

Polar Power: Russian Energy and Globally Integrated Operations

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This is the third of a series of four reports in the project “Russian Globally Integrated Operations” which examines Russian strategic thinking and activity. The reports are intended as introductory texts for subsequent presentation and discussion.

Executive Summary

- In a world they see as characterised by increasing geopolitical and geoeconomic competition, Russian policy makers show considerable consensus over the ownership of resources, access to consumer markets and control of transit routes as being key to securing strategic advantages which will enable Russia to project influence on a global scale and conduct Globally Integrated Operations.
- The global commons feature high on Moscow’s strategic agenda, with forays being made into Antarctica. Yet the Arctic remains the strategic focus. Moscow is seeking a larger share of Arctic resources and exclusive access to Asia and Europe via the Northern Sea Route (NSR). Valuable cartographic data is being regularly collected and analysed through ongoing collaboration of the Northern Fleet with the Ministry of Resources and the Russian Geographical Society (RGS).
- The government and Rosatom are working to tighten control of the NSR and consolidate it as Russia’s internal waterway. Meanwhile, the state and Globally Integrated Corporations – Novatek, Gazprom, Rosneft and Rosatom – have forged ahead with a number of expensive projects despite the steep fall in oil prices. By investing in the development of Arctic infrastructure and hydrocarbons, Moscow seeks to overcome intensifying competition among producer-states and maintain its global leadership position in energy exports.



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Energy in Russia's Strategy

Energy is integral to Moscow's vision of Russia as a great power engineering a structural transition in international relations to a polycentric world. The role of hydrocarbons is not limited to generating hard currency for the federal budget, though with contributions of 46% in 2018, their significance can hardly be underestimated. For the Russian government, energy is both bound up with Russian national security questions and is a principal means of projecting influence abroad. Indeed, in its strategic documents, the Russian government asserts that energy is a state instrument for conducting 'internal and external policy', and asserts that 'the country's role on the world energy markets in many ways determines its geopolitical influence'.¹

Russia's international posture is intended to prevent the West 'containing' Russia through restrictive measures and to build a 'post-West' international order. To achieve these dual objectives, in Moscow's view, Russia must prevail in the competition which has been unfolding across all strategic areas, including energy. Energy competition is partly driven by technological advances: a breakthrough in shale has led to the US rapidly becoming an oil and Liquefied Natural Gas (LNG) exporter to the global market – thus becoming Russia's direct competitor. But it is also driven by global factors such as climate change, which is affecting the operating conditions in the global commons, creating new challenges and unprecedented opportunities in claiming resources.

Active Prepositioning in the Global Commons

Russia sees Antarctica as a region of growing interest and is prepositioning itself to be prepared to take advantage of the opportunities when they arise. Driven by the conviction that the region (and its resources) will be increasingly disputed in the run-up to the set standard review of the Antarctic Treaty System (ATS) in 2048, Russia remains active in Antarctica even as other key stakeholders scale back their research programmes. In February 2020, state surveyor Rosgeologiya announced that it had completed a seismic survey in Antarctica intended to assess the offshore oil and gas potential using the latest technology.² Rosgeologiya's explicit statement that the survey was to prospect for Antarctica's hydrocarbons reflects Moscow's energy-focused approach in GIO and should be considered within the context of its earlier concerns that 'advancing politicisation of research and technology' as well as the 'growing interest towards a more intensive use of the Antarctic resources' will shape the future of the continent.³ The ongoing expansion of Russia's icebreaker fleet, primarily but not exclusively for the use in the Arctic, will also promote Russia's strategic interests in the polar race.

The Russian leadership has long stated its view that developing the oil and gas resources of the Arctic is a paramount objective. Official documents refer to the region as a 'strategic resource base',⁴ while President Putin has called it 'a treasure trove' and 'a region with a huge economic potential and opportunities'.⁵ Though the resources of Russia's Arctic are estimated to be colossal, Moscow remains keen to use provisions in the UN Convention on the Law of the Sea to claim 1.2 million square kilometres as a continuation of its continental shelf. Large parts of that area are disputed by Denmark and Canada.

