



*Center for Security Studies*

## **Energy Weapon in a Geopolitical Strategy of Russia**

*The Analytical Report*

**KYIV 2020**

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An electronic version was available on NISS' site - <https://niss.gov.ua>

Oleksandr Sukhodolia (2020). *Energy Weapon in a Geopolitical Strategy of Russia*. Kyiv, Ukraine: NISS, 2020. - 49 p.

The abridged and translated from Ukrainian “Енергетична зброя в геополітичній стратегії Росії: Аналітична доповідь”. Київ: НІСД. 2020. 128 с.

**ISBN 978-966-554-324-4**

URL: <https://niss.gov.ua/publikacii/analitichni-dopovidi/energetichna-zbroya-u-geopolitichniy-strategii-rosii>

The Study assesses the conceptual ideas and policy of usage of the potential of the Russian fuel and energy complex as a powerful political tool for achieving geopolitical ambitions. The place and role of energy in Russia's foreign policy priorities and in strategic documents on national security are analyzed.

The study provides a review of the methods and tools of energy integration into the Russian geopolitical strategy. The practical tools of the energy weapon utilization towards post-Soviet countries (CIS countries) and Western countries (NATO and EU countries) are discussed. The report describes the cases of integration of energy policy with the goals of the military and national security policy of Russia. An overview of practical tools for the use of energy weapons in the Russian concept of hybrid confrontation with the West is given.

The study will be useful in the analysis of energy policy, strategic planning in the field of energy, and national security. The report designed for experts, scientists, specialists in the fields of energy, economics, national security, subjects of power, all who are interested in energy security.

## **Introduction**

Is energy an element of the national security system? Does energy is used as a tool to achieve political goals? Were the causes of various "energy crises" in the post-Soviet space purely economic? Does Russia have a strategy of energy weapons usage to realize its geopolitical ambitions?

These questions often arose in the political, economic, and security discourses in world politics. For Western countries, it is rather a theoretical discussion about possible developments in remote Eastern Europe. At the same time, for the countries of Eastern Europe, the possible answers influence the formation of national energy policies and national security priorities. Moreover, the answers to the questions stipulate the principal choice of the direction of their regional integration priorities.

On the other hand, for Russia, energy has always been an instrument of politics, not economics. This idea could be traced in the theoretical and conceptual works of scientists, strategic documents in the field of national security, energy, and economic policy as well as in practical actions of various institutions for the implementation of the strategic goals. In fact, for Russia, the challenge of usage of energy weapon had focused only on choosing the most effective methods and instruments for that.

In recent decades, Russia has enriched the experience of usage of energy as a political weapon and formed new tools for subduing other countries. Obviously, from now on, this will become a permanent source of risks to the stability of many countries around the world and will require monitoring of new types of threats generated by the use of energy weapons.

The study has a goal to describe the conceptual foundations and organizational aspects of energy implementation in the system of actions aimed at the realization of Russia's national interests worldwide. The study provides a review of methods to influence the policies of other countries through the usage of energy as a weapon. The practical tools of using energy weapons in the concept of a hybrid confrontation between Russia and the West, discussed in the study would provide a better understanding of future developments in the field.

### **1. Implementation of energy in the strategy of realization of Russia's foreign policy ambitions**

In the 1970s and 1980s, Soviet leaders, aware of the inefficiency and uncompetitiveness of the existed centralized political and administrative system, initiated and implemented a set of measures to find ways to modernize the country's social and economic governance system.

Among the direct measures to support the internal reform of the USSR were:

- formation of channels for "transfer" of scientific knowledge and information from the West (publication of the best Western scientific works, internships of selected specialists of the USSR in scientific institutions of the West, etc.);

- creation of joint institutions with the West (financial and economic, trade, scientific, cultural, sports, etc.);

- formation of separate analytical groups, which based on "Western" knowledge and available information on the real state of affairs worked out possible ways (projects) to modernize the USSR;

- implementation of some projects for the development of economic cooperation (joint companies that ensure the supply of resources to the West and access to Western technologies).

In this complex project of reforming the USSR, Vladimir Putin began his "professional development." He may have studied ways and tools to transform the USSR (in the future) based on the latest developments of the Western liberal model of the economy. Based on his professional experience, Vladimir Putin even understood the need of market transformations of the Russian fuel and energy complex that reflected in his dissertation research.

Vladimir Putin's dissertation abstract states:<sup>1</sup> "*The main idea of the dissertation is that instead of passively following changes in the external market economic environment (legislative, legal, economic, scientific and technical, competitive, foreign economic, etc.) there is proposed the mechanism of active influence on these conditions, and, consequently, on the future development of the fuel and mineral complex of the region. The need to adapt applies only to those changes in the external environment over which the relevant state authorities cannot exert influence.*"

It is hard to evaluate the proposed by V.Putin mechanisms, as the dissertation is not publicly available. However, we believe that Putin's understanding of the needed actions and Russian energy policy goals reflect the "basic idea of the dissertation" that was formed under the influence of the 1970s and 1990s strategic idea of liberalizing economic relations in the USSR / Russia.

Such goals, formulated by the KGB of the USSR, and direct practical implementation was carried out by groups of young reformers and representatives of the KGB who was "delegated to intercept" management in economic entities (for example Putin's activities as Deputy Mayor of St. Petersburg, A. Sobchak).<sup>2</sup> The programs of liberalization of economic relations in the USSR developed by separate groups of young scientists (groups of E.Gaidar, A.Chubais, and G.Yavlinsky) later became the basis for market reforms in Russia.<sup>3</sup> From the very beginning, V.Putin developed close relations with A. Chubais's group.<sup>4</sup>

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<sup>1</sup> Путин В. В. *Стратегическое планирование воспроизведения минерально-сырьевой базы региона в условиях формирования рыночных отношений: Санкт-Петербург и Ленинградская область*. Автореф. дис. ... СПб, 1997.

<sup>2</sup> The KGB made efforts to place some of its employees at the boards of directors of new economic entities in the late 1980s and early 1990s. See: Hill F., Gaddy Clifford G. Mr. Putin: Operative in the Kremlin. Washington, DC: The Brookings Institution, 2013.

<sup>3</sup> Греченевский О. Истоки нашего «демократического» режима. URL: <http://grechenevsky.com/html/sources/index.html> (дата звернення: 03.03.20)

<sup>4</sup> «Мы сделали это... Мы показали им, что можем... За нашу общую победу...» URL: [http://www.compromat.ru/page\\_28677.htm](http://www.compromat.ru/page_28677.htm) (дата звернення: 04.03.20)

«В 1999 г. СПС вел кампанию под лозунгом "Путина — в президенты, Кириенко — в Думу. Молодых надо!"» URL: <https://rigort.livejournal.com/1656037.html> (дата звернення: 05.03.20)

Relevant ideas and priorities for reforming Russia as well as Russian “entry” into the world club of influential countries were determined by the practical actions of the Presidents of Russia. Russian economic and political model of behavior has been enshrined in strategic documents on relations with Western and post-Soviet countries in the economic sphere.

The Strategy of Russia's Economic Security in 1996<sup>5</sup> in the field of foreign economic relations focused on the implementation of the benefits of the international division of labor for the purpose of sustainable development of the country and emphasized on “*the mutually beneficial integration into world economic relations*” while “*preventing the critical dependence of Russia on foreign countries or their communities*.<sup>6</sup>”

Within relation with the former USSR countries, official documents openly declared they are an exclusive zone of influence of Russia. The Strategy had set a task to establish the economic space of the CIS countries according to the Russian legislation.<sup>6</sup>. In terms of “*cooperation with third countries and international organizations*”, Russia planned to “*achieve an understanding on theirs part that this region is an area of interest of Russia*.<sup>7</sup>”

An important role in such ambitious plans was given to the Russian energy sector, as clearly stated in the Energy Strategy of the Russian Federation until 2020. The provisions of this document are symptomatic, as they clearly reflect a number of trends in Russia's power vertical regarding the transformation of energy into an instrument of influence in the world.

An important role in such ambitious plans was given to the Russian energy sector, as clearly stated in the Energy Strategy of the Russian Federation until 2020.<sup>8</sup> The provisions of this document are symptomatic, as they clearly reflect a number

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<sup>5</sup>О государственной стратегии экономической безопасности Российской Федерации (основные положения) : Указ Президента РФ № 608 от 29.04.1996 г. URL: <https://zakonbase.ru/content/part/228375> (дата звернення: 02.03.20)

“Указом президента РФ від 14 вересня 1995 р. у частині економічної співпраці ставилося завдання:  
«10. Последовательно решать задачу сближения национальных правовых и экономических условий для создания совместной собственности на основе свободной предпринимательской деятельности, создания в перспективе общего рынка капиталов. Оказывать всестороннюю государственную поддержку созданию финансово-промышленных групп с участием предприятий и банков государств СНГ, формированию транснациональных производственных, научно-технических и прочих структур.» (Див.: Об утверждении Стратегического курса Российской Федерации с государствами – участниками Содружества Независимых Государств : Указ Президента Российской Федерации № 940 от 14.09.1995 г. URL: <http://kremlin.ru/acts/bank/8307> (дата звернення: 04.03.20))

“15. Активизировать культурный обмен России с государствами ближнего зарубежья, сотрудничество с ними в области науки, образования, спорта. Обеспечивать российское телевидение и радиовещание на ближнее зарубежье, поддерживать продвижение российской прессы в этом регионе, осуществлять подготовку в России национальных кадров для государств СНГ.

В случае нарушений прав россиян в государствах СНГ в качестве возможной меры воздействия ставить решение вопросов финансового, экономического, военно-политического и другого сотрудничества России с конкретным государством в зависимость от реальной позиции в области соблюдения прав и интересов россиян на его территории.» (Див.: Об утверждении Стратегического курса Российской Федерации с государствами – участниками Содружества Независимых Государств : Указ Президента Российской Федерации № 940 от 14.09.1995 г.. URL: <http://kremlin.ru/acts/bank/8307> (дата звернення: 02.03.20))

<sup>8</sup>Об утверждении Энергетической стратегии России на период до 2020 года : Распоряжение Правительства Российской Федерации от 28.08.2003 г. № 1234-р. URL: <http://docs.cntd.ru/document/901872984> (дата звернення: 17.03.20)

of trends in Russia's power vertical regarding the transformation of energy into an instrument of influence in the world.

For the first time, the strategic, official document had openly stated energy as a tool for “*implementing domestic and foreign policy*” (in the following versions of the Energy Strategies, this idea is hiding). The Strategy also emphasized the need to establish energy companies which “*strong, constantly evolving and ready for a constructive dialogue with the state*” as a fundamental instrument of the state energy policy. The Strategy stated, “*Russian strategic interests necessitate the formation of a single energy policy and energy transport infrastructure in adjacent regions of Europe and Asia, the development of international energy transport systems and ensuring the non-discriminatory transit of energy.*”

The importance of energy in diplomacy clearly was emphasized: “*The global nature of energy problems and their increasing politicization, as well as the influential position of Russian fuel and energy sector in the world energy system have put energy among the basic elements of Russian diplomacy.*”

The overall goal of implementing such a strategic course was to increase Russian influence using the energy industry and secure its integration into the world political and economic system as a separate center of power.

At the same time, the potential of the energy industry has been used for achieving “hidden” goals. In particular, the Kremlin's goal was to subjugate economic entities and entire countries due to the resource and financial power generated by the energy resources trade with the West.

This goal had been achieving in the following ways:

- establishing the network of “intermediaries” in energy trade in Western countries, i.e. increasing markets through the use of local players (creation of joint intermediary companies with local elites for the sale of Russian energy resources);
- purchasing by Russian capital of the critical economic entities (oil refineries, pipelines, machine-building enterprises, banks, media, etc.), i.e. the formation of the economic base of influence within Western countries;
- establishing the joint companies (like companies for gas transportation through transit countries, gas distribution or extraction of resources in other countries, etc) to manage assets, i.e. “linking” the interests of target countries to the Kremlin's interests;
- developing the pro-Russian lobby and bringing to power in the target countries of pro-Russian politicians, i.e. formalization and consolidation of the Kremlin's influence through Western democratic election procedures.

To fix the needed format of interstate relations Russia proposed various intergovernmental agreements and exclusive contracts between energy companies of the countries.

The model of economic integration and energy trade become not only the basis of Russian economic policy but also an integral element of the Russian military goals. Minister of Defense S. Ivanov in October 2003, outlined the urgent tasks of the Armed Forces of the Russian Federation development. He stated that

Russian national priorities in the international arena are, in particular, the following:<sup>9</sup>

- *purely pragmatic foreign policy, which stems from our capabilities and national interests - military-strategic, economic, political (especially the development of relations with the CIS countries as Russian main foreign policy priority, as well as active work with the European Union aimed at forming a single economic space);*
- *gaining a strong position in the global competition - for markets, for investment, for political and economic influence.*

Chief of the General Staff of the Russian Armed Forces Y.Baluyevsky reiterated the idea that<sup>10</sup>. “*all our decisions, all our actions must be subordinated to the fact that in the near future Russia will firmly occupy a place among the really strong, economically advanced and influential states of the world.”*

In general, the strategy of the Russian leadership during this period could be expressed by a formula: the exchange of energy resources for admission of the Russian elite to the Western club of leaders<sup>11</sup> and securing for Russia exclusive zone of influence and right of veto. This formula became especially popular in 2000-2003, in particular after the terror attack on the World Trade Center in New York in 2001.

By 2003, Russia had also formed a “national idea”, which justified the role of liberal economy and privatization of the energy sector in the future development of Russia. In 2003, A. Chubais suggested the idea of “Russia - a liberal empire”,<sup>12</sup> which was an attempt to combine the liberal economic model with the growing authoritarianism in Russia.

The “liberal empire” model had reflected the model of state capitalism (“The corporation of Russia”) developed by Putin since he came to power. It combined the expectations of “progressors” (a group of reformers focused on the introduction of a market economy and private property rights, though under state-controlled corporate governance), and the expectations of “strongmen” (a neo-imperialist group supporting a strong role of state authority and expansion of geopolitical influence).

A. Dugin, an apologist for the concept of the Russian Eurasian Empire, praised A. Chubais's proclamation of a “liberal empire,” revealing the hidden nature

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<sup>9</sup>Актуальные задачи развития Вооруженных Сил Российской Федерации. *Красная звезда*. 2003. 11 окт. URL: [http://old.redstar.ru/2003/10/11\\_10/3\\_01.html](http://old.redstar.ru/2003/10/11_10/3_01.html) (дата звернення: 03.03.20)

<sup>10</sup> Балуевский Ю. Стратегическая стабильность в эпоху глобализации. *Россия в глобальной политике*. 2003. № 4. 28 нояб. URL: [https://globalaffairs.ru/number/n\\_2114](https://globalaffairs.ru/number/n_2114) (дата звернення: 03.03.20)

<sup>11</sup> Today, some Kremlin's "hidden" goal of the attempts to integrate Russian fuel and energy complex into the world market is becoming increasingly apparent. The idea behind is to establish some stratum of Russia's elite integrated into the Western economic system through the institution of private ownership of energy assets. To achieve this goal, narrow circle of pro-Kremlin business managers, were supposed to "privatize" Russia's energy assets and subsequently to integrate the assets into multinational companies. The implementation of this task would secure their positions through the umbrella of international law on the protection of "property rights" in case a probable loss of power in Russia.

<sup>12</sup>Миссия России. Выступление А. Чубайса в Санкт-Петербургском гос. инженерно-экон. ун-те, 2003 г. URL: [http://www.abnews.ru/type\\_news\\_full.html?t=59890&data=news](http://www.abnews.ru/type_news_full.html?t=59890&data=news) (дата звернення: 03.03.20)

and mission of this model: “*Russia will use energy weapon if other countries try to break out of Russian subordination.*”<sup>13</sup>

## **2. Evolution of energy weapon utilization and its reflection in Russia's strategic documents**

The theoretical model of using energy as a tool of geopolitical influence, which was outlined in 2003 by the **Energy Strategy of the Russian Federation until 2020**,<sup>14</sup> has evolved depending on Russia's growing ambitions on the world energy and geopolitical map.

In the process of practical implementation of the developed strategy, Russia faced serious resistance from both the elites of the countries that Russia was trying to subdue and competitive players on the world energy market. In particular, Russia's actions have been actively resisted by the CIS countries, albeit with varying degrees of success. If Belarus agreed to sell its gas transmission system located,<sup>15</sup> Ukraine did not allow Russia to get control over its system.<sup>16</sup> Similarly, Lithuania has rejected attempts of Russia to gain control over a single oil refinery and other energy actives.

The resistance of different countries to Russian political and economic pressure, the accession of some Central and Eastern European countries to NATO, the war in the Balkans, and the wave of “color revolutions» in CIS countries led to the formation of a new trend in the policy and actions of the Russian establishment.

Russian neo-imperialist ruling group was dissatisfied with the fact that “*almost nowhere has Russia succeeded in transforming its levers of economic pressure on post-Soviet countries into concrete agreements that could protect its economic and political interests in a region or at least transfer the control over some local companies to Russian entrepreneurs.*”<sup>17</sup> That was the result of the loss of competitive attractiveness of the Russian model of relations with the CIS countries.

In 2004-2005, Russia formed its negative attitude to the developments in the CIS region as well as in Central and Eastern Europe. Vladimir Putin announced his

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<sup>13</sup> «Чубайс провозглашает формулу – «либеральная империя». То, что империя будет либеральной – это никого не удивляет. Но суть это фигов листок...

