



He who has the pipeline calls the tune? Russia's energy power against the background of the shale “revolutions”



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HIGHLIGHTS

- The shale “revolutions” have become a challenge for Russian energy policy and power.
- Russia's ability to exert influence over the EU is declining.
- Russia's self-confidence, based on the old perception of power, made it blind to long-term developments.
- Russia will be inclined to cooperate more with different energy actors.
- Russia's foreign policy may become less assertive.

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ABSTRACT

Russian energy policy is usually considered in the regional context – in terms of its energy power capability and strength vis-à-vis the EU and the post-Soviet states. This study shows that in order to understand Russia's energy power, even in the regional context of its relations with the EU, it is necessary to consider the impact of international changes in the energy sector. The oil and gas shale “revolutions” represent such a global factor of influence. Even if their consequences are not yet clear, they have already become an important challenge for Russian energy policy and power. This policy-oriented article, guided by neoclassical realism, analyzes what the shale “revolutions” mean for Russia's energy policy and its power capabilities vis-à-vis the EU, how the Russian political elite perceive this development and how Russia reacts to it. In this context, Russian power capabilities look more moderate.

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1. Introduction

As one of the world's largest energy suppliers, transporters and consumers, the Russian Federation (RF) is an important energy actor, but also an energy factor, whose choices and policies affect other countries. The question which is often raised in political and academic debates is to what extent Russia is a threatening actor using energy as a “weapon”¹.

This essay places Russia's energy policy and its power capability vis-à-vis the EU into a broader global context, by considering it against the background of the so-called shale gas and oil “revolutions”. Despite a great deal of uncertainty about the shale “revolutions,” they have started to impact global energy relations and Russia's energy power and policy.

This essay raises three questions: How are the shale “revolutions” perceived in Russia? How is Russia reacting to them? What do the shale “revolutions” mean for Russia's energy policy and power capabilities in relation to the EU? The essay starts by briefly explaining what Russia's energy power means, that is, how it is discussed in the relevant literature (Section 2). Sections 3 and 4 consider Russia's policy in the context of the shale gas and oil “revolutions,” how these are perceived in Russia and how they affect Russian policy. Section 5 looks at how Russia is reacting to these developments. The last section summarizes conclusions.

2. Russian energy power

As Dannreuther (2010, p.1) argues, despite a “profusion of theoretical approaches and the clear and evident importance of energy in international relations”, the general trend is that “there has been limited direct application of IR theories” to understand energy relations. Most research on Russian behavior in the energy sector has also been policy-oriented. Even though this essay is primarily policy-oriented as well, it is, nevertheless, useful to

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¹ Both gas and oil can be used as political “weapons”. See Jaffe and Soligo (2008), Maul (1980). However, there are significant constraints to it: Goldthau (2010), Kropatcheva (2011), Orttung and Overland (2011).

present a brief overview of what energy power means, in accordance with a realist tradition, and how Russian power has been presented in studies on Russian energy policy.

A realist perspective is frequently used when referring to an actor using energy as a foreign policy tool (Dannreuther, 2010: pp. 2–5). According to realism, in a situation where the international system is perceived as hostile, states use self-help methods (Burchill, 2001), including energy. The focus of the realist analysis is on states and state actors, who are considered to be rational actors, interested in increasing their energy power capabilities and security. Energy is considered to be a vital component of the balance of power games (Klare, 2001) and a key ingredient of national power and national interest (Dannreuther, 2010: p. 3).

These realist premises are found in Russia's foreign policy, because of the important role of energy in it (Dellecker and Gomart, 2011; Smith Stegen, 2011; Westphal, 2003). Russian foreign policy became more active in 1999 when Vladimir Putin first came to power, which coincided with the rise of world energy prices. This corresponds to a realist claim: "...an increase in relative material power will lead eventually to a corresponding expansion in the ambition and scope of a country's foreign policy activity" (Rose, 1998: p. 167).

There is no doubt about the close connections between the Russian state and the state-controlled energy companies². While recognizing that there are interest groups with their own motivations behind the state-controlled energy companies, such as Gazprom and Rosneft, I will not differentiate between these companies and the state, while further analyzing Russian energy policy. Implying that energy is not a normal commodity, but a strategic resource, which is used to increase power, influence and geopolitical advantages, it is common to speak of Russia's energy foreign policy, energy or resource diplomacy and even energy "imperialism" (Baev, 2008; Dellecker and Gomart, 2011; Freire and Kanet, 2012; Goldthau, 2008a; Monaghan, 2007; Perovic et al., 2009).

