



GAZPROM: DUE DILIGENCE AND HEDGING AGAINST SANCTIONS

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1. Introduction

Gazprom is a Russian energy company that specialises in the exploration, production, and export of natural gas. It is the largest natural gas corporation in the world and occupies a sizable portion of the global energy market. The company has immense political and economic influence in Russia and has been used as a tool to further the government's interests. The company's operations have been a source of contention between Russia and its neighbours, particularly in Europe. The Russian invasion of Ukraine on February 24, 2022, prompted the European Union to forbid debt funding for three Russian companies: Rosneft, Transneft, and the subject of particular focus, Gazprom. The move was a clear signal that the EU was prepared to use economic sanctions as a tool to deter Russia from further destabilising the region.

This project is dedicated to researching the impact of sanctions on Gazprom and the company's ability to adapt and respond to them as it affects due diligence, specifically concerning its business model, financial information, status legally, management structure, and reputation. We explore the various ways both the sanctioning and sanctioned parties navigate the situation. From hardships associated with implementing sanctions and making them effective to Gazprom fighting and trying to find ways of circumventing them.

Due diligence seeks to identify any potential risks and liabilities associated with Gazprom so that anybody interested in or desiring to engage in a business venture with the company may decide to know whether to proceed with the deal and, if so, under what terms and conditions which is frequently done during mergers and acquisitions, joint ventures, partnerships, and other kinds of business alliances (Bershidsky, 2018).

2. Overview of Gazprom and industry

Gazprom Group is transnational energy holding company registered in St. Petersburg, Russia. Gazprom is the largest Russian joint-stock company, including subsidiaries like Gazprom Bank, Gazprom Neft and Gazprom Media. The main areas of activity of Gazprom are geological exploration, production, transportation, storage, processing, and sale of gas, gas condensate, and oil, sale of gas as a motor fuel, as well as production and sale of heat and electricity (Gazprom, 2022). The company also carries out other activities, including the provision of property for rent and the provision of services for the organisation of gas transportation, the sale of oil and gas products, gas condensate, and oil. So, Gazprom mainly sells natural gas and leases its gas transmission system.

The company was created as a state-owned firm in 1989 following the dissolution of the Soviet Union. Today, it is one of Russia's most profitable and well-regarded companies. As a significant

provider of jobs and GDP contributor, it is a powerful player in the nation's economy. The number of employees of the company amounted to more than 479 000 people as of December 31, 2022 (Gazprom, 2022). Gazprom is the world leader in natural gas production and gas export. It accounts for 12% of the world's and 68% of Russian gas production. Gazprom sells over half of the gas it sells on the domestic market. The company operates across Europe, Asia, and Africa and supplies gas to more than 30 countries. In addition to producing oil and power, Gazprom also works to develop the infrastructure required to supply energy. Gazprom owns the world's most extensive gas transmission system, with a length of 175.2 thousand kilometres (Gazprom, 2021).

More than half of the shares (50.23%) are owned by organisations controlled by the Russian Federation, including Federal Property Management Agency (38.37%), OJSC Rosneftgaz (10.97%) and OJSC Rosgazifikatsiya (0.89%). Furthermore, The Bank of New York Mellon controls around 16.2% of Gazprom's shares (Statista, 2023).

The global climate policy aimed at reducing the growth rate of greenhouse gas emissions by boosting the use of renewable energy has a special impact on the state of the energy market (Flegontov, 2023). The adoption of renewable energy sources such as wind and solar power is expected to grow rapidly as their costs continue to decline and their efficiency increases, which would increase pressure on the market. The challenge for energy companies is to balance the demands of investors and customers with the need to transition to a low-carbon future. However, the sanctions policy currently has a dominant influence on the industry and market. Economic sanctions against Russia and several other countries affect the volatility of energy prices and the supply.

Gazprom has been criticised for its environmental impact and political influence. The company's drilling activities and infrastructure development, particularly in the Arctic, can disturb wildlife habitats, and spills or leaks can have a devastating impact on the environment. Gazprom has taken some steps to address environmental concerns. The company has implemented a program to reduce greenhouse gas emissions, and it has also invested in research and development of new technologies to reduce the environmental impact of its operations (Gazprom, 2021).

Many consider Gazprom a geopolitical tool for expanding its influence in Europe and controlling the continent's energy security. The Nord Stream II pipeline has been a controversial issue before 2022, drawing attention from policymakers and energy experts. The pipeline is set to transport natural gas from Russia to Germany, bypassing traditional transit routes through Ukraine and Poland. Some argued that the pipeline would increase Europe's energy security by diversifying its

sources of natural gas. At the same time, opponents were concerned about the potential for Russia to use its control over energy supplies as a political weapon(Atlantic Council, 2019).