In October 2019, the Russian Ministry of Defence stated that it had obtained new proof to support Moscow's claims to the continental shelf. According to Nikolai Yevmenov, head of the navy, the collected data has been used to produce a bathymetric map, which defines and classifies the main characteristics of the surveyed part of the Arctic seabed 'with a high level of precision'.⁶ Yevmenov added that data analysis had been conducted by Navy together with the Ministry of Natural Resources, highlighting the strategic nature of work that various Russian ministries have been undertaking together. The active involvement of the Russian Geographical Society (RGS) – Putin is Chairman of the Board of Trustees and Defence Minister Sergei Shoigu is RGS President – further

illustrates the degree of strategic thinking behind this work. Even if Russia is only partially successful at claiming an extension to its continental shelf, it will have collected a wealth of valuable cartographic data on the Arctic.

Global Leadership in Exports

Russian planners highlight that maintaining the country's position among 'the top three world leaders in the production and export of energy resources' over the next twenty years is a key strategic goal.⁷ Reflecting the priority of energy exports, the goal was elevated to one of the state's three 'tasks of the upper tier'.⁸

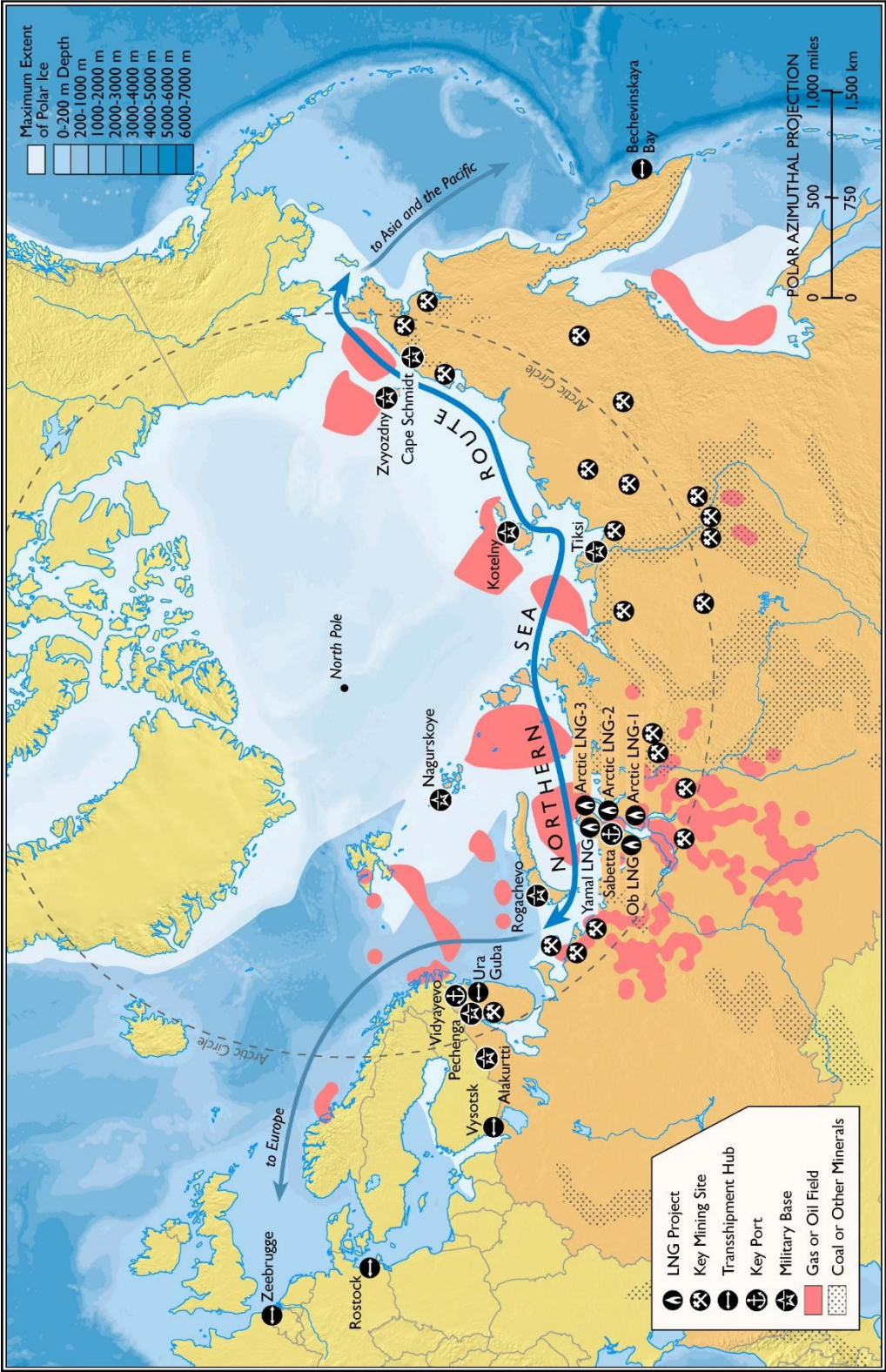
The government works with state companies Rosneft, Gazprom and Rosatom and (privately owned) Novatek to develop the Arctic. These Globally Integrated Corporations (GICs) have aligned major energy decisions with the Kremlin's understanding of what is required to facilitate GIO. Novatek's successful completion of the \$27 billion Yamal LNG on time and on budget has earned it the right to build another major LNG project – Arctic LNG-2, with three more being planned on the Yamal and Gydan peninsulas. Novatek's CEO Leonid Mikhelson has set an ambitious task for Novatek: to turn it into one of the world's largest producers of LNG, positioning Russia to compete and, in Putin's words, 'without any doubt' overtake Australia and Qatar.⁹

