GEOPOLITICS OF RUSSIAN CRUDE OIL AND NATURAL GAS

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Abstract
That Russian economy and policy have experienced a form of a decline in both regional and international affairs after the demise of the Soviet Union is a fact. Huge budget deficit in one hand and the loss of political influence in particularly the near abroad have put Russia in a difficult position. It is the geopolitics of energy resources that Russia posses that has provided the opportunity for Russia to come over this difficult situation. Ownership of immense crude oil and natural gas reserves and the dominance over the control of the transportation routes have been very influential in the revival of Russian economy and politics in both regional and global scale. Moreover, Russia has proven to be willing and active in making use of her energy sources and transportation routes as a tool in her foreign policy. Russia has found an opportunity to assert her strength and influence upon the relevant states by the successful use of energy geopolitics.
Key Words: Russia, pipeline, energy, geopolitics

Özet
Sovyetler Birliği'nin dağılmasının ardından Rus ekonomisi ve politikasının hem bölgesel hem de uluslararası ilişkilerde bir gerileme yaşadığı bir gerçektir. Büyük bütçe açıkları bir taraftan, yakın coğrafyası üzerinde kaybettiği siyasi etkisi diğer taraftan, Rusya'yı zor bir durumda bırakmıştır. Rusya'nın sahip olduğu enerji kaynaklarının jeopolitiği bu zor durumun üstesinden gelmesi için bir fırsat oluşturmuştur. Sahip olduğu muazzam ham petrol ve doğal gaz rezervleri ile nakliye güzergahları üzerindeki baskınlığı ve kontrolü, Rus ekonomisi ve politikasının hem bölgesel hem de küresel ölçekte yeniden doğmasına yol açmıştır. Buna ilaveten, Rusya sahip olduğu eneji kaynaklarını ve nakliye güzergahlarını dış politikasında bir araç olarak kullanmaya istekli ve muktedir olduğunu kanıtlamıştır. Rusya, enerji geopolitiğini başarılı bir şekilde kullanarak, ilgili ülkeler üzerindeki gücü ve etkisini arttırmak için bir fırsat bulmuştur.
Anahtar Kelimeler: Rusya, boru hattı, enerji, jeopolitika

INTRODUCTION

That Russian economy and politics have experienced a form of a decline in global and regional affairs after the demise of the Soviet Union is a fact. Russian economy has deteriorated and Russians has lost the heavy influence that they possess in both global and regional affairs. However, it should be indicated that this period did not last long. Russian economy and

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politics have enjoyed a kind of a revival after a period of time. It is with no doubt that Russia has tremendous potential in terms of population, culture, linguistics, scientific level and natural resources. Russia would be among the political and economic determinants of the coming decades. It has been argued that recent free market policies, democratization and pragmatic way of documenting and implementing economic and political considerations would help Russia achieve leadership rivaling the United States.[1] It is the geopolitics of energy that provides this kind of opportunity to Russia. Rich hydrocarbon resources that Russia acquires and the effect of geopolitics have tremendously contributed to the revival of Russia after a period of stagnation. This article is an attempt to clarify this proposition. This study argues that Russia has been and it seems that is going to continue to be successful in exploiting the geopolitics of the crude oil and natural gas sources that she owns in a great amount in the foreseeable future.

In order to clarify the subject matter, this study is structured as follows. First part of the study deals with the exploitation of energy geopolitics. The next section is about the natural gas and crude oil potentials of Russia. Huge natural gas and crude oil reserves of Russia have been investigated in this section. Following part deals with the importance and prominence of Russia on the transportation issues. Crude oil and natural gas pipelines that Russia either posses or hosts are examined in this section. Last part of the study investigates the strength and influence of Russia as a strategic player in global energy affairs.