For realists, power is primarily material. According to the US Energy Information Administration (EIA, 2012b), Russia holds the largest natural gas reserves in the world and the ninth-largest crude oil reserves. Russia seems to have strong power capabilities and it has often used them as a foreign policy tool, especially to put pressure on the energy-dependent post-Soviet states (Balmaceda, 2008; Feklyunina, 2012; Kropatcheva, 2011; Nygren, 2008; Orttung and Overland, 2011; Pirani et al., 2009; Smith Stegen, 2011; Yafimava, 2011). The EU feels insecure because of its energy dependence on Russia (Aalto, 2008; Baumann, 2010; Bilgin, 2011; Bosse and Schmidt-Felzmann, 2011; Götz, 2006; Perovic et al., 2009). In a wider international context, Russia's important energy role helps it to elevate its great power status (Mankoff, 2009). As a result, energy politics have penetrated Russian security policy and some experts even speak of a "weaponization" of Russian energy (Baev, 2008; Bugajski, 2008; Goldman, 2008). Overall, the most widespread conclusions from this debate on Russian energy power have been that Russia is exerting power (Ghaleb, 2011; Myers Jaffe, Soligo (2009)); its energy power is becoming more threatening for the EU (Bugajski, 2008: pp. 73–103; Orban, 2008) and it is spreading "far beyond Russia's immediate neighbors" (Newnham, 2011 p. 142).

A market-based approach seems to contradict this realist energy power-argument in its claim that other factors, such as

global energy institutions or world energy prices define a state's policy (Goldthau and Witte, 2010; Kuzemko et al., 2012). Russian energy policy has pursued not only political, but also economic objectives. State interests and the interests of the energy companies may coincide (Goldthau, 2010). However, in many cases, economic and political interests have come into conflict and Russia has prioritized politics to the detriment of economics (Orttung and Overland, 2011). This is why a realist argument still holds true.

Realists, with their focus on material power capabilities, nonetheless admit that power includes not only "control over resources," but also "control over actors and outcomes" (Baumann et al., 2001 p. 40). Thus, a state's ability to use energy as an instrument of power politics has constraints. This has been difficult for Russia, because of the domestic weaknesses of its energy sector (Goldthau, 2008b; Hanson, 2009), the dependence of Russia on energy sales (Ellman (2006); Goldman, 2008), the interdependence between the EU and Russia (rather than the one-sided dependency of the EU) (Casier, 2011; Closson, 2009; Finon and Locatelli, 2007; Monaghan, 2006) and the constraints of energy as a tool of foreign policy (Orttung and Overland, 2011; Rutland, 2005; Smith Stegen, 2011; Sussex, 2012). Thus, while claiming that states try to use energy as a tool of foreign policy, realists admit that there are both internal and external constraints on this.

As this review shows, Russian energy power has been considered largely in the regional context. According to (neo-)realism, changes in the international system will affect a state's power. Past years have brought about important changes in global energy relations, the shale "revolution" being one of them. It will affect Russia's energy power capabilities and Russia's energy policy. While (neo-)realism predicts that a state's policy will react to external challenges, it does not tell us how. In addition, different realist strands have been accused of an "over-emphasis on the strictly military dimensions of power," and of being too "state-centric" and "overly deterministic" (Dannreuther, 2010 pp. 4–5).

Neoclassical realism helps to tackle some of these problems by claiming that a country's foreign policy depends on its international position and relative power capabilities, but these systemic pressures are filtered through so-called "intervening" domestic variables (Rose, 1998 pp. 146, 157). Thus, the focus is still on the state and power (systemic factor), but domestic factors (unit-level variables) are introduced, as they intervene between the international factors and the state's action (Taliaferro et al., 2009 p. 3).

There are, however, different opinions about which intervening variables to study. A perception-based neoclassical realist approach (Kunz and Saltzman, 2012 p. 102; Wohlforth, 1993) specifies that Russia's policy response to the external factor – shale "revolutions" – will depend on policymakers' perceptions of them. While constructivists also study perceptions, they focus more on intersubjective meanings. Neoclassical realism, while allowing for cooperation among actors, nonetheless, remains pessimistic about its durability. States are interested in increasing their competitive power advantages vis-à-vis each other. Thus, cooperation has an ad hoc instrumental rather than a normative institutionalized form, as liberal or normative institutionalism claims. All in all, neoclassical realism, with its focus on both the systemic and unit-level as well as subjective and objective variables, differs in this not only from other realist strands, but also from neo-liberalism, institutionalism and constructivism (Kitchen, 2010). Scholars have noted the usefulness of its application to Russia (Nygren, 2012; Romanova, 2012).

Summing up, previous studies on Russia's energy policy, which presented it largely in the regional context, show that Russia acts from a position of power, feeling strong enough to influence other actors and circumstances. Guided by neoclassical realism, this essay places Russia's energy power in the global context of the shale "revolutions." In order to understand Russia's response to this development, it is necessary to study the perceptions of

² There is, nonetheless, a debate on the extent to which the Russian state controls energy companies and which actors/structures stand behind them: Aalto et al. (2012), Demakova and Godzimirski (2012), Balmaceda (2012), Bilgin (2011), Heinrich (2008), Locatelli (2006); Orttung et al. (2008). Furthermore, it is far from a unique situation that the state exerts control over energy companies. See Victor et al. (2012).

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