The second opponents were right, as on February 24, 2022, Russian troops invaded Ukraine from multiple directions. However, since then, the Russian gas export monopoly has experienced a significant decline in its European market share, which has decreased from 40% to a mere 9%(Jack, 2022). Furthermore, Gazprom made a significant investment that needed to pay off. The two Nord Stream pipelines, constructed at a cost exceeding €20 billion, are now damaged and not operating. “Gazprom has said it is technically possible to repair the ruptured lines, but two sources familiar with plans said Moscow saw little prospect of relations with the West improving enough in the foreseeable future for the pipelines to be needed”(Soldatkin, 2023). Consequently, Gazprom is threatened with a sharp and irreversible drop in supplies in the key export direction - Europe. Even if the current war crisis is resolved politically, economic and political forces have set limited exports to Europe to 100 bcm. m per year after 2025(BCS, 2022).

3. Existing Regime of Sanctions Against Gazprom

Following the invasion of Ukraine by Russia on February 24, 2022, there have been several sanctions from all international organisations and countries on Russia and Russian agencies and companies to the extent of Russian individuals. Sanctions are aimed at different entities, for example, banks and financial institutions, companies in the military and defence sectors, companies in the aviation, shipbuilding and machine-building sectors, armed forces and paramilitary groups. Several companies like Rosneft, Transneft and Gazprom were among the companies affected by these sanctions as their usual activities and supplies have been reduced over time. This has caused the Russian economy to experience a downturn since this series of sanctions.

Most of the sanctions faced by Gazprom and its subsidiaries over time have been due to the activities engaged in by its owner, the Russian government. Gazprom Bank was initially sanctioned by the United States Department of the Treasury in July 2014 when the United States prohibited its citizens from providing new finances to the bank or engaging in transactions with the bank (U.S. Department of The Treasury, 2022). On February 24, 2022, when Russia first launched its attack on Ukraine, United States President Joe Biden announced sanctions against Gazprom Bank and other financial institutions, and this was followed by the same kind of sanction by the United Kingdom just a month after the U.S version (Kiran, 2022). The British version came with asset freezes in all British jurisdictions. On the 25th of January, 2023, the U.S correspondent banks of Gazprom Bank terminated their accounts with them, which means Gazprom Bank are no more allowed to make transactions in U.S dollars. The E.U. also has its sanctions on the same bank, with restrictions on

loans and investment services. The spokesperson for the U.K Department for Business, Energy & Industrial Strategy (BEIS) said in an interview with Energy Live News that “The UK Government has sanctioned Russia gas giant Gazprom and will no longer be able to issue debt or equity in the U.K.” (Kiran, 2022).

On 27th February 2023, the United Kingdom slammed the latest version of bans on Gazprom board members, as nine of them were added to the existing list. The board chairman and former Russian prime minister Viktor Zubkov is among the list of individuals slammed with sanctions (Afanasiev, 2023). Sanctions were also imposed against the head of Gazprom Export - Elena Burmistrova, Deputy Chairman of the Board of Gazprom - Vitaly Markelov and members of the company’s board of directors (RIA News, 2023). Furthermore, sanctions were imposed on Professor Viktor Martynov, the Russian State University of Oil and Gas rector. However, it remains no news that Russia is the giant gun when it comes to the supply of gas in the world. The levy of these sanctions cannot be extreme as it would cause more harm to the world than Russia itself, which is the reason why EU officials have been relaxed in slamming sanctions on Gazprom itself but have been keener on sanctioning its subsidiaries since they realised that the stoppage of gas flow would cause more harm to the EU countries more than Russia (IEA, 2022). Despite this, Europe has been at the detrimental end of the irregular export of gas from Russia as many EU countries have been in insufficient supply of gas or have acquired the ones they have at prices higher than the initial ones they used to buy, which is the primary reason for the current energy crisis that is ongoing in Europe right now (Bloomberg, 2022).

