

Russia tries to control the transport routes of its own products itself

By Yrjö Myllylä

After the independence of the southern oil producing countries once belonging to the Soviet Union, Russia has become a more northern country seen from the energy producing point of view.

As a result of this change the importance of Ukraine, Byelorussia and Estonia is emphasized in the export of energy from Russia. This is due to the fact that in Russia the increasingly important oil and gas producing areas in West Siberia are connected with pipelines which go through these countries to Western Europe.

In southern Russia on the Black Sea only a hundred kilometres of coastline is left which the country can use for its energy transport and control itself. In oil transport through the Black Sea there is the risk of heavy traffic in the Bosphorus Straits in Turkey.

The countries of the EU form by far the most important buyers of Russian oil and gas products. The growth of the world economy, among other things as a result of the growth of the economy in China, as well as the unstable situation in the Middle East, raise the prices of oil and gas. These factors also increase the possibility of conflicts and accelerate the development of new transport routes for the needs of European buying countries.

Russia is trying to avoid economical and political risks in the export of energy by developing competitive, lucrative alternative transportation routes. Conflicts caused by the increased price of oil and gas pose risks to Russia. These conflicts are seen for example in disputes in transit payments when trying to adapt to market prices.

Russia has the right and obligation, for example along with the possible WTO membership, to avoid subventions and move to market based pricing in different products. Oil and the gas products get subventions in Russia. The country has sold gas and oil to the countries of the former Soviet Union clearly below the world market price.

However, Russia cannot avoid transit through Ukraine, Belarus or the Baltic States, as the oil and gas lines built during the Soviet regime form the central transit routes to Europe.

The Russian government decided in May 2005 on an approved traffic strategy to emphasize such transport routes, which the country could control itself and thus avoid economical and political risks influencing its economy.

The same pattern of development could be seen when Russia developed new oil pipeline and transportation infrastructure. As a manifestation of this trend can be seen the harbour of Primorsk (Koivisto) becoming the most important individual oil export harbour and the planned gas pipeline between the Finnish Gulf and Germany.

In connection with the Bronze soldier statue dispute in Estonia, Russia announced moving of [the oil transportation away from Estonian railways. This is also connected to the logistical change now taking place in Russia.

The logistical change in Russia is understandable, when studying the map. The country is the largest in the world measured by area. It is also a continent, so the transportation distances are long. North West Russia is an important gateway to world markets.

Russia has in North West Russia in practice two logistical points, which it can control. One is the innermost part of the Gulf of Finland and the other is the Murmansk Area. The role of the Gulf of Finland is the [most] more important in trade with Europe and already more than one third of Russian oil is exported through the Gulf of Finland. Ocean going tankers cannot come in through the shallow Gulf of Finland. The Murmansk direction is important especially in the overseas transportation as this is the only open sea harbour in North West Russia which is ice free round the year. Also restrictions in the traffic in the Baltic Sea may produce emphasis on Murmansk.

The European Union has a historical opportunity to influence development in Russia, because Russia is economically dependent on countries in the EU. As Russia's commercial relations with Asian countries grow stronger along with the new infrastructure, Europe's influence on Russia may decrease.

The EU must recognize Russia's rights to act on the terms of the market economy when it develops lucrative logistical routes. The political and economical risks are for Russia actual costs, which have to be taken into consideration. There should be a possibility to influence these costs through the Union in order to avoid problems, which arise for example during the transition period of energy prices.

Preventing of the threat of an oil disaster forms one of the areas for co-operation. Russia should be influenced in the direction that it fulfils the stipulations. At the same time it ought to be possible to contribute to that any agreement already made cannot be changed by one part for money or for example based on the political situation; corruption and along with this the impossibility to predict the situation is one of the biggest problem in Russia.

In my opinion, the most important task of EU is to integrate Russia in the Union using agreements. At this moment Russia strives to make energy delivery and investment related agreements directly with the largest European nations, such as Germany and France. The agreements do not necessarily take the interests of the small coastal states of the Baltic Sea into consideration. Due to this, it would be in the interest of the small nations to create a common will in the EU in respect to Russia and especially to energy co-operation with Russia. The historical task of the whole Union has in the past been to avoid energy disputes in the form of the earlier founded Steel and Coal Union.

Finland, as well as the other Northern European countries, has to take into consideration change in the geopolitical situation in Russia, which has increased the significance of the neighbouring areas to Finland and the area of the Baltic Sea in Russia's energy transportation.

In addition to preventing environmental threats, Russia's efforts to ensure vital transportation should be taken into consideration. From Finland's point of view, the most important is a policy, which increases the stability of Northern Europe. Disputes and threats related to energy transportation should be prevented in advance.

A practical way of creating a common sense of will between Russia and the countries belonging to EU in energy politics, is by using such methods in future research, where participation, analysis of results of interest groups and common learning of the future actors taking part in the research, is emphasised. One such method is the feedback-Delphi model created in my dissertation.

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The author has carried out research on the future of North West Russia, especially the Murmansk Area, in this project financed by the Academy of Finland and led by Prof. Markku Tykkyläinen at the University of Joensuu during 2004-2007