

Assessment of political risks in in the Natural Gas Sector in Central and Eastern Europe

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CEE

Belarus Bulgaria Czech Republic

Estonia

Hungary

Latvia

Lithuania

Moldova

Poland

Romania

Slovakia

Ukraine





Main Research Question

Do Russian state-owned energy companies in natural gas sector in CEE act as tools of the Russian state and serve as vehicles of the Russian foreign policy?

In other words: Is Gazprom a foreign policy tool?



Incentives for the analysis

- Prevailing dependency of the region on Russian resources
- Worsening of mutual relations between Russia & Western countries
- Periodic accusations of misusing energy supplies and infrastructure as a leverage
- Supply curtailments (2006, 2009)
- Crisis in Ukraine



Key findings I

- Gazprom's behaviour reflects its operating environment
- In most cases Gazprom follows the rules set by the environment...
- ...but often stretches these rules to the maximum extent allowable
- Dependent countries are vulnerable



Important factors influencing Gazprom's behaviour

- State of diversification
- EU membership and implementation of IEM rules
- Foreign policy discourse & political culture
- Case-specific factors
- historic/cultural ties
- external conditions (changing environment)
- personal ties
- Debt owed to the supplier



2 most important factors

- State of diversification
- little to no politicization in states with diversified import portfolio
- EU membership and implementation of IEM rules
- EU's IEM rules effectively prevent the traditional way gas was traded
 - a) prohibit restrictions on re-selling
 - b) open the sector to free market competition
 - c) question traditional pricing
 - d) prohibits conditions for creating market hegemons
- Former market creators have become subjected to market-based rules imposed by higher authority



Key findings II

- Gazprom's behaviour is generally commercially-oriented
- Even in cases like Ukraine or Moldova Gazprom's behaviour can often be explained on the basis of ordinary supplier – consumer relations
- It is not the measures that are suspicious but rather the timing and the context
- Gas price discount offer/cancellation correlating with Ukraine's FP discourse
- Gas price increase & reluctance to sign new long-term contract correlating with worsening relations with Moldova & the country's will to join IEM



Key findings III

- Gazprom strives to be an 'ordinary' company...
- Gazprom is aware of the changing nature of the environment...
- ...and tries to maintain its position
- ... balancing between economic goals and the government's will
- Russia is vitally dependent on exports of natural resources
- Gazprom is an important source of capital
- Russian government is thus likely to use Gazprom for it's policy goals



Key findings IV

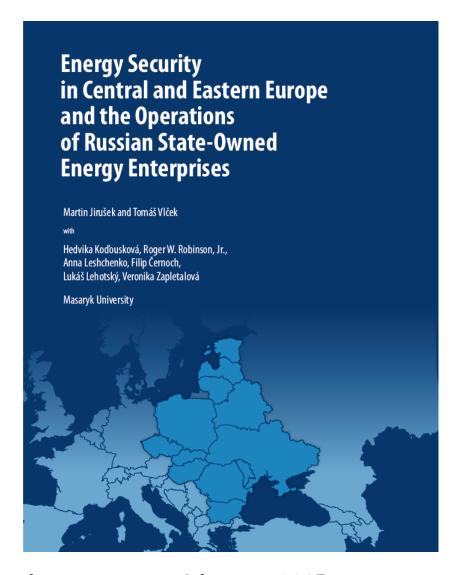
- Involvement of Russian officials as an important indicator
- backing (state-owned) companies is not unusual
- however, 'substitutability' of Gazprom's and Russia's officials is rather non-standard
- the presence of Russia's officials usually correlates with the importance of a particular country for the transit or consumption of Russian gas



Main Research Question

- Despite controversies, Gazprom's general strategy seems to be commercially oriented
- The company is motivated to maintain its position and maximize revenues
- Although the company appears to serve governmental purposes in some cases, these might be rather economic than foreign policy goals
- Careful approach is highly recommended since Gazprom is inclined to use its market position to the fullest (for whatever reasons)





www.ceners.org/energy-research/ceners-2015-energy-security-in-cee.pdf



Thank you for your attention

- Questions?
- Comments?

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