

# **Modern Russia's Approach to Energy Cooperation in Northeast Asia**

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# Outline

- Rationale of Northeast Energy Policy of Russia
- New Policy Initiatives of Russia for the Development of Energy Resources of East Siberia and the Far East
- Key Energy Resource and Infrastructure Projects in Eastern Russia
- Problems facing Russia-NEA Energy Cooperation
- Approaches to Russia – NEA Energy Cooperation Stimulation

# Rationale of Northeast Energy Policy of Russia

- Energy import for NEA is and will be necessary and inevitable. Energy import from Russia is important for diversification of energy import sources.
- Russia is interested in diversification of energy supplies to international energy markets. Northeast Asia could be a reliable partner for diversifying Russian energy exports.
- Russia has been emphasizing the importance of developing its Eastern territories (first of all, the RFE). Developing energy resource projects support “endogenous” economic growth of the Far East.

# Policy Initiatives of Russia: Shift to Arctic and East Oil-and-Gas Resources

- **Enhancement of Arctic and Eastern areas** in national oil and gas reserves additions
- ✓ Timano-Pechorskiy basin, East Siberia and Yakutia, and the shelves of the Barents Sea, the Kara Sea and the Sea of Okhotsk are **the most promising in producing national oil and gas.**
  - ✓ The State Duma adopted **the Law on the zero rate of the royalty for oil deposits** in East Siberia and Yakutia (mainland).
  - ✓ Special **Federal Program** for prospecting and development of **shelf deposits is underway.**

# Policy Initiatives: Strengthening National Control over “Strategic Resources”

- ✓ Russia’s “strategic deposits” will be developed **under national companies control**
- ✓ **Under the 2008 Law** the mineral resources of “federal importance” can be passed to Russian companies for exploration and development **without any tenders (by Order of Government)**
- ✓ **The 2006 Law “On gas exports”** identifies the regime of a national “unified export channel” (a single national agent purchasing pipeline natural gas extracted and/ or transmitted in Russia)

# Policy Initiatives of Russia: Integrated Concept of “Assets Swapping”

- ✓ During 2006 G8 Summit Russia launched **a concept of “Assets Swapping”** as an integrated tool for global and regional energy security
- ✓ **Key principles** of Russia’s understanding of “Assets Swapping”:
  - (1) **Uniting and Distributing Risks** of Energy Security **between Producer/ Consumer** countries through mutual participation in Supply-and-Demand of energy
  - (2) **Assets swapping directly** among national and global Energy Majors
  - (3) **Assets Swapping as a facilitator** of technology exchange, managerial expertise, supply-demand side management, capital mobilization