In response to the series of sanctions, Russia imposed new conditions for gas payments when it said all gas delivery contracts must be paid in Roubles (Putin, 2022). Alternatively, the payments can be made in Euros but only through an account held in Gazprom Bank. Many EU member states disapproved of the decree, while others have found their way around it (Abnett, 2022). This reverse sanction by Russia has been a cause of worry for many states in Europe, like Germany and Poland, as they are heavily dependent on gas from Gazprom, and failure to comply with the condition meant automatic severance of the gas supply contract. There was no way the EU countries would purchase gas from Gazprom without going against the directive of the EU. Consequently, Russia cut all gas supplies to the EU states that refused to comply with its terms and partial supplies to others as well. The presumption is that the various sanctions from 2014 to date will ensure Russia’s compliance with the dictate of the EU, which is ending the invasion of Ukraine.

4. Gazprom's Performance during the War

Despite the sanctions levied on Russia, Gazprom and its subsidiaries, the company announced on August 31, 2022, in Moscow that there was an excellent result from the company in the first half of the year and promised a new dividend of 51.03 Russian roubles (\$0.85) per ordinary shares to shareholders, sending its shares soaring more than 27% in early trade. There was an expectation that the year's result would exceed the one for 2021, as the CEO, Alexey Miller, said, "as soaring prices more than offset a steep decline in gas production and exports." The company has stopped reporting its financial result since the invasion, but its officials commented that it performs well despite the sanction. The CEO said Gazprom made a record 2.5 trillion roubles (\$41.75 billion) in net profit in the first half of 2022. He said that gas exports to China grew 60% yearly in the first eight months of 2022 while Russia's gas storage is 92% full (Kobzeva & Soldatkin, 2022). He further said the West had mistakenly refused long-term Russian gas supply contracts. He said the company would halt gas deliveries to Europe via its main Nord Stream 1 pipeline for three days and suspend flows to French utility Engie citing maintenance and payment disputes, respectively. He said gas prices might exceed all-time highs due to sanctions and wrong decisions by the Western regulators: "According to a conservative estimate, if current market trends continue, the price at the autumn-winter peak may exceed \$4,000 per thousand cubic meters"(Kobzeva & Soldatkin, 2022).

However, this early joy by the company's CEO was short-lived as a result announced at the end of the year result was in contrast to the earlier boast by the official. At the end of December, the company was discovered to have produced over 20% less gas than it did in 2021. That is 412.6bcm compared to 514.8bcm, with steep declines in the year's second half. Gazprom supplied around 243bcm of gas to the domestic market in 2022 compared to 257.8bcm in 2021. Gazprom's exports to EU countries, excluding the Baltic countries and Turkey and China, fell by 45%. It recorded 185bcm in 2021 compared to slightly over 100bcm in 2022. The only good news with the company was its supply to China: 15bcm went to China via the power of Siberia pipeline in 2022 compared to 10bcm in 2021. That suggests an average price of between \$250 and \$264 per thousand cubic meters for gas delivered to China via the Power of Siberia. China was revealed to have paid almost \$3.55 billion to deliver Russian pipeline gas from January through November 2022.

Despite the decline in the production and export of gas in 2022, the financial report was still high compared to what would have been expected. The primary reason for this is the inflated gas prices in Europe in the first half of the year, with an estimated average of \$785 per 1000m cube, which was over triple the price in the previous year. Russian opposition leader Vladimir Milov blamed the downturn on President Vladimir Putin and Gazprom's management for implementing a reckless decision in 2022 to reduce gas sales to European markets, where prices averaged \$1,000 and more per thousand cubic meters, peaking at \$3,600 per thousand cubic meters.

It was beginning to look like the sanctions had hit Russia's economy so severely. Gazprom made lower profit than the previous year, and already having to deal with the loss of European gas sales revenues, Gazprom still has to source tens of billions of dollars to invest into building two more export pipelines to China, Sila Sibiri 2 and Sila Sibiri 3 (Power of Siberia 2 and 3), from West Siberia and Sakhalin Island. According to Gazprom CEO, though, the company intends to add about 100bcm of shipping capacity to China after the two planned pipelines are built.

5. Targeting Deficiencies

The general consensus amongst scholars is that sanctions do not provide enough pressure to result in an effective change when applied in isolation (Eriksson, 2016). This can be seen and is supported by cases where sanctions have been ongoing for a longer time period, such as in the Middle East, North Korea or Russia, but did not result in a substantial change. Russia, for example, faced many sanctions following the conflict in Crimea in 2014, but the sanctions did stop the escalation that resulted in war in 2022. Over time, the discussion in the academic field shifted to compare conventional and targeted sanctions. Instead of imposing hardships on the whole population (country), it may be specific to particular groups or individuals, intending to threaten and hurt the most vulnerable spot to see the best results and also not harming everyone else in the process. This is important to realise as sanctions may often lead to measures that are a side-effect, such as the general public suffering more than those in power or being responsible for the initial problem (Carneiro & Apolinário, 2016).

