energy strategy is more firmly taking shape. 'There will be more state control now in the resource sector, but we will not refuse cooperation with European companies.' Cooperation with western companies is also in Russia's own interest, Zhiznin



Stanislav Zhiznin at the conference of the International Energy Forum at Doha, Qatar, April 2006. Photo: Center of Energy Diplomacy and Geopolitics.

argues. 'We urgently need to tackle our ineffective and irrational use of our own energy resources.'

To do this, he says ('a way out of the crisis') is to integrate the Russian energy system into the world energy system. 'The previous way of autarchy and self-sufficiency, on which the USSR was based, has proved to be unproductive.' He also stresses the need for higher investments in Russian oil and gas production. The oil resources are a particular source of worry. 'The structure of the resource base is constantly going down. More than half of the resources are classified as poorly derived and the flow rate (productivity) in the majority of the exploited fields is not high. The average levels of the daily flow rate of an oil well are three times lower than 25 years ago.'

Zhiznin has great respect for the skills of Western oil companies, despite the problems that they are currently having. 'They continue to hold strong positions in transport, processing and marketing of oil and oil products. They have substantial technological and administrative skills and manage to achieve cooperation with producing countries through service contracts and production sharing agreements.' This, he says, is 'to a considerable extent accounted for by their abundant "diplomatic" experience, amassed in many decades of their existence.'

Zhiznin believes that the way to improve relationships with the EU is for Russia to work through bilateral relationships. 'The expansion of the EU is hindering EU policy

at the moment. The EU-Russia dialogue has become 'too politicised', he feels. At the same time, there is unfinished business to attend to in Russia, says Zhiznin. 'At the moment we are only known for the possession of great resources. What we should do now is create a national programme to also develop our own energy technologies and become one of the technological leaders in the industry.' ■

Stanislav Z. Zhiznin

Stanislav Z. Zhiznin is a leading expert on energy policy and security in Russia. He is President of the Center for Energy Diplomacy and Geopolitics (CED) in Moscow (www.cedg.ru), which was founded by the Union of Oil and Gas Producers of Russia (UOGP) with the support of the Russian Ministry of Foreign Affairs, to advise the Ministry on energy policy. The English version of his book *Energy Diplomacy* was published in October with the support of the Clingendael International Energy Programme (CIEP) in The Hague and the Energy Delta Institute in Groningen, The Netherlands. There are a limited number of free copies available from CIEP, www.clingendael.nl/ciep. Or contact EER, www.europeanenergyreview.eu.