

# The Conduct of Gazprom in Central and Eastern Europe:

## A Tool of the Kremlin, or Just an Adaptable Player?

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This article presents the results of evidence-based research into the behaviour of Gazprom and the relevant behaviour of the Russian government in selected countries of Central, Eastern, and South-Eastern Europe (the Czech Republic, Bulgaria, Moldova, and Belarus). The authors' aim was to determine the scope of involvement by the Russian government in problems that have arisen in supplying these states, and the degree to which these issues have been linked with Gazprom's conduct and Russia's foreign policy toward the countries. Another interest was to seek out the key factors that may determine this behaviour in particular environments. To address these goals, the authors monitored specific indicators defined by the strategic approach to energy security (indicators that uncover governmental support, the linking of foreign policy to gas supplies, and misuse of a dominant market position). The core of the research underlying the paper was organized as a set of individual idiographic, theory-guided case studies. Data were gathered from official documents, statistics, articles, analytical studies, and from semi-structured interviews with experts. The exploration revealed that Gazprom has behaved in such a way as to indicate that it is being used as a tool of foreign policy, but the primary factor controlling its behaviour remains the environment in which the company is operating. Two points were crucial: implementation of the IEM rules and—above all—the diversification of sources.

**Keywords:** *natural gas; Gazprom; energy security; central and eastern Europe; energy policy*

### Introduction

In the first decade of the twenty-first century, the natural gas crises (the 2006 and especially the 2009 crisis), ignited by the dispute between Russia's Gazprom and Ukraine, were a bitter reminder that some parts of Europe still depend on a single supply source.<sup>1</sup> These crises and the worsening relations between Russia and the West also reawakened the fear that the supply of gas could become politicized,

particularly for those states whose gas is supplied by Gazprom. Mutual accusations of supply disruption have come from both Russia and some of its Eastern European customers, and this has only added fuel to the fire. Another element in recent years has been the worsening relations between Russia and the West, which has been further aggravated by a series of conflicts in the European neighbourhood. As a result, the security of supply, and energy security in general, has become a major concern for these dependent states and for the European Union, which has attempted to tackle the issue in various ways, including emphasizing the development of the Internal Energy Market (IEM) and observation of its rules.

This has prompted the authors to take a closer look at Russia's conduct in selected countries of Central, Eastern and Southeastern Europe to find out whether accusations that gas supplies have been politicized indeed correspond to reality. The aim was to conduct evidence-based research into the behaviour of Gazprom and the relevant behaviour of the Russian government in various environments, in order to determine how these varying environments impact this behaviour. In this way, the authors hoped to determine the depth of Russian government involvement in supplying the individual states in question, and to discover how supplies are linked to Russian foreign policy generally in terms of the mutual relations between Russia and these states. To meet this goal, the research question was formulated as follows: "Does Gazprom behave like a tool of Russian foreign policy in the countries under examination? If so, what factors determine this behaviour in varying environments?" To address this goal and the research question, the authors monitored specific indicators chosen to uncover the sort of strategically motivated behaviour that Gazprom is accused of engaging in—serving as a political tool<sup>2</sup> (which is in line with the strategic approach to energy policy). Specifically, the focus was on indicators that unveil government support, linking foreign policy to gas supplies, and that show misuse of the dominant market position.

Manifestations of such behaviour were sought in four separate cases within the region in question. The countries examined are the Czech Republic, Bulgaria, Belarus, and Moldova. The Czech Republic was chosen because it is firmly anchored in the EU, implements the rules of the EU's IEM, and its government conducts a stable, pro-Western foreign policy discourse. Bulgaria is an EU member and is approaching a fully liberalized energy market, but the country's foreign policy is fairly ambiguous as regards Russia. It has changed over time in terms of energy policy, as well as in other ways. These fluctuations in foreign policy discourse have made it a kind of Petri dish for Gazprom to test strategies. Moldova was selected because of its aspirations to become an EU member and is therefore poised to implement the IEM rules (by virtue of its membership in the Energy Community and recent signature of the Association Agreement) in the foreseeable future.<sup>3</sup> At the same time, Moldova has strong ties to Russia because of the structure of its economy, even if its relationship with Gazprom's home country is complicated because of territorial issues involving the Transnistria region, among other things. Our final choice

was Belarus, a country which is strongly tied to Russia both in terms of energy and with regard to its overall economic orientation, as well as because of its membership in the Eurasian Economic Union. These factors signal that Belarus lies outside the bounds of the IEM rules. Although Lukashenko's authoritarian regime has not had an entirely uncomplicated relationship with Putin's Russia, Belarus has the strongest economic and political ties with Russia of any of the four countries under consideration. These countries, then, provided the sought-after variability to test what sort of behaviour Gazprom and the Russian state demonstrate in various environments and allowed for comparisons to be made and the assumptions incorporated into the research process to be verified.

The importance of the influence of the EU's Internal Energy Market was highlighted by the so-called Third Liberalization Package, which was introduced into the natural gas sector in 2009 by the European Commission<sup>4</sup> to improve market flexibility and liquidity and, in effect, ensure fair competition. The main principles of the package were the ownership unbundling principle, the third-party access principle, and the prohibition of destination clauses. The first principle prohibits any entity from being producer and/or supplier and infrastructure owner at the same time. The second principle enables equal entry to the market for any entity that wishes to enter. The third principle essentially enables the free flow of natural gas, prohibiting the erection of any obstacles to resale. Targeting, as the package does, market incumbents in general, it was not directed specifically at Gazprom, but the Russian national champion felt particularly threatened by it nevertheless. This was because of the company's traditional use of certain tools to further its dominant position, including long-term contracts, destination clauses and a prohibition on reselling gas and control over transit infrastructure<sup>5</sup>—tools that were essentially challenged by the Third Liberalization Package.

The bulk of what has been published about Russia's role in supplying European countries and the potential politicization of this topic came out after 2000, especially in connection with the two gas-related disputes between Russia and Ukraine in 2006 and 2009. While the first disruption of Gazprom's deliveries to Ukraine in 2006, which affected also some of the EU member states (esp. Central European countries), served as an impulse for some EU members in their diversification efforts,<sup>6</sup> the crisis in 2009 represented the most serious and really damaging gas-related dispute between Russia and Ukraine. Obviously, though, the crisis did draw the attention of the public and that of scholars to the issue of energy security. One of the best known contributions was the timely book by Anita Orbán titled *Power, Energy and the New Russian Imperialism*.<sup>7</sup> The book is, however, limited in geographical scope, examining only the Central European countries of Poland, Slovakia, and Hungary.