When analysing the difficulties when targeting Gazprom, we primarily have to establish whom the sanctions are supposed to harm. As stated in previous chapters, Gazprom is a state-owned company. Therefore, harming one hurts the other. That means the conflict is much more complex. The Russian government uses Gazprom as a front for its political moves. On the other hand, impacting Gazprom harms the state on a deeper level, as the company represents a significant portion of their income, allowing them to finance activities like those in Ukraine.

Naturally, the start of the war led to large-scale sanctions on companies all over Russia, but Gazprom was not among the first. Some entities within the massive Gazprom complex were hit, but the energy department remained heavily controversial. The leading advocates against sanctions on the energy sector were Hungary and Slovakia. One, although a big supporter of Ukraine from the start, could not afford to remove themselves from the influx of Russian gas due to their high dependence. Hungary, even more so, gets 85% of its natural gas and 60% oil from Russia (Al Jazeera, 2022). The Hungarian government, however, kept a very positive stance towards Russia during the whole conflict, being the main adversary to sanctions throughout the process. Although

condemning the attack on Ukraine, Hungarian Prime Minister Orbán avoids harmful speech towards Russian President Putin and tries to remain friendly. As a result, in April 2023, a year after the outbreak of the war, despite the majority of countries walking away from Russian oil and gas and figuring out different solutions, the Hungarian foreign minister announced Gazprom's further cooperation with Hungary and additional export of gas and oil, beyond the previously accepted deal in the coming year if needed (Reuters, 2023). This continues to be problematic for the EU as Hungary remains the weak link of the chain in an attempt to provide a singular front against the oppression of Russia; instead, one of its own continually supports or fails to cut ties with its primary opponent in the current international situation. Hungary is not alone in its dependence on Russian oil and gas; however, strides have been made to change this situation and move on. The opposite can be said about Hungary.

Lastly, it may be challenging to make certain entities of Gazprom responsible for justifying sanctions against them. This may have been a more valid argument in the past. However, nowadays, the scope of sanctions is very extensive and most big conglomerates and their entities connected to the state are targeted. The right approach in targeting a vast number of entities and seeing the expected outcome is to have a complex joint effort, which the EU is striving for.

6. Circumvention Challenges and Their Prevention

It is more than apparent that Russia uses their energy (gas and oil) dominance on the European market to leverage its position and use it as a weapon in the fight. I use Gazprom and Russia as synonyms because the state owns the company, and their revenue is used to finance the war, as it represents a large amount of income for the country (McDonnell, 2022). Without a clear upper hand in terms of energy resources, Russia would have little negotiation power, apart from perhaps nuclear weapons, which, lately, they have not been scared to threaten (Time, 2022). Similarly, the current situation in Europe, most likely further elevated by the not-so-past Covid pandemic that damaged economies all over the world, Russia creates a stalemate situation. What I mean by that is neither side can completely cut the other out or threaten them because they know they need each other. European countries such as Slovakia and Hungary cannot survive or at least safely provide heat and other related resources for their citizens without Russian imports (Kuruc, 2022). On the other hand, Russia needs to export their resources, even if it would like to threaten that it will not. They may reduce them but cannot completely cut them off as they are heavily reliant on income and have to move the oil and gas as it cannot simply sit somewhere until needed, it is rather a constant moving mechanism (McDonnell, 2022).

As Riley (2022) suggested in his article, the steps made by Gazprom started long before the eventual outbreak of the war in February. Price increases and supply drops were used as a tactic by Gazprom or the Russian government to both weaken the EU and their members and also helped make Gazprom look innocent in their involvement in the actual conflict, which could have helped them avoid sanctions. This would show a great deal of preparation on a large scale by the side of the Russian government, one we can assume did take place, recognising that the Gazprom incomes will have to be available to sustain the war.

