Handout D: Interdependence & energy security

The economic interdependence between Russia and the EU is perhaps best illustrated through energy. Energy is Russia’s biggest export, and most of it – over 70% of its crude oil exports and nearly 90% of its natural gas exports in 2014 – is sold to Europe.¹ In 2014, 37.5% of the EU’s total imports of natural gas and 30.4% of its oil imports came from Russia, with Norway, Nigeria, Algeria, and the Gulf states making up most of the remainder.²

If Europe is dependent on Russian energy, Russia is dependent on European customers. Mineral exports made up 63.8% of Russia’s total export revenues in 2013,³ and some estimates suggest that at least 60% of Russia’s budget revenues are directly or indirectly related to the oil and gas sector.⁴ This is not new; the countries of Eastern Europe depended on energy imports from the Soviet Union, and even the states of Western Europe imported oil and gas from the USSR during the late Cold War. As a result, a network of pipelines needed to export oil and gas to Europe has been in place for decades. As the map below shows, several of these pipelines pass through Ukraine.

The relationship changed in the late 2000s, after a series of disputes between the Russian state-owned natural gas monopoly Gazprom and the Ukrainian state-controlled gas company Naftogaz Ukrainy over gas prices caused Gazprom to cut off the supply of natural gas to Ukraine for 4 days in January 2006. At this time, roughly 80% of Russia’s natural gas exports to the EU passed through Ukraine, and the cutoff instantly caused shortages across the EU. Another dispute in January 2009 saw all Russian gas flows through Ukraine stopped for nearly two weeks. While these crises demonstrated Russia’s ability to exert political pressure through its energy exports, it also demonstrated the need for EU members to diversify their energy imports. In the years after the 2009 crisis, the EU member states took steps to reduce their dependence on Russian energy and to diversify the pipelines used to transport Russian oil and gas to EU countries. For example, the Nord Stream pipeline completed in 2011 transports Russian gas directly to Germany through the Baltic Sea. Many of the post-Soviet EU members still rely on Russian energy. However, infrastructure projects such as the Nord Stream pipeline allow the EU’s larger customers to buy Russian energy without it being transferred through Eastern Europe first. Nonetheless, a significant part of the EU’s gas imports from Russia still flow through Ukraine. As a result, it is possible that Russia will face less political pressure from its customers in Western Europe should gas supplies to Eastern Europe be cut off in the future, as they were in 2006 and 2009.