Academic articles, which are usually more flexible and address contemporary trends more closely, have been written on various related topics. Some address the broader issue of energy security and resource nationalism, including work by Ian Bremmer and Robert Johnston;<sup>8</sup> others have focused directly on Russian energy policy vis-à-vis

European customers.<sup>9</sup> All address the issue of Russia potentially misusing gas supplies as a policy tool. In any case, the majority of the issue-focused publications mentioned above perceive Russia to be the main culprit for energy security-related concerns in Europe, and most share the perception that excessive dependence on Russian supplies is dangerous, especially given Russia's current foreign policy aspirations. The literature review thus confirms the need for a thorough examination of the issue.

The article is structured as follows: First, the research methodology is introduced. This section includes both the theoretical foundations of the strategic behaviour and the actual indicators used in individual case studies. The case studies then follow and contain an overview of the natural gas sectors in the countries *vis-à-vis* their relations with Russia, as well as a review of indicators. Overview of the indicators then permits the outcomes contained in the concluding chapter to be derived.

## **Research Design and Theoretical Basis**

The core research that underpins this paper was organized as a set of individual case studies as described, for instance, in Gerring.<sup>10</sup> For purposes of the study, the authors used the idiographic, theory-guided case study as described by Levy,<sup>11</sup> Stake<sup>12</sup> and Odell.<sup>13</sup>

As for sources, the authors relied upon open sources, data gathered from official documents, and statistics on the energy sectors of the individual countries put out by widely recognized institutions such as the Energy Community, the European Commission, the International Energy Agency, and others. Supporting information, and information on important events described under individual cases, was gathered from newspaper articles, specialized websites hosted by analytical and investigative institutions, and semistructured interviews with experts,<sup>14</sup> focused on the region or individual countries and conducted during the course of field research in these countries (see below). Respondents mostly insisted upon anonymity; therefore, the authors have encoded their names. To gather additional sources and to triangulate information, the authors also made use of the online analytical tool IntelTrak,<sup>15</sup> which collects information and references on the activity of Russian and Chinese enterprises worldwide.

The research spanned the period stretching from the fall of the Soviet bloc and the emancipation of the countries in the region to the present day. The more extensive roots of the development of the natural gas sector, which stretch back before the fall of communism, were also treated where essential.

## **Theoretical Underpinnings of the Research**

For purposes of this research, the strategic approach to energy security was relied upon. Based on the realist tradition of thinking in international relations,

its central focus is on state power. Our main interest lay in defining the principles that highlight the role of the state and its representatives in steering energy companies in particular directions and using energy commodities and infrastructure as foreign policy tools. These key principles of the strategic approach then served as the indicators. The choice of the strategic approach to energy policy and security as a basis for the research was made primarily to address the fact that Russia has been the target of accusations that it misuses natural gas supplies and energy-related deals to exert not only economic, but also political, pressure on its customers—a behaviour that corresponds to one of the basic assumptions of this approach.

The cornerstone of the strategic approach is the perception that energy commodities, like other potential sources of power, should be subordinated to the needs of the state, and may be used as foreign policy tools that help the state to achieve its goals<sup>16</sup> and to exert its power abroad.<sup>17</sup> This assumption is based on the realist focus on the state and its power as the key principle in the international system.<sup>18</sup> As Gilpin suggests, although companies usually subordinate themselves to an economic logic, their states of origin cannot be separated from the underlying rationale for their behaviour.<sup>19</sup> The basis for the use of energy commodities as foreign policy tools can be also found in Burchill and Jackson and Sorensen,<sup>20</sup> who suggest that a stronger state—that is, one with greater capacities when it comes to sources of power, such as natural resources, a greater population base, a stronger economy, a larger army, etc.—cannot “resist” the temptation to use this power against weaker actors (states). Energy commodities thus appear to be the number one choice for an actor who has the commodities or their supply routes under its control. A further factor of importance relates to the role played by state representatives, who drive the state’s policies and its statecraft. A link may be seen to this role in the areas of energy diplomacy and negotiations.<sup>21</sup>

The aforementioned principles were summarized and refined into the so-called strategic approach to energy policy and security, which subscribes to the basic assumptions of the realist paradigm in international relations—mainly classical realism, offensive realism within the neorealist stream, and neoclassical realism.<sup>22</sup> Implementing this approach leads to the energy sector being considered a strategically sensitive area requiring the monitoring and to a certain extent the active engagement of the state to secure the commodities essential for national survival. The practical consequence of such thinking is the legitimization of direct state action and the distinctive role played by the energy sector in the economy.<sup>23</sup>

We focused on the two key points of the strategic approach that are most frequently raised in connection with accusations that Gazprom serves as a political tool for Moscow. These are the special status of energy commodities, including their vital importance for the state economy,<sup>24</sup> and the use of energy commodities and supplies as tools. On the basis of these principles, the following indicators were developed and sought in the individual cases.

- Active support by Russian state representatives for Gazprom in the countries under examination
- Rewarding behaviour compatible with Russian foreign policy aims; coupling energy-related issues and energy prices with a state's foreign policy orientation
- Infrastructure (e.g., pipelines) and differential pricing as tools to pressure the client state
- Disruption of alternative supply routes/sources of supply by various means

The first two criteria are derived directly from the theoretical underpinnings of the strategic approach, which highlights the role of state representatives and the inter-connection between energy supplies and the foreign policy discourse and behaviour of the company's home government. The remaining two criteria are also based on these theoretical underpinnings, but are at the same time respective manifestations of the behaviour Russia is most often accused of displaying (misusing energy supplies to exert pressure) and of Gazprom's agenda (of maintaining its market dominance).

### **Country Case Study: Czech Republic**

The Czech Republic has been a member of the EU since 2004 and has fully implemented the legislation related to the Third Liberalization Package. The country has maintained a generally pro-European foreign policy discourse for the past twenty-seven years.<sup>25</sup> After 1989, diversifying the import portfolio and freeing itself from unilateral dependence became a key goal for the natural gas sector and the Czech energy sector in general. In the gas sector, that goal was achieved on May 1, 1997, when the country managed to diversify its gas import portfolio by getting Norwegian gas from the North Sea via pipelines running through Germany.<sup>26</sup> Currently, however, all gas coming into the country is of Russian origin, as the Norwegian gas has been replaced by Russian supplies entering Germany as part of so-called "gas swap" deals.<sup>27</sup> The existence of an alternative supply route is crucial, however, and this was apparent during both the 2006 as well as the 2009 gas supply crisis. Moreover, when the 2009 gas crisis hit, the Czech Republic was not only able to keep itself in gas, it also played a major role in bringing supplies to neighboring countries.<sup>28</sup>