EXPLOITATION OF ENERGY GEOPOLITICS

The state, in its essence is a spirit or an idea in which and through which all ingredients are bound to each other into an organic oneness: into unity with multiplicity.[2] This organic theory states argue that states interact with their environment in various amounts and dimensions for the improvement of the interests of their citizens in which geographical factors and capabilities determine the setting. It is the geopolitics that observes and speculates upon the influence of geographical necessities on political and, consequently, economic events and changes in the political forms and standings of the states.[3]

Currently, it is the relationship between geopolitics and energy that has to be taken into consideration in the broader analysis.[4] Geopolitical

[1] Marvin Baker Schaffer, "Speculations About Geopolitics in the 21st Sentury", *Futures,* Vol. 30, No. 5, 1998, p. 445.
[2] Ladis Kristof, "The Origins and Evolution of Geopolitics", *The Journal of Conflict Resolution,* Vol. 4, No. 1, 1960, p. 21.
[3] Charles Hagan, "Geopolitics", *The Journal of Politics,* Vol. 4, No. 4, 1960, p.484.
[4] Deniz Ülke Arıboğan and Mert BİLGİN, "New Energy Order Politics Neopolitics: From Geopolitics to Energeopolitics", *Uluslararası İlişkiler,* Vol. 5, No. 20, 2009, p. 109.

linkages and effects of energy are becoming to be more diversified.[5] Geopolitics of energy sources is dominating the policies of both producers and exporters in a great amount. Location of energy sources, the transportation routes and facilities and the impacts of these issues upon the foreign policies of the relevant states are taken into careful consideration within the analysis of energy geopolitics. In this context, Russian influence can be observed heavily. Russia is one of the few countries in the world that owns an integrated energy sector. In addition to that, Russia is one of the unique countries that has the capacity and is capable of influencing both the downstream and upstream activities in the world.[6] It has been argued that it would be difficult to maximize oil and gas exports from the Caspian region without some Russian cooperation.[7] It is the geopolitics of energy that puts Russia into such a favorable position in both global and regional affairs. In fact, energy geopolitics has proven to be most helpful for Russia in the past, too.

Analysis of the geopolitical problems that are connected with energy has been curiously uneven. These kinds of problems generally emphasize mainly on the motives and problems of energy exporters in one hand and importers on the other.[8] While energy exporters are in need of continuous revenues that are vital for their budgets, energy importers on the other hand are looking for continuous flow of energy for their economies and industries. The implementation of these policies or the satisfaction of these mutual demands can sometimes result in unpredictable or unthinkable situations. History has witnessed such kinds of situations in different times. It was during the hot period of the Cold War that the Western equipment and technology played a key role in the Soviet energy sector. Soviet Union was in need of Western assistance not only to look for new oil and gas sources but also to maintain the current production levels.[9] It is the search for security of supply and demand that brought even the rival camps to work together. In fact, it is the common interests that bring the various countries together.

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[5] Mert Bilgin, "Fosil, Yenilenebilir ve Nükleer Yakıtların Neopolitik Anlamı- Türkiye'nin Durumu ve Gelecek Alternatifleri", *Uluslararası İlişkiler,* Vol. 5, No. 20, 2009, p. 58.

[6] Aurelia Mane-Estrada, "European Energy Security: Towards the Creation of the Geo-Energy Space", *Energy Policy,* Vol. 34, 2006, p. 3778.

[7] Amy Myers Jaffe and Robert Maning, "The Myth of the Caspian Great Game: The Real Geopolitics of Energy", *Survival,* Vol. 40, No. 4, 1998–99, p. 127.

[8] Robert Belgrave, "The Uncertainity of Energy Supplies in a Geopolitical Perspective", *International Affairs,* Vol. 61, No. 2, 1985, p. 261.

[9] Steven Goldman and Wayne Schroeder, "The Geopolitics of Energy", *Policy Review,* Vol. 17, 1985, p. 97.

RUSSIA AS A KEY ENERGY PRODUCER

That Russia is a major crude oil and natural gas state is a fact. Russia, currently, is the second largest oil producer and exporter of crude oil after Saudi Arabia in the world. Furthermore, Russia is the leading natural gas producer and exporter in the world. Russia has pursued a careful policy in becoming an influential actor in promoting the efforts to establish Organization of Gas Exporting Countries (OGEC).

There are various reasons behind the rise of Russia in the global energy market as one of the most important key energy producers. It is with no doubt that diversification is the key to promote a coherent energy security strategy. Diversification of both energy sources and suppliers should be prioritized by policy makers in order not to be confined to the devastating option of single energy importer and single energy type. Therefore, energy consumers look for different types of energy from different sources.