## Important Energy Resource and Infrastructure Projects in Eastern Russia (1)

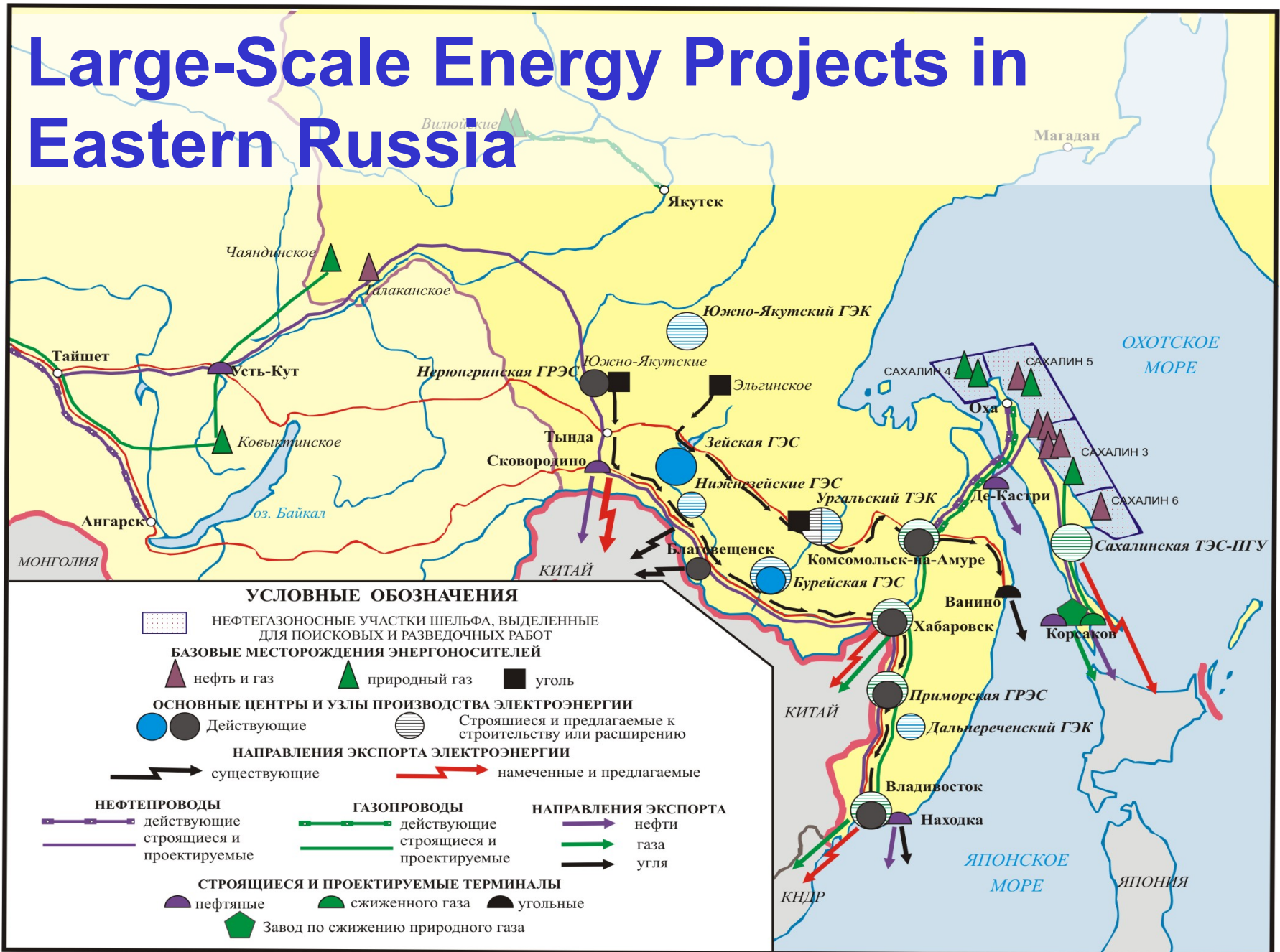
- ***Sakhalin-1 and Sakhalin-2*** oil and gas projects are under production
- ***East Siberia – Pacific Ocean oil pipeline (ESPO project)***. The 1<sup>st</sup> stage of the ESPO of 30 mln t will be completed in the 4th quarter of 2009. FS of the 2<sup>nd</sup> stage of additional 50 mln t is underway
- Investments are made to some oil-gas deposits to feed ESPO: ***Vankor (Krasnoyarsk), Verkhnechonsk (Irkutsk), Talakan (West Yakutia)***.

## Important Energy Resource and Infrastructure Projects in Eastern Russia (2)

- ***Program on Unified Gas Supply System in East Siberia and the Far East (UGSS project).*** UGSS approved by Russian Government in 2007
- ***Large-scale project of Russian electricity exports to China (is underway).*** Targeted export volumes up to 60.0 bln kWh annually.
- ***The South Yakutia development project (is underway)*** . The energy related projects include hydro, hard coal, gas, uranium



# Large-Scale Energy Projects in Eastern Russia



# Problems in the Development of Russia – NEA Energy Projects (1)

- Over 2000s the intensity of **Russia-NEA energy cooperation contacts has been enhancing**
- Real projects development **far behind declared initiatives and plans**
- In case of resource projects, **problems are not financial or technical in nature**. Sakhalin-1, Sakhalin-2 are good evidence
- So far **no consistent, comprehensive, non-contradictory** mechanisms of energy cooperation in NEA on multi- and bilateral basis

# Problems in the Development of Russia – NEA Energy Projects (2)

- The character of the **energy cooperative initiative differs strongly** among the NEA countries.
- Actual priorities of Russia's energy policy still **put more weight to European areas**
- **Essential divergence** in approaches of Russia and NEA to ensure regional energy security
- Russia's "assets swapping" follows **Supply-Demand Integration, but interpreted as "Russian Resource Nationalism"**
- NEA countries still follow **Supply Security Policy**

# Possible Approaches to Russia – NEA energy cooperation stimulation

- Shift to **“assets swapping” integration approach**;
- **a comprehensive format** of cooperation simultaneously involving issues of oil, natural gas, coal, electricity, fuel processing;
- Establishment of **strategic alliances** for joint development of oil & gas fields in East Siberia and the shelf of Sea of Okhotsk;
- Construction of **joint infrastructure** for energy resource transportation;
- **Mutual participation in traditionally “national” downstream subsectors** such as electricity, heat supply, petroleums, energy saving

# Thank you for attention!

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