As indicated above, 99 percent of the country's gas is imported on the basis of import contracts, primarily operated by Innogy (formerly known as RWE Transgasa.s.). The remaining 1 percent is supplied using domestic sources.<sup>29</sup> The only other company importing gas is VEMEX s.r.o. Innogy operates a long-term contract with OAO Gazprom<sup>30</sup> valid until 2035.<sup>31</sup> VEMEX s.r.o. entered the Czech market in 2006 as an alternative supplier of Russian gas. It is majority owned by Gazprom<sup>32</sup> Germania, a subsidiary of OAO Gazprom. The company's current contract is valid until 2017 and stipulates annual supplies of 0.5 bcm.<sup>33</sup>

The events of 2009 also demonstrated the importance of gas storage capability. The Czech Republic is relatively safe in this regard, since its total gas storage capacity is more than one-third of annual consumption.<sup>34</sup>

## Overview of the Indicators

*Active support by Russian state representatives for Gazprom in the countries under examination.* Gazprom and Russian state officials opposed Czech diversification, which has been championed by the Czech government since the early 1990s. Some Czech specialists, as well as members of the general public, were alarmed by the oppositional rhetoric coming from Russian officials, and by allegations that Gazprom was scheming to circumvent the country as it routed gas to the West, or to aggravate the position of Czech exporters in Russia.<sup>35</sup> But none of these threats came to pass, and the Czech Republic has therefore been able to diversify its gas supply portfolio.

In general, relations with Russia in the gas sector have been unproblematic, and gas-related issues have come up for discussion only occasionally, such as during the 2006 and 2009 gas crises, and in 2014 during the crisis in Ukraine.<sup>36</sup>

*Rewarding behaviour compatible with Russian foreign policy aims; coupling energy-related issues and energy prices with a state's foreign policy orientation.* Since the Czech Republic has been able to diversify its portfolio, there is little room for “non-standard relations.” In the two decades since the fall of communism within CEE, the Czech government has maintained a fairly strong pro-Western foreign policy discourse, and this has discouraged any attempt to forge a closer political or security relationship with Russia, particularly during the 1990s. As noted above, the country's drive to diversify away from 100 percent dependence on Russia in the 1990s was negatively perceived by the Russians, but no open threats were issued, and no supply cuts took place. The change in the Czech supply portfolio did, though, contribute to the chilly relations between the countries at the tail end of the 1990s. Another thorn in Russia's side came with the Czech Republic's accession to NATO, which flouted Russia's wish to preserve the status quo in Central Europe, followed by Czech support for the Kosovo operation. Partial change came at the end of the 1990s and after 2000, when relations between the two countries were enhanced mainly in the areas of economics and trade. But this pragmatic discourse, cutting across political and ideological boundary lines, has always been challenged by a more cautious discourse that worries about the undemocratic nature of Putin's Russia and about the potential for it to become a security threat.<sup>37</sup>

It is likely not far from the truth that the traditionally less-than-ideal relations between the two countries have contributed to the relatively high price paid by Czechs for Russian gas supplies. Although clear evidence of a link between foreign

policy discourse regarding Russia and the price individual countries pay for Russian gas is generally missing, conditionality in gas pricing does occur (see the case study on Bulgaria). Based on available sources, the Czech Republic tends to pay around 100 euros more than the European average.<sup>38</sup> However, the evidence supporting this figure is not clear-cut. It would thus be something of an oversimplification to claim a correlation between the gas price and relations between the two countries. The absence of a clear correlation between gas issues and behavior compatible with Russian foreign policy aims might also be illustrated by the fact that despite the Topolánek government's support for the US missile defence project in Central Europe and for the Nabucco project, construction started in 2010 on the Gazelle Pipeline to facilitate the movement of Russian gas supplies from the Nord Stream Pipeline in the north–south direction.<sup>39</sup> This may also serve to illustrate the mix of pragmatism and a cautious approach to Russia on the Czech side after 2000.

*Infrastructure (e.g., pipelines) and differential pricing as tools to pressure the client state.* Gazprom, technically speaking, has not been able to misuse its position by completely cutting off the Czech Republic. This is because of the infrastructural advantages the country enjoys: North Sea gas is available, allowing for diversification of sources, and there is an alternative line in for Russian gas connected to the OPAL Nord Stream, allowing for diversification of routes. In fact, as noted, in 2009, the Czech Republic was not only secure in its own position, it had enough gas from its alternative supply route to secure supplies for Slovakia as well, which had no such alternative and was completely cut off until the Czechs used reverse flow to send gas in.

Nevertheless, in April 2015, the European Commission started an investigation into Gazprom for abuse of its dominant market position in several countries, the Czech Republic among them. (The others are Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, and Slovakia.) Two years later, the dispute seemed to come close to reconciliation as the Russian company ultimately agreed with removing restrictions on gas re-selling in the disputed countries.<sup>40</sup>

*Disruption of alternative supply routes/sources of supply by various means.* Russian state officials expressed verbal opposition to Czech efforts at diversification that culminated in the establishment of an alternative supply route bringing gas in from the North Sea. But thanks to Russia's relatively weak international position at the time—prior to 2000—along with the clear Western orientation of the Czech government and Russia's dependence on revenues from hydrocarbon sales, the opposition was strictly verbal.

## **Country Case Study: Bulgaria**

Bulgaria is among the most import-dependent in the EU in terms of energy supplies while simultaneously being one of the most energy-intensive economies.<sup>41</sup> The



current gas contract serving 90 percent of the country's gas needs was signed in November 2012, and stipulates that Bulgaria is to be supplied with 2.9 bcm/year until 2022.<sup>42</sup> Gazprom remains the country's sole foreign supplier. As part of Gazprom's efforts to better its reputation after the 2009 crisis, Bulgaria was granted a ten-year 20 percent discount.<sup>43</sup> Despite a significant recent rise in domestic production from less than 100 mcm/year in 2010 to nearly 0.5 bcm in 2011 and early optimism about new finds, predictions are that even with full exploitation, domestic resources will not cover more than one-third of total domestic consumption.<sup>44</sup> In addition, older gas plays are gradually being depleted, with new finds only partly offsetting the decline. Bulgaria is thought to have potentially large shale gas plays. These resources, though, remain untapped. The government issued a moratorium on shale gas extraction or even shale exploration in 2012, and has confirmed its stance on the issue in recent months.<sup>45</sup> Although the share of gas in Bulgaria's energy supply—around 13 percent—and its overall annual consumption of around 3 bcm are not very high,<sup>46</sup> the issue is still a pressing one for the Bulgarian economy given the high level of dependence of the industrial sectors on gas. In addition, although the gas utilization in the residential sector is not particularly high, the sector is supply-sensitive from the very definition. Combined with the country's relatively high energy poverty, any supply shortages or price hikes may have a severe impact on the people, making the gas supply issue even more imminent.<sup>47</sup>

Bulgaria's unilateral dependence was spotlighted by the 2009 gas crisis, when the industrial sector and power generation were particularly hard hit as priority was given to the residential sector.<sup>48</sup> In combination with the ongoing financial crisis, the gas shortage impacted the Bulgarian economy very negatively and deepened the economic contraction.<sup>49</sup> But despite this bitter experience, little has changed in the interim. Bulgaria remains dependent on Russian supplies coming into the country via Ukraine. Its inability to diversify its gas portfolio is very likely reflected in the price it pays for gas deliveries, since its negotiating position is weak.