Ради империи русский готов уничтожить весь мир вместе с самим собой, лишь бы была империя. Русский настолько любит империю, что готов называть её как угодно по-другому: демократией, культурой, цивилизацией, равноправием всех народов, социализмом, федерацией, мировой революцией, интернационализмом. Но все эти понятия скрывают под собой любовь к империи...

Либеральная Империя в это время будет строится и цвести. Везде зажжётся лампочка Анатолия Борисовича. А как только решат в сторону от нас – она тут же погаснет, газ отключится, нефть перестанет качаться и пусть дохнут не желающие нашей Империи». (Див. : Дугин А. Тезисы о либеральной империи Чубайса. URL: <http://www.evrazia.org/modules.php?name=News&file=article&sid=1582> (дата звернення: 05.03.20)

<sup>14</sup> Об утверждении Энергетической стратегии России на период до 2020 года : Распоряжение Правительства Российской Федерации от 28.08.2003 г. № 1234-р. URL: <http://docs.cntd.ru/document/901872984> (дата звернення: 17.03.20)

<sup>15</sup> ОАО «Газпром» и Республика Беларусь подписали договор купли-продажи акций ОАО «Белтрансгаз». URL: <https://www.gazprom.ru/press/news/2007/may/article56160/> (дата звернення: 17.03.20)

<sup>16</sup> Украина не нужны «Газпром» и РАО «ЕЭС». URL: <https://iz.ru/news/284736> (дата звернення: 17.03.20)

<sup>17</sup> Кузнецова Е. Ближнее зарубежье: всё дальше от России. URL: [https://globalaffairs.ru/number/n\\_3958](https://globalaffairs.ru/number/n_3958) (дата звернення: 17.03.20)

new understanding of the fact of the collapse of the Soviet Union: “*First of all, we must recognize that the collapse of the Soviet Union was the greatest geopolitical catastrophe of the century.*”<sup>18</sup> Russia began to accuse Western countries, especially the United States, of “color revolutions” in Serbia, Georgia, Ukraine, and Kyrgyzstan, and of staging a collapse of Russia by analogy with the Soviet Union.

The growing conflictization with the West became evident in Russia's military circles too. The Minister of Defense of the Russian Federation S. Ivanov announced a new trend in strategic military planning: the use of coordinated military and economic policies to ensure the national interests of the Russian Federation. Referring to new global trends, the Minister noted that “*while previously the reason for the use of military means was usually a direct threat to security, now military force is increasingly used to ensure economic interests,*” and did not rule out “*preventive use of force if this will be required by Russia's interests.*”<sup>19</sup>

In general, by the end of 2005, the Russian leadership realized that the application of the formula “energy resources in exchange for the admission of the Russian elite to the Western club” is not working. At this time, they decided to restore Russian geopolitical weight following the strategy of asymmetric actions and the use of “active measures.”

In economic relations, Russia sharply increased the “pragmatism” of its actions, which has changed the principles of cooperation and the implementation of joint economic projects with other countries (especially with their local businessmen). The Kremlin decided to limit the role of “intermediaries”, to remove them from the chains of realization of Russian interests<sup>20</sup> and relay in the implementation of geopolitical infrastructure energy projects to the large Western companies in a framework of intergovernmental agreements. As for the CIS countries, the policy had changed from providing economic benefits to the “Russian economic whip”.<sup>21</sup>. Russia decided to reduce the level of subsidies to the CIS economies and switched to the policy of the "world prices" for energy.

Separately, Kremlin subordinated the main Russian economic entities (or their managers) to the political decisions of the Russian leadership. In the energy sector, all major companies gradually began to follow Putin's strategic decisions, coordinate their actions on markets, and develop projects subordinated to the “state interests.” Subordination of companies was carried out through the interception of

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<sup>18</sup> «Прежде всего следует признать, что крушение Советского Союза было крупнейшей геополитической катастрофой века. Для российского же народа оно стало настоящей драмой. Десятки миллионов наших сограждан и соотечественников оказались за пределами российской территории.» (Див.: Послание Федеральному Собранию Российской Федерации. 2005 г. URL: [http://web.archive.org/web/20100820034601/http://archive.kremlin.ru/appears/2005/04/25/1223\\_type63372type63374type82634\\_87049.shtml](http://web.archive.org/web/20100820034601/http://archive.kremlin.ru/appears/2005/04/25/1223_type63372type63374type82634_87049.shtml) (дата звернення: 18.03.20)

<sup>19</sup> Иванов С. Вооруженные силы России и ее geopolитические приоритеты. URL: [https://globalaffairs.ru/number/n\\_2471](https://globalaffairs.ru/number/n_2471) (дата звернення: 19.03.20).

<sup>20</sup> Дмитрий Фирташ: «Путин всех обыграл» Интервью российскому Forbes Д. Фирташа . URL: <https://glavcom.ua/publications/114778-dmitrij-firtash-%C2%ABputin-vseh-obygral%C2%BB.html> (дата звернення: 19.03.20)

<sup>21</sup> Прес-конференція В. Путіна 30 грудня 2006 року. <http://kremlin.ru/events/president/transcripts/24026> (дата звернення: 19.03.20)).

the management of companies by people from Putin's trusted circle (the appointment of O. Miller to Gazprom in 2001, I. Sechin to Rosneft in 2012) or the destruction of "opposing companies".<sup>22</sup> Many companies were forced to sell their assets to the state-owned companies (Gazprom and Rosneft) or company owners voluntarily agreed to coordinate their activity with the priorities set by Vladimir Putin (V. Vekselberg, A. Usmanov, and O. Deripaska).

Such subordination of the management of economic entities to the leadership of the state is quite unusual for the traditional "western" understanding of the models of organization of state power and economic relations. For the KGB management, the independent business entities cannot exist outside of the state the interests, and all theirs activities are due to state authorization, so the management of any company is obliged to fulfill the "wishes" of the state leadership. V. Putin himself clearly and openly demonstrated this model of behavior in a 2003 interview (in which he explained to the western audience the need to punish the Yukos Company and imprisonment of M. Khodorkovsky): "*We have a category of people who have become billionaires, as we say, for night. The state appointed them billionaires. ... Just gave out a huge amount of property, almost free. They said it themselves. I was appointed a billionaire.*"<sup>23</sup>

The above mentioned makes it fundamentally impossible to consider energy projects (even private Russian companies projects) as business projects subject to economic logic, ie implemented only for economic profit. The very misunderstanding of the nature of the established model of "state capitalism" in Russia is the main reason why Kremlin has easily manipulated Western countries. The Russian officials have always stated that large energy projects (which were aimed to realize Russia's geopolitical ambitions) are implemented solely in accordance with economic logic and are not instruments of political influence. The inconsistency of this statement has been repeatedly testified by energy experts. However, a large part of the Western political elite and company managers, wanting to remain friendly with the generous producer of energy resources, turned a blind eye to Russia's use of energy as a weapon for geopolitical purposes.

At the end of 2005, the Russian leadership officially enshrined its understanding of Russia's energy as "one of the factors of global security" and made

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<sup>22</sup>Прикладами є:

- арешт у 2002 році генерального директора «Сибура» Я. Голдовського (просто у приймальні Голови правління «Газпрома» О. Міллера). Після того, як він склав із себе повноваження та передав «Газпрому» контроль над компанією, Я. Голдовський був звільнений з-під арешту та вийшов з Росії.
- арешт М. Ходорковського у 2003 р., розгром «ЮКОСу» та передання його активів до державної компанії «Роснефть»;
- викуп у 2005 році «Газпромом» компанії «Сібнефть» у Р. Абрамовича та її перейменування на «Газпромнефть»;
- вигнання власника «РусНефті» Гуцерієва з переданням її активів до компанії О. Дерипаски «Базовий елемент» та пізніше частковий продаж компанії В. Євтушенкова АФК «Система»;
- викуп TNK-BP «Роснефтью» (усунення з бізнесу «Альфа-груп» (М. Фрідман) та вихід з Росії британської BP);
- перепродаж «Башнефти» (В. Євтушенков) до «Роснефти».

<sup>23</sup> Interview With President Putin. *The New York Times*. 2003. 5 Oct. URL: <https://www.nytimes.com/2003/10/05/international/interview-with-president-putin.html> (дата звернення: 19.03.20) Interview to The New York Times. 2003. 4 Oct. URL: <http://en.kremlin.ru/events/president/transcripts/22145> (дата звернення: 19.03.20)

a “bid for leadership in world energy.” The issue of “*Russia's role in ensuring international energy security*” was discussed by the Russian Federation Security Council.<sup>24</sup> The fact that the Security Council is considering such an issue shows the Russian leadership's clear had understood the role of energy weapons in foreign policy and had ambitions to build an “architecture of world energy market” that would reflect Russia's interests. During this meeting, the emphasis was placed on large-scale work “on the development of transport infrastructure to diversify the routes of energy supplies from Russia.”

Further developments demonstrate that the collapse of Russian attempts to subdue Ukraine by economic and political pressure and the success of the Orange Revolution in 2004 stimulate the Kremlin took strategic decision to develop routes for energy supplies from Russia to the world market bypassing transit countries. At the time, Russian leadership set another strategic goal, namely to secure the presence of the “Russian services for the construction and modernization of energy facilities” in the world market. The most promising domain of expansion became the nuclear energy industry (for implementing the task Putin appointed former Russian Prime Minister S. Kiriyenko at the head of the industry<sup>25</sup>).

The period 2004-2006 should be considered as the finalization of the idea of **Russia as an “energy superpower”**. The implementation of Kremlin's model of energy policy was supported by the total subordination of the domestic political and business fields in Russia as well as the consolidation of Russian originated capital in Western countries. In addition, the growing Russian budget revenues from steady and rapidly rising oil prices supported Putin's ambitions to increase his influence in world politics.

At the same time, the country, led by KGB-management, had slipped into an authoritarian style of governance, gradually transforming its increasing “pragmatic” behavior into the geopolitical escalation with the West. At the same time, the chosen model of governance without alternative pushed Russia to follow the logic “*first law of petropolitics*.<sup>26</sup>”

In December 2006, the *Izvestia* newspaper published an article advocating the need for Russia to realize its status as an “energy superpower.”<sup>27</sup> The article emphasized the idea that “*without full sovereignty cannot exist not only superpowers, but also states in general. There are only third-class countries in which the rules of the game are determined by big players and transnational corporations... No world economic order is acceptable to Russia unless Russia is*

<sup>24</sup> Владимир Путин провел заседание Совета Безопасности. 22 дек. 2005 г. URL: <http://kremlin.ru/events/president/transcripts/23356> (дата звернення: 24.03.20)

<sup>25</sup> В.Путин: С. Кириенко займется реорганизацией Росатома. 22 ноября 2005. URL: <https://www.rbc.ru/politics/22/11/2005/5703bb689a7947afa08c8e56> (дата звернення: 26.05.20)

Росії «Ядерна» енергетика Сергія Кириленко. Хватит ли ему сил изменить управление страной. URL:<https://www.forbes.ru/biznes/351671-yadernaya-energetika-sergeya-kirienko-hvatit-li-emu-sil-izmenit-upravlenie-stranoy> (дата звернення: 26.05.20))

<sup>26</sup> «Перший закон петрополітики», сформульований Т. Фрідманом у 2006 р. (Див.: The First Law of Petropolitics Thomas L. Friedman Foreign Policy. URL: <https://foreignpolicy.com/2009/10/16/the-first-law-of-petropolitics/> (дата звернення: 24.03.20)).

<sup>27</sup> Орлов Д. Быть ли России «энергетической сверхдержавой»? URL: <https://archive.is/20120803081509/www.izvestia.ru/comment/article3054583/> (дата звернення: 19.03.20)

*on the board of directors. This is a categorical imperative on strengthening of which must act all political institutions ("sovereign democracy"), market participants especially the largest corporations ("Russian Chebolism"), and, modernizing the words of Alexander III, "Russia's main allies" - the forces of rapid deployment and nuclear deterrence." It was also emphasized that "all export-oriented infrastructure should be under strict state control. But this is not enough. It is necessary to create routes of transportation of raw materials independent of neighbors." The author notes: "Establishing control over the infrastructure networks of the CIS neighbors would also contribute to the "energy superpower" approach. Talks about "Slavic brotherhood" and "historical community" should be strongly rejected, providing benefits and preferences only in exchange for serious assets, especially gas and oil. Russia has the unique status of a non-OPEC energy partner of the European Union. By balancing in this "oil triangle" and gradually building muscle, we can become a major center of strength, at least in terms of energy. The fact that the cartel has already asked Russia to represent its interests in the G8, gives hope for such a development."*

It is during this period that Russia has established a monopoly on the transportation of energy resources by pipelines (Gazprom for natural gas and Transneft for oil). Active efforts had been made by Russia to gain control over the energy infrastructures of neighboring countries. These include the above-mentioned pressure on Belarus and the purchase of its gas transmission system (2004-2007), pressure on Ukraine and attempts to force it to sell its gas transmission system (2003-2009), an attempt to buy an oil refinery in Mazeikiai (Lithuania), in 2006, purchase of Georgian energy systems (2003), etc.

In geopolitical terms, Putin's speech at the Munich security conference in 2007 became a turning point in Russian-West relations.<sup>28</sup> Putin expressed dissatisfaction with the inappropriate treatment of Russia by the West, reflecting Russia's new self-identity as an energy superpower on the world stage. Putin demonstrated its readiness to confront and use an expanded set of "power" tools to influence world processes. He accused other countries in behavior that Russia had practiced to countries that in his understanding "belonged to the legitimate sphere of influence" of the Russian Federation.

At the same time, Putin offered favorable conditions for Western countries and companies that possessed the technologies and knowledge necessary for Russia, in particular, within the framework of exchanging assets with Western companies. Russia has tried to ensure the "unique" separate agreements with Western companies to get access to technologies and expand the share of Russian energy on internal markets of western countries. At the same time, the Russian leadership was trying to avoid commitments required equal opportunities for all actors, not just Russia's chosen "partners."

It should be noted that many actions taken by Russia were in fact on the verge of sabotage activity. Russia has quite consciously and purposefully changed the

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<sup>28</sup> Выступление и дискуссия на Мюнхенской конференции по вопросам политики безопасности. URL: <http://kremlin.ru/events/president/transcripts/24034> (дата звернення: 24.03.20)

modes of operation of energy infrastructure in order to achieve political goals and concessions from other countries. Some research shows that up to 2005, more than 55 cases of Russia's use of energy weapons were registered, of which more than 30 were politically motivated. Only 11 incidents had no political motives.<sup>29</sup>

Up to 2009, Russia became confident in its ability fully to control all energy sources and routes of energy supply to the EU from the eastern direction as well as to influence the performance of the southern gas supply corridor.

The National Security Strategy of the Russian Federation until 2020, approved in May 2009,<sup>30</sup> notes significant results of Russia's development: “*The transition from confrontation to the principles of multi-vector diplomacy, as well as Russia's resource potential and its pragmatic policy had expanded the Russian Federation's capacity to strengthen its influence on the world arena.*” The strategy noted the importance of “*strategic deterrence in the interests of military security of the country*”, which is provided by the systematic implementation of a set of interrelated political, diplomatic, military, economic, informational and other measures to prevent or reduce the threat of destructive actions by the aggressor state (a coalition of states).

Russian Energy Strategy for the period up to 2030,<sup>31</sup> approved in 2009, actually repeats the main idea in energy policy terms. The goal of energy policy is, along with improving the efficiency of energy use within the domestic market, to use the potential of the Russian energy sector to “strengthen its foreign economic position.” The strategy states that “*Russia will step up its efforts to consolidate major regional gas production centers around its gas transportation infrastructure (Central Asia, Iran) and form a Eurasian integrated gas transportation system to ensure export and transit flows between Europe and Asia.*”

Russian desire to become a “legislator” in global energy markets was reflected in its 2009 initiative to establish a new international legal framework for world trade in energy resources.<sup>32</sup> The main difference between the document proposed by Russia (at the G8 summit at St.Petersburg) and the existing recognized international acts (Energy Charter<sup>33</sup>) reflected the Russian wish to enforce control instruments at transit countries (especially Ukraine) in order to “*ensure unimpeded*

<sup>29</sup> Hedenskog J., Larsson R. L. Russian Leverage on the CIS and the Baltic States. Defence Analysis. June, 2007. / FOI. URL: [https://www.researchgate.net/publication/228877758\\_Russian\\_Leverage\\_on\\_the\\_CIS\\_and\\_the\\_Baltic\\_States](https://www.researchgate.net/publication/228877758_Russian_Leverage_on_the_CIS_and_the_Baltic_States) (Див.: Выступление и дискуссия на Мюнхенской конференции по вопросам политики безопасности. URL: <http://kremlin.ru/events/president/transcripts/24034> (дата звернення: 07.04.20); Larsson R. L. Russia's Energy Policy: Dimensions and Russia's Reliability as an Energy Supplier. Defence Analysis. March, 2006. / FOI. URL: <https://www.foi.se/rest-api/report/FOI-R--1934--SE> (дата звернення: 07.04.20))

<sup>30</sup> Стратегия национальной безопасности Российской Федерации до 2020 года. URL: <http://kremlin.ru/supplement/424> (дата звернення: 09.04.20)

<sup>31</sup> Энергетическая стратегия России на период до 2030 года. URL: <http://www.scrf.gov.ru/security/economic/document122/> (дата звернення: 07.04.20)

<sup>32</sup> «Интегральной частью новой системы документов должно стать новое соглашение о гарантиях транзита энергетических материалов и продуктов, включающее в качестве неотъемлемой части договор, устанавливающий процедуру преодоления чрезвычайных ситуаций в данной сфере.» (Див.: Концептуальный подход к новой правовой базе международного сотрудничества в сфере энергетики (цели и принципы). 21 апреля 2009 года. URL: <http://kremlin.ru/supplement/258> (дата звернення: 07.04.20))

<sup>33</sup> Зокрема, Договір про Енергетичну Хартію (Див.: The Energy Charter Treaty. URL: <https://www.energycharter.org/process/energy-charter-treaty-1994/energy-charter-treaty/> (дата звернення: 20.05.20)).