In this context, Russia appears out to be an alternative to oil supplies originating from unstable Middle East sources of crude oil. It is evident that Middle East holds the majority of crude oil reserves in the world. However, unstable politics of the region show a tendency to result in disruptions in supplying the global market with crude oil. In addition to that, rising anti-western ideas in the region is responsible from another dimension of major crude oil consumers' efforts of finding reliable long term suppliers of crude oil. It is with no doubt that these overlap with the significant strategic choice of Russia to ally with the Western world in return for economic co-operation.

In addition to the search for alternative crude oil suppliers in order not to be confined to Middle Eastern oil, there is a tendency to diversify the types of energy sources within the primary energy mix of consumer countries. There is a global tendency to increase the amount of natural gas within the primary energy mix of almost each consumer state. That natural gas is environmentally friendly, that there are advancements in the use of natural gas technologies and that there are promotions in the transportation of this hydrocarbon source opened a way to acquire an advantageous position within the primary energy mix of almost every country in the global scale.

The rising importance of Russia in international natural gas issues goes hand in hand with the promotion of gas consumption in the global scale. Russia occupies a prominent seat in the acquisition of natural gas reserves in the global scale. Russia holds 30.7 % of total natural gas reserves of the world. Russia is the primary supplier of natural gas to Europe and Turkey. It is with no doubt that this gives a strong hand to Russia in shaping and determining global politics of natural gas.

The importance of natural gas and crude oil for Russia does not only come from the strategic gains that have resulted from the ownership of

huge reserves, there are economic gains at the same time. Revenues that have been acquired from the trade of natural gas and crude oil have become a key source of income for Russian economy.[10]Economic backwardness right after the Soviet Union, huge debts and budget incomes have been operated with the earnings coming from this hydrocarbon trade in a great amount. High prices of crude oil (and natural gas prices the prices of which have been attached to oil prices in a way) and the devalued exchange rate of Russian currency brought high profits to Russian companies and the Russian state which, in turn, have contributed heavily in the revival of Russian economy and political abilities.

Oil production reached to its peak in 1987. In 1987, 569, 5 million tones have been produced. However, with the demise of Soviet Union, crude oil production has dropped dramatically. During the times of transition, crude oil production was calculated to be 301, 2 million tones in 1996. Nonetheless, it is worthy of attention that, even at this time of decrease in oil production, Russia still held a prominent seat in global crude oil production. Russia became the third producer after Saudi Arabia and the United States. This decreasing trend has changed direction towards the end of the 1990s. In 1990, oil production was calculated to be 305, 2 million tones. Crude oil production was 323, 2 million tones in the year 2000.[11] There is a rising trend in crude oil production of Russia since the revival of oil industry in Russia.

It is important to note that Russian crude oil production has increased by more than 640000 barrels/day (b/d) in a single year from 2000. In 2001, Russia produced 6, 95 million b/d of crude oil which has increased to 7, 55 million b/d in August 2002. Daily production figures for September 2003 were calculated to be 8,385 million b/d. It is with no doubt that Russian political leaders regard this new geopolitics of energy and the increase in hydrocarbon production from the point of view that it 'can help Moscow gain both politically and economically.'[12]

It is not only the domestic Russian crude oil production that is responsible for the rise of oil revenues flowing to the country. The presence of Russian oil firms in various production sharing agreements in different places of the world also contributes heavily to the strength of the oil industry in particular and the economic revival of the country in general. Russian firms have been very influential and successful in taking place in the upstream activities of Central Asian states. Russian firms have different

[10] Gawdat Bahgat, "The New Geopolitics of Oil: The United States, Saudi Arabia and Russia", *Orbis*, Summer 2003, p. 450.
[11] Markku Tykkylainen, "North-West Russia as a Gateway in Russian Energy Geopolitics, *Fennia,* Vol. 181, No. 2, 2003, p. 154.
[12] Amy Myers Jaffe, "Geopolitics of Energy", *Encyclopedia of Energy Volume 2,* Ed. Cutler CLEVELAND, (California: Elsevier Academic Press, 2004), p. 848.

amounts of equity shares in different joint ventures that operate on different countries in Central Asia. For example, a Russian firm, Lukoil, has 10 % share in the development of Azeri sources that has been defined as "the deal/contract of the century".[13]

This gives a strong hand to Moscow in shaping global oil prices. Although Russia is not a member of OPEC, the role of Moscow in determining the crude oil prices has expanded. Russia can be active and influential by making decisions on reducing or increasing the production. Russia can manipulate the global oil market to an extent by her hydrocarbon resources. The fact that Russian economy is diversified makes it possible for Russia to rely not only to the crude oil revenues. Oil earnings are not the sole income of the Russian budget as it is the case for most of the major oil exporters like Saudi Arabia. This gives a strong hand for Russia in pursuing policies of her own.