Gazprom's customers on the Bulgarian market include Bulgargaz,<sup>50</sup> the national company, and Overgas,<sup>51</sup> a company in which Gazprom and its subsidiary Gazpromexport have an approximately 50 percent ownership share.<sup>52</sup> Overgas holds around a 70 percent majority share in distribution, supplying households via local distributors in which it has a stake.<sup>53</sup> This makes Overgas the main supplier of Bulgarian households. It is generally quite active in the country's gas sector and, until 2010, served as the intermediary between Gazprom and Bulgargaz along with WintersHall.<sup>54</sup> Up to that point, Overgas had bought discounted gas from Gazprom and resold it to Bulgargaz, which sold gas to local distributors often owned by Overgas. In 2010, Overgas began buying gas directly from Gazprom and distributing without resale to Bulgargaz.

Bulgaria would have been able to strengthen its position as a transit country as part of the so-called Southern Gas Corridor embodied in the Nabucco Pipeline Project, intended to carry up to 31 bcm/year,<sup>55</sup> ultimately bringing in gas from non-Russian sources not only to Southeastern Europe but further on to the West, as well,

terminating at Baumgarten, Austria. After a lengthy struggle, however, the project as originally envisioned was abandoned in 2014. Bulgaria had been a part of the project from the outset, since it was among the countries whose territory the pipeline would have traversed (see map below). Bulgaria's initial reluctance to take part prompted Gazprom to consider replacing it with Romania, but this was mostly perceived as a way to pressure the country, and in the end, it signed a bilateral deal. Bilateral deals signed between Gazprom and other transit countries were subsequently cited by the European Commission as breaches of EU law, in particular of the third-party access principle.<sup>56</sup> Given that the economic viability of the project was in question from the beginning, some understandably see the South Stream Project as having simply been a tool to exert pressure on Nabucco.<sup>57</sup>

## Overview of the Indicators

*Active support by Russian state representatives for Gazprom in the countries under examination.* Bulgarian energy sector insiders indicate that representatives of Gazprom and the Kremlin act interchangeably in dealing with Bulgaria, since the deals involved are usually strongly supported by Russian officials.<sup>58</sup> This is in line with the powerful influence Russian companies have on the Bulgarian economy and is also clear from a high-level meeting on energy-related issues in 2008 at which nuclear, gas, and petroleum projects were discussed,<sup>59</sup> and from a meeting that took place in 2010 at which the main topic of discussion was the Stream Project.<sup>60</sup>

The South Stream Project is, in fact, one of the most appropriate examples. It was supported by Russian representatives of the highest level from the outset, as were negotiations between Gazprom and Bulgaria on the project's planned route. When disputes later broke out over the Bulgarian government's stance on the project, high state representatives of Russia got involved. When in 2009 the government of Boyko Borissov expressed reluctance to continue construction without EU approval, Russian Prime Minister Putin and President Medvedev both took part in negotiations aimed at pressuring Bulgaria.<sup>61</sup>

The latest manifestation of involvement by Russia's highest-level representatives was Putin's angry reaction to Bulgarian opposition to South Stream in late 2014, when he expressed his disappointment to Turkish president Erdogan by saying he was "fed up with the Bulgarians," and accused Bulgaria of burying the South Stream project.<sup>62</sup>

*Rewarding behaviour compatible with Russian foreign policy aims; coupling energy-related issues and energy prices with a state's foreign policy orientation.* Projects in the country that are related to Russia typically begin when leftist governments are in power (the Socialist Party, BSP)<sup>63</sup> and end (often with a dispute) when a right-wing government takes over. Examples include the aforementioned South Stream Pipeline, as well as the cancelled Belene nuclear power plant.

With the South Stream Project, it should be noted that the most recent drop in gas prices<sup>64</sup> for Bulgaria came right after a bilateral deal on the pipeline had been signed.<sup>65</sup>

During the course of negotiations on the South Stream, allegations of corruption emerged that should have led Bulgarian officials to support the South Stream Project.<sup>66</sup> Later, in 2014, a series of behind-the-scenes negotiations led a pro-Russian coalition to propose a bill<sup>67</sup> that would have ultimately exempted the South Stream Project from internal market rules by renaming the pipeline the “gas–sea interconnector.” Internal documents were leaked that alleged the bill had been tailored to Gazprom’s needs.<sup>68</sup>

A link between Bulgaria’s foreign policy stance and gas prices was evident in the final deal on the South Stream Project, inked in the summer of 2012. Gazprom promised an 11 percent gas discount if the agreement was signed and the project timetable accelerated by the Bulgarians.<sup>69</sup> The “take-or-pay” condition was also apparently softened, but Gazprom refused to link that agreement to the South Stream deal.<sup>70</sup>

In April 2015, the European Commission started the abovementioned investigation (see the chapter on the Czech Republic) into Gazprom’s alleged abuse of its market position. In Bulgaria’s case, the accusation was focused on alleged conditionality involving gas supplies and the country’s participation in the South Stream Project.<sup>71</sup>

*Infrastructure (e.g., pipelines) and differential pricing as tools to pressure the client state.* Current conditions were not misused as leverage to exert pressure; instead, the pressure Gazprom exerted on Bulgaria on more than one occasion centered around the planned South Stream Project.

*Disruption of alternative supply routes/sources of supply by various means.* When Greece considered selling DEPA, its national Public Gas Corporation, in 2013 and Gazprom expressed interest in buying it, concerns arose that Gazprom would ultimately become a dominant player in South-eastern Europe. The company would also as a result have acquired control over the Greece–Bulgaria interconnector. But Gazprom withdrew its bid, and the sale did not take place.<sup>72</sup>

The quick rise of the anti-fracking movement prompted accusations it was organized and perhaps even funded by Gazprom, for whom the emergence of an alternative source of gas supply in Bulgaria would be undesirable.<sup>73</sup> Clear evidence proving a link between the anti-fracking movement and Russia’s stake in gas, though, has not been forthcoming.