*delivery of energy to international markets, particularly through transit systems”* and the extension of such requirements to different types of energy resources.

Russian efforts to form a “gas OPEC” deserves special attention. The establishment of the Gas Exporting Countries Forum (GECF) was an attempt by Russia to create a "foreign policy instrument of Russian influence" on the world gas market, gas production, and global marketing through the development of the new framework. GECF was organized primarily by Russia, Qatar, and Iran, and, as it turned out, cooperation in these countries was not limited to gas projects.

After Dmitry Medvedev became President of the Russian Federation, the administration of US President Boris Obama initiated a “Reset” of relations with Russia. An attempt of resetting the relations was negatively accepted by Russia's “strongmen”, “nationalists”, and “imperialists.”

Russian neighboring countries also expressed their doubts about the possibility of building up new friendly relations with Russia. Leaders of Central and Eastern Europe,<sup>34</sup> based on their own experience of cooperation with Russia in the economic and energy spheres, did not harbor illusions about changing Russia's behavior. In the summer of 2009, they wrote an open letter to the B. Obama administration regarding Russia's use of economic methods of coercion against them, noting that “*at the regional level and in relation to our countries, Russia is increasingly acting as a revisionist force using open and covert means, economic warfare, ranging from energy blockades and politically motivated investments to bribery and manipulation of the media to advance their interests.*”

In early 2010 was made public the draft of **the Program for the Effective Use of Foreign Policy Factors on a Systematic Basis for the Long-term Development of the Russian Federation.**<sup>35</sup> The program was presented to Russian President by Russian Foreign Minister S. Lavrov. The document clearly demonstrates the ambitions for the possible use of Russia's energy for foreign policy purposes (Annex 1). In particular, it was envisaged:

- *to actively influence the process of development and implementation of international law;*
- *to continue promoting Russia's proposals for the creation of a new legal framework for international energy cooperation;*
- *to use the potential of international organizations to ensure the most-favored conditions for Russia's energy industry, financial, industrial groups and enterprises abroad;*
- *to ensure the use of Russia's competitive advantages in the energy sector through the development of regional and bilateral cooperation in the CIS, transit initiatives, the creation of international coordination mechanisms;*

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<sup>34</sup> An Open Letter To The Obama Administration From Central And Eastern Europe. URL: [https://www.rferl.org/a/An\\_Open\\_Letter\\_To\\_The\\_Obama\\_Administration\\_From\\_Central\\_And\\_Eastern\\_Europe/1778449.html](https://www.rferl.org/a/An_Open_Letter_To_The_Obama_Administration_From_Central_And_Eastern_Europe/1778449.html) (дата звернення: 08.04.20)

<sup>35</sup> Лавров С. О Программе эффективного использования на системной основе внешнеполитических факторов в целях долгосрочного развития Российской Федерации. *Русский Newsweek.* 2010. 11 мая. URL: <http://perevodika.ru/articles/13590.html> (дата звернення: 12.05.20)

- to provide political and diplomatic support to Russian companies participating in cooperation projects abroad. In order to effectively promote and protect the interests of Russian business to develop criteria for evaluating foreign business projects of Russian companies in terms of state interests;
- to ensure the use of technological potential and overcoming restrictions by the United States on the transfer of modern technology to Russia.

In relation to individual countries, very specific tasks were formulated (at the level of project implementation) aimed to strengthen Russia's political and economic influence in these countries.

Huge revenues from trading the oil and gas, the price of which had been rising steadily since 1999 as well as the “dazzling success” of the hybrid strategy of influence on other countries have fueled the growth of Russia's aggressive behavior in the international arena.

The process of “resetting” relations between Russia and Western countries came to a halt due to the lack of expected changes in the resumption of liberalization of the energy sector and Russian invasion in Georgia.

In 2009-2010, during the revision of the Military Doctrine, Russia tried to officially secure the right to use nuclear weapons by its initiative. In particular, in an interview with the *Izvestia* newspaper, Russian Security Council Secretary M. Patrushev said<sup>36</sup> that the Doctrine would include “*the possibility to use nuclear weapons depending on the conditions and intentions of the potential adversary.*” According to M. Patrushev “*in critical to national security situations, the preventive nuclear strike on the aggressor, is not excluded.*”

Shortly after Putin's return to the presidency, the escalation of relations between Russia and the West continued. Russia has launched hybrid warfare and the use of energy weapons on a global scale, not limiting itself to only neighboring countries. Successes of hybrid methods of influence, the EU's dependence on Russian energy supplies, and the “privatization” of politicians and businessmen in various countries have created the illusion of a cowardliness of the Western and its inability to respond.

In the summer of 2013, Vladimir Putin visited Ukraine, where he declared the existence of a single nation that embrace Ukrainians, Russians, and Belarusians. In fact, that statement represents the beginning of a new stage of escalation of the confrontation between Russia and Ukraine. In 2014, the escalation lead to open war against Ukraine in full accordance with K. Clausewitz's formula “*a war is a continuation of politics by other means.*” On March 18, 2014, in a statement celebrating annexation of Crimea and Sevastopol, V. Putin articulated his new position regarding “divided Russian people” and Russian new place in the world.<sup>37</sup>

<sup>36</sup> Новая Военная доктрина РФ допускает нанесение превентивного ядерного удара. Доктрина США это исключает. URL: <https://www.newsru.com/russia/14oct2009/doktrina.html> (дата звернення: 12.05.20)

<sup>37</sup> Обращение Президента Российской Федерации. 18 марта 2014 г. URL: <http://kremlin.ru/events/president/news/20603> (дата звернення: 20.04.20)

<sup>38</sup> Прямая линия с Владимиром Путиным. 17 апреля 2014 г. URL: <http://kremlin.ru/events/president/news/20796> (дата звернення: 20.04.20)

Russian transition to a hybrid confrontation with the West, interference into election process in a number of countries, the widespread use of hybrid methods of influence, and special operations in Western countries have forced the West to respond.

The change of the conditions of the Russian geopolitical strategy implementation stipulated a revision of a number of strategic documents in the field of national security. Both National Security Strategy of the Russian Federation 2015<sup>39</sup> and the Strategy of Economic Security of the Russian Federation for the period up to 2030<sup>40</sup> recognized the emergence of new threats to national security (in the field of energy):

- *deterring measures against key sectors of the economy of the Russian Federation taken by West, restricting access to foreign financial resources and modern technologies;*
- *change of the structure of energy resources world demand and the structure of their consumption, the development of energy-saving technologies and "green technologies";*
- *exhaustion of the export oriented raw-material model of Russian economic development, a sharp decline in the role of traditional factors of economic growth stipulated by the scientific and technological changes;*
- *depletion of the resource base of fuel and raw materials industries of Russia as the developed fields;*
- *the limited scale of Russian non-commodity exports due to its low competitiveness, underdeveloped market infrastructure and weak involvement in global value chains.*

The National Security Strategy emphasized that it is conditionally for the energy security to provide “*non-discrimination of Russian energy suppliers on foreign markets and Russian mining companies in the development of hydrocarbon deposits outside the Russian Federation*” as well as to resist “*attempts of some countries to introduce politically motivated regulation of their markets, development of promising energy-saving technologies and their transfer internationally.*”

Russian long-lasting use of energy weapons and its disregard for international rules in its energy and foreign economic policies have led to a Western response. The sanctions regimes namely, introduced restrictions on access to foreign financial resources and modern technologies for Russia's fuel and energy sector has become one of the tools for this response.

Restrictions on the transfer of modern technology, access to investment and the implementation of new energy projects, in the long run, posed significant threats to the Kremlin, as it directly undermined the “resource and financial base” of its

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<sup>39</sup> О Стратегии национальной безопасности Российской Федерации : Указ Президента РФ № 683 от 31.12.2015 р. URL: <https://rg.ru/2015/12/31/nac-bezopasnost-site-dok.html> (дата звернення: 20.04.20)

<sup>40</sup> О Стратегии экономической безопасности Российской Федерации на период до 2030 года : Указ Президента Российской Федерации № 208 от 13.05.2017 г. URL: <http://kremlin.ru/acts/bank/41921> (дата звернення: 20.04.20)

geopolitical strategy. As stated in the Carnegie Moscow Center publication<sup>41</sup> “*technological sanctions operate with a cumulative effect, on the principle of compound interest: the more time passes, the stronger the potential technological lag, funding deficit and the negative effect of sanctions. <....> In the long run, they are able to threaten compliance with the volume of production and development of export pipeline infrastructure, gradually squeezing Russia out of foreign markets...*”

Prolonged threats related to the escalation of geopolitical confrontation, the introduction of sanctions, in the period 2017-2019 was exacerbated by increasing competition from other countries - energy producers on global and regional markets. This has forced Russia to make adjustments to Russia's strategy of behavior. [For more details of the dynamics of Russia's geopolitical confrontation with the West see Annex 4]

Approved in 2019 Doctrine of Energy Security of the Russian Federation in 2019<sup>42</sup> declares threats to Russia as a result of restrictive actions by Western states. The doctrine states that “*foreign economic and policy threats to energy security are partially realized through the taken by a number of foreign countries economic measures aimed at restricting access of Russian fuel and energy organizations to certain modern technologies and equipment, the possibility of attracting long-term financing, implementation of long-term financing projects with foreign partners, as well as through the termination of the joint operation of the energy systems of these states with the energy systems of Russia or changes in the technological and (or) economic conditions of such joint operation.*”

Therefore, the Doctrine defines tasks of energy security, in particular (generalized by the author for the purposes of this study):

- *counteracting discrimination at the world energy markets of the Russian organizations of the fuel and energy complex, which export products, technologies and services and participate in the implementation of international projects;*

- *improving the foreign policy instruments and mechanisms of interaction with the main international organizations and participants of world energy markets in order to ensure the sustainable functioning of these markets;*

- *implementing measures to substitute import in critical for the sustainable functioning of the fuel and energy sector fields, including localization of foreign equipment or the creation of its domestic counterparts, technology development (including information and telecommunications) and software;*

- *preventing of the critical development lag of the Russian Federation digital and intelligent technologies in energy industry, reducing the vulnerability of critical information infrastructure of the fuel and energy complex.*

In this situation, the Russian leadership does not rule out the use of traditional for the USSR “methods of obtaining the latest technology”, including government-sponsored economic espionage (trade secrets, intellectual property theft) and

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<sup>41</sup> Российский нефтегаз и санкции: что дальше? URL: <https://carnegie.ru/commentary/76720> (дата звернення: 20.04.20)

<sup>42</sup> Доктрина энергетической безопасности Российской Федерации. URL: <http://publication.pravo.gov.ru/Document/View/0001201905140010?index=0&rangeSize=1> (дата звернення: 20.05.20)

industrial espionage. The presence of such tools in Russia's arsenal was openly and sarcastically mentioned by V. Putin in a speech at the investment forum "Russia is calling"<sup>43</sup> (V.Putin, 2019, The Americans will spend on new technologies, and we then have by "scratching").

Obviously, such a method of avoiding economic restrictions have become one of the main measures to counter "a number of countries taking measures to limit Russian access to modern technologies and equipment." Another tool to circumvent sanctions that invented by Russia was the establishment of "special relations" with foreign companies and the manipulation of procedural aspects of international and national law application. A striking example of avoiding imposed sanctions highlights by the case of transfer SIEMENS gas turbine power plants in the annexed Crimea (Annex 3).

The assessment of the provisions of the Russian Doctrine of Energy Security and the practical actions of the Russian authorities in the period 2014-2020 demonstrate a clear adherence to the Kremlin's main idea: to use energy as a weapon in the geopolitical contest.

The problems of early 2020, namely, a drastic drop in oil prices caused by increased global competition on energy markets and the decline of global economic activity due to the corona-virus pandemic have not changed the Kremlin's priorities as well (Annex 4).

The Kremlin demonstrates its readiness to the continuation of the geopolitical confrontation by transferring additional burden on Russian people, beyond just worsening their standard of living.<sup>44</sup> The Kremlin remains attached the existing Putin's model of energy sector management (the use of energy companies for foreign policy purposes and in force majeure cases to compensate theirs losses from the state budget<sup>45</sup>) and is not going to liberalize the model of governing the country (on the contrary, new mechanisms to restrict the rights and freedoms of citizens have been enforcing<sup>46</sup>).

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<sup>43</sup> «Мы у них цап-царап». Путин и другие на форуме «Россия зовет». URL: <https://www.bbc.com/russian/av/media-50495929> (дата звернення: 20.05.20); Путин о сланцевой нефти: Американцы потратятся на новые технологии, а мы потом у них цап-царап. URL: <https://www.vesti.ru/doc.html?id=3211971> (дата звернення: 20.05.20)

<sup>44</sup> Почему Путин не хочет раздавать россиянам деньги. URL: <https://snob.ru/entry/192034/> (дата звернення: 28.05.20)

<sup>45</sup> Встреча с главой компании «Роснефть» Игорем Сечиным. URL: <http://kremlin.ru/events/president/news/63346> (дата звернення: 28.05.20)

На зустрічі головного виконавчого директора «Роснефті» І. Сечіна 12 травня 2020 року президент РФ В. Путін погодив надання компанії додаткових пільг.

«И. Сечин: ...Мы же просим те расходы на геологоразведку <...> перенести налоги вот с этого тяжёлого периода настоящего времени на период более высоких цен.

В. Путин: Понял. У Вас есть письменные какие-то предложения?

И. Сечин: Конечно.

В. Путин: Хорошо, договорились.» (Див.: Встреча с главой компании «Роснефть» Игорем Сечиным. URL: <http://kremlin.ru/events/president/news/63346> (дата звернення: 28.05.20))

«Роснефть» прокачивает право на скидку. В компании сочли тарифы «Транснефти» и ОАО РЖД не соответствующими текущему моменту. URL: <https://www.kommersant.ru/doc/4342667> (дата звернення: 28.05.20)

<sup>46</sup> Иномецев В. Выхода нет. URL: [https://echo.msk.ru/blog/v\\_inozemcev/2642469-echo/](https://echo.msk.ru/blog/v_inozemcev/2642469-echo/) (дата звернення: 28.05.20). Путин закрутит гайки, пока страна больна? URL: <https://www.svoboda.org/a/30611813.html> (дата звернення: 29.05.20).

### **3. The specificity of energy weapon usage to strengthen Russian geopolitical influence**

The theoretical models and concepts or goals officially stated by the strategic documents of Russia inevitably go through adjustment by the specificity of practical actions of the ruling party. The KGB methods, traditional for the professional activities of the Russian leadership, became the most widely used in achieving the strategic tasks. Efforts were focused on building influence in two main areas:<sup>47</sup>

- manipulation the targeted country through the main sectors of the economy or critical national companies and “economic destruction” of the country in case it disregards the interests of Russia (economic influence);
- supporting within the targeted country political division, autocrats, nationalists and populists and bringing to power pro-Russian leaders who will take into account Russian interests in their politics (political influence).

Both types of tools that the Kremlin have adaptively applied to different countries and, as history shows, are quite effective.

It should be noted that most of the instruments of the influence, paradoxically, were developed at the period of Russia weakening. During the “leaching” of the USSR resources (in 1985-1991) and Russia (since 1992) the tools of “economic penetration” into the economies of other countries were established: barter supply of resources, escape of investments by joint ventures, money laundering, criminal schemes, etc. In fact, during this period, the Russian power of “economic influence” was formed in the CIS and the West (bank capital and banks, companies, political groups, lobbyists sensitive to the wishes of Kremlin, etc.).

Companies registered in different countries and controlled by Russian entities (Russian management) performed tasks that may not be reflected in official international documents. Acting on two levels (formal and informal), such intermediaries lobbied Russia’s interest within local governments, using the available economic tools and resources (banks, investment companies, energy traders, real estate investments, purchased media).

Corrupting government officials, company managers, and politicians in various countries have become one of the main and effective tools of influence. These tools have widely been used in the field of gas and oil trade.