All the way back in 2014, when the Russian-Ukraine conflict started over the Crimea territory, sanctions were imposed similarly to today, although on a much smaller scale. Even then, Gazprom sought to raise financing in Hong Kong in order to protect themselves from the effects of said sanctions by broadening their investor base (Ng, 2014). This approach is closely related to the current developments where the cooperation between Russia and the West more or less ceased to exist, and Gazprom was forced to find different solutions. Raising prices and reducing export was not enough. There are, luckily for them, parties in the world that do not mind their violent occupation of a different country. China, India, and Turkey are the biggest benefactors (Horton and Palumbo, 2023). It is important to note that Europe still represents the biggest portion of Russia's exports, and it will take time for Asia to match the market output. Not only does the demand have to be there but also the technology to supply the resources. Russia has been focusing for many reasons on Europe in the past and has only started exporting gas to Asia in 2009 (Tsafos, 2022). Building new pipelines is probably the biggest challenge for Russia in order to keep up with the demand in the East. When that happens, Russia will very gladly move their business to Asia, which is more open to its politics and represent a more stable partner for the future. For them, with the closure of one market, another opens, they must survive the transition phase, however.

Other notable actions taken by Gazprom to circumvent sanctions are to impose sanctions on other actors themselves in order to put pressure on them as well as make a statement (Reuters, 2022). Notable ways are also to bypass sanctions through neutral countries, i.e., to sell their resources to a third party which then sells them to the EU. This can be done since the third party is not sanctioned and Gazprom receives the necessary income. Lastly, a strong campaign, which is mainly associated with the Russian government, but creating a sense in foreign countries that these sanctions are not just and create a sense of wrongdoing is part of the agenda. Although after recent actions, this may still have an impact, the overall success is reduced due to the overwhelming consensus of Russian fault in the matters.

A worrying fact and possible trend have been discovered in the past few years that help Gazprom circumvent sanctions and directly impact foreign countries. As pointed out by Transparency

International in 2021, as they observed a connection between Gazprom and a German Climate and Environmental Protection Foundation. Over the years, as sanctions by the US were imposed on Gazprom, which complicated the development of further pipelines in Europe, they found a method to finance their construction without being the primary figure doing so. Instead, donated money to said foundation, which in turn allocated the money for the pipeline's construction. Even the fact that an environmental foundation is helping develop gas pipelines was ironic and strange, they also cooperated with a sanctioned monopoly that used these illegal methods to circumvent sanctions and finance their business (Transparency International, 2022).

Methods for preventing Gazprom from circumventing sanctions

Prevention of circumventing sanctions is a complex topic to pinpoint. There are specific established ways entities move past or deal with sanctions, some deal with the circumstances and find a way to move forward. The reality is that countries have had sanctions imposed on them for many years, without a real change, despite expectations being much higher. Sanctions alone do not transform an established regime to change how they operate, which would, in this case, be needed. Tougher sanctions are one way to prevent circumvention. The current situation in Russia will for sure be an important learning factor for the future in terms of how effective sanctions are over some time in this scope. Never before have they been so severe. As discussed, a united front is crucial to the outcome of sanctions. It must constantly be what the EU or other international organisations strive for in order to apply maximum pressure. Gazprom, as mentioned, is also very reliant on the EU's market, however, walking away from it makes the negotiations much harder. If Gazprom can survive without the EU market, they will happily vacate it. In an ideal world, third parties would cooperate as one, providing truthful information to reduce the spread of Gazprom products through various actors into the sanctioning countries. Therefore, a sense of cooperation is perhaps the most important and stands out as one that could make the difference in isolating an entity and punishing them the most. Constant analysis is key, managing to evolve and improve the sanctions based on the current situation in order to stay effective. Most likely, Gazprom will always find a way to circumvent sanctions, especially when there is a large demand for their products despite the current geopolitical situation. The choice, then, is who wants to be on which side of the coin.

7. Due Diligence and Public Image of Gazprom

Due diligence is a process of investigating and evaluating a company's financial, legal, and operational performance to assess its overall state and potential risks. Usually, it is conducted to ensure that investors or buyers have accurate and complete information about a company before

making an investment or acquisition decision. Here, we will analyse key areas of Gazprom in the context of due diligence.

Firstly, the financial performance. In general, since the beginning of the war in Ukraine, the Russian economy has been facing a significant crisis, with a decline of 2.7% in GDP in 2022 and a 12% inflation rate, according to Anton Siluanov, the Minister of Finance of the Russian Federation (Russia24, 2022). At the end of 2022, Gazprom's net profit amounted to 747.246 billion roubles, while in 2021, it was 2.684 trillion roubles. During the year, the indicator decreased by more than 3.6 times.