## **Country Case Study: Moldova**

A feature that is characteristic of most post-communist countries in the region, that of strong dependence on Russian energy sources, is very much in evidence in

Moldova. In the gas sector, this dependency means that practically all the gas consumed in the country comes from Russia. Moldova's natural gas consumption currently rests just above 1 bcm per year, with an additional amount of nearly 2 bcm consumed in the separatist region of Transnistria. Natural gas makes up about 60 percent of the country's primary energy consumption, the majority of which is used for power generation and for heating.<sup>74</sup> Given its importance for these supply-sensitive sectors, natural gas is of strategic importance for Moldova.

By itself, Moldova produces no significant quantity of natural gas. It also lacks storage capacity and thus has no way to safeguard against disruptions in the gas supply. Connections with neighbouring countries that could potentially provide gas from other sources are used almost entirely to transit gas further on to Europe.<sup>75</sup> The exception is the Iasi–Ungeni gas interconnector, built between August 2013 and August 2014 to connect Moldova and Romania and put into service in 2015. It delivers gas at a price competitive with that charged by Gazprom, but to have any real impact on the country's gas import portfolio, the interconnector must be extended further to reach the main centres of consumption.<sup>76</sup>

Gazprom's presence in Moldova dates back to the first half of the 1990s. MoldovaGaz began to accumulate debt at a time when Gazprom was charging unusually high fine amounts for late payments. Since the company (in fact, the Moldovan government) was unable to repay the debt, Gazprom was given shares in the company as compensation. Although Moldova is a member of the Energy Community,<sup>77</sup> consultations conducted in the country reveal that, because of Gazprom's strong anchorage in the country, Moldova favours unbundling only on paper; unofficially, strong lobbying opposition is slowing the entire process.<sup>78</sup>

Over the last decade, Gazprom's prices have risen from what had formerly been a fraction of the typical European price (US\$60/tcm) to proper European levels of US\$368/tcm.<sup>79</sup> This steep rise seems to have been accelerated by the worsening mutual relations between Moldova and Russia,<sup>80</sup> which began with the rejection by then-Moldovan president Voronin in 2003 of the so-called Kozak Memorandum, intended to implement a Moscow-tailored solution to de-escalate tensions in the dispute between Moldova and Transnistria, which included a Russian proposal to resolve the issue of Transnistria's status.<sup>81</sup> Relations between the countries suffered a further setback during the "Twitter Revolution" of 2009, when protesters stormed government buildings to protest revisionism on the domestic political scene.<sup>82</sup>

Currently, the Moldovan natural gas sector is dominated by MoldovaGaz, which is formally in charge of natural gas management throughout the country, including transmission, distribution, and marketing. Two subsidiaries have been established and placed in charge of the transmission system: Moldovatransgas on the right bank of the Dniester, and Tirspoltransgas in Transnistria. MoldovaGaz's shareholder structure is as follows: Gazprom has a 50 percent stake,<sup>83</sup> the Government of the Republic of Moldova holds 36.6 percent, and Tiraspoltransgas, from the autonomous region of

Transnistria, holds a 13.44 percent stake.<sup>84</sup> This setup basically gives Gazprom control over the entire Moldovan gas sector.

## Overview of the Indicators

*Active support by Russian state representatives for Gazprom in the countries under examination.* The country's largest power plant, Kuchurgan, lies in the Transnistria region. This gas-fired power plant is owned by the Russian company Inter RAO UES, which acquired it in 2004,<sup>85</sup> and it lies directly on the main pipeline bringing gas into Moldova. The problem is that Transnistria, a separatist region for which Russia serves as a kind of international patron, does not pay for the gas it receives; rather, under the original supply contract, extended each year since its planned expiry date in 2011, the government in Chisinau is made liable to Gazprom for the debt. That debt has reached about US\$3–4 billion; the debt of Moldova itself stands at around US\$400 million. Russian Deputy Prime Minister Dmitry Rogozin has explicitly coupled Moldova's gas debt to settling the dispute over the status of Transnistria.<sup>86</sup> He has also personally discouraged Moldova from increasing transit fees, warning it might have serious consequences.<sup>87</sup> During his September 2013 visit to Moldova, Rogozin said, "Take care not to freeze in the winter and get lost in the vortex of European integration you are caught in,"<sup>88</sup> likely addressing Moldova's accession to the Energy Community and signature of the Association Agreement (including the Deep and Comprehensive Free Trade Area Agreement) with the EU, which was being prepared in 2013. The statement could easily be taken as a tacit threat.

*Rewarding behaviour compatible with Russian foreign policy aims; coupling energy-related issues and energy prices with a state's foreign policy orientation.* Moldova's inclination toward the European Union have been tied to Gazprom's reluctance to sign a new long-term gas contract. A steep hike in gas prices has been correlated with the worsening of mutual relations between the two countries triggered by the failure to sign the Kozak Memorandum in 2003.<sup>89</sup> The situation changed to some extent at the end of 2016, when the gas contract was prolonged for a further three years, until the end of 2019.<sup>90</sup> The decision was made shortly after the January 2017 election of new president Igor Dodon,<sup>91</sup> who represents pro-Russian Socialist Party, and signalled that the mainland Moldova may recognize the Transnistrian debt.<sup>92</sup>

*Infrastructure (e.g., pipelines) and differential pricing as tools to pressure the client state.* The misuse of infrastructure is evident in more than one regard. The gas used in Transnistria's Kuchurgan power plant is charged on the government in Chisinau instead of the power plant's operator, and the same is true with regard to the debt owed. The fact that Moldova is essentially dependent upon a single pipeline coming in from Russia has been leveraged in the current dispute over a new long-term gas supply contract (see above).

*Disruption of alternative supply routes/sources of supply by various means.* The rather sluggish activity of MoldovaGaz—a company controlled by Gazprom—has prevented gas flow through the newly built Iasi–Ungheni interconnector, effectively hamstringing the only existing diversification project.<sup>93</sup>

The issue of gas supply diversification through the Iasi–Ungheni interconnector is part of the bigger picture in Gazprom's efforts to preserve its dominant position in Moldova's energy market. Via its majority stake in MoldovaGaz, Gazprom essentially controls the entire Moldovan gas sector, and the implementation of the Third Liberalization Package, which requires the decoupling of transmission, production, and sales, was postponed to 2020 partly as the result of direct pressure exerted by Russian officials,<sup>94</sup> and as a result of Gazprom's reluctance to sign a new long-term gas supply agreement. The newly established TSO Vestmoldtransgaz, in charge of operating the interconnector, will therefore probably encounter some obstacles in its effort to get non-Russian gas to the marketplace.<sup>95</sup> One such obstacle might be in the form of pressure exerted on consumers who would like to change gas suppliers. It is likely that MoldovaGaz might use debts that many consumers, including industrial consumers, have tallied so far to prevent them from switching.<sup>96</sup>