“Gazprom” for example, established a whole network of intermediary companies, which operated practically in every European country.<sup>48</sup> At the same time, the issue of economic benefits from the use of such methods of doing business for the state and citizens of Russia has never been discussed at the official level in

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<sup>47</sup>The Kremlin Playbook. Understanding Russian Influence in Central and Eastern Europe. A Report of the CSIS Europe Program and the CSD Economics Program. 2016. URL: <https://www.csis.org/analysis/kremlin-playbook> (дата звернення: 28.04.20); The Kremlin Playbook 2: The Enablers. A Report of the CSIS Europe Program and the CSD Economics Program. 2019. URL: <https://www.csis.org/analysis/kremlin-playbook-2-enablers-0> (дата звернення: 28.04.20)

<sup>48</sup>Kupchinsky R. Gazprom’s European Web. URL: <https://jamestown.org/report/gazproms-european-web/> (дата звернення: 28.04.20)

Russia.<sup>49</sup> Moreover, many actions of Gazprom's management reflect the implementation of the model "provide profit intermediaries (traders) and to those who build pipeline (builders)",<sup>50,51</sup> as the capital expenditures of different projects were 3-4 times higher similar western projects.<sup>52</sup> Sometime, in order to provide economic feasibility to politically justified projects, Gazprom could manipulate the exploration and production data economic prospects for projects.<sup>53</sup>

Generated revenues from energy trade have become a tool for shaping the impact on society and politics of different countries, through the purchase of businesses, banks, media.<sup>54</sup> Banking structures became the tool to finance non-transparent transactions, the implementation of money laundering schemes, or circumvention of sanctions imposed on Russia following its aggression against Ukraine in 2014.<sup>55</sup> Russian-supported (often created) business with involvement of local partners involved in energy trade, became lobbyists of the Kremlin's interests in their countries. Pro-Russian political groups and parties have also become tools to secure the interests of Russian ruling elite in the process of making important geopolitical decisions in the international arena.

Russia has established essentially close cooperation with the German establishment. The German Chancellor Gerhard Schröder actively participated in the economic integration of Germany and Russia. In terms of the energy sector cooperation, Schroeder's ideas contributed to the realization of Russia's geopolitical goals. Russia has established essentially close cooperation with the German establishment. The German Chancellor Gerhard Schröder actively participated in an economic integration of Germany and Russia. In terms of the energy sector cooperation, Schroeder's ideas contributed to the realization of Russia's geopolitical goals.

One of the dimensions of such cooperation was the "inclusion" of Ukraine in Russian-controlled economic and infrastructure projects. In particular, G. Schröder at a joint meeting with Russian President V. Putin and Ukrainian President L.

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<sup>49</sup> Путин и Газпром. 2008. Независимый экспертный доклад Бориса Немцова и Владимира Милова. URL: <https://www.putin-itogi.ru/putin-i-gazprom/> (дата звернення: 15.05.20)

<sup>50</sup> Отчет аналитиков Sberbank CIB. А.Фэк, А.Котельникова. Russian oil and gas – Tickling Giants. 2. Sberbank CIB Investment Research. May 2018. URL:[https://globalstocks.ru/wp-content/uploads/2018/05/Sberbank-CIB-OG\\_Tickling-Giants.pdf](https://globalstocks.ru/wp-content/uploads/2018/05/Sberbank-CIB-OG_Tickling-Giants.pdf) (дата звернення: 15.05.20); Автор отчетов с критикой «Роснефти» и «Газпрома» уволен из Sberbank CIB. 22 Мая 2018 года. URL: <https://www.rbc.ru/business/22/05/2018/5b044ff89a794788162183d4> (дата звернення: 15.05.20).

<sup>51</sup> М.Корчемкін. В России начинаются трубные времена. <http://www.vedomosti.ru/blogs/korchemkin/1707>

<sup>52</sup> Почему проекты Газпрома в 3-4 раза дороже европейских? URL: <http://www.unian.net/news/407716-pochemu-proektyi-gazproma-v-3-4-raza-doroje-evropeyskih.html> (дата звернення: 15.05.20).

<sup>53</sup> Мечты срываются. «Газпром» теряет 1,5 триллиона рублей и рискует сорвать поставки газа в Китай на миллиарды долларов. URL: [https://lenta.ru/articles/2020/05/28/the\\_power\\_of\\_lies/](https://lenta.ru/articles/2020/05/28/the_power_of_lies/) (дата звернення: 29.05.20).

<sup>54</sup> The Kremlin Playbook. Understanding Russian Influence in Central and Eastern Europe. A Report of the CSIS Europe Program and the CSD Economics Program. 2016. URL: <https://www.csis.org/analysis/kremlin-playbook> (дата звернення: 28.04.20); The Kremlin Playbook 2: The Enablers. A Report of the CSIS Europe Program and the CSD Economics Program. 2019. URL: <https://www.csis.org/analysis/kremlin-playbook-2-enablers-0> (дата звернення: 28.04.20)

<sup>55</sup>Russian bank subsidiaries in EU to escape sanctions-sources. URL: <https://www.reuters.com/article/ukraine-crisis-europe-banks/russian-bank-subsidiaries-in-eu-to-escape-sanctions-sources-idUSL6N0Q54B220140730> (дата звернення: 15.05.20); Austria Shields: Russian Banks from E.U. Sanctions. URL: <https://www.handelsblatt.com/today/companies/alpine-exemptions-austria-shields-russian-banks-from-e-u-sanctions/23612486.html?ticket=ST-32418604-k4udKGbzM1CDwHYtMx6Q-ap6> (дата звернення: 15.05.20)

Kuchma suggested to create a joint venture for natural gas supplies to Europe and management of Ukrainian gas transit system. When it became clear that Ukraine did not agree to the terms proposed by Russia, Schröder in 2004 proposed other ways of economic integration of Germany and Russia.<sup>56,57</sup>

The priorities of his government completely coincided with Russia's interests, in particular with regard to the elimination of Ukraine from the energy supply route. "We want to provide support to our companies, to put cooperation, which until now was based mainly on the supply of energy resources, on a broader foundation. This could be helped, for example, by the participation of German companies in natural gas production and the construction of a gas pipeline across the Baltic Sea."

*Note.* After his resignation, G. Schroeder in 2005 became the Chairman of the Supervisory Board and lately the Chairman of the Board of Shareholders of the Nord Stream-1 gas pipeline operator, in 2016 the Chairman of the Board of Nord Stream-2 operator, and in 2017 the Chairman of the Board of Directors of Rosneft. He actively lobbied the construction of Nord Stream 2 and in fact became a direct Kremlin lobbyist in the EU, actively opposing sanctions against Russia,<sup>58,59</sup> and even publicly spreading opinion in EU politics that Russia had "legally annexed" Crimea from Ukraine.<sup>60</sup>

Some other German political leaders and business circles continued to lobby Russian interests as well. This support was quite broad: from the deliberate promotion of Russia's geopolitical interests through global discussion platforms<sup>61</sup> to open lobbying in the EU institutions of Russian infrastructure energy projects (even ignoring the proclaimed principles of EU

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<sup>56</sup> Заявление Президента Российской Федерации В. В. Путина, Президента Украины Л. Д. Кучмы и Федерального канцлера ФРГ Г. Шрёдера. 10 июня 2002 г. URL: <http://kremlin.ru/supplement/3453> (дата звернення: 22.04.20).

<sup>57</sup> Президент России Владимир Путин, Президент Украины Леонид Кучма и Канцлер ФРГ Герхард Шрёдер подписали совместное заявление о сотрудничестве по использованию магистрального газопровода, проходящего по территории Украины, и обеспечении бесперебойного транзита российского газа в европейские страны. 10 июня 2002 года. URL: <http://kremlin.ru/events/president/news/27091>(дата звернення: 22.04.20).

<sup>58</sup> «Die unsinnigen Russland-Sanktionen müssen weg». *Der Tagesspiegel*. 2020. Mai 3. URL: <https://www.tagesspiegel.de/politik/altkanzler-schroeder-im-interview-die-unsinnigen-russland-sanktionen-muessen-weg/25795514.html> (дата звернення: 29.05.20).

<sup>59</sup> Gerhard Schröder kritisiert US-Sanktionen gegen Nord Stream 2. *Welt*. 2019. Dezember 31. URL: <https://www.welt.de/wirtschaft/article204681422/Ostsee-Pipeline-Gerhard-Schroeder-kritisiert-US-Sanktionen-gegen-Nord-Stream-2.html> (дата звернення: 29.05.20)

<sup>60</sup> Gerhard Schröder: a wasted opportunity in the Ukraine crisis. URL: <http://suffragio.org/2014/03/25/gerhard-schroeder-a-wasted-opportunity-in-the-ukraine-crisis/> (дата звернення: 29.05.20); Ukraine calls for sanctions against Gerhard Schröder. URL: <https://www.politico.eu/article/ukraine-calls-for-sanctions-against-gerhard-schroder/> (дата звернення: 29.05.20)).

<sup>61</sup> Ukraine's FM slams «12 Steps Toward Greater Security in Ukraine» plan. URL: <https://www.unian.info/politics/10878995-ukraine-s-fm-slams-12-steps-toward-greater-security-in-ukraine-plan.html> (дата звернення: 29.05.20); Flawed peace plan for Ukraine doesn't pass muster. URL: <https://www.atlanticcouncil.org/blogs/ukrainealert/flawed-peace-plan-for-ukraine-doesnt-pass-muster/> (дата звернення: 29.05.20); Twelve Steps Toward Greater Security in Ukraine and the Euro-Atlantic Region. URL: [https://securityconference.org/assets/02\\_Dokumente/03\\_Materialien/EASLG\\_Statement\\_Ukraine\\_FINAL.pdf](https://securityconference.org/assets/02_Dokumente/03_Materialien/EASLG_Statement_Ukraine_FINAL.pdf) (дата звернення: 29.05.20)

*solidarity)<sup>62</sup> or bypassing the sanctions imposed on Russia by the EU and the US.*

In terms of CIS countries, Russia was ready to provide favorable contracts to some representatives of business and political circles of the CIS countries, involving them in non-transparent agreements on energy trade as well. An example of such a policy is the history of the “revision” of gas contracts between Russia and Ukraine in 1992-2014.

Despite the successive change of controlled intermediaries (ITERA, ETG, RUE in 2003-2006), the Russian strategic goal remained unchangeable, namely to “strengthen Russia as a leading force in the formation of a new system of interstate political and economic relations in the post-Soviet space.”<sup>63</sup> In this strategy, the development of various forms of joint economic activity became an instrument of economic pressure, the application of which have been synchronized with other means of influence to achieve a multi-effect (Annexes 2, 4).

With regard to Ukraine, Russia's practical actions were directly implemented to achieve the next results:

-preservation and strengthening of technological dependence: (1) preservation of the dependence on Russian energy technologies, the supply of Russian components, use of Russian control systems; (2) while destroying the production chains connecting Russia and Ukraine, implementing projects to "replace" Ukrainian equipment (purchase and transfer of necessary technological production to Russia), implementing new energy projects (gas pipelines, oil pipelines, power supply networks) bypassing Ukraine;

- obtaining operational control: (1) control over the activities of Ukrainian companies through the acquisition of Ukrainian energy companies, the seizure of management of state-owned companies, the creation of debt obligations to Russian capital, the formation of joint ventures to manage Ukrainian energy monopolies; (2) control of the energy market of Ukraine by maintaining and increasing the supply of Russian energy resources (from Russia) or companies to an internal market of Ukraine, blocking the diversification of supplies of resources/equipment; providing control systems and software support of Ukrainian market (control over information flows);

- blocking the policy of energy reform in Ukraine in a way to maintain non-transparency of decision-making in the energy sector, blocking attempts to reform the subsidy system, stimulating political instability, “withdrawal” of qualified personnel in the energy sector in Russian companies.

The result of the implementation of the strategy became a system of dependencies that allowed controlling the energy policy of Ukraine. At the end of 2013, Ukraine was dependent on the decisions taken in Moscow, in particular on:

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<sup>62</sup> Germany's Merkel Defends Russian Gas Pipeline Plan. <http://www.wsj.com/articles/germanys-merkel-defends-russian-gas-pipeline-plan-1450447499> (дата звернення: 09.04.20); Судьба «Северного потока-2». Закон в ФРГ приняли, его последствия непонятны. URL: <https://p.dw.com/p/3T459> (дата звернення: 12.05.20)

<sup>63</sup> Об утверждении Стратегического курса Российской Федерации с государствами - участниками Содружества Независимых Государств : Указ Президента Российской Федерации № 940 от 14.09.1995 г. URL: <http://kremlin.ru/acts/bank/8307> (дата звернення: 04.03.20)

- supply of fresh nuclear fuel from Russia to nuclear power plants of Ukraine and export of spent (95-100% of nuclear fuel was imported from Russia);
- supply of significant volumes of natural gas (on average, 75% of Ukraine's needs were supplied from Russia);
- supply of oil (85% of crude oil) and oil products (up to 70% - from Russian and Belorussian enterprises);
- loading of the oil refining industry of Ukraine (volumes of Ukrainian oil are enough to load national refineries only by 8-10%);
- loading of transit routes for transportation of natural gas, oil (monopoly of state-owned enterprises of Russia on transportation of natural gas and oil by pipelines, which by the decision of the Russian government stopped / allowed the supply of energy to the pipelines of Ukraine);
- stability of the power and gas transmission system (maintaining the frequency in the power system of Ukraine and the required pressure in the gas transmission system is achieved through the synchronous operation of the systems of Ukraine and Russia).

Only the escalation of Russia's political and economic pressure on Ukraine into a hybrid war forced Ukraine to begin reforming the energy sector. During 2014–2017, Ukraine laid the legal foundations for the creation of energy markets under European law.

### **3. Integration of energy into Russian military policy**

Implementing the strategy to restore its geopolitical influence, Russia did not rule out the possibility to influence the operations of energy infrastructure. A clear manifestation of such policy are the cases that threatened the energy supply routes:

- threats to stop the supply of energy resources and increase pressure on Belarus in 2004, 2007, 2011 (forcing to sell the gas transmission system to Russia);
- “gas wars” between Ukraine and Russia in 2006 and 2009 and attempts to force Ukraine to sell its gas transit system in 2003 and 2011;
- a shutdown of the oil pipeline that supplied oil to the refinery in Mazeikiai (Lithuania) in 2006.<sup>64</sup> The announced “technical need” to repair the pipeline occurred at the very moment Lithuania decided to sell the plant to a Polish rather than a Russian company. The operation of the pipeline was never resumed;
- damage to electricity and gas networks in the winter period of 2006 by explosions, that resulted in a stoppage of supply of natural gas and electricity to Georgia.<sup>65</sup> The cut-off of energy supplies turned out to be just another step in pressure on Georgia, which further resulted in open aggression against in 2008;
- rejection to buy the natural gas from Turkmenistan in 1998 and 2009. The gas supply contract with Turkmenistan, which was unfavorable for Russia after the

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<sup>64</sup> Baltic lessons for EU in dealing with a resurgent Russia. Financial Times, (24 November 2006). URL: <http://www.ft.com/cms/s/0/05ff71f8-7b60-11db-bf9b-0000779e2340.html#axzz4KzXdkUYa> (дата звернення: 04.03.20)

<sup>65</sup> Georgia: Tbilisi Accuses Moscow Of Energy Sabotage. URL: <http://www.rferl.org/content/article/1064976.html> (дата звернення: 04.03.20)

drop of prices on the European gas market in 2008, was terminated not through negotiation and legal settlement process but through the provoked explosion of the Central Asia-Center gas pipeline in April 2009.<sup>66</sup>

Damage to energy infrastructure or disruption of energy systems has been used to exert political, economic, or other pressure on targeted countries. Soon such a dimension of warfare has been Russia implemented in the programs of reform and modernization of the Russian Armed Forces.

In February 2013, the Chief of the General Staff of Russian Armed Forces V. Gerasimov stated: <sup>67</sup> “*the emphasis of the methods used in the confrontations is shifting towards the widespread use of political, economic, informational, humanitarian and other non-military measures implemented with the use of protest potential. All this is supplemented by covert military measures, in particular the implementation of information countermeasures and the actions of special operations forces.*”

International community refusing to resist Russian attempts to use energy as a geopolitical weapon just allowed Russia to implement an energy dimension into a new concept of warfare. Russian aggression against Ukraine in 2014 clearly demonstrates that damaging energy infrastructure has become a powerful tool in Russia's strategy.<sup>68</sup>

Russia has actively used various methods of disrupting the sustainability of the energy infrastructure of Ukraine:<sup>69</sup> from indirect impact (economic, informational methods) to direct physical influence. Most often there were applied next methods of physical impact: physical capture of energy infrastructure and facilities while maintaining their functionality; cessation of operation of facilities; damage or blocking of energy supply routes; destruction of the object; obstruction of restoration activities; cyber-attacks on the country's power system. These actions had a complex impact on Ukraine's defense capabilities and the ability to withstand the pressure of the aggressor.<sup>70</sup>

In a hybrid war against Ukraine Russia has invented and trained a number of new methods to influence energy infrastructure. Rusia established the hidden integration of the actions of non-state structures with the actions of official state institutions.

Russia has begun to involve informal entities, including private military companies (PMCs),<sup>71</sup> to implement its goals connected with energy resources and

<sup>66</sup> Во взрыве туркменского газопровода обвиняют российскую сторону. URL: <https://www.gazeta.ru/business/2009/04/10/2972459.shtml> (дата звернення: 04.03.20)

<sup>67</sup> Герасимов В. Ценность науки в предвидении. Новые вызовы требуют переосмыслить формы и способы ведения боевых действий. URL: <https://www.vpk-news.ru/articles/14632> (дата звернення: 09.04.20)

<sup>68</sup> Суходоля О. М. Захист критичної інфраструктури в умовах гібридної війни: проблеми та пріоритети державної політики України. *Стратегічні пріоритети*. 2016. № 3. С. 62–76.

<sup>69</sup> Sukhodolia O. The energy dimension of war. The Ukrainian experience: An overview of the Ukrainian events in 2014–2016. *Energy Security: Operational Highlights*. 2017. № 11. Р. 25–34.