September 11 process is another issue of concern that has to be dealt with in scrutinizing the role and the rising importance of Russia in global energy issues. After September 11, there appeared out to be a tendency to find new sources of oil supplies apart from the Saudi Arabian sources since a number of the hijackers that have participated in the terrorist activities directed to the United States were Saudi nationals. Political relations between United States and Saudi Arabia have experienced new dimensions. Crude oil politics are no exception to that. These developments have deepened the vulnerability of the United States to import oil from the Middle East in general and Saudi Arabia in particular. It is in this context that a kind of energy partnership is being shaped between Washington and Moscow. In this context, American firms (Exxon Mobil) have entered the Russian upstream sector and involved heavily in the Sakhalin Island in the far east of Russia. Furthermore, Yukos has started oil shipments to the United States. First shipments have started in June 2002. There are two sides of the coin. Russian oil finds a new lucrative market and United States goes a step further in diversifying the suppliers of oil apart from the Middle East.[14] It is evident that even rivals can cooperate when their interests overlap. Although the amount and the degree of Russian and the American cooperation on this specific issue is not yet clear, it is a clear indication of increasing Russian presence and influence in global energy issues.

[13] Nasser Sagheb and Masoud Javadi, "Azerbaijans' Contract of the Century", *Azerbaijan International,* Winter 1994, p. 26.
[14] Sam Fletcher, "US-Russia Oil Supply Ties Deepen with Cargo to Texas", *Oil and Gas Journal*, August 5, 2002, p. 24.

RUSSIA AS A KEY PIPELINE STATE

The fact that consuming areas of crude oil and natural gas are far from the production centers makes it necessary to transport the hydrocarbon sources under consideration. Energy sources have no meaning unless they are ready to use at the final point of consumption. Useful energy should be converted to usable energy and should be carried to the consumption points. There are different ways and modes of transportation. Modes of transportation can be categorized as pipelines, tankers and barges, railways and road truck tank cars.

Different geographies and political environments dictate the type of the transportation mode. Hydrocarbon sources of a landlocked state should be transported to a harbor and then should be sent to overseas destinations. In order to reach to the harbors, inland transportation is necessary. This can be achieved either through the use of pipelines or railway/road transportation. It is the pipeline option that binds the two points (filling and unloading) to each other institutionally.

The capacity of a pipeline is directly proportional to its diameter. Greater amounts of throughput are achieved when the diameter of the pipelines are longer. Since pipelines are heavily influenced by the economies of scale, big operations are favored. The bigger the capacity of the pipeline, the more feasible operation is achieved through the activities of the pipeline. Fixed costs and variable costs of the pipeline should be well calculated for a feasible operation. Fixed costs (capital costs) include pipes, pumping or compressor stations, land and construction costs. Variable costs (operating costs) include fuel cost, personnel cost and maintenance cost. Variable costs are very low when compared to capital costs. Full capacity operation is the most feasible way for the activities of the pipeline. However, unique structure and politics of the pipeline necessitate that pipelines should continue to operate in non-full capacity situations, too. Pipelines should be in continuous operation even if they are making losses. Bygones rule dictates that when operating costs are covered and there is a contribution to fixed costs, facilities should continue to operate. The costs that are resulted from the closure and, after a period of time, the opening of facilities are much higher than the continuous operation of the facilities even if they are making considerable amounts of losses.

In addition to the complexity of the economics of the pipelines, political structuring of the facilities under consideration is not simple as well. After pipelines are constructed, it is not possible to redirect them or tear them apart (Kirkuk-Haifa pipeline should be regarded as an exception). Pipelines are regarded to be nervous system of the oil and gas industry.[15]

[15] Prasanta Kumar Dey, "Oil Pipelines", *Encyclopedia of Energy Volume 4,* Ed. Cutler Cleveland, (California: Elsevier Academic Press, 2004), p. 673.

Pipelines create cobweb of relations among the producers, consumers and the transit states. Efficient operation of the pipelines determines the effectiveness of the overall activities of the entire hydrocarbon business.