### **Country Case Study: Belarus**

Strong political, security, and economic ties between Belarus and Russia date back to the Soviet era, when significant production capacity was concentrated in the area of the then-Byelorussian SSR,<sup>97</sup> and there was a heavy dependency on raw material supplies. After minor attempts at cooperation with Western integration structures (the EU and NATO) in the early 1990s, Alexander Lukashenko was elected in 1994 as a critic of the dissolution of the USSR and a supporter of a pro-Russia orientation.<sup>98</sup> During the latter half of the 1990s, Lukashenko supported the establishment of an economic union between the two countries while insisting on the formal political equality of each. This laid the groundwork for the sinusoidal nature of Russian–Belorussian relations, which have alternated between periods of deteriorating relations, more or less aligned with repeated disputes in the energy sphere,<sup>99</sup> and periods of pragmatic rapprochement, accompanied often by new projects involving economic cooperation as well as cooperation on energy-related projects.

The sustainability of the Belarusian regime and its ability to provide citizens with social guarantees has been largely dependent on the country's nonstandard relations with Russia. Belarus has always paid extraordinarily low prices for both oil and gas<sup>100</sup> and the Belarusian economy benefited from the petrochemical trade, with production in Belarusian refineries using Russian oil imported under favourable (duty-free) conditions. The situation changed after the new Russian president, Vladimir Putin, began to realize his vision of a single economic space<sup>101</sup> and revised Russia's energy policy regarding Belarus. Since the beginning of the new millennium, the

greatest controversy has arisen in connection with disputes centered on Russian crude oil imports and on the export of other oil products from Belarusian refineries. These disputes even figured into efforts to establish a customs union in 2010.<sup>102</sup>

There have also been a number of gas crises (in 2002–2004, 2006–2007, and 2010–2011). Even the establishment of the Eurasian Economic Union (EAEU)<sup>103</sup> in 2015 has not completely eliminated conflicts in the energy sphere, as was demonstrated when clashes occurred in 2016 and in early 2017. Currently, Russia–Belarus relations are being significantly influenced by the security situation in Eastern Europe,<sup>104</sup> and Belarus’s recent foreign policy moves toward once again seeking rapprochement with the EU.

The role played by natural gas in the Belarusian energy mix is indeed important. Its share of TPES was more than 61 percent in 2014 according to the IEA statistics,<sup>105</sup> while the single monopoly supplier, Gazprom, plays a key role in its import. From an energy security perspective, Belarus’s energy mix is poorly balanced. The amount of imported oil and gas in TPES is more than 90 percent. In addition, gas is important to electricity production in the country—the proportion of gas in electricity production sector was 98 percent in 2014. Gas is also the key fuel for Belarusian heating plants: the proportion of gas in the production of heat was more than 88 percent in 2014.<sup>106</sup>

The country’s gas consumption amounts to around 18 billion m<sup>3</sup> of natural gas per year, all of it imported from Russia.<sup>107</sup> Gazprom has been the key supplier of gas to Belarus over the entire period since the dissolution of the Soviet Union and it has been the sole gas supplier to Belarus since 2005. Compared to other Russian investors in Belarus, Gazprom is also the biggest property owner,<sup>108</sup> which confirms the significant influence it wields in the Belarusian energy market and in its economy in general.

## Overview of the Indicators

*Active support by Russian state representatives for Gazprom in the countries under examination.* The gas crises that have been noted were frequently accompanied by bilateral negotiations between Lukashenko and Putin directly concerning issues to do with gas supplies, gas prices, or control over the Belarusian gas network. As an example, in connection with the first serious gas dispute in 2003, Gazprom announced that starting January 2004, it would halt discount gas supplies to Belarus, doubling the price. During the same month, the Russian–Belarusian summit took place. Lukashenko and Putin agreed to implement market pricing for gas supplies and to establish a joint venture to operate the gas network. On this basis, Belarus announced its consent to the sale of a minority stake in Beltransgaz to Gazprom, with the stipulation that, in exchange, Russia would base its price quote on the price of cheaper gas from 2002.<sup>109</sup> This was the beginning of the crisis, which went so far as to cause a temporary interruption of gas supplies to Belarus,<sup>110</sup> including a brief closure of the Jamal transit pipeline.<sup>111</sup>

Bilateral negotiations between Lukashenko and Putin, which took place in spring 2017, played an important role also in recent energy conflict between Russia and Belarus. The issues of the future of Russian gas and oil supplies to Belarus have been linked with problems of foreign policy and security cooperation of both countries in the context of difficult geopolitical situation in Eastern Europe (see below).<sup>112</sup>

*Rewarding behaviour compatible with Russian foreign policy aims; coupling energy-related issues and energy prices with a state's foreign policy orientation.* Belarus's long-term isolation from the West (including from the EU), and the leading role played by Russia as its strategic and security ally, have figured heavily into the country's energy relations. The situation changed somewhat after 2000, but even during the Putin era, numerous instances may be found in which the Belarusian regime has been rewarded for its loyalty, and energy-related steps have been coupled to political issues (and this despite the fact that Lukashenko has not always been the easiest partner for Putin's Russia). As an example, in autumn of 2005 Gazprom announced once again that market prices would be introduced for gas imports, but in December of that same year, it said the price for Belarus would remain at 2005 levels because of the country's ongoing negotiations with Russia about forming a confederation. Also important were the approaching presidential elections in Belarus. Gazprom's decision making about introducing market prices for its gas was thus influenced by the political situation in Belarus, as well as by support for Lukashenko and the future confederation.<sup>113</sup> But significant examples may also be found in which the reverse was true—when during energy disputes with Russia, Lukashenko's Belarus made friendly overtures towards the West, including the EU.<sup>114</sup> Thus, the coupling of energy issues to foreign policy positions was also found on the Belarusian side.

Belarus's membership in the Customs Union was also initially connected to rewards in the form of lower gas prices.<sup>115</sup> But Belarus also has a significant interest in customs duties for the export of energy materials. While in the Customs Union customs duties were the subject of bilateral negotiations, once the EAEU and the single economic area had been established, they became subject to regulation by the common EAEU organs.<sup>116</sup> Disputes in 2016–2017<sup>117</sup> show that problems persist in the system, but it must be said that to a great extent, both sides prefer bilateral settlements, and has had difficulty breaking away from the nonstandard nature of relations in the energy sphere (as, e.g., the above mentioned summit in Sankt Petersburg in April 2017 clearly shows). While it is true that this makes things prone to politicization, it also offers more room to maneuver, not only for the Russian side, but also for President Lukashenko.