<sup>70</sup> Суходоля О. М. «Енергетична зброя» в умовах гібридної війни. *Світова гібридна війна: український фронт* / за заг. ред. В. П. Горбуліна. К.: НІСД, 2017. С. 291–300.

<sup>71</sup> War, Business and Ideology: How Russian Private Military Contractors Pursue Moscow's Interests. URL: <https://jamestown.org/program/war-business-and-ideology-how-russian-private-military-contractors-pursue-moscow-s-interests/> (дата звернення: 21.05.20)

energy infrastructure. In particular, the gained experience in Ukraine has allowed the Russian PMC "Wagner"<sup>72</sup> to participate in operations in various regions of the world:

**Central African Republic:** Russia has gained access to the country's mineral deposits for providing Wagner's services to the CAR leadership;<sup>73</sup>

**Sudan:** for the provision of military assistance,<sup>74</sup> Wagner was expecting to obtain the rights to implement joint projects in energy, industry and other areas;<sup>75</sup>

**Syria:** In 2018, Wagner took part in an attempt to seize a gas-bearing area and a gas processing plant near the city of Hisham;<sup>76</sup>

**Libya:** Wagner assisted one of the conflicting parties to the conflict with promises to "give Russia oil, railways, and highways";<sup>77</sup>

**Mozambique:** Wagner helped Russia's plans to gain access to oil fields for Rosneft;<sup>78</sup>

**Venezuela:** Wagner helped protect Rosneft's assets.<sup>79</sup>

Other examples of the use of informal structures that require detailed analysis and thorough understanding, as they create new challenges to global security, are, in particular, the following.

1. Explosion on August 5, 2008, at one of the pumping stations of the Baku-Tbilisi-Ceyhan pipeline on Turkish territory.<sup>80</sup> Because of the explosion, the pipeline was shut down for almost two months. Initially, the Kurdish Workers' Party (recognized as a terrorist organization by Turkey) claimed responsibility. In December 2014, new data were released indicating that explosion was caused by the cyber-attack on the pumping station control system.<sup>81</sup> Russian special services are considered the probable organizers of the attack. The sabotage, which took place

<sup>72</sup> Спецы и специи. URL: <https://novayagazeta.ru/articles/2019/02/04/79417-spetsy-i-spetsii> (дата звернення: 21.05.20)

<sup>73</sup> US General Warns of Russian, Chinese Inroads in Africa. URL: <https://www.voanews.com/africa/us-general-warns-russian-chinese-inroads-africa> (дата звернення: 21.05.20)

<sup>74</sup> Шеф и повар. URL: [https://www.proekt.media/investigation/prigozhinafrika/?utm\\_source=tlgrm&utm\\_medium=chnl&utm\\_campaign=mdgskr](https://www.proekt.media/investigation/prigozhinafrika/?utm_source=tlgrm&utm_medium=chnl&utm_campaign=mdgskr) (дата звернення: 21.05.20)

<sup>75</sup> Встреча Дмитрия Медведева с Президентом Судана Омаром Баширом. URL: <http://m.government.ru/news/30259/> (дата звернення: 21.05.20)

<sup>76</sup> Russia Deploys a Potent Weapon in Syria: The Profit Motive. URL: <https://www.nytimes.com/2017/07/05/world/middleeast/russia-syria-oil-isis.html> (дата звернення: 21.05.20)

<sup>77</sup> Russia's Wagner group offers to help Khalifa Haftar in the Fezzan. URL: <https://www.africaintelligence.com/mce/business-circles/2019/01/31/russia-s-wagner-group-offers-to-help-khalifa-haftar-in-the-fezzan,108342715-eve> (дата звернення: 21.05.20)

<sup>78</sup> Неудачный поход амбициозных мужчин: «ЧВК Вагнера» теряет головы в Мозамбике. URL: <https://mbk-news.appspot.com/sences/neudachnyj-poход-ambicio/> (дата звернення: 21.05.20)

<sup>79</sup> Reuters: после начала протестов в Венесуэлу прибыли наемники «ЧВК Вагнера». URL: <https://novayagazeta.ru/news/2019/01/25/148682-reuters-posle-nachala-protestov-v-venesuelu-pribyli-naemniki-chvk-vagnera> (дата звернення: 21.05.20)

<sup>80</sup> Blast halts Azeri oil pipeline through Turkey. URL: <https://www.reuters.com/article/us-turkey-pipeline-explosion/blast-halts-azeri-oil-pipeline-through-turkey-idUSSP31722720080806> (дата звернення: 21.05.20).

<sup>81</sup> U.S. Intelligence: Russia Sabotaged BTC Pipeline Ahead Of 2008 Georgia War. URL: <https://eurasianet.org/us-intelligence-russia-sabotaged-btc-pipeline-ahead-of-2008-georgia-war> (дата звернення: 21.05.20); Mysterious'08 Turkey Pipeline Blast Opened New Cyberwar. URL: <https://www.bloomberg.com/news/articles/2014-12-10/mysterious-08-turkey-pipeline-blast-opened-new-cyberwar> (дата звернення: 21.05.20); Media report of the Baku-Tbilisi-Ceyhan (BTC) pipeline Cyber Attack. <https://ics.sans.org/media/Media-report-of-the-BTC-pipeline-Cyber-Attack.pdf> (дата звернення: 21.05.20)

three days before the start of the war between Russia and Georgia (August 8, 2008), demonstrated how the routes of oil supplies from the Caspian Sea (the Baku-Tbilisi-Ceyhan and Baku-Supsa pipelines) could be stopped;<sup>82</sup>

2. Rocket attack on the oil-refining complex of Saudi Arabia ("Abqaiq") in 2019,<sup>83</sup> which, as was noted, was carried out by Yemen's Houthi rebels. A number of Ukrainian experts are convinced that without Russian satellite information the attack could not have taken place.<sup>84</sup> A possible confirmation of Russia's involvement in the attack may be the strange transactions on the Moscow Oil Exchange, which helped an unknown "mysterious investor" to make a significant profit on oil price fluctuation caused by the attack.<sup>85</sup> The event may indicate (at least!) that some "Russians" were aware of the upcoming attack. Later, the "mysterious investor" again made some money on oil price fluctuations immediately after D.Trump negotiated with V. Putin the future Russian agreement with OPEC to reduce oil production.<sup>86</sup>

The "energy issue" was implemented in Russia's official military policy as well. Moreover, certain aspects have been elaborated in detail. An example is the introduction of the concept and problems of "protection of critical infrastructure" in strategic military-political documents. V. Gerasimov in his speech "Vectors of development of military strategy" on March 4, 2019,<sup>87</sup> outlined some priorities for the development of military theory. In particular, he noted that:

*- the creating a comprehensive system of protection of critical infrastructure of the state from influence ..., when the enemy seeks to destabilize the situation, ..., is especially relevant.*

*- this issue is new in the theory and practice of military strategy and is subject to comprehensive scientific study. The result of the work should be theoretical provisions, and in practice - a system of joint use of various forces and means to ensure comprehensive security.*

These issues have been actually fixed as the tasks of the Russian army and navy at the Black, Azov, and Baltic Seas, which is reflected in the strategic documents of 2015-2017.

Russian Maritime Doctrine until 2030 defines the role of offshore pipelines, which are of strategic importance in ensuring the foreign economic activity of the Russian Federation, in particular in the export of energy resources. Infrastructure

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<sup>82</sup>Грузинский вентиль. URL: <https://www.interfax.ru/business/26635> (дата звернення: 21.05.20)

<sup>83</sup>Нападение на Saudi Aramco: атака на саудовские заводы вызвала рекордный скачок цен на нефть, а США и Иран стали ближе к войне. URL: <https://tsn.ua/ru/svit/napadenie-na-saudi-aramco-ataka-na-saudovskie-zavody-vyzvala-rekordnyy-skachok-sen-na-neft-a-ssha-i-iran-stali-blizhe-k-voynie-1412403.html> (дата звернення: 21.05.20); Нападения на НПЗ в Саудовской Аравии: «удар по мировой энергетике». URL: <https://ru.euronews.com/2019/09/15/saudi-arabia-attack-oil-supply-cut> (дата звернення: 21.05.20).

<sup>84</sup> Гончар М., Іщук О., Стукаленко І. Чорний лебідь над нафтовим озером. URL: [https://dt.ua/foreign\\_economics/chorniy-lebid-nad-naftovim-ozerom-341059\\_.html](https://dt.ua/foreign_economics/chorniy-lebid-nad-naftovim-ozerom-341059_.html) (дата звернення: 21.05.20).

<sup>85</sup> Таинственный инвестор сделал рекордную ставку на удорожание нефти. URL: [https://quote.rbc.ru/news/forecast\\_idea/5d1f2e6f9a7947d6cf82ede6](https://quote.rbc.ru/news/forecast_idea/5d1f2e6f9a7947d6cf82ede6) (дата звернення: 21.05.20).

<sup>86</sup> Таинственный трейдер сделал гигантскую ставку на нефть на МосБирже. URL: <https://www.finanz.ru/novosti/birzhevyye-tovary/tainstvenny-treyder-sdelal-gigantskuyu-stavku-na-neft-na-mosbirzhe-1029077739> (дата звернення: 21.05.20)

<sup>87</sup> Векторы развития военной стратегии. URL: <http://redstar.ru/vektory-razvitiya-voennoj-strategii/> (дата звернення: 21.04.20)

security in accordance with the document should be ensured by coordinating the activities of public authorities and private companies; equipping facilities with the monitoring systems (underwater, surface, air), automated security systems and countermeasures against terrorist and sabotage acts; detection, prevention, and cessation of sabotage and terrorist acts, other illegal actions.

In July 2017, V. Putin approved amendments to the Russian naval policy regarding goals,<sup>88</sup> objectives, and mechanisms of the naval policy implementation, as well as the role of the Navy as well as forces and means of the Federal Security Service. The main objectives of policy in the field of naval activities are defined as follows:

*- providing control over the functioning of maritime transport communications in the oceans;*

*- providing access of the Russian Federation to the expanses of the World Ocean, its water, fuel and energy, biological resources, prevention of discriminatory actions by individual states or military-political blocs against the Russian Federation;*

*- involvement of forces (troops) of the Navy, forces, and means of the Federal Security Service to ensure the security of economic activity of the Russian Federation in the World Ocean.*

It was emphasized that “*the Navy faces a qualitatively new task - the destruction of the military and economic potential of the enemy in a way to destroy its critical facilities (objects) from the sea.*”

Analysis of the behavior of the Russian Navy in the Black, Baltic, and North Seas shows the actual implementation of the tasks set in the strategic documents. Russia has tried to control the route of submarine pipelines in the Black (Blue Stream<sup>89</sup>) and Baltic (Nord Stream<sup>90</sup>) Seas to prevent other countries from implementing energy projects that would reduce dependence on Russia (for example, laying a submarine power transmission line from Lithuania to Sweden<sup>91</sup>)), and tried to use man-made structures for reconnaissance purposes (the probable use of the Nord Stream gas pipeline service platform for these purposes led to Sweden's refusal to allow its construction<sup>92</sup>).

The behavior of the Russian navy in the Black Sea, in particular with regard to energy infrastructure, demonstrate the implementation of Russian policy against Ukraine. It concerns the seizure of Ukrainian drilling rigs, service platforms and

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<sup>88</sup> Об утверждении Основ государственной политики Российской Федерации в области военно-морской деятельности на период до 2030 года : Указ Президента Российской Федерации № 327 от 20.07.2017 г. URL: <http://kremlin.ru/acts/bank/42117> (дата звернення: 21.04.20)

<sup>89</sup> Флот на страже «Голубого потока». URL: [http://www.ng.ru/world/1999-12-10/6\\_flot.html](http://www.ng.ru/world/1999-12-10/6_flot.html) (дата звернення: 21.04.20)

<sup>90</sup> Larsson R. Nord Stream, Sweden and Baltic Sea Security. [https://inis.iaea.org/collection/NCLCollectionStore/\\_Public/39/015/39015071.pdf](https://inis.iaea.org/collection/NCLCollectionStore/_Public/39/015/39015071.pdf) (дата звернення: 21.04.20)

<sup>91</sup> Russia accused of disrupting new energy link between Sweden and Lithuania. URL: <https://www.euractiv.com/section/global-europe/news/russia-accused-of-disrupting-new-energy-link-between-sweden-and-lithuania/> (дата звернення: 21.04.20)

<sup>92</sup> Spionagekanal in der Ostsee? URL: <https://www.stern.de/politik/deutschland/schroeders-pipeline-spionagekanal-in-der-ostsee--3091598.htmlS> (дата звернення: 22.05.20); Sweden Afraid of Russian Spooks. URL: <https://www.spiegel.de/international/baltic-sea-pipeline-sweden-afraid-of-russian-spooks-a-448652.html> (дата звернення: 22.05.20)

pipelines on the Black Sea shelf (Odesa field) within first few days of Crimea occupation, the introduction of protection zones and patrolling by ships of the Russian Federation Black Sea Fleet the captured energy infrastructure and equipment, the use of man-made structures with reconnaissance purpose.<sup>93</sup> It is also worth noting the periodic closure of the sea in the neighborhood of submarine pipelines<sup>94</sup> or other energy infrastructure, under the pretext of Navy training.<sup>95</sup>

## Conclusions

The study demonstrates that Russia widely uses its fuel and energy complex political purposes. The purpose of such action is not just about expanding market share of Russian energy resources (which can be done within the framework of commonly agreed rules of the game in world energy markets) Russia used the potential of the energy industry as an energy weapon in the geopolitical confrontation and a tool to expand its influence worldwide.

The usage of energy in the geopolitical contest by Russian leadership has always been a working tool of geopolitical confrontation. An example of the implementation of energy issues in big geopolitics is the “contract of the century” concluded on February 1, 1970. During the contract, the Orenburg-Western Border and Urengoy-Pomary-Uzhhorod gas pipelines had been built to supply natural gas from the USSR to West Germany. In fact, this contract laid down an exchange model “technology and money in exchange for energy resources”, which became the basis for the Kremlin's further strategy in relation to the West.

With the collapse of the USSR, the idea of using energy to achieve the Kremlin's goals in foreign relations did not disappear but was transformed. By introducing social-economic reforms, creating the institution of private property, copying the Western economic model, the Kremlin get new tools to “penetrate and infect” West.

The Kremlin's strategy has begun to transform, moving from the basic formula of “energy in exchange for admission to the country's market” to the formula of “energy in exchange for control of the country.” Putin's strategy introduced a number of innovations to the model:

- to avoid restrictions of intergovernmental agreements on gas supply to “states” (contracts on energy supply to state-defined companies) and to get access to direct supply to “consumers” (formation of a contractual base between Russian producers and final consumers on internal markets of countries) in order to obtain an indirect control over markets;

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<sup>93</sup>Бургомістренко А., Гайдук С., Гончар М., Лакійчук П. Морська газова інфраструктура у російській протидії НАТО на східному фланзі: потенціал гібридного використання у Чорному та Балтійському морях. *Чорноморська безпека*. 2018. 2(32). С. 4-22.

<sup>94</sup>Гончар М. Росія в Чорному морі: технологія витискування НАТО. *Чорноморська безпека*. 2019. 3(35). С. 15-25.

<sup>95</sup>Sea Breeze 2019: Росія перекрила один з районів навчань. URL: <https://mil.in.ua/uk/sea-breeze-2019-rosiya-perekryla-odyn-z-rajoniv-navchan/> (дата звернення: 22.05.20); Корабель зайшов у закриту зону навчань: у ЗСУ повідомили про чергову провокацію РФ у Чорному морі. URL: <https://www.unian.ua/war/10612647-korabel-zayshov-u-zakritu-zonu-navchan-u-zsu-povidomili-pro-chergovu-provokaciyu-rf-u-chornomu-mori.html> (дата звернення: 22.05.20).

- to use energy not so much to expand the market for Russian energy resources, but to control decision-making in these countries and bring to power dependent pro-Russian politicians;

- to neglect any restrictions in using the energy weapons to achieve goals (corruption, bribery and blackmail of officials, politicians; use of illegal schemes and transactions; use of "active measures"; procedural manipulation of legislation and decision-making procedures; sabotage and disruption of energy infrastructure, etc.).

The use of energy weapons "in peacetime" can be outlined as follows:

– Establishing of an organizational structure for energy trade in different countries (joint intermediary companies to trade Russian energy resources) and building up dependence of these countries and businesses on "good relations" with Russian suppliers (preferably - the formation of debts to Russia);

– Requisition by Russian capital of important business entities or joint ventures (critical energy infrastructure, banking, and media);

– Formation of a pro-Russian lobby and bringing pro-Russian politicians to power in the target countries (formation of lobbying support for Russian interests);

– Manipulation of targeted countries through influence on the economy (threat of "economic destruction" of the country in case Russian interests are not taken into account) and politics (manipulation of pro-Russian politicians).

The analysis reveals a high degree of openness of the Russian policy regarding the goals and methods of using energy to achieve geopolitical goals. The goals set by the strategic documents have been consistently implemented into practical actions of various entities and institutions. Executive discipline and efficiency of policy realization are also high.

The Kremlin has made no secret of its intentions to integrate energy into the Russian strategy of restoring geopolitical influence. Despite facts, many members of the Western political elite turned a blind eye to Russia's use of energy as a political tool. Moreover, some experts argue that explaining Russia's behavior in European energy markets only through the prism of pragmatic economic relations became one of the methods of legalizing pro-Russian interests in the public, economic and political space of the EU.

