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Road to Nowhere: how oil and gas reliance overdetermined Russia's foreign policy

One of the defining images of this war is... a pipeline. No matter the ongoing death and destruction, no matter the evermore persistent calls for an embargo on Russian fossil fuels (including [from Russian and Ukrainian climate activists](#)), oil and gas just keep flowing. Words like 'grotesque', 'zany', or 'obscene' come to mind and fall flat.

In fact, since the start of the war Russian profits from fossil fuels have only grown. As the International Energy Agency (IEA) [estimated](#), Russia's oil revenues are up 50% this year with Moscow earning around \$20 billion each month in 2022 from sales of crude and products. Russia has even [added](#) \$22 billion to its Reserve Fund since the start of the year thanks to the rising prices of gas and oil. At the same time China is [gradually increasing](#) its oil imports from Russia at a discount: from 750,000 barrels per day in the first quarter of the year to 1,1 mln barrels per day in May.

On the other hand, it couldn't be clearer: the days of the Fossil Empire are numbered. Should Putin not begun his geopolitical gamble, Russia would have stayed the top exporter of gas and oil to Europe for another decade. Now the EU is more determined than ever to stop its energy dependency on Russia. Steps that would have taken several years to implement are now taken within months or even weeks.

Even though some are [not on board](#) with it yet and in the short term we are likely to see a spike in [coal consumption](#), as European countries are searching for a short-term replacement for Russian energy products, the green transition in Europe is poised to accelerate. And now it will take place without Russian gas. Gas is sometimes described as a 'bridge fuel': a lower-carbon option to advance the move away from dirty coal to clean energy. That bridge - like many others these days - has been blown up.

An eye for oil (and gas)

Ever since his days in Saint-Petersburg administration and Mining University Vladimir Putin has paid specific attention to oil and gas markets. In fact, in his dissertation called "The Strategic Planning of Regional Resources Under the Formation of Market Relations," Putin [suggested](#) that the mineral resources sector should play a defining role in all state activities, forming a firm basis for both industry and agriculture and consolidating its role as the main source of the country's income. In his vision, all that was coupled with the government maintaining firm control over the oil and gas sector. Interestingly, similar ideas were discussed by Putin's close associate Igor Sechin, now a proponent of the 'special operation' and the CEO, president and chairman of the management board of Rosneft - [one of the largest](#) oil and gas companies in the world.

Thane Gustafson, an expert on the politics of oil and gas in Russia and the former Soviet Union, [describes](#) Putin as a 'policy wonk', who 'follows the details of oil and gas very closely', and 'when something happens in the European gas market, Putin is on it right away'. No lesser is his attention to Gazprom and their business affairs.

This obsession with oil and gas time and time again in the last 20 years put Ukraine in the center of Putin's (and Russian state's) outlook. In fact, one of his first acts as a president back in 2000 was [to travel to Ukraine](#) and discuss the gas debt with then-president of Ukraine, Leonid Kuchma. Ukraine's pipeline system and gas transition through Ukraine's territory have been on Putin's mind for a long time. It was very important for him to gain control of it. And with politics and economics so closely intervened, each and every Europe-oriented figure in the Ukraine president's office automatically became not only ideological but also an economic problem for Putin, a problem which he took very personally.

In that sense, 'the special operation' is the latest morbid symptom of a long-term quest to mold Russia, Ukraine, and the world's system of economic and political relations into some rigid and ultra-conservative set of predefined beliefs.

The strategy of environmental insecurity

This vision of Russia as an 'energy superpower' plus an outpost of 'conservative values' left very little room for maneuver when it became apparent that climate change is a real challenge and the world's leading countries (the largest consumers of Russian gas and oil) plan to replace fossil fuels with renewables.

With all the talk about 'existential threats' from NATO, the real threat to the Russian state in its current form is green transition. Russia has no export alternatives to oil, pipeline gas, and coal. As Gustafson points out in his new book "Klimat: Russia in the Age of Climate Change", even in a scenario where Russian aggression on Ukraine doesn't happen, without fossil fuels Russia's export revenues would've shrunk [more than 25%](#) by 2050, from \$69,1 bln to \$50 bln - an absolutely massive figure.

Of course, this prospect made Moscow uneasy, with a full awakening happening when the EU agreed on implementing Carbon Border Adjustment Mechanism (CBAM) last year. During the first stage it should've only affected carbon-rich imports like cement and steel but Russian companies and authorities took the hint, quickly figuring out that soon the same rules would apply to gas and oil. They had to act and they did.