Pipelines are natural monopolies that there is one pipeline constructed between a consumption point and production center. Pipelines are generally regulated and owned by public. Considerations and expectations of private enterprises and public utilities differ from each other. Private sector should focus on economic revenues where public considerations vary from sovereignty rights to strategic calculations in addition to economic gains and losses.

It is important to note that it is not always possible to construct the pipelines within the boundaries of a single state. When the pipeline host is a single counter, it is easy to determine and regulate the activities, throughput and operations of the facilities. However, when there is more than one country, it is likely to have problems concerning the operations and regulation of the pipeline. Pipelines may have to travel through the boundaries of more than one state. Transboundary pipelines are the pipelines that pass through the territories of two or more countries. In this context, definition of a transit country should also be provided. A transit country is a country that a pipelines passes within her territory and transfers the hydrocarbons to the neighboring country. Throughout the operation of transboundary pipelines, the application of legal regimes may be problematic. Legal regimes of the transit states may be different from each other. Whose legal regime is going to be applied?

Another issue of concern is the difficulty of the coordination of the activities. There should be a harmony among the participants of the pipeline for a successful operation. It should be remembered that stages of the hydrocarbon industry are regarded to have long lead times. Pipelines are no exception to that. The approval of the governments that have been involved in the pipeline project should be set for a long period of time. Furthermore, security of supply concerns of the consumers and security of demand concerns of the producers should be satisfied throughout the operation and life of the pipeline project.

In this context, it is important to note that Russia has a cobweb of pipelines running through both within her territories and hosting the transport facilities of neighboring hydrocarbon states. In addition to rich crude oil reserves, Russia, with huge amounts of crude oil natural gas supplies would dominate the energy field in global scale for many decades.[16] This results from not only the rich hydrocarbon sources that Russia possesses. The pipelines that Russia owns and hosts also have an important contribution to this vision.

[16] Michael Clare, "The Geopolitics of Natural Gas", *The Nation,* January 23, 2006, p. 19.

The primacy and prominence of Russia on the pipeline issues are inherited from the Soviet Union times in a great amount. Pipelines that were built during the Soviet Union era were designed to face the domestic needs of the Union. Commercial considerations were not the primary motives of the policy planners. Therefore, the hydrocarbon resources of even the Central Asian region were transported through the pipelines passing through Russian areas.[17] The hydrocarbon needs of East European satellite states were faced by Azeri and Kazakh oil for along time. Azeri oil was reached to Supsa or Novorossiysk ports at the Black Sea. After that, Azeri crude oil was carried to the other side of the Black Sea reaching to European consumers. Moreover, an amount of the crude oil that has been produced from Kazakhstan was loaded to the pipelines in order to reach the Russian pipeline system. Kazakh oil was, then, evaluated within the Russian system according to the needs of the whole Union.

Currently, there are two lines that Russia hosts Kazakhstan crude oil in order to reach to the market. Caspian Pipeline Consortium has been established as a joint project of Kazakhstan, Russia, the Sultanate of Oman and different international major oil companies. The project that brings Kazakh oil to the port of Novorossiysk in the black Sea is headed by Chevron. The project is operational since 2001. The project has a capacity of carrying 1, 34 million b/d. In the year 2007, an amount of 25, 5 million tones/year Kazakh crude oil have been transported via this route passing through Russia.

Atyrau-Samara Pipeline is another route that brings Kazakh crude oil to the market through Russia. Kazakh oil that has been excavated from Atyrau has been pumped to Samara in Russia. In Samara, Kazakh oil has been transferred to the Russian pipeline system. It is after this point that Kazakh oil reaches to market within the Russian pipeline system.

Baku-Novorossiysk pipeline is another route that Russia hosts Central Asian oil reach to the market. An amount of Azeri oil has been transported through this route. Azeri oil, then, has been loaded to oil tankers and travels to their final destination points running through either the Straits or to the other side of the Black Sea.[18] It should be remembered that this route had a vital importance for Azerbaijan before the construction of the Baku-Tbilisi-Ceyhan pipeline that brings Azeri crude oil to the Mediterranean. The volume of Azeri crude oil that has been transported via Novorossiysk route, which was estimated to be 5 million metric tones/year faced a decline after the start of the operations of the Ceyhan route.