Some political leaders and managers of EU energy companies have played a significant role in promoting Russia's interests. Russia's use of energy for political purposes, violating the interests of Central and Eastern Europe in the implementation of Russia's energy projects had not caused a clear position of the EU for a long time. More of that, some EU officials justified the possibility of deviating from the provisions of EU law, referring to the rights of commercial companies to implement any projects and the special interests of individual EU member states in relation to Russia.

As a result, Russia implemented the energy dimension in a new concept of warfare. Russia has not only coordinated its energy policy with the military (coordinates economic, energy, military, diplomatic), but also used informal structures, communications, and operations (including private military companies) to pursue geopolitical goals. The used tools are not limited to measures to "capture"

energy markets but intended to influence the functioning of critical energy infrastructure in different countries.

The growing aggressiveness of Russian behavior worldwide has prompted the West to oppose Russian hybrid methods of influence. The solidarity position of Western countries, the introduction of effective measures to respond to Russia's hybrid aggression (countering misinformation, imposing sanctions, etc.) are beginning to yield some results (Appendix 4). At the same time, the West's long-term strategy for Russia and its current leadership has not yet introduced. The escalation of the situation will continue until the world community sets a high price for the Kremlin.

Issues of relations with Russia in the energy sector need to be seriously analyzed. The position of the EU and other countries that link their future with the EU must be based on common values and solidarity. The success of the deterring hybrid influence depends upon the commitments of western countries to the principles of solidarity.

**Some tasks for strengthening Russian political and economic influence  
(Excerpts from the draft of the Program of Effective Use on a System Basis of  
Foreign Policy Factors for the long-term development of the Russian  
Federation<sup>96</sup>)**

**Europe**

It is important to ensure Russian operators' access to the European financial, industrial and energy markets, by means of usage of the post-crisis opportunities (*red - financial crisis of 2008*) and the entry into force of the Lisbon Treaty that create the legal basis for a single pan-European line of conduct. There is need to facilitate the acquisition (primarily by large Russian companies with state participation) of banking, financial and industrial assets and to develop of profitable cooperation schemes and transfer of innovative and high-tech productions to the territory of Russia. It is necessary to develop cooperation in the process of establishment of pan-European networks of economic and technological cooperation, in particular through creation of joint enterprises and development of outsourcing. The focus have to be made on the opportunities for interpenetration of economies with Germany.

It is important to expand Russian economic presence in the Baltic States, given the sharp decline in their investment attractiveness to EU countries and a significant reduction in national assets. There is need to study the issues of acquisition of real sector enterprises in the region, first of all in the spheres of energy, information technologies, logistics and transport.

**Germany**

It is necessary to provide comprehensive support of strengthening the Russian-German cooperation in the gas sector. There is need to continue political support for the construction of the Nord Stream gas pipeline, to make efforts to attract financial support for the project from the European Union and to promote the expansion of Gazprom's cooperation with German partners (primarily Wintershall and its parent company BASF) in the construction of gas pipelines in Germany and the joint supply of Russian gas to end users.

It is important to expand bilateral cooperation in nuclear energy, in particular within the framework of the implementation of the memorandum of understanding approved by Rosatom and SIEMENS AG, which aims to develop advanced nuclear power plants based on Russian WWER technologies and SIEMENS technologies, as well as promotion of joint projects for the markets of third countries.

**Romania**

There is need to promote the consolidation of business in strategic sectors of

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<sup>96</sup>Лавров С. О Программе эффективного использования на системной основе внешнеполитических факторов в целях долгосрочного развития Российской Федерации. *Русский Newsweek*. 2010. 11 мая. URL: <http://perevodika.ru/articles/13590.html> (дата звернення: 12.05.20)

the Romanian economy by Russian business, especially in energy, ferrous and nonferrous metallurgy, in particular by the way of participation in the privatization of state-owned enterprises in Romania.

It is important to increase cooperation in the Romanian gas sector together while ensuring the transit of Russian gas through Romania, construction and use of underground gas storage facilities on Romanian territory.

It is necessary to facilitate the implementation of joint projects in the field of energy, including: the participation of Russian companies in the reconstruction and modernization of Romanian energy generating facilities operating on Russian (Soviet) equipment; the construction of a new generation of gas turbine CHPs in Romania with their further joint use; the involvement of Russian companies in the construction of the second nuclear power plant in Romania; the establishment of transit electricity supplies through Romania to third countries.

### **Turkey**

It is important to facilitate Russian-Turkish cooperation on the construction of Turkey's first nuclear power plant on the Akkuyu site (Mersin province).

### **Bulgaria**

There is need to assist Russian companies in entering the Bulgarian market for Russian nuclear technologies.

### **Greece, Cyprus**

It is necessary to consider Russian participation in the development of oil and gas fields on the continental shelf in the exclusive economic zone of Cyprus, as well as in the implementation of the project for the construction of the Cyprus Energy Center "Vasilikos".

### **CIS**

It is important to ensure political and diplomatic implementation of the Concept of further development of the CIS and the Strategy of economic development of the CIS with special emphasis on the following areas: creation of a multilateral free trade zone in the CIS; creation and development of sectoral common markets of the CIS; deepening cooperation in the field of energy; development of cooperation in the field of transport with the formation of international transport corridors with Russian participation, creation of favorable conditions for transit.

### **Ukraine**

It is necessary to actively involve Ukraine in the economic cooperation with Russia given its strong industrial and scientific potential and traditionally close cooperation between Russian and Ukrainian enterprises, while securing Russian enterprises in strategic industries, especially in advanced industries (aircraft, transport, rocket and space, energy and other spheres) from becoming technologically dependent on Ukrainian counterparts.

There is need to seek the integration of the Russian JSC "United Aircraft Corporation" and aircraft companies of Ukraine for the production of An-148, An-140, Tu-334, An-124-100, the creation and production of aircraft engines for aircraft and helicopters.

It is important to consider Russian participation in a management of the Ukrainian gas transportation system as a strategic task. To this end, it is necessary to emphasize for Ukrainian side to implement the agreements on the establishment of the International Consortium for the Management and Development of the Gas Transmission System of Ukraine.

There is need to support the efforts of Russian oil companies seeking to use the Odessa-Brody oil pipeline in the reverse direction, that will limit Ukraine's access to Caspian oil.

It is necessary to expand cooperation with Ukraine in the field of nuclear energy. In this case, there is need to seek a long-term contract for the supply of nuclear fuel produced in Russia to Ukrainian nuclear power plants.

It is important to consider expanding Russian investment presence in Ukraine and Belarus, to seek the acquisition of controlling stakes in large Ukrainian enterprises by Russian investors.

### **Belarus**

There is need to seek the consent of the Belarusian authorities to the acquisition by Russian oil companies of controlling stakes in oil refineries of Belarus.

## Russian political and economic pressure on Ukraine

**The first direction of the Russian policy** of political and economic subordination of Ukraine represents the measures to minimize the dependence of Russian enterprises upon Ukrainian counterparts. Implementing its policy Russia has reduced dependence of the Russian engineering industry upon components from Ukrainian counterparts. Simultaneously Russia had successfully implemented the energy transportation routes bypassing Ukraine and drastically reducing the oil and gas transit through Ukraine.

**The second direction** of Russia's efforts is to preserve the ability to influence the functioning of the Ukrainian energy sector and important energy companies. In this trend of policy, Russia used its economic capacities, energy resource, and technology to keep Ukraine within resource-economic-technological dependence.

The supply of energy resources, technologies, or services Russia have often formalized as a "debt"<sup>97</sup> and later usually converted into purchased/controlled assets in energy or energy-related businesses (banks, energy assets) or concessions in the political sphere (agreement on the deployment of the Russian Black Sea Fleet in Ukraine as repayment of "debt for gas" (1997)

There were many examples, during B.Yeltsin's presidency, of attempts to privatize Ukrainian enterprises through debt obligations in the field of natural gas trade, barter trade. During V.Putin's presidency, the Russian strategy became even more pragmatic. At the time, intergovernmental treaties have been signed,<sup>98</sup> and new contracts on gas trade had been signed in 2003 and 2006. Many Ukrainian energy assets have been bought out by Russian capital as well.

In practice, most of the Kremlin's initiatives have led to the entering of the Gazprom-controlled intermediaries at the gas market of Ukraine and the EU (Itera, Eural Trans Gas (ETG), and then RosUkrEnergo(RUE)). Their impact on Ukraine could be explained through the gas trade scheme, which was operated by RUE.

The logic of RUE's actions in 2003-2004, possibly, represents a naive hope through a long-term contract international agreements (until 2028) to secure an "independent" route for the supply of natural gas of non-Russian origin to Ukraine. However, RUE's intentions completely contradicted Russia's strategic goals, already stated in official documents (Russia's Energy Strategy of 2003), and demonstrated

<sup>97</sup> The process of debt formation was often regulated by Russia. In 2008, the press repeatedly reported the emergence of Ukraine's debt to Russia for gas, although direct contractual relations between Ukraine and Russia or companies of Ukraine and Russia are not was.

"This is not the first time that Tymoshenko's trip to Moscow ends with the appearance of information about some debts. It first happened in 1999, when she brought two billion debts to Bakai as deputy prime minister. "

"The condition for the liquidation of the intermediary was the transfer of Naftogaz's debt to RosUkrEnergo for the supplied gas to Gazprom. The amount of debt is not specified in the agreement and, apparently, will be agreed upon when signing the contract, which also introduces an element of uncertainty, as it is unclear what exactly the debt is and its amount in monetary terms is unknown. "

<sup>98</sup>Угода між Кабінетом Міністрів України та Урядом Російської Федерації про стратегічне співробітництво в газовій галузі № 643\_790 від 07.10.2002 р. URL: [http://zakon3.rada.gov.ua/laws/show/643\\_790](http://zakon3.rada.gov.ua/laws/show/643_790) (дата звернення: 18.03.20)

practical behavior. As a result, Russia threw its "partner" RUE out of the market, at the next stage of its strategy implementation (in 2009).<sup>99</sup>

The strategy proved to be successful for Kremlin in 2006: with the help of a controlled intermediary, the better conditions for Gazprom on the gas market and Kremlin's role in the internal politics of Ukraine had been achieved. Contracts lobbied by RUE had become a triple loss for Ukraine. Due to the signed contracts, Ukraine strategically lost the contest with Russia for the resources of Turkmenistan. Naftogaz of Ukraine Company had lost the right to re-export Turkmen gas because and delegated this privilege to the joint company (50% controlled by Gazprom). Russia had achieved the strategic, geopolitical goal, eliminating competition from Turkmenistan and Ukraine in gas trade in the European and CIS markets. As well, Russia got access to Ukraine's domestic market through the joint venture.

Russia's subordination of the Ukrainian economy, companies, and the energy market continued during Medvedev's presidency. In 2008, with the help of the pro-Russian lobby, Ukraine was strategically defeated for the second time. Ukraine's defeat was fixed by the new set of gas contracts, signed on January 9, 2009, between Gazprom and Naftogaz of Ukraine Company. Unfavorable for Ukraine conditions of contracts were, in particular, the following:

- the base price for natural gas, included in the formula for Ukraine, was one of the highest in Europe;
- the responsibility of the parties, in particular regarding penalties was asymmetric;
- the fixed in contract volumes of gas, to be purchased, exceeded the annual forecast needs of Ukraine and approve strategy to achieve energy efficiency.

In result, there were created conditions for future bankruptcy of the Naftogaz of Ukraine Company due to an imbalance of financial flows of the company and mechanism of accumulation of debts (the obligation to sell gas for a low subsidized price while purchasing Russian gas for a high price).

Ukraine achieved minor improvements in gas contracts only in 2010 through geopolitical "gas for Russian Navy" deal: "lower gas prices" for "postponing the withdrawal of Russia's Black Sea Fleet from the Crimea."

However, the discourse on the "normalization" of energy relations between Ukraine and Russia had helped V. Yanukovych to win the presidential election, he was not able to achieve better conditions for Ukraine in gas trade. The newly elected president immediately began the process of establishing "mutually beneficial economic cooperation," and arranged his first official visit to Moscow on March 5, 2010. Before the visit, he announced his support for Russia's idea of establishing a Russian-Ukrainian consortium based on the Ukrainian Gas Transportation System and expanding economic cooperation in other areas.

Russian media had summarized results of Viktor Yanukovych's visit<sup>100</sup> as follows: the President of Ukraine promised to find a solution to the Russian Black

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<sup>99</sup> Дмитрий Фирташ: «Путин всех обыграл» Интервью российскому Forbes Д. Фирташа . URL: <https://glavcom.ua/publications/114778-dmitrij-firtash-%C2%ABputin-vseh-obygral%C2%BB.html> (дата звернення: 19.03.20)

Sea Fleet (by the end of 2017 the lease of the base was expired), to introduce Russian as the second official language in Ukraine, and to abolish the honorary title of "Hero of Ukraine" to the famous leader of the Ukrainian nationalists S. Bandera. Decisions on the settlement of problematic issues in the gas sector (revision of contracts in 2009) and other issues on economics were postponed by Russia for future discussions.

The Russian-Ukrainian negotiations on gas trade resulted in new contracts signed in April 2020 that resulted in even more disastrous geopolitical consequences. The decrease of the gas price (100S/1 tcm) was exchanged on extending the period of stay of the Russian Navy in Ukraine until 2043.<sup>101</sup>

Later, in October 2010, Russia has proposed a program of expanding cooperation with an emphasis on the establishment of joint ventures and a massive influx of Russian capital in the energy sector of Ukraine. The principles and goals of such actions represented the logic of the "Russian empire and energy superpower" and had been stated in the Program for the effective use of foreign policy factors on a systematic basis for the long-term development of the Russian Federation (see Appendix 3).

The draft of the relevant intergovernmental agreement on the development of energy cooperation proposed by Russia was submitted to the meeting of the Ukrainian-Russian Intergovernmental Committee on Economic Cooperation in 2010.<sup>102</sup> It took place in Kyiv under the chairmanship of the Prime Ministers of Ukraine and Russia – M.Azarov and V.Putin.

The main priorities of cooperation were identified, as follows:

- construction of power units № 3 and № 4 of Khmelnytska NPP;
- conclusion of a long-term contract between "Energoatom" (operator of Ukrainian NPPs) and Russian "TVEL" company for the supply of nuclear fuel;
- refusal Ukraine to build its own nuclear fuel fabrication plant, gradual merger of Ukrainian and Russian assets of the nuclear fuel cycle and nuclear engineering and constructions;
- guaranteeing the property rights of Russian companies and their subsidiaries on the territory of Ukraine;
- secure uninterrupted transit of natural gas through the territory of Ukraine and prohibiting the re-export of gas from Ukraine;
- creation of a joint venture for the purchase and sale of natural gas on the internal market of Ukraine;
- a merger of Gazprom and Naftogaz of Ukraine;
- termination of previously concluded intergovernmental agreements in the gas sector that contradicts Russian interests (request of Ukraine's withdrawal from the Energy Company Treaty);

<sup>100</sup> Пресс-конференция по итогам российско-украинских переговоров. 5 марта 2010 года. URL: <http://www.kremlin.ru/events/president/transcripts/7042> (дата звернення: 19.03.20).

<sup>101</sup> Совместная пресс-конференция с Президентом Украины Виктором Януковичем. 21 апреля 2010 года. URL: <http://www.kremlin.ru/events/president/transcripts/7518> (дата звернення: 19.03.20)

<sup>102</sup> Путін підпише в Україні 10 документів. URL: <http://tsn.ua/ukrayina/putin-pidpishe-v-ukrayini-10-dokumentiv.html> (дата звернення: 19.03.20); За флотським пактом – енергетична окупація? URL: [https://zn.ua/POLITICS/za\\_flotskim\\_paktom\\_energetichna\\_okupatsiya.html](https://zn.ua/POLITICS/za_flotskim_paktom_energetichna_okupatsiya.html) (дата звернення: 19.03.20).

- ensuring parallel operation of the United Power Systems of Russia and Ukraine (a refusal to join Ukraine to the synchronous operation of the European energy system) (ENTSO-E).

The implementation of these Russian initiatives would actually lead to the unification of the fuel and energy complex of Russia and Ukraine and to the loss of control of the Ukrainian government over energy policy and market regulation.

Later in 2012-2013, Russia attempted to block<sup>103</sup> the move of Ukrainian toward signing an Association Agreement with the EU. Russia's plans were not realized, in part due to the position and desperate attempt of Ukrainian society in 2013 to secure its European future.

The escalation of Russian political and economic pressure on Ukraine into a hybrid war had forced Ukraine to start irreversible reforms of the energy sector. During 2014–2017, for the first time since Ukraine's independence, a legislative basis was created for the formation of energy markets based on the principles of free competition, adequate consumer protection, and market regulation. New legislation has greatly supported Ukraine in strengthening its energy security through the process of integration into Energy Community member states markets.