Novatek is instrumental in helping the state achieve a range of GIO tasks. It provides the bulk of throughput to the NSR, which Moscow is consolidating under its jurisdiction as Russia's internal waterway. The military value of the NSR is that it serves as an interoceanic connector for the Navy. In the Vostok-2018 exercise, eight Northern Fleet vessels sailed from the Kola Peninsula across the NSR to the Pacific where they joined the Russian Pacific Fleet in training. Moreover, the NSR is the shortest route to Asia, and Mikhelson emphasises that, with icebreaker support from the state, Novatek will send up to 85% of Arctic LNG-2 eastwards. Diversification of Russia's export markets will enhance its influence in the Asia-Pacific region. Finally, Novatek has committed to building two transshipment hubs – in Kamchatka and Murmansk – to optimise the transport of LNG east and west. Thus, with state financial support, Novatek will preserve and strengthen the traditional European direction for Russian exports, which the state continues to regard as important.

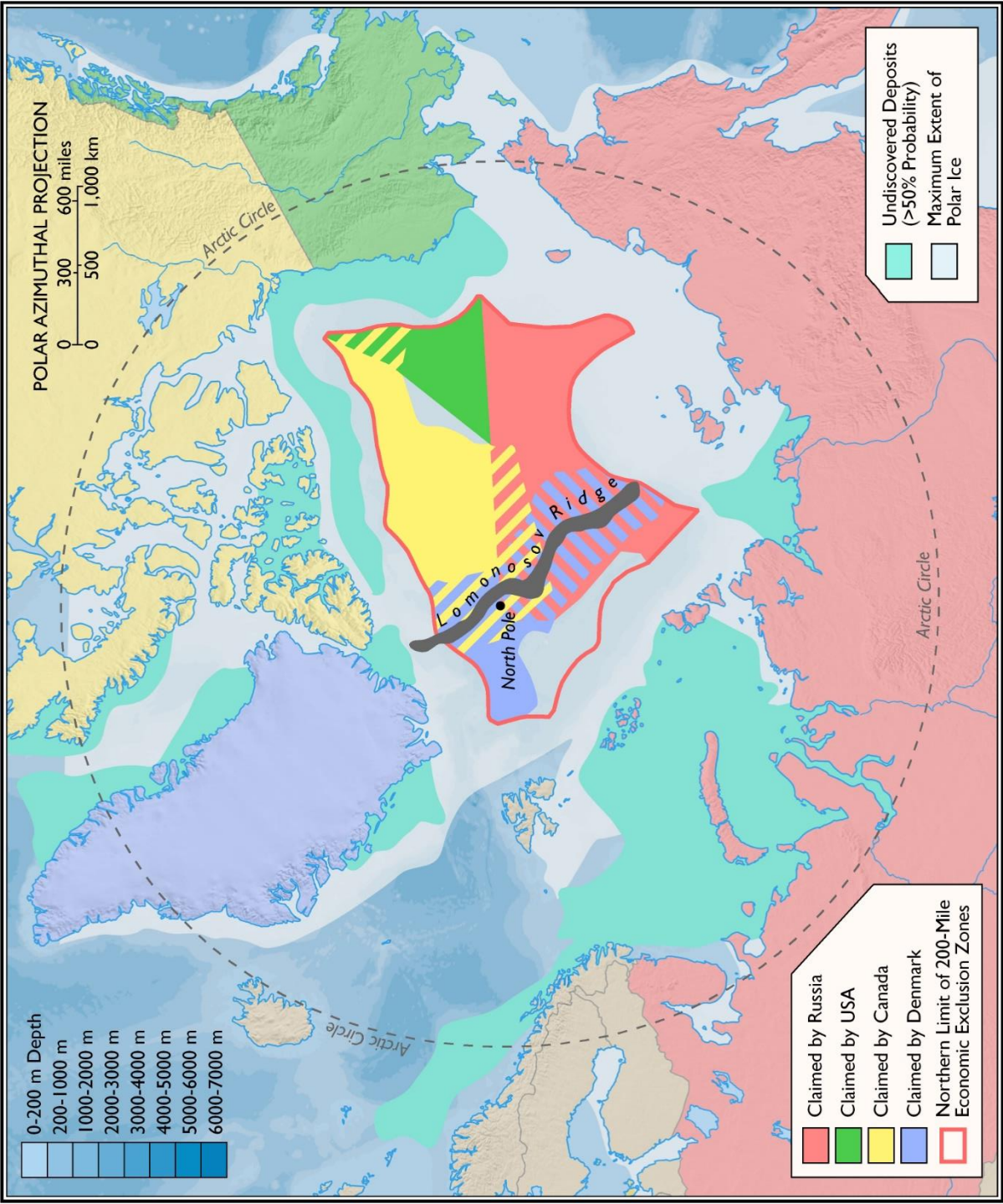
The value that the state assigns to global LNG exports became apparent when the MoD approved in mid-2019 the construction of the Murmansk transshipment hub in the immediate vicinity of the Northern Fleet base of Vidyaevo. The Ura Guba location is favourable for shipping, and Novatek has committed to start operations by 2022. Thus, the alignment of interests between the state and Novatek significantly furthers Russia's GIO.