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[17] Younkyoo Kim and Guho Eom, "The Geopolitics of Caspian Oil: Rivalries of the US,Russia and Turkey in the South Caucasus", *Global Economic Review,* Vol. 37, No. 1, 2008, pp. 86–87.

[18] Philip Rabinowitz et. al., "Geology, Oil and Gas Potential , Pipelines and the Geopolitics of the Caspian Sea Region", *Ocean Development and International Law,* Vol. 35, 2004, p. 30.

Apart from the transboundary pipelines that Russia hosts, Russian strength over pipelines comes from the web of natural gas and crude oil pipelines that Russia herself possesses. The length of natural gas pipelines that Gazprom, major gas company in Russia, is about 150,000 kilometers. Russian gas reaches to Europe and Turkey via pipelines. The institutionalized, long lasting relationship between Russia and Europe has been built mainly on natural gas trade. Russian gas reaches to Europe by two main routes which have different branches. Northern pipeline reaches to Ukhta. After that, the gas is pumped to Northern Lights, and then to Yaroslav, which is located at the north of Moscow. In Yaroslav, the pipeline bifurcates to west and southwest directions. This route reaches to Finland and Central Europe.

Second main natural gas pipeline that reaches Europe is the southern route. It crosses the River Kama, Kazan, reches to Kiev in Ukraine and enters to Europe via Slovakia. Russian gas reaches to France, Germany, Italy, Austria Finland, etc through the use of the pipelines.[19]

It is with no doubt that Russia has an extensive and efficient network of crude oil pipelines. Although an amount of the oil pipelines are old efficient use of these constructions has provided lucrative gains for Russia in order to be able dominate the domestic industry from the well-head to the pumping stations. One should remember that the network of the crude oil pipelines that have been built during the Soviet Union times is still in use and operational. These are the most important crude oil transporting facilities in Russia. The length of the crude oil pipelines of Russia is calculated to be 46,700 kilometers. In the year 2000, an amount of 294, 6 million tones of crude oil and 23, 1 million tones of refined products have been carried within this pipeline network.[20]

In 2007, it has been calculated that Russia has exported almost 4, 4 million b/d of crude oil and more than 2 million b/d of refined products. Majority of this amount has been transported through the pipelines. Approximately, 1, 3 million b/d were exported via the Druzhba pipeline alone.[21] This pipeline travels through Belarus, Ukraine, Germany and Poland.

In order to have a more direct access to the European market, Russia has attempts to construct new networks. Baltic Pipeline System should be regarded in this perspective. It was in 2001 that the oil port of Primorsk has constructed and put into operation. The exports from Timan-Pechora fields

[19] Markku Tykkylainen, "North-West Russia as a Gateway in Russian Energy Geopolitics, p. 163.
[20] International Energy Agency, *Russia Energy Survey,* (Paris: IEA, 2002), p. 88.
[21] Energy Information Administration, *Russia Energy Data, Statistics and Analysis- Oil, Gas, Electricity, Coal,* 27 May 2008, p. 4.

would reach here and, then, exported to final destinations.[22] In addition to the Baltic Pipeline System there are a number of other pipeline projects that are under planning process in order to bring more Russian crude oil to the global market. These are mainly Murmansk Area, Kharyaga-Indiga Pipeline and Eastern Siberia Pacific Ocean Pipeline. It is with no doubt that Russia would have a more effective and advantageous position in global energy issues when the pipeline projects under consideration are constructed and are put into operation.

It is important to note that once pipelines are built, they create a kind of interdependence among all participants. Suppliers of the pipeline, consumers, transit countries, operator companies, financers of the project are tied together institutionally in the long run. The kind of togetherness that has been formulized through the activities of a particular crude oil or natural gas pipeline transcends the economic issues. Politics and strategies of each participant both effects and is being affected by the behaviors and activities of other participants of the relevant project. More pipelines mean more involvement and more effectiveness for Russia in the energy issues that she has involved. It is observable that Russia had/has/will have enough leverages to use this opportunity in her political maneuvers at the same time.