In particular, the laws of Ukraine "On the natural gas market", which actually introduced a modern European model of the energy market, had helped to realize projects to supply natural gas from EU countries to Ukraine (reverse flow). As result, Ukraine stopped purchasing natural gas from Gazprom in 2015 and eliminated one of the Kremlin's instruments of pressure on Ukraine. Later, Naftogaz of Ukraine won arbitration in the Stockholm Chamber of Commerce in a lawsuit against Gazprom, which confirmed the unfairness of the 2009 contracts and ordered Gazprom to pay a fine of more than \$ 2.5 billion.<sup>104</sup>

A program of nuclear fuel diversification for Ukrainian nuclear power plants was launched as well in Ukraine.<sup>105</sup> From 2014 to 2017, the supply of Westinghouse fuel had been expanded from one to six power units at Ukrainian NPPs. In January 2018, Energoatom and Westinghouse Electric signed an agreement on continuing cooperation until 2025.<sup>106</sup>

Ukraine has launched a program to achieve a synchronized mode of operation of the United Power Systems of Russia and Ukraine with the continental European energy systems (ENTSO-E).<sup>107</sup>

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<sup>103</sup> Чого «Газпром» ждал от нового договора с Украиной. URL: [http://www.vedomosti.ru/companies/news/1480397/predlagal\\_akkii](http://www.vedomosti.ru/companies/news/1480397/predlagal_akkii) (дата звернення: 10.04.20).

<sup>104</sup> Нафтогаз виграв у Газпрому арбітраж щодо транзиту: Газпром заплатить Нафтогазу 2,56 млрд дол. URL: <http://www.naftogaz.com/www/3/nakweb.nsf/0/B456789DD956569AC2258242007460F0> (дата звернення: 10.04.20).

<sup>105</sup> Стан впровадження ядерного палива нових модифікацій. URL: <http://www.energoatom.kiev.ua/ua/mobileactvts/implementation/> (дата звернення: 10.04.20).

<sup>106</sup> Енергоатом продовжив співробітництво із Westinghouse з поставок ядерного палива до 2025 року. URL: [http://www.energoatom.kiev.ua/ua/actvts/international/international\\_activities/53493-energoatom\\_prodovjiv\\_spvrobntitctvo\\_z\\_westinghouse\\_z\\_postavok\\_yadernogo\\_paliva\\_do\\_\\_roku/](http://www.energoatom.kiev.ua/ua/actvts/international/international_activities/53493-energoatom_prodovjiv_spvrobntitctvo_z_westinghouse_z_postavok_yadernogo_paliva_do__roku/) ([дата звернення: 29.04.20](#))

<sup>107</sup> Укренерго-2017: Угода про умови майбутнього об'єднання енергосистем України та Молдови з ENTSO-E набула чинності. URL: <https://ua.energy/osnovni-podiyi/ugoda-pro-umovy-majbutnogo-ob-yednannya-energosystem-ukrayiny-ta-moldovy-z-entso-e-nabula-chynnosti/> (дата звернення: 10.04.20).

However, while resisting hybrid aggression from Russia in 2014-2019, Ukraine had not completed the all reform programs. Hybrid warfare, negative informational influences, and economic pressure from Russia have had a big influence on Ukrainian society. After the presidential and parliament election campaign of 2019, the Russian influence over Ukraine increased.

As a result, from the autumn of 2019, another attempt of Russia to consolidate political, economic, and technological dominance in Ukraine's energy sector began. Unexpectedly, for the first time in the history of Ukraine, the import of electricity from Russia had started, endangering the energy security of Ukraine.<sup>108</sup> Ukraine increases dependence on Russian petroleum products supply (produced in Russia or Belarus). The share of imports from Russia controlled sources exceeded 80%. Thus, Kremlin became able to block two-thirds of the supplies of petroleum products needed by the Ukrainian economy. Soon, the tool of influence over Ukraine was officially established through introducing "licenses" for the supply of goods to Ukraine (especially petroleum products and coal) has gained a direct tool to influence prices in the domestic market of Ukraine.<sup>109</sup>

**The third direction of Russia's policy** towards Ukraine was to block changes in the energy sector and the preserve populist, paternalistic policies in Ukraine.<sup>110</sup>

Preventing the formation of a liberal, transparent model of the energy sector provided intra-Ukrainian support for Russia's strategy, in particular in terms of increasing resource dependence on Russia and blocking diversification of supply of energy resources and technologies.

In fact, the relationship in Ukraine's energy markets is a battleground of the old Russian model against the new European one, which became one of the strategic goals of Ukraine. Today, the struggle for the future of Ukraine continues, which is reflected in Ukraine's efforts to move away from the Russian (control over financial flows of the state-owned energy companies) to the European model.

At the same time, the pro-Russian lobby seeks to maintain the existing subsidy scheme as a tool of the "old practice" of influence and control of Ukraine.<sup>111</sup> To achieve the goals of its strategy, Russia has offered lobbyists for the Russian interests in Ukraine various tools, from political support in elections, media support to direct financial payments. Russian Federation has used energy supply schemes (natural gas, oil products, nuclear fuel) to Ukraine, which has proved to be one of the most effective tools and not only in Ukraine.

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<sup>108</sup> Рада дозволила імпорт електроенергії з Білорусі та Росії. URL: [https://dt.ua/ECONOMICS/rada-dozvolila-import-elektroenergiyi-z-bilorusi-ta-rosiyi-323986\\_.html](https://dt.ua/ECONOMICS/rada-dozvolila-import-elektroenergiyi-z-bilorusi-ta-rosiyi-323986_.html) (дата звернення: 10.04.20).

<sup>109</sup> О применении специальных экономических мер в связи с недружественными действиями Украины в отношении граждан и юридических лиц Российской Федерации : Указ Президента Российской Федерации № 592 от 22.10.2018 г. URL: <http://docs.cntd.ru/document/551468557> (дата звернення: 10.04.20); О мерах по реализации Указа Президента Российской Федерации от 22 октября 2018 г. №592 : Постановление Правительства Российской Федерации № 1716-83 от 29.12. 2018 г. URL: <http://docs.cntd.ru/document/552051278> (дата звернення: 10.04.20).

<sup>110</sup> Sukhodolya OM, Smenkovsky A.Yu. Ukraine's energy sector: prospects for reform or stagnation. Strategic priorities. 2013. № 2. S. 74–80.

<sup>111</sup> This is most evident in the public actualization of the issue of "keeping prices low for the population. Ukraine has its own cheap gas "during the election period. This formula is crucial for maintaining the analyzed subsidy system.

**The case of the sanctions regime violation.**  
**The shipment of the SIEMENS gas turbines to the territory of the occupied Crimea**

Dates	Actions	Notes
20 of February 2014 - 15 of March 2014	<p>Crimea is seized and annexed by the Russian Federation.</p> <p>Capture by the Russian forces Ukrainian company "Chornomornaftogaz", oil and gas deposits on the shelf of the Black Sea (Odessa field), gas compressor station of the Strelkovo field (shelf of the Sea of Azov)</p> <p>The first set of sanctions is adopted by the EU and the US</p>	
16–17 of March 2014	<p>Formalization of the occupation of Crimea through a "referendum".</p> <p>The newly created government nationalized energy enterprises by the decision "On energy security of the Republic of Crimea" № 1758-6 / 14 of March 17, 2014.</p>	
26 of March 2014	<p>Siemens CEO, Joe Käser visits Moscow to meet with Russian President Vladimir Putin. After the visit Käser says in an interview with German ZDF Channel that the visit was planned for a long time, and that the "short-term turbulence" should not seriously affect the plans for cooperation with Russia. He also expressed readiness to continue work on the localization of turbine production</p>	Vladimir Putin notes the successful cooperation in previous years <sup>112</sup> , and expressed the hope that "the relationship will develop just as stably"
11 of August 2014	The Federal Target Program "Socio-Economic Development of the Republic of Crimea and the City of Sevastopol until 2020" is approved (RF Government Resolution № 790)	The program provided for the construction of generating capacity (TPP on gas) in the Crimea (at the expense of private investors)

<sup>112</sup> Siemens achieved its success in the Russian market of gas turbine technologies, in particular, through the use of non-transparent contracts with Russian companies. Corruption was opened against Siemens, and the company itself admitted to bribery. (See: Siemens Subsidiary Admits Guilt in Russian Bribery Case. URL: <https://www.themoscowtimes.com/2013/11/12/siemens-subsidiary-admits-guilt-in-russian-bribery-case-a29512> (date appeal: 20.04.20).

In 2008, the company was found guilty of corruption in a number of episodes around the world and paid \$ 1.6 billion. to settle a corruption investigation in the United States. (See: Siemens Under Investigation For Payments To Russian Company. URL: <https://blogs.wsj.com/corruption-currents/2012/04/30/siemens-under-investigation-for-payments-to-russian-company/> (appeal date: 20.04.20).

13 of August 2014	At a meeting with Rostekh CEO, approves Tekhnopromexport's participation in the construction of a TPP in Crimea. It was assumed that the investor of the project will be "Technopromexport" with the possible support of state banks "VTB" and "Sberbank"	A General scheme for circumventing sanctions is defined.
At the end of 2014	A joint venture, Siemens Gas Turbine Technology LLC, was established (65% owned by Siemens, 35% by Silovye Mashiny (owner A. Mordashov) for the production and service of gas turbines with a capacity of 172 and 307 MW. Siemens Gas Turbine Technology LLC was actually the only plant capable of producing turbines for planned TPPs in Crimea (160 MW)	
2015	In 2015, Tekhnopromexport PA OJSC, the contractor of the project for the construction of power plants, is reformatted.  In the structure of Tekhnopromexport PA OJSC, the Tekhnopromexport PA LLC was established. It becomes responsible for the TPP construction projects in Crimea. The company started announcing tenders on September 1, 2015, carrying out preparatory work on a construction site in the Crimea.  The company Tekhnopromexport IC was also established. The purpose of its activity was to fulfill the obligations of Tekhnopromexport PA OJSC, to eliminate the financial risks of the company and its partners, as well as to meet the deadlines for construction and commissioning of facilities	The "cover-up operation" was launched to circumvent the sanctions regime. Tekhnopromexport PA OJSC concludes a contract with Siemens for the supply of turbines, and then resells them to Tekhnopromexport PA LLC.
10 of March 2015	A contract for the supply of four turbines between Siemens Gas Turbine Technology LLC and Tekhnopromexport PA OJSC for the construction of a thermal power plant on the Taman Peninsula (Krasnodar Territory) si signed.	A contract base for the deliveries of Siemens turbines to Crimea is formed, under the guise of deliveries to the Krasnodar territory.
18 of June 2015	Siemens Gas Turbine Technology LLC launches a new complex for the production of gas turbines in the Leningrad region	Due to the fact that the share of Siemens exceeds 50%, the company is subject to export controls and restrictions imposed after the occupation of Crimea

30 of June 2015	<p>Disclosure of information on possible violations of the sanctions regime. The newspaper "Vedomosti" reports<sup>113</sup> that the contract for the supply of four turbines between Siemens Gas Turbine Technologies LLC and Tekhnopromexport PA OJSC for the construction of a thermal power plant on the Taman Peninsula of the Krasnodar territory is only a formality to circumvent the sanctions.</p>	Representatives of Rostekh, Tekhnopromexport, Siemens Gas Turbine Technology LLC and Siemens in Russia declined to comment
2 of July 2015	<p>Reuters publishes its investigation into the alleged violation of the sanctions regime. Two sources told the Agency that the Siemens Gas Turbine Technology LLC could become a supplier of equipment for the construction of new power plants in the Crimea, bypassing Western sanctions. The press service of the Ministry of Energy of the Russian Federation did not respond to a request from Reuters</p>	There is no reaction to this information from Siemens or Tekhnopromexport, or from the governments of the countries.
13 of September 2015	The construction of Sevastopol TPP starts	
6 of August 2016	Reuters reports on preparations to transfer the Siemens turbines to the Crimea, noting that the two power plants under construction in the Crimea are "compatible" only with Siemens turbines.	
16 of September 2016	Tekhnopromexport PA OJSC enters into a contract with Tekhnopromexport PA LLC, which provides for the delivery of four gas turbine units that correspond to the description of the ones purchased from Siemens Gas Turbine Technologies LLC. Later, Russian Minister of Industry and Trade Dmitry Manturov says <sup>114</sup> that the Russian side has provided maximum legal correctness using Siemens technologies in the production of turbines for thermal power plants in Crimea.	The implementation of the sanctions circumvention scheme is in full swing. A legal scheme for "circumvention" and subsequent "face saving" is being formed.
September 2016	<p>On September 21-22, 2016, Vladimir Putin meets German Vice Chancellor and Minister of Economy Sigmar Gabriel in Moscow. The German delegation included representatives of German business, including Siemens Board Member Siegfried</p>	Sigmar Gabriel once again noted the priority of Germany's economic cooperation with Russia and called for

<sup>113</sup> Siemens will supply turbines for the Crimean power plants. URL: <https://www.vedomosti.ru/business/articles/2015/06/30/598584-tehnopromeksport-nashel-turbini-dlya-krimskih-elektrostantsii> (access date: 20.04.20).

<sup>114</sup> Мантуров заявил о «максимальной юридической корректности» при поставках турбин в Крым. URL: <https://vz.ru/news/2017/7/11/878251.html> (access date: 20.04.20).

	Russwurm. Following the meeting, Sigmar Gabriel said that they discussed "issues of legal regulation of investments, sanctions on imports".	the gradual lifting of sanctions imposed on Russia for the occupation of Crimea.
September 2016	German edition WirtschaftsWoche, citing an informed source, says <sup>115</sup> that Putin had personally promised that four Siemens gas turbines would not be used in the Crimea. The interlocutor of the publication noted that the meeting was also attended by the Ambassador of Germany to Moscow Rüdiger von Fritsch	
16 of October 2016	Tekhnopromexport PA OJSC sells turbines to Tekhnopromexport PA LLC.	
28 of October 2016	The turbines were transported to the Krasnodar Territory	
16 of March 2017	The Siemens announces that it had fulfilled the contract with Tekhnopromexport PA OJSC on the supply of four gas turbines.	
5 of July 2017	Reuters reports <sup>116</sup> that bypassing the sanctions, Siemens turbines were delivered to Crimea.	The European Commission declines to comment, saying that EU member-states should adhere to the rules of sanctions against their companies.
6 of July 2017	Russian officials and Rostech claim that turbines were purchased on the secondary market and upgraded at Russia's Rostech plants to meet the needs of the project. Siemens states it did not supply turbines to the Peninsula.	Siemens' "save face" scheme is made public
10 of July 2017	Siemens reported that two of the four gas turbines supplied to Russia were moved to Crimea against their will. <sup>117</sup>	
11 of	Siemens files the lawsuit in the case of supply of	Siemens demonstrates

<sup>115</sup> Putin versprach Siemens offenbar Unterstützung. URL: <https://www.wiwo.de/unternehmen/industrie/siemens-gasturbinen-auf-der-krim-putin-versprach-siemens-offenbar-unterstuetzung/20086026.html> (access date: 20.04.20).

<sup>116</sup> Siemens turbines delivered to Crimea despite sanctions - sources. URL: <https://www.reuters.com/article/us-ukraine-crisis-crimea-power-exclusive/exclusive-siemens-turbines-delivered-to-crimea-despite-sanctions-sources-idUSKBN19Q26I> (access date: 20.04.20).

<sup>117</sup> Siemens to press charges after turbines moved from Russia to Crimea. URL: <https://www.reuters.com/article/us-ukraine-crisis-crimea-power/siemens-to-press-charges-after-turbines-moved-from-russia-to-crimea-idUSKBN19V13E> (access date : 20.04.20).]

July 2017	turbines to Crimea. The defendants in the Siemens' case are Tekhnopromexport PA OJSC, Tekhnopromexport PA LLC, and Siemens Gas Turbine Technologies.	public activity and files a lawsuit in the Moscow Court. The ruling in this situation is known in advance.
13 of July 2017	Other two turbines were delivered to the Crimean port Feodosia.	
19 of July 2017	EU extends sanctions against Russia over occupation of Crimea: ban on exports of a number of goods and technologies to the peninsula for the transport, telecommunications and energy sectors related to oil, gas and mineral exploration and production	
28 of July 2017	The Moscow Court of Appeal rejects Siemens' claim on arresting the turbines for thermal power plants supplied to the structures of the Russian Rostekh, which were illegally moved to the occupied Crimea	The Russian court predictably rejects Siemens' claim.
4 of August 2016	The EU Council imposes sanctions for the supply of Siemens turbines to Crimea. Restrictive measures are introduced against the Deputy Minister of Energy of Russia A. Cherezov and Director of the Department of the Ministry of Energy E. Grabchak. In addition, sanctions are imposed against Tekhnopromexport PA OJSC, Tekhnopromexport PA LLC and Interavtomatika JSC.	
9 of Novemb er 2017	Despite the scandal with the supply of turbines to the Crimea, Siemens continues to develop cooperation with Russia <sup>118</sup>	
18 of Decembe r 2017	The signs a contract for the construction of a 495 MW steam and gas power plant in Nizhnekamsk.	
16 of March 2018	Gazprom announces that the head of the monopoly A.Miller and the chairman of the board of Siemens J.Kezer agreed to supply gas turbines for the construction of the Grozny TPP with a capacity of up to 360 MW	
May 2018	In May, the Hamburg prosecutor's office launches an investigation into the supply of Siemens gas turbines to the Crimea to three employees of the company's industrial concern in St. Petersburg.	Later, the head of the company's Representative Office in Russia will be

<sup>118</sup> Siemens again wants to Russia. URL: <https://www.kommersant.ru/doc/3461613> (access date: 20.04.20)

		changed.
5 of July 2018	Siemens plans to increase the depth of localization of production of energy gas turbines in Russia to 90%. <sup>119</sup> The head of the Concern in Russia Dietrich Meller informs. We are talking about high-power turbines that are produced at the sites of the Siemens Gas Turbine Technologies LLC. "We have reached the localization level of 60% - this is not far from the required 90%."	Siemens agrees to transfer critical technologies.
5 of September 2018	Siemens has potentially agreed to transfer blade production technology to Russia. <sup>120</sup> Siemens Gas Turbine Technology LLC can bring the localization of high-power gas turbine production in Russia to 100%. At the end of August, Vladimir Putin speaks about the desired level of localization of equipment at 100%. Without full localization, including the hot part, Siemens equipment risks to be excluded from the Russian TPP Modernization Programme with a cost of about 1.35 trillion rubles.	Siemens hint at the possibility of expanding business in Russia
16 of October 2018	The Supreme Court of the Russian Federation refused to consider the cassation appeal <sup>121</sup> of Siemens Gas Turbine Technology LLC and the German Siemens AG against the decisions of lower courts, which consistently denied the claim to the structures of Rostekh JSC and Tekhnopromexport LLC. Siemens Gas Turbine Technologies demands that the company return four large-capacity gas turbines produced on the order of Tekhnopromexport.	The "save face" scheme by Siemens ends.
28 of January 2019	The first stages of the Simferopol and Sevastopol TPPs – power units and all relevant infrastructure – are commissioned.	The sanctions circumvention scheme successfully ends.