Not considering war, factors affecting Gazprom's financial performance are gas and oil prices, demand for natural resources, sales market, change in the exchange rate of the ruble against the currencies of the buyer countries and export duties. Moreover, the company is affected by the geopolitical crisis and sanctions. A significant part of the profit (about 45%) Gazprom receives from the sale of gas (Gazprom, 2021). At the same time, more than 50% of the goods are exported. In 2022, there were changes in supply volumes due to sanctions. The company will face difficulties if it does not find alternative distribution options for its most profitable product. In addition, the company will pay increased taxes on gas production, which came into force in January 2023 (RBC, 2022). Moreover, there might be a further increase in taxes due to the Russian budget deficit. In our opinion, the investment attractiveness of Gazprom may grow mainly in the event of a partial or complete restoration of the volumes of European gas supplies. Consequently, Gazprom's financial performance cannot be characterised positively.

The same points could be linked in the operational efficiency sphere. In 2023, Gazprom is likely to continue the trend of reducing gas production. The major reasons are the gradual refusal of buyers from Europe and due to the sanctions, and idle Nord Stream. The company does not even give any estimation on the start of work restoring a damaged gas pipeline. So, there are many disadvantages leading to low operational efficiency.

Gazprom's legal and regulatory compliance does not give a good impression either. Before the conflict in Ukraine, the company was blamed for breaking sanctions. For example, in 2021, the US Treasury is ready to hold Gazprom accountable for violating US sanctions (Lenta). The company has also been criticised for corruption, dishonesty in the presentation of financial statements and violation of antitrust laws. In 2019, a criminal case was opened on the theft of more than 700 million roubles during the construction of a gas pipeline from St. Petersburg to Priozersk (Forbes, 2019). Before that, in 2013, Gazprom "spent" 1.6 billion roubles on a non-existent gas pipeline from the city of Galich to the city of Sharya, Kostroma region (Korotkov, 2019). It is difficult to give a

realistic assessment of the legal aspect of Gazprom's activities. Firstly, corruption and fraudulent schemes are carefully hidden, and there are few open sources on this topic. Secondly, a company that directly influences the incitement of a conflict cannot be characterised as law-abiding. Thirdly, the information listed above gives the impression that Gazprom is not a top company but an organised criminal group.

One of the opportunities with a mediocre probability is a conclusion of a contract with China on the Power of Siberia². This deal will redirect “abandoned” West Siberian gas from Europe to China, probably at a low price. Another low-probability event is the diplomatic solution to the pipeline gas situation for the EU and the resumption of exports via Nord Stream. Such an outcome would simultaneously increase volumes but lower prices, which would lead to a drop in the company’s earnings and provide a stable profit(BCS, 2022). The only scenario in which Europe will be ready to resume Russian gas imports is ending the conflict in Ukraine through negotiations. Unfortunately, it is difficult to predict any resolutions in the nearest future.

One of the most significant risks to Gazprom’s stability is the economic slowdown in Asia which would lead to losses in potential markets. However, there is a low chance of it happening. The more realistic risk is a technological backlog. The curtain created by the sanctions between Russia and the West will gradually create an informational and then a technical gap. The longer the war goes on, the bigger this gap will be. Gazprom will be isolated from European partners, competitors and technological innovation and become outdated.

Gazprom's public image has both positive and negative perceptions. On the one hand, Gazprom is recognised as the largest natural gas producer in the world and a major supplier of natural gas to Europe and Asia. On the other hand, it is a horrifying geopolitical tool that supports intense armed conflict and produces unsustainable emissions.

One of the channels to support an international public image is sponsoring various sports events and organisations, including the football sphere. In July 2012, Gazprom entered into an agreement with UEFA and became a partner of the UEFA Champions League(UEFA, 2012). On May 19, 2021, it again signed a contract with UEFA, according to which Gazprom became the sponsor of Euro 2020 and the European Football Championship 2024 and would sponsor the Champions League 2021-2024. Through its partnership with UEFA, Gazprom has been able to increase its visibility and promote its brand globally. The company's logo is prominently displayed during Champions League matches, and it also has a significant presence on UEFA's website and social media channels. This exposure has helped to improve Gazprom's reputation and has increased public awareness of its

activities. However, after the invasion in February 2022, UEFA and FIFA terminated the contract with Gazprom(UEFA, 2022).

The company has been working on improving its public image with charity. Gazprom pays special attention to projects focused on the development of children and youth. One of the key projects is the “Gazprom for Children” social project. Its goal is to create conditions for children's harmonious intellectual, spiritual and physical development and to attract as many of them as possible to sports sections and creative workshops(Gazprom, 2023). The project has been implemented since 2007. Since then, more than 2,000 modern sports facilities have been built throughout Russia, including more than 200 gym complexes(Gazprom, 2023). Two of them were opened this year.

