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Gas, Realpolitik, and Insecurity

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Contemporary historical changes are so momentous that Condoleeza Rice recently said in a speech that she sometimes feels how the ground under her sways. Clearly she was referring to the Middle East and Afghanistan. The stakes there, indeed, are very high. Furthermore, a new crisis is in the making – how, realistically, can the development of Iran’s possible nuclear weapons be averted? Any repetition of simply bombing the nuclear power station that is now being built, as Israel did in 1981, when she destroyed Irak’s nuclear power station in an air raid before it was finished, is impossible. The surprise factor is gone. Teheran is ready for such an attack.

But did we not feel the ground sway under our feet when Putin and Schroeder sealed the “deep structural” integration of both countries with its crowning achievement - the Russian-German gas pipeline on the bed of the Baltic Sea? Schroeder was well awarded (44.000 euro a month for his new job), but the fact is that Germany needs Russian gas. The German industrial lobby demands this. A Russian newspaper did not hesitate to call this the Schroeder-Putin Pact.

But not only Germany needs gas. The gas fields in Great Britain and Holland will soon be depleted – but is the solution to be found in Gazprom? It is interesting that just as a new huge gas field has been discovered to the north of Norway in the Berenc Sea no one is talking about making the Norwegian-German gas pipeline bigger, but instead giving preference to building a new, very expensive and ecologically dangerous gas pipeline with a state where the democratic deficit is growing for all to see. Gas, furthermore, can also be transported in a liquified state by huge ships, as Gazprom intends to do from gas fields in the Bering Sea, in order to gain a foothold in the American market.

The question arises - who owns the bed of the Baltic Sea? If the bottom of the North Sea has been meticulously divided into sectors belonging to adjacent states for a distance of 200 kilometres from their respective shores, then how is it with the bottom of the Baltic Sea? In this case, Germany and Russia would need to reach agreements with the Baltic Sea states for permission to lay the giant pipe in the sand under the water.

The big paradox today is that while the Baltic states have carried out an independent policy and have successfully rejoined the western world despite being 100% dependent on Russian gas and oil, Germany is heading in the opposite direction – it is increasing its dependency on Russian gas and oil, and she may be followed by other EU and NATO states. It is not without significance that the former American Secretary of Trade and Commerce Donald Evans, a close friend of President Bush, in the end did not accept Putin’s offer of a high position in Rosneft (the giant Russian state controlled oil giant, that helped to destroy the privately-owned Yukos oil company) after strong protests from the mass media, including the Financial Times.

We are therefore faced with two questions, which we, after joining the EU and NATO, need to include in our new foreign policy strategy. They are of vital importance to us. Will an authoritarian Russia with her energy policy be able to make EU and NATO states sufficiently dependent on Russia that their foreign and security policies will be influenced? We are also talking about western companies in the Russian market who finance research on Russia, and about Russian state controlled oil and gas companies, who are throwing big money at think tanks in the USA and Europe. An institute familiar in Latvia called the Nixon Center is presently denying, not without a rather high degree of passion, that it has not been influenced.

It was also obvious that after Moscow’s defeat in the Orange revolution, a Russian counterattack was only a question of time. What actually was said on the telephone between Schroeder and Putin during the resolution of the crisis? That Putin will have to put up with the will of the Ukrainian people and the results of an honest election? Or was there talk of a gas pipeline that could be used as a club later against Ukraine? If Putin’s candidate Victor Janukovich had become the president would the price of Russian gas be increased fourfold? This is not done to Russia’s closest ally Lukashenko. Gas for him is increased very gently and incrementally. Furthermore, turning of the gas to Belarus for a couple of

days as was done not long ago could well have been a political ruse that would later justify the need of a direct route for Russian gas to Europe that would go through the Baltic Sea.

Everybody knows that increasing the price of gas fourfold in one jump cannot give Russia revenue, it can only create chaos in Ukraine. Russia's real aim is to gain ownership of the Ukrainian gas pipeline network, including that part which takes gas to the EU. As could be expected, ownership, in part, will also be set aside for the German energy giants. But is this not politics based on brute force – or is it just plain business?

And now we are told, that also we Balts and Poles should connect ourselves with a branch to the main Baltic pipeline. This is said by the former German minister for Economy and Employment Wolfgang Clement in his article in Diena (09.12.05) "The Baltic Sea Gas Pipeline – Energy Security for Europe". In effect, he is simply repeating Russian arguments about Ukraine as an unreliable transit state – a state, which would like to join the EU and has concluded an Action Plan that will help her adopt EU standards and norms.

We should not connect to the Baltic Sea gas pipeline, since it will make us even more dependent on Russian gas and retard the development of alternative energy. This is the second question for our new foreign policy – how to decrease our dependence on Russian oil and gas down to, say 25%? We don't know whether Germany will increase her dependence on Russian gas to 80%, as some analysts say, but we do know that Brussels has an energy diversification policy whereby dependence on any one source should not be much more than 25%. The idea is to diversify our energy sources in order to safeguard freedom of action and independence of the EU. Should we not do the same? We now are EU states. Some member states already satisfy their electricity and heating needs by up to 15% from biological fuels and wind generators. How much better would our import-export balance figures look if we achieved this percentage?

Latvia has the potential to become an alternative energy state. This should be our strategy after joining the EU and NATO. In our vast forests and open fields we have a great alternative energy source, which, under the guidance of a dedicated state policy and strategic use of EU money, can secure our independence and increase our prestige in the world. I will give two already existing examples, which should encourage those with a skeptical bend of mind and the fainthearted afraid to take on our own gas and oil lobbies.

A Swedish company brings sawdust from Estonia, Lithuania, and elsewhere from Latvia to Jaunjelgava, where after it is produced into wood pellets in its production facility, is transported to Sweden. It pays because Sweden has a tax policy that supports green energy. Why can't we do the same?

There is a town in Austria located in a less-developed region where, after the successful use of Brussels's money, it fully is able to supply its electricity and heating needs from wood leftovers and tree stumps sold by the local farmers. Furthermore a scientific center has attached itself to this town where better ways to use wood for energy generation is being researched. A new furniture factory has also sprung up which gives its wood waste to the city for electricity and heating generation, thereby completing the cycle of self-sufficiency. People from this town no longer decamp to Vienna in search of work. Rather we see a reverse trend.

With a dedicated state and EU financing strategy for 2007-2013 we could fully secure our electricity needs from wood leftovers and high-yield energy plants grown by our farmers. The energy potential is as great as that of a new hydroelectric power plant on the Daugava river.

This is not the beginning of the gas age. This century will be known as laying the groundwork for the post-oil and gas era. Oil will last for another 50 years only (Russia will need to import oil by 2019), gas will be around a little longer. By preparing ourselves for the new era, i.e. creating new technologies which use alternative energy sources, the end of the oil and gas era will be hastened because we will become less and less dependent on oil and gas, which, by the way, are responsible for global warming. Latvia and the other Baltic Sea states should foresee this development of events and become the front-runners in the development of alternative – and independent – energy production.