<sup>119</sup> Siemens plans to increase the depth of localization of production of energy gas turbines in Russia. URL: <https://www.kommersant.ru/doc/3677298> (access date: 20.04.20).

<sup>120</sup> Siemens agrees to blades. URL: <https://www.kommersant.ru/doc/3732761> (access date: 20.04.20).

<sup>121</sup> Electronic Justice. URL: <http://kad.arbitr.ru/Card/c342617c-ca37-4353-ab7c-f3b642b28565> (access date: 20.04.20).]

## The energy in a geopolitical contest

In the arsenal of hybrid methods of the Kremlin's geopolitical confrontation, energy has become one of the most powerful and effective tools by which Russia influenced many countries. The Russian Federation has transformed the energy trade into a vehicle of creating a political and business lobby of its interests in these countries. Providing lucrative contracts in the energy sector, funding of political leaders, parties, and the media Russia influenced politics in different countries. Under favorable conditions, the formation of a pro-Russian government began immediately. In other cases, "active measures" and forceful methods of influence were used. The strategy was rather successful and Russia sometimes "grew in territories" and increased its spheres of influence.

However, this success played a nasty joke on Russia? In full accordance with the "First Law of Petropolitics".<sup>122</sup> Huge revenues to the Russian state from the sale of oil, the price of which has risen steadily since 1999, and "dizziness from the success" of the hybrid strategy has fueled the growth of Russia's aggressive behavior in the international arena.

Russia's military capability has demonstratively increased. There were created special operations forces, increased the practice of the military presence in various countries, actively conducted modernization of new weapon systems, including nuclear strike forces. The ambitions for confrontation were reflected in 2009 in an interview with "Izvestia"<sup>123</sup> of the Secretary of the Russian Security Council N.Patrushev, in which he mentioned the possibility of using nuclear weapons. He said, "in situations critical to national security, the use of a preemptive (preventive) nuclear strike on the aggressor is not ruled out".

The logic of escalation leads to the hybrid strategy to overcome the defeat in the Cold War. This logic resulted in: demonstration by the President of Russia of his position on the collapse of the USSR as "the greatest geopolitical catastrophe of the twentieth century" in 2005; Putin's speech at the Munich Security Conference in 2007; Russian invasion in Georgia in 2008; Russian annexation of some parts of Ukrainian territory in 2014.

The highest manifestation of Russia's growing ambitions and readiness for further escalation were threats to use nuclear weapons in local conflicts. Former Russian Foreign Minister Igor Ivanov, now head of the Russian government's think tank, threatened that a nuclear war in Europe was likely will happen soon, in case

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<sup>122</sup> Friedman Thomas L. The First Law of Petropolitics. Foreign Policy. 2006. May / June)

<sup>123</sup> The New Military Doctrine of the Russian Federation allows for a preventive nuclear strike. Oct. 14 URL: <https://www.newsru.com/russia/14oct2009/doktrina.html> (access date: 27.05.20).

relations of West with Russia become even more strained.<sup>124</sup> The same was stated by V.Putin personally in the context of the occupation of Crimea.<sup>125</sup>

Alleged violation by Russia of international law and international agreements (in particular, the Budapest Memorandum) regarding Ukraine in 2014<sup>126</sup> and its readiness for further escalation actually forced the US and the EU to react. "Light power" sanctions against Russia were introduced as a first step. This caused only an ironic reaction in Russia and led to further escalation, namely downing the flight MH17 over Donbas, violation of the sanctions regime (supply of Siemens gas turbines to Crimea), the use of chemical weapons (Salisbury), interference in the US presidential election.

The West was forced to increase pressure. Sectoral economic sanctions have been imposed to influence Russia's defense industry, banking, and energy sectors. The new level of sanctions, though creating a powerful set of tools to influence, for a long period have not been implemented in practice. In addition to the use of energy weapons, measures of economic pressure, and manipulation of public opinion in Western countries, Russia has actively blackmailed the West with its nuclear weapons.

### Nuclear contest

The hybrid warfare and the threat of nuclear weapons<sup>127</sup> created the most serious challenge to the United States and NATO. To implement his strategic plan of confrontation with the West, V.Putin demonstrated readiness to use nuclear weapons.<sup>128</sup>

At the same time, successes in hybrid methods of influence, the EU's dependence on Russian energy supplies, and the "privatization" of large numbers of politicians and businessmen in various countries have all created the illusion of Western inability to respond. The BBC film World War Three: Inside the War

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<sup>124</sup> European nuclear war imminent as Russia relations break down. Express. 2016. March 19. URL: <https://www.express.co.uk/news/world/653986/Europe-nuclear-war-imminent-Russia>

<sup>125</sup> Putin: "We were ready" to use nuclear weapons from the Crimea. 2015/03 / 150315\_ru\_s\_putin\_documentary\_crimea (appeal date: 27.05.20), Putin: "Why do we need a world without Russia?" URL: <https://www.youtube.com/watch?v=jmMGqZo7sig&feature=youtu.be> (date of application: 27.05.20).

<sup>126</sup> Klimkin at the UN Security Council: Russia violates the Budapest Memorandum. URL: <https://www.eurointegration.com.ua/rus/news/2016/09/24/7054973/> (access date: 27.05.20); The United States has decided to remind the UN of Russia's violation of the Budapest Memorandum. URL: <https://nv.ua/ukr/world/geopolitics/ssha-reshili-napomnit-oon-o-narushenii-rossiey-budapeshtskogo-memorandum-a-45354.html> (access date: 27.05.20); Russia's violation of the Budapest Memorandum sends a signal to other countries that the renunciation of nuclear weapons will not protect against invasion, - Walker. URL: <https://censor.net.ua/news/3150002/> narushenie\_rossieyi\_budapeshtskogo\_memorandum\_daet\_signal\_drugim\_stranam\_chto\_otkaz\_ot\_yadernogo\_orujiy a (access date: 27.05.20)

<sup>127</sup> Putin threat of nuclear showdown over Baltics. URL: <http://www.thetimes.co.uk/tto/news/world/europe/article4399758.ece> (дата звернення: 27.05.20).

<sup>128</sup> Во время послания Федеральному собранию Путин показал новое оружие. URL: <http://www.rfi.fr/ru/rossiya/20180301-vo-vremya-poslaniya-federalnomu-sobraniyu-putin-pokazal-novoe-oruzhie> (дата звернення: 27.05.20); Послание Президента Федеральному собранию. URL: <http://kremlin.ru/events/president/transcripts/messages/56957> (дата звернення: 27.05.20).

Room (2016)<sup>129</sup> on the West's response to Russia's "invasion" into Latvia with subsequent nuclear strikes clearly demonstrated the West's problems of response.

However, "Mad Dog" James Mattis (US Secretary of Defense January 20, 2017 - January 1, 2019), realizing Russia's idea of nuclear escalation, accepted the challenge.<sup>130</sup> Speaking on February 6, 2018, in the US Congressional Committee on the Armed Forces with explanations about the new US nuclear policy J. Mattis said that "the Russians essentially want escalations to win and then de-escalation. We want them to realize that we can respond accordingly".<sup>131</sup>

In early February 2018, the US Nuclear Posture Review,<sup>132</sup> released by the US Department of Defense, outlined the response of the USA. The review made it clear to potential adversaries that any aggressive action against the United States or its allies and partners would have "unacceptable consequences" for the aggressor. If aggressive actions will include the use of nuclear weapons by opponents in the region or against the United States or terrorist attack using a nuclear explosive device, the United States may strike back.

The review did not remain just a text on paper. The United States has developed the W76-2 low-power nuclear missile. And by the end of 2019, submarines equipped with these missiles took duty in the Atlantic.<sup>133</sup> In February 2020, the US Department of Defense announced military exercises (Defense Minister M. Esper) regarding US response on a possible low-power nuclear strike by Russia on Europe.<sup>134</sup> Thus, the United States has openly demonstrated its readiness to respond adequately to Russia's nuclear blackmail, effectively destroying the perspective of further hybrid escalation on the part of the Kremlin.

## Contest on energy markets

In parallel with the nuclear confrontation, recently the balance of interests on global energy markets significantly changed. Restrictions on the access of Russian energy companies to financial markets and on the export and re-export of high-tech equipment to Russia, introduced in 2014 were supported by growing competition on consumer markets.

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<sup>129</sup>World War Three: Inside the War Room / BBC. 2016. URL: <https://www.bbc.co.uk/programmes/b06zw32h> (дата звернення: 27.05.20).

<sup>130</sup>Вудвард: «Росія приватно попередила міністра оборони США Джеймса Меттіса, що якщо у Прибалтиці буде війна, Росія не вагатиметься використовувати малу тактичну ядерну зброю проти НАТО» (Див.: Woodward: In Baltic war, Russia willing to use nuclear weapons against NATO. URL: <https://news.err.ee/860764/woodward-in-baltic-war-russia-willing-to-use-nuclear-weapons-against-nato> (дата звернення: 27.05.20).

<sup>131</sup> Pentagon chief sees new nuclear missile as bargaining chip against Russians. URL: <https://www.cnbc.com/2018/02/06/mattis-sees-new-nuclear-missile-as-bargaining-chip-against-russia.html> (дата звернення: 27.05.20).

<sup>132</sup>Nuclear Posture Review. 2018. February. URL: <https://media.defense.gov/2018/Feb/02/2001872886/-1/-1/2018-NUCLEAR-POSTURE-REVIEW-FINAL-REPORT.PDF> (дата звернення: 27.05.20).

<sup>133</sup> US Deploys New Low-Yield Nuclear Submarine Warhead. URL: <https://fas.org/blogs/security/2020/01/w76-2deployed/> (дата звернення: 27.05.20).

<sup>134</sup>Department of Defense Background Briefing on Nuclear Deterrence and Modernization. 2020. February 21. URL: <https://www.defense.gov/Newsroom/Transcripts/Transcript/Article/2090986/department-of-defense-background-briefing-on-nuclear-deterrence-and-modernizati/> (дата звернення: 27.05.20); US staged 'limited' nuclear battle against Russia in war game. URL: <https://www.theguardian.com/world/2020/feb/24/limited-nuclear-war-game-us-russia> (дата звернення: 27.05.20).

The 2017 U.S. Countering America's Adversaries Through Sanctions Act (CAATSA) provided the possibility to introduce strict sanctions upon Russian export pipelines like Nord Stream-2<sup>135</sup>, but they had not been implemented until 2019.

The development of energy technologies and the resulting new balance of interests in the energy markets have significantly changed the situation. Russia, including Gazprom and Rosneft, has overslept the shale revolution. Instead, due to the growth of shale oil and gas production in 2016–2018, the United States became an exporter of energy resources. Therefore, the interest had shifted from “assisting suppliers in order to obtain cheaper energy resources” to “stimulating own exports to foreign markets”. In other words, the United States became a competitor of Russia and tightened sanctions policy.<sup>136</sup>

In July 2018, the President of the United States and the President of the European Commission announced the expansion of strategic cooperation in the energy sector. There was announced about attracting liquefied gas supplies from the United States to increase the level of energy security of the EU.<sup>137</sup> In May 2019, during a visit to Europe, the US Secretary of Energy noted the United States' intentions to export liquefied natural gas, the supply of which after 2020 will exceed 110 billion cubic meters.<sup>138</sup>

In December 2019, the Defending American Security from the Kremlin Aggression Act (DASKA) introduced even stricter sanctions. In fact, on the same day, the Swiss company Allseas, which was laying the pipes, stopped working. Russia has said it will complete the last 160km of the pipeline. But for this, it is necessary to re-equip the only Russian vessel-pipelayer "Academician Chersky". The involvement of other companies in this project will be significantly hampered by possible "secondary sanctions".

Problems for Russia were also created by the German regulator, which refused to grant Nord Stream 2 an exemption from the restrictions of EU energy legislation (reservation of 50% of the pipeline capacity for a third party).<sup>139</sup> Due to the fact that Russia did not have time to complete this pipeline by May 2020 (earlier after the adoption of the relevant legislation).<sup>140</sup>

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<sup>135</sup> We are going to hold Russia accountable. US Secretary of Energy Rick Perry - on sanctions against Russia and joint action with Moscow. URL: <https://www.kommersant.ru/doc/3743886> (access date: 27.05.20).

<sup>136</sup> Sen. Cruz: If Russia's Nord Stream 2 Pipeline is Completed, it Will Be the Fault of this Administration. URL: [https://www.cruz.senate.gov/?p=press\\_release&id=4793](https://www.cruz.senate.gov/?p=press_release&id=4793) (accessed 27.05.20).

<sup>137</sup> Joint U.S.-EU Statement following President Juncker's visit to the White House. 2018. July 25. URL: [https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT\\_18\\_4687](https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_18_4687) (access date: 27.05.20).

<sup>138</sup> «Freedom gas»: US opens LNG floodgates to Europe. URL: <https://www.euractiv.com/section/energy/news/freedom-gas-us-opens-lng-floodgates-to-europe/> (дата звернення: 27.05.20).

<sup>139</sup> Der nächste Rückschlag für Nord Stream 2. *Frankfurter Allgemeine Zeitung*. 2020. Mann 15. URL: <https://www.faz.net/aktuell/wirtschaft/klima-energie-und-umwelt/bundesnetzagentur-versetzt-nord-stream-2-einen-weiteren-schlag-16771206.html> (дата звернення: 27.05.20); В ФРГ отказали в освобождении «Северного потока - 2» от правил газовой директивы ЕС – заявление / Interfaxs.Ukraine. 2020. 15 мая. URL: <https://interfax.com.ua/news/political/662358.html> (дата звернення: 27.05.20).

<sup>140</sup> Евросоюз окончательно утвердил поправки в газовую директиву. Правила регулирования газового рынка ЕС будут распространяться и на морские участки газопроводов. URL: <https://www.vedomosti.ru/business/articles/2019/04/15/799133-evrosoyuz-okonchatelno-gazovuyu> (дата звернення: 27.05.20).

Moreover, an additional blow to the Kremlin's strategy was created by the COVID-2019 pandemic. Non-paying attention to the realities of energy markets, Russia has demonstratively refused to take collective action with other market players<sup>[141](#)</sup> that resulted in the largest reduction in oil production since 2008. In response, Saudi Arabia announced the termination of any further negotiations, which led to a sharp decline in oil prices - to the level of 20-25 dollars US per barrel.<sup>[142](#)</sup>

The collapse of the world economy, lower oil prices, and accordingly lower natural gas prices, complicates the situation for Gazprom. The huge costs of the Nord Stream-2, Turkish Stream, Power of Siberia, and other projects are unlikely to pay off, and operating at this price level will generate new losses.

Thus, in early 2020, it became clear that the tools to respond to Russia's hybrid actions were created. Nuclear blackmail has failed because of the readiness of the US military-political establishment to respond to the challenge. Energy sanctions and their actual implementation were an additional severe blow to Russian ambitions. This greatly strengthened the West's overall response.

The governance model created by Vladimir Putin is failing. Years of skyrocketing oil and gas profits are over. Previously accumulated resources were spent on a hybrid confrontation with the West. The use of energy and nuclear blackmail as tools of Russia's strategy, outright contempt of the West's position, has already shaped the desire of Western state elites to respond to the violator of the world order.

In 2020 the Kremlin found itself in a situation that required changes in its strategy of behavior. The Kremlin will try to ignore the problem, but technological and economic changes in the world will not allow maintaining the existing model of governance for a long time.

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<sup>141</sup> Bloomberg узнал содержание разговора Путина с нефтяниками перед разрывом сделки с ОПЕК. URL: <https://www.forbes.ru/newsroom/biznes/394569-bloomberg-uznal-soderzhanie-razgovora-putina-s-neftyanikami-pered-razryvom> (дата звернення: 27.05.20).

<sup>142</sup> Исторический обвал. Цены на нефть рухнули по всему миру. URL: <https://biz.liga.net/ekonomika/tek/article/istoricheskiy-obval-tseny-na-neft-ruhnuli-po-vsemu-miru-chto-eto-znachit-dlya-ukrainy> (дата звернення: 27.05.20).