RUSSIA AS A MAJOR STRATEGIC PLAYER IN GLOBAL ENERGY ISSUES

That there is a close connection between national security and energy is a fact.[23] It is not possible for a country to secure the energy supplies that are vitally important for the sustainable development of the country on their own. Economic and political cooperation among producers, consumers and major energy companies would ensure the uninterrupted flow of the energy supplies to the market.[24] This, with no doubt, would prepare the necessary grounds for price stability. In this context, it is evident that political factors will play a crucial role in the formation and the direction of the energy industry. It seems to be clear that it is geopolitics, not geology that is driving the future of energy issues.[25] Likewise, energy prices are determined by geopolitics, not by pure economics. It is evident that geopolitical factors are gaining more strategic importance gradually.

Security of energy supply is one of the basic elements of the European Union. Energy policy is one of the most influential factors of external trade

[22] International Energy Agency, *Russia Energy Survey,* p. 97.
[23] Wilfrid Kohl, "National Security and Energy", *Encyclopedia of Energy Volume 4,* Ed. Cutler Cleveland, (California: Elsevier Academic Press, 2004), p. 193.
[24] Gawdat Bahgat, "Oil Security at the Turn of the Century: Economic and Strategic Implications", *International Relations,* Vol. 14, No. 6, 1999, p. 50.
[25] Bertie Taylor, "Geopolitics Driving the Future of Energy", *Oil and Gas Investor,* 24 October 2005, p. 8.

and foreign relations and security policy of the European Union. European Union is in a way of developing her own strategy. Investments in and various relations with energy producers and transit states have a considerable importance in sustaining the security of energy supply.[26] In this context, Russia appears out to be on the top of the primary actors for Europe.

That Turkey has aspirations to become an energy corridor in the transportation of the oil and gas resources to the Western market is a fact.[27] This aspiration collides with the dominance of Russian presence in the energy supply and transmission network of oil and gas to Europe. With this aspiration in one hand and being dependent on Russia for her own domestic hydrocarbon needs, Turkey has to make a balance between becoming an energy corridor to Western markets and increasing energy dependence on Russia.[28] In spite of Turkish efforts in becoming the energy corridor to the Europe, it seems that Russia is going to continue to enjoy her dominant position in the near future.

European Union has measures of energy import diversification. There are political risks coming from the supplier country. There are risks that have been associated with energy transit and the economic aspects of a possible supply disruption.[29] Dependence on Russia is in significant amounts. This brings some risks for the European Union.[30] However, Russia is confident with this engagement in the sense that this energy trade benefits Russia in not only economic terms, but also in geopolitical calculations. Energy trade is a part of the broader geopolitical calculations. In this relationship relative gains are more significant than the absolute gains. This helps Russia in becoming an energy superpower and play a key geopolitical role by situating herself as a vital supplier for major energy markets, hence increase her importance.[31]

It is evident that Russia is mastering the art of energy geopolitics. Russia uses her energy resources as a means of asserting her power both in regional and international issues.[32] Russia is poised to assume a far more

[26] Aad Correlje and Coby Van Der Linde, "Energy Supply Security and Geopolitics: A European Perspective", *Energy Policy,* Vol. 34, 2006, p. 532.
[27] A. Kılıç, "Turkeys' Natural Gas Necessity, Consumption and Future Perspectives", *Energy Policy,* Vol. 34, 2006, p. 1928.
[28] Carol Saivetz, "Tangled Pipelines: Turkeys' Role in Energy Export Plans", *Turkish Studies,* Vol. 10, No. 1, 2009, p. 95.
[29] Chole Le Coq and Elena Paltseva, "Measuring the Security of External Energy Supply in the European Union", *Energy Policy,* Vol. 37, 2009, p. 4474.
[30] Mert Bilgin, "Geopolitics of European Natural Gas Demand: Supplies from Russia, Caspian and the Middle East", *Energy Policy*, Vol. 37, 2009, p. 4482.
[31] Dominique Finon and Catherine Locatelli, "Russian and European Gas Interdependence: Could Contractual Trade Channel Geopolitics?", *Energy Policy,* Vol. 36, 2008, p. 425.
[32] Ambrish Dhaka, "The Geopolitics of Energy Security and the Response to its Challanges by India and Germany", *Geopolitics,* Vol. 14, 2009, p. 282.

significant position in the global energy sector.[33] The fact that Russia is not a member of OPEC favors her production policies. Russian production is not confined or restricted by production quotas. Therefore, Russia has the ability to trade extensively based on her market share. The ability to produce more has proved to be more than helpful for Russia in maintaining economic revival and be more influential in global energy geopolitics.