*Infrastructure (e.g., pipelines) and differential pricing as tools to pressure the client state.* The transport of gas over Belarusian territory to the West has played an outside role in Russian–Belarusian relations. Until Nord Stream was put into operation in 2012, almost one-quarter of Russia's gas exports to Europe crossed over Belarusian



territory.<sup>118</sup> Gazprom's efforts to gain control of state-owned company Beltransgaz (operator of the Belarusian gas pipeline network and the Belarusian stretch of Gazprom's Yamal transit pipeline) also figured in heavily. These efforts targeted the transport security of Russian gas bound for Europe, and sought to minimize Belarus's potential to engage in political and/or economic extortion. They accompanied the gas disputes from the very beginning, first occurring at the end of 2002, when Gazprom sought higher prices for the gas it supplied beyond the original 2002 contract, under which Belarus was able to import gas at prices that were effectively comparable to those on the Russian domestic market. But the contract also contained a clause that created a joint venture involving the purchase of a 50 percent stake in Beltransgaz. The situation was thus influenced (and facilitated) by the nonstandard nature of the countries' relations when it came to gas prices, as noted above.

The gas price dispute arose once again in 2003, this time also related to transit gas supplied via Belarusian transit routes (Yamal) from Russia to Europe. The issues touched on both gas and oil, and this is characteristic for Russia–Belarus energy spats. While Gazprom used tools like higher price demands (stating that it was no longer willing to “subsidize” the Belarusian economy with discount prices) and gas supply interruptions, Belarus deployed “weapons” of its own, including boosting transit fees for Russian gas passing over Belarusian territory. Gas prices were also coupled to unrelated political issues, not only by the Russians.<sup>119</sup> This first phase of the gas disputes between the two countries came to a close in 2007 with the signature of a contract that called for a gradual increase in gas prices for Belarus, increased transit fees for the transport of Russian gas, and the relatively advantageous purchase of a 50 percent stake in Beltransgaz by Gazprom.<sup>120</sup> Another series of disputes in 2010–2011 was heavily influenced by the impacts of economic crisis, growing inflation and deepening deficit of the state budget. Belarusian rouble devalued in 2011 and government repeatedly asked Russia and the Eurasian Economic Community for a stabilization loan.<sup>121</sup> At the same time, in 2011 Gazprom succeeded in gaining 100 percent control of the Beltransgaz company.

*Disruption of alternative supply routes/sources of supply by various means.* Throughout the period under examination here, Gazprom has been the key supplier. Despite the disputes that have occurred, Belarus has never developed plans to diversify its sources of gas (unlike the action it has taken in the oil sector).

## **Conclusion**

The aim of this article has been to assess whether Gazprom's conduct in selected countries of Central, Eastern, and Southeastern Europe bears out accusations that Russia, as Gazprom's chief shareholder, uses natural gas supplies as a tool of foreign policy. To meet this goal, the research question was formulated as follows: “Does

Gazprom behave like a tool of Russian foreign policy in the countries under examination? If so, what factors determine this behaviour in varying environments?" For this purpose, four main indicators addressing the most typical manifestations of politicized conduct in the natural gas sector were formulated. These indicators were then used to assess the individual cases of Belarus, Bulgaria, the Czech Republic, and Moldova. These states were selected to provide a diverse sample in terms of foreign policy discourse and ties to Russia and the European Union (as the main driver behind recent energy policy changes on the continent).

What the authors found is that any answer to the research question is very case-specific. The outcomes also reveal the factors that determine such behaviour. First, membership in the European Union and, above all, implementation of the Internal Energy Market rules within the natural gas sector are crucial. These rules are in direct opposition to the marketing model Gazprom had traditionally used to supply the region and placed the company in a substantially different position from the one it had formerly enjoyed. Originally, Gazprom was able to use its position as a major gas supplier to dictate market conditions *de facto*. With the introduction of such rules as ownership unbundling, third-party access, and the ban on destination clauses imposed by the European Commission as market overseer, however, Gazprom is no longer the master of its own market but is instead subject to its forces.

For the IEM rules to fulfil their main goal of marketizing the natural gas sectors in the former communist countries, though, one essential precondition must be met. This is source diversification. In essence, any state with access to other, non-Russian, sources of gas that also adopts the EU IEM rules is going to be safe from having its supplies politicized in a way that could harm its energy security status. The Czech Republic is a clear example of a country that meets both these conditions. The importance of source diversification as a necessary condition for the depoliticization of supplies was confirmed in the case of Bulgaria. Although an EU member and one that formally subscribes to the IEM rules, it is still basically dependent on Russia for almost 100 percent of its natural gas, and this puts it in a weak bargaining position. This was visible in the case of the South Stream Pipeline, where Russian state officials got heavily involved (something that did not happen with the Czech Republic), and gas sales became conditioned on foreign policy objectives being met. Given Bulgaria's dependent status and the impact of potential supply cuts, it is safe to say that dependence on Russian imports plays a major role.

It also appears that the issue of EU membership (or even signature of the association agreement, as in the case of Moldova) and implementation of the IEM rules are very sensitive issues for Gazprom (and its owner, the Russian government). This finding was clearly demonstrated in the case of Moldova. The country's aim of approaching the European Union and implementing the IEM rules has gotten a chilly reaction from Moscow on more than one occasion. The issue of natural gas supplies (one that has been aggravated by the status of the separatist Transnistria region, supported by Russia) and the conditions written into the

supply contract are openly related to Moldova's pro-European foreign policy discourse. In the case of Belarus, the situation is a bit more complicated. Although the country shows little interest in joining the EU, and although it is not a member of the Energy Community, occasional signs of a tilt toward the EU may be spotted. They have often occurred in conjunction with mutual disputes with Russia in the energy sphere and elsewhere, when Lukashenko has played the EU card as part of his short-term geopolitical game. In any event, Belarus's failure to adopt the IEM rules and its complete dependency on Russian gas deliveries and Russian control over the gas transport network, in addition to its special relations with Russia in many different spheres, has caused substantial politicization of supplies on both sides of the negotiating table.

The answer, then, to the main research question is as follows: Gazprom does indeed appear to behave in a way that would indicate the company is being used as a foreign policy tool by the Russian government. But ultimately, the main constraint on the company's behaviour is the environment in which it operates. Here, two factors are crucial: implementation of the IEM rules and, most importantly, source diversification. Where both factors are met, politicization of natural gas supplies is practically non-existent or very weak. To complicate things even further, the market in Europe has been changing, and with it, Gazprom's position as dominant supplier has eroded. It is challenging to identify in which cases the company is acting as a coercive tool of its home government, and in which its motivation is simply to retain market share. In any event, though, the two criteria noted above still serve as the best precaution that can be taken no matter Gazprom's motivation.