After ratifying the Kyoto protocol in 1994, Russia had a comprehensive Strategy of Sustainable Development, Michael Yulkin, an international expert in the field of climate change, [says](#). However, back in 2017, this strategy was replaced with the Strategy of Environmental Security. This changed the framework that defined Russian climate policies: the language of security simultaneously implied risks and threats (security from what?) and undermined opportunities.

With the Russian economy stagnating for a decade the emerging sectors of the green economy could've provided much-needed growth. But the Russian state wasn't able to see that opportunity like they couldn't see many others - in a world full of threats every little change could become the last straw to break the camel's back.

Change of mind, change of heart?

This is not to say that perception of climate change has never changed during Putin's years. For a long time, the Russian president's views on climate could've been described as soft climate change denialism. As late as 2018, he [was skeptical](#) about man-made emissions' role in global warming. However, since then his opinion had changed significantly and so did Russian climate policies. As Bloomberg [suggested](#), the men who changed his mind were Prime Minister Mikhail Mishustin and Herman Gref, the CEO of Sberbank, the largest Russian bank.

The change was apparent both in the official rhetoric and on the legislative level. Suddenly the threat of climate change [became real](#) not only for the world but for Russia specifically. As Putin noted on many occasions, Russian territories were warming at a much faster rate than the rest of the world with melting permafrost, more severe wildfires, and destructive floods being listed as the major consequences. So, Russian climate policies went from 0 to 100 in 2021: a law to curb greenhouse gas emissions was prepared and signed, Russia committed itself to become carbon-neutral by 2060, a Long-term Low Carbon Development Strategy was prepared, and a project to cut emissions in Sakhalin began. Separately these measures were often imperfect and full of self-contradictions but the intent was stated clearly.

The thing is, Russia still couldn't offer much when it comes to climate change solutions. During the latest major climate event - COP26 in Glasgow - with the lack of consensus among the country's largest carbon emitters and little to no public pressure the only measure Russia was willing to discuss was the absorbent capacity of their forests.

Of course, there are also some plans of developing [hydrogen production](#) and changing the existing pipeline infrastructure to export hydrogen instead of gas and oil. But they are not really elaborate, to put it mildly. Another thing is nuclear technologies - an area where Russia actually has something to offer. Russian nuclear agency ROSATOM [is planning](#) to start exporting Small modular reactors to developing countries in search of low-carbon energy.

Another attempt to diversify the economy is being taken in the field of agricultural production - which is currently at the center of [international attention](#) as Russian forces continue to block Ukrainian seaports halting grain exports. Since the early 2000s Russian food exports have been showing [steady growth](#). Russia is also a leading supplier of fertilizers, being ranked as the top exporter of nitrogen (N) fertilizers, the second leading supplier of potassium (K) fertilizers, and the third for phosphorous (P) fertilizers, as [per FAO](#). However, Russian producers are [heavily dependent](#) on European pesticides and grain supply. After the start of the war, efforts are [being taken](#) to lower this dependence - creating seed banks and incentivizing domestic pesticide production - but these measures can only work in the medium term. The sanctions and [drastic changes to supply chains](#) may easily halt these plans.

Even if implemented they still won't be enough to replace gas and oil exports in terms of revenues. As for the latter, with every year fossil fuels will be harder and costlier for Russia to extract and sell - as Russian oil and gas companies are [heavily dependent](#) on foreign equipment at all stages of production and transportation. Another challenge for Russia is that viable oil reserves - for example, the ones in the Chanty-Mansijsk region - are [nearing their exhaustion](#).

The fog of history

Sociologist Georgi Derluguian often describes Brezhnev's epoch - coincidentally the first time when the USSR really benefited from high oil prices - in terms of conservation of inner societal contradictions which not only delayed the crisis but made it much bigger and much harder to manage when it finally came. In many ways, the current situation is similar, with the war being an attempt to 'outsource' this inner pressure outside. Predictably, the contradictions have only grown. Russian society is more polarized than ever. The change is coming and Russian authorities' rapidly lose their ability to manage the situation: the 'outside forces' are a bit like forces of nature in that sense, you can't control it, you can only defend from it.

As for the rest of the world, the war has emphasized once again that our reliance on fossil fuels brings numerous risks and these risks amplify one another. Oil and gas are fueling the climate crisis, while also propping up undemocratic regimes and major fossil fuel companies. Both these countries and companies are holding enormous power over the future of our planet and our own life and death with hardly any accountability and people having little to no say in their decisions - be it carbon emissions or war.