Most of all, propaganda influences Gazprom's reputation in Russia. There it is used to promote the policies and shape public opinion. One of the key propaganda themes around Gazprom is the idea that Europe is heavily dependent on Russian gas. This narrative is used to create a sense of dependence and vulnerability, which serves to reinforce Russia's position as a dominant energy supplier (Media IQ, 2023). It is true that Europe is a significant importer of Russian gas, but the reality is more nuanced than the propaganda suggests. The information is shaped in the way that the recipient of propaganda believes that Russia has a gas pressure lever to manipulate the European government.

To see all the above facts in one picture, a SWOT analysis for Gazprom Group (Table 1) was created.

Table 1: Gazprom Group SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> the largest natural gas producer in the world access to vast reserves of natural gas extensive pipeline network strong market position in Europe and Asia diverse range of business segments (exploration, production, transportation, and storage of natural gas) 	<ul style="list-style-type: none"> heavily dependent on natural gas exports vulnerable to sanctions and geopolitical tensions impacts on ecosystems greenhouse gas emissions limited ability to respond to changing market conditions
Opportunities	Threats
<ul style="list-style-type: none"> growing demand for natural gas in Asia, particularly in China chance to expand its operations in other regions focus on developing new technologies charity 	<ul style="list-style-type: none"> sanctions raising taxes political and economic risks legal risks environmental concerns and regulations increasing competition information and technology gap

8. Assessing and Proposing Viable Improvements or Alternatives to the Regime

Using economic pressure, known as sanctions, to influence the decisions made by other countries or businesses is not new to multinational corporations. The list of these sanctions could include but not be limited to restrictions on travel, commerce, money transactions etc.

Numerous sanctions have been placed on the company Gazprom in the past and currently, most notably those related to the Ukrainian crisis. These sanctions have significantly impacted Gazprom's operations because they restrict the company's access to Western markets, decrease sales and profitability, a barrier to finance and technology, and harm their reputation, adversely affecting her due diligence (Afanasiev, 2022).

Most scholars believe that there should be improvements to sanctions, especially for countries that have been repeatedly breaking international laws and committing crimes against humanity. The alternatives/improvements can be.... investment and trade incentives, negotiations, international arbitration and tariffs, and they are discussed below.

Investment and trade incentives

Tax breaks or other financial incentives may be available to businesses that invest in alternative energy or technology. It may then lead to a decline in the demand for Gazprom's products and a consequent decline in the company's influence over the energy industry. As a result, there may be a greater incentive to develop new technologies. Investment incentives could also be used to promote the development of domestic energy sources and reduce a country's dependency on imports.

One method of implementing trade incentives could be to negotiate trade agreements that offer favourable conditions for countries that reduce their reliance on Gazprom. For countries that buy less natural gas from Gazprom, incentives or tariff reductions may be provided. Trade incentives may help reduce Gazprom's influence on the global energy market by promoting the development of alternative energy sources or pressuring countries to diversify their energy imports. (Afanasiev, 2022).

Negotiations

Given that it allows both parties to come to an amicable agreement on settling the existing issues, negotiations may further aid or improve sanctions on the Russian gas company Gazprom. Sanctions with proper negotiations are generally seen as very effective because they may have severe economic and political ramifications for the target country, which can push the target country to adjust for the general good of the polity (Afanasiev, 2022).

Regarding Gazprom, negotiations can be utilised to resolve difficulties with the company's monopoly over the gas market in several European nations and complaints about gas pricing and delivery. Contract terms for gas supply, the diversification of gas supply sources, and the creation of alternative energy sources are all subject matter for negotiation. Talking to Gazprom and other stakeholders, such as European governments and energy firms, could be one strategy for negotiation. This can entail locating areas of shared concern and investigating feasible solutions that would benefit all concerned. For instance, if Gazprom can negotiate long-term contracts with European consumers, which would increase the company's stability and lessen the risk of price volatility, it might be willing to offer more affordable pricing for its gas (Bershidsky, 2018).

Using international organisations as negotiation platforms, such as the World Trade Organization or the International Energy Agency, is an additional strategy that could be used. These groups might be able to act as a neutral debate platform and have the power to uphold agreements made through negotiation.

Ultimately, negotiations can be a valuable improvement to sanctions on Gazprom since they offer the chance to reach a mutually suitable consensus. Although it may take some time to arrive at a solution acceptable to both parties, it is essential to understand that negotiation can be a difficult and complex process.