## Acknowledgments

This text has been prepared as part of the grant project of the Grant Agency of the Masaryk University "Russia in the categories friend-enemy. Czech reflection" (MUNI/M/0921/2015).

## Notes

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49. Ibid.

50. Bulgartransgaz, a company that was split off of Bulgargaz to comply with the EU’s Third Liberalization Package, is in charge of gas transmission.

51. Bulgargaz buys gas for the wholesale market but is not active in distribution. Overgas dominates distribution and currently buys gas to meet its own needs.

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54. Technically, Wintershall had a 50 percent share in a joint venture with Gazprom in WIEE (Wintershall Erdgas Handelshaus Zug AG), which had charge of gas supplies. See in T. Dąborowski, “Bulgaria: Cheaper Gas from Russia in Exchange for the Approval of South Stream,” Ośrodek Studiów Wschodnich, <http://www.osw.waw.pl/en/publikacje/analyses/2012-11-21/bulgaria-cheaper-gas-russia-exchange-approval-south-stream> (accessed 16 May 2017).

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62. Novinite, “Putin Tells Erdogan He Is ‘Fed Up with Bulgarians,’” novinite.com, Sofia News Agency, 4 December 2014, <http://www.novinite.com/articles/165199/Putin+Tells+Erdogan+He+Is+%27Fed+Up+with+Bulgarians%27> (accessed 16 May 2017).

63. The Socialist Party has traditionally closer ties to Russia based on the ideology and personal history of numerous members of the party.

64. More specifically, in formula under which the price is calculated.

65. Interviewee 1, 2015.

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68. Ibid.; EurActiv, “Bulgaria, Commission, Lost in Translation over South Stream,” EurActiv, 25 April 2014, <http://www.euractiv.com/sections/energy/bulgaria-commission-lost-translation-over-south-stream-301751> (accessed 16 May 2017); G. Traufetter, “In the Kremlin’s Grip: Fears Grow over Bulgaria’s Russian Dependence,” Spiegel Online International, 12 May 2014, <http://www.spiegel.de/international/europe/fears-grow-in-europe-that-russia-will-influence-bulgaria-a-968955.html> (accessed 16 May 2017).

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74. Energy Community Secretariat, “*Annual Implementation Report*,” Energy Community, 1 September 2015, [https://www.energy-community.org/portal/page/portal/ENC\\_HOME/DOCS/3872267/23B450386A075E64E053C92FA8C0F69F.PDF](https://www.energy-community.org/portal/page/portal/ENC_HOME/DOCS/3872267/23B450386A075E64E053C92FA8C0F69F.PDF) (accessed 16 May 2017).

75. Moldova is entitled to use some gas stored in Ukrainian storages; however, it is not likely that Ukraine will make this gas available to Moldova if disruptions of Russian gas occur. See K. Całus, “Russian Sanctions against Moldova. Minor Effects, Major Potential,” Ośrodek Studiów Wschodnich, 6 November 2014, [http://www.osw.waw.pl/en/publikacje/osw-commentary/2014-11-06/russian-sanctions-against-moldova-minor-effects-major-potential#\\_ftn18](http://www.osw.waw.pl/en/publikacje/osw-commentary/2014-11-06/russian-sanctions-against-moldova-minor-effects-major-potential#_ftn18) (accessed 16 May 2017).

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77. The Energy Community is an intergovernmental organization established in 2005 to bring together the countries of the European Union and the Balkan and Black Sea regions to help them implement the EU’s Internal Energy Market rules.

78. Interviewee 5, Chisinau, Moldova, 12 March 2015; Interviewee 6, Chisinau, Moldova, 12 March 2015; Interviewee 7, Chisinau, Moldova, 13 March 2015; Interviewee 8, Chisinau, Moldova, 13 March 2015; Interviewee 9, Chisinau, Moldova, 13 March 2015.

79. K. Całus, “The Iasi–Ungheni Pipeline: A Means of Achieving Energy Independence from Russia? Moldova’s Attempts at Gas Supply Diversification,” Ośrodek Studiów Wschodnich, October 11, 2013, <http://www.osw.waw.pl/en/publikacje/osw-commentary/2013-10-11/iasi-ungheni-pipeline-a-means-achieving-energy-independence> (accessed 16 May 2017); Radio Free Europe, Radio Liberty, “Gazprom’s Grip: Russia’s Leverage Over Europe,” 3 April 2015, <http://www.rferl.org/content/infographics/gazprom-russia-gas-leverage-europe/25441983.html> (accessed 16 May 2017).

80. Interviewee 6, Chisinau, Moldova, 12 March 2015; Interviewee 7, Chisinau, Moldova, 13 March 2015.

81. The documents suggested that the country be federalized, and talked about the need for the Russian military to remain present for twenty years. E. Korosteleva, *The European Union and Its Eastern Neighbours. Towards a More Ambitious Partnership?* (London: Routledge, 2012), 114; Całus, “The Iasi–Ungheni Pipeline”; Interviewee 6, Chisinau, Moldova, 12 March 2015; Interviewee 7, Chisinau, Moldova, 13 March 2015.



82. The protests came in reaction to the results of the parliamentary elections, which gave the communists an absolute majority in the Moldovan parliament, enabled changes to the Constitution, and saw the election of a new president. See, e.g., E. Barry, "Protests in Moldova Explode, With Help of Twitter," *The New York Times*, 7 April 2009, <http://www.nytimes.com/2009/04/08/world/europe/08moldova.html> (accessed 16 May 2017).

83. In fact, Gazprom holds a 50 percent + 1 share according to Moldova-based energy experts and Employees of the Ministry of Economy (Interviewee 6, Chisinau, Moldova, 12 March 2015; Interviewee 7, Chisinau, Moldova, 13 March 2015).

84. "Implementation Report: Moldova," Energy Community Secretariat (2016), 104.

85. Caľus, "Russian Sanctions against Moldova."

86. RBC.ru., "Д.Рогозин: Если Кишинев не признает Тирасполь, тогда долг за газ, потребленный Приднестровьем, - это долг Молдавии," *RBC.ru.*, 18 April 2012, <http://www.rbc.ru/rbc-freenews/20120418060404.shtml> (accessed 16 May 2017).

87. Interviewee 6, Chisinau, Moldova, 12 March 2015; Interviewee 7, Chisinau, Moldova, 13 March 2015; Interviewee 8, Chisinau, Moldova, 13 March 2015; Interviewee 9, Chisinau, Moldova, 13 March 2015; S. Molnar, "Russia Hints at Stopping Gas Deliveries to Moldova