Another important issue that has to be dealt with is the use of energy sources as a weapon in relations with other countries. World politics have experienced the term 'oil as a political weapon' during the 1970s. A group of major oil exporters have used crude oil as a weapon against some major consumers because of the support that they have provided for Israel. It seems to be wise to argue that Russia has used 'natural gas as a weapon'. Russia, currently, supplies natural gas to ex Soviet states like Belarus, Ukraine, Georgia etc. Russia supplies gas to European Union and Turkey at the same time. However, the price of the gas that has been traded is different from each other. Russia supplies gas to old Soviet countries like Belarus, Georgia and Ukraine with lower prices than the European and Turkish consumers. Both the amount of the gas supply and price are used as a kind of weapon by Russia in her relations with these states. It should be indicated that there have been some discussions on the issue that recent Russian-Ukrainian dispute over natural gas prices and transit issues that has affected the European Union in a negative way should be regarded as an issue which is more than a merely economic dispute.[34] It has been argued that Russia was not comfortable to observe that states that she regard to be in her orbit are constructing deep relations with Western societies. Russia has been willing and active in making use of her energy sources in exploiting geopolitics and strengthen her power and influence.

CONCLUSION

The study of the influence of geographical factors on political action gives a strong hand to Russia on becoming an influential player of global energy issues. In fact, Russia has always been influential in energy issues. According to the "Heartland Theory" that has been fore grounded by Sir Halfrod Mackinder, who controls East Europe could control the extensive sources of the Heartland, and could thereby dominate the world.[35] This articulation has been paraphrased in different ways at the same time. It has been argued

[33] Edward Morse and James Richard, "The Battle for Energy Dominance", *Foreign Affairs,* Vol. 81, No. 2, 2002, p. 17.
[34] Simon Priani, Jonathan Stern and Katja Yafimava, "The Russo-Ukrainian Gas Dispute of January 2009: A Comprehensive Assesment", *Oxford Institute for Energy Studies NG 27,* Februaray 2009, pp. 31–37.
[35] Gareth Winrow, "Geopolitics and Energy Security in the Wider Black Sea Region", *Southeast European and Black Sea Studies,* Vol. 7, No. 2, 2007, p. 218.

that who controls the export routes, controls the crude oil and natural gas; who controls the oil and gas, controls the Heartland.[36] One should remember that Russia has always been influential in the control of the energy routes apart from being a dominant hydrocarbon energy producer on her own. This prepared the necessary ground for Russian decision makers to enjoy an advantageous and favorable position in dealing with regional and global issues.

In addition to the historical legacy that has been prioritized by the ownership and the control of the transportation routes of oil and gas resources, these hydrocarbon sources under consideration have proved to be more than useful in the revival of the Russian economy after the demise of the Soviet Union. The primary concern for Russia was economic recovery. From Primakov to Putin, Russian decision makers have emphasized on the economic strength of Russia.[37] The revenues that have been acquired from the ownership of oil and gas sources and dominance over the transportation routes have been the key ingredients in facing the budget deficits and the revival of the Russian economy.

In addition to the use of oil and gas sources in the revival of domestic economy, energy sources are regarded to be as a weapon of political leverage for Russia. Russian presidency continues to exploit this strategic oil and gas supply chains to extend and strengthen the diplomatic influence and power in regional as well as international scale. The control of Russia over the key energy infrastructures that that supplies oil and gas to Europe provides a considerable power in the prevailing environment of commodity prices.[38] Russia has proven to be an influential player in both global economics and politics for the sake of the last couple of years because of the effective and efficient use of the geopolitics of both crude oil and natural resources wisely. It has been proven that it is not going to be unwise to assert that Russia acquires enough leverage to exploit her political geography in making favors for economic and political gains in global and international scale. It has proven that Russia is going to be willing and able to influence energy issues in the global scale by making use of her geopolitics.

[36] S. Ohara, "Great Game or Grubby Game? The Struggle for the Control of the Caspian", *Geopolitics,* Vol. 9, No. 1, 2004, p. 148.
[37] Tom Caiser, "Putins' Policy Towards the West: Reflections on the Nature of the Russian Foreign Policy", *International Politics,* Vol. 43, 2006, p. 384.
[38] David Wood, "Russia Seeks Global Influence by Exploiting Energy Geopolitics", *Oil and Gas Journal,* 12 February 2007, p. 20.

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