Conclusions

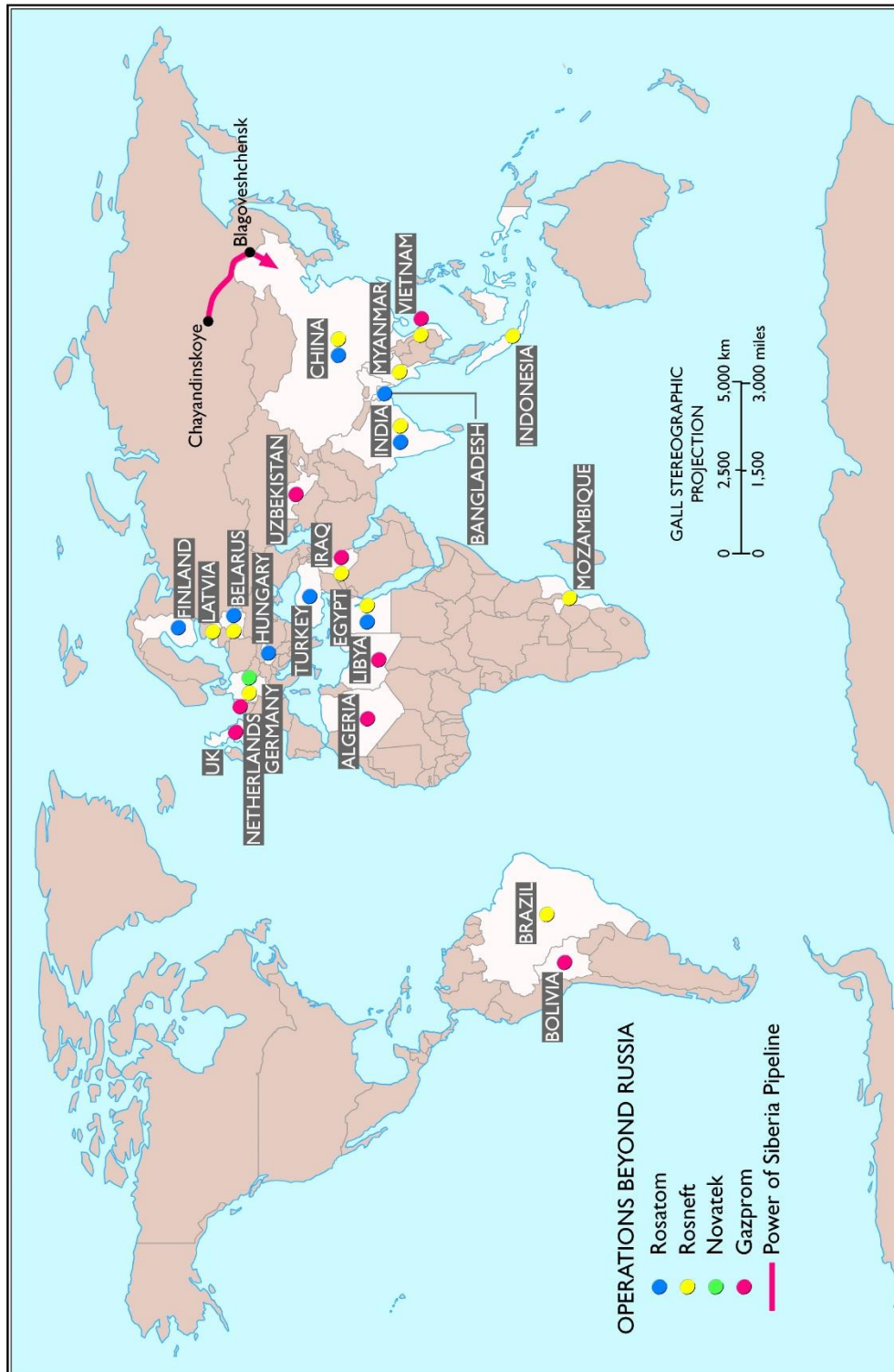
Energy will remain a key aspect in the unfolding geopolitical struggle, which Moscow believes will intensify through the 21st century. To prevail in this struggle, Moscow must grow its capabilities in a way that matches its 'mental map' of global geopolitical horizons. To date, Moscow has systematically attempted to break into new markets, develop new transit routes and claim a larger share of world resources. Large-scale investments in Arctic infrastructure are a gambit in which the state, following the seeming 'sacrifice' of spending money on remote ice-covered ports, obscure trans-shipment hubs and costly icebreakers, will reap strategic advantages in the form of enhanced Russian energy presence and geopolitical influence around the world.



Map 1 Military bases and resources along the NSR



Map 2 Russia's claims in the Arctic



About the “Russian Globally Integrated Operations” project

This project examines Russian grand strategy. The concept of “Globally Integrated Operations – one explicitly discussed by the Russian leadership – provides a holistic lens through which to view Russian strategic thinking and activity. It illuminates how Moscow seeks to reorganise the structure of its defence and security landscape to cope with perceived security challenges, and the trajectory of its international activity. It examines Moscow’s “mental maps” and how Russian economic and security interests are intertwined.

Previous reports

- Russia’s Grand Strategy (Not Opportunism)
- How Moscow Maps the World

Future reports will address

- The Importance of Geo-economics to Moscow.

About the authors

Dr Nazrin Mehdiyeva is a geopolitics and energy security specialist, working with governments, international institutions and energy majors. She is a regular contributor to the debate on the future of European energy security and her articles are published in academic and industry journals. She has lectured at NATO Defense College and written for the Oxford Changing Character of War Centre as well as for NATO. Nazrin is a co-author of *Beyond Blood Oil: Philosophy, Policy, and the Future* (Rowman & Littlefield, 2018) and the author of *Power Games in the Caucasus* (I.B. Tauris, 2011).

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About the Russia Research Network, Ltd.

Established in 2006 by Dr Andrew Monaghan, The Russia Research Network is a small consultancy offering tailored research and analysis of Russian politics, defence, energy and economic issues. Based in London, our team are all highly qualified and internationally recognized subject matter experts, with many years of experience advising international organisations, governments and parliaments, and major companies. We have built a reputation for delivering high quality and timely analysis and advice to decision-makers in small and large organisations alike.

Endnotes

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