International arbitration

The availability of international arbitration as a neutral forum to give legal backing to sanctions can never be over-emphasised. Sanctions in conjunction with international legal backing can produce precedents which can spell out some punitive measures administered unilaterally by a government or group of nations in retaliation for alleged transgressions of international law or standards by an erring country (Novaya Gazeta, 2022).

When combined with sanctions, arbitration has several benefits. The first benefit is that it offers a neutral platform for settling disagreements, which can be crucial when dealing with complicated and sensitive political matters. Second, it enables parties to avoid the unfavourable economic and political repercussions of unilateral sanctions, which can affect innocent bystanders and trigger a broader escalation of conflict. Finally, arbitration awards are typically enforceable under international law, giving parties a legally binding way to resolve their conflict (Novaya Gazeta, 2022).

Tariffs

The use of tariffs as a trade barrier by a nation to control or limit the import and export of goods and services is common. Tariffs can be used in conjunction with sanctions against a specific business or sector, like Gazprom. If that country elected to impose duties on imports of Gazprom's goods, the price of those goods to customers there would rise. Due to the increased difficulty of competing with other companies in the market, Gazprom may eventually lose market share and profitability (Novaya Gazeta, 2022).

9. Future of Gazprom and Sanctions

One thing to take out from the findings so far is that the EU has not levied a direct sanction on Gazprom personally, but this is predicted to end soon. The most recent sanction on nine board members of the Russian-controlled gas giant by the UK shows that there is no end to sanctions that the company will face in the foreseeable future as long as the over one-year-old war continues. On 18 May 2022, the EU released its plan to replace Russian energy sources with the “REPowerEU” and looks to get that done by 2027 (European Commission, 2022). The EU has started work on getting new energy supply partners and aims to accelerate diversification to the sources of getting energy supplies. It is clear that once this plan is actualised and set in place, there will be more reason for the EU to increase their sanction against Russia, especially by directly attacking Gazprom.

The previous sanctions levied on Russia by the EU from 2014 till date greatly affected Gazprom's performance in the last year, and it is sufficient evidence that the company will perform even worse in the coming year as the only source that Gazprom sells the product will tend to bargain for a reduction in the price of the natural gas. This will be obvious as China would be on the lookout to see the options that the EU and other nations are using to sort out their energy problems. Once China knows this, it will be forced to negotiate for a low price for the energy from Gazprom as the company will know it has no choice but to reduce the price at which it wants to sell as its only surviving export zone now have option.

The only way the future can have a future is by ending the war, as many countries that patronise them now, especially the EU countries, will no longer be interested in buying from them anymore, which might lead to a total collapse of the company in the predicted 2027 or 2030 at most. Further sanctions by the UN, U.S. and U.K might even aggravate the situation in the company as Poland imposed sanctions on Gazprom Export in September 2022 due to the same invasion issue. The country's Minister of Interior made explicit that the assets of Gazprom's Export will be frozen and access to financial funds and economic assets will be banned. It will be only a matter of time before

the United States increases their sanction on the Company's subsidiary and place it more on the company itself since it is the primary instrument that can be used to increase pressure on the country to stop its invasion of Ukraine. Putting together these activities and being clear that attacking the energy sector might command more pressure on the country, the UN might decide to impose sanctions on Gazprom too, even though Russia is among the big 5 in the U.N but it is not new that in the past when the war started, the United Nations frowned against the war especially when the United Nations Human Right Council expelled Russia from its membership.

10. Conclusion

Over the years, Gazprom has experienced numerous sanctions from numerous nations for various reasons. Ranging from Ukraine-related sanctions, mainly from the European Union and the United States in 2014 and 2022 over the invasions and occupation of some parts of Ukraine, to Environmental sanctions by Denmark over the building of the Nord Stream 2 pipeline, which is intended to transmit natural gas from Russia to Germany. Most of these have come from the EU and the United States of America. Based on the findings, we can conclude that sanctions themselves, although harmful, do not provide a solution to the overall problem, which in this case is the war. In terms of due diligence, the data shows that Gazprom is, in fact, failing financially and legally, and their whole operational performance has been struggling. Naturally, they are trying to portray their situation as being positive and using propaganda to paint a different picture. Other than that, we have seen an attempt to switch to a new market in the East, which comes with its complications, but does offer some options to circumvent what the EU is imposing. In the end, the most impactful way to impose sanctions are stronger and up-to-date, that comes from a joint effort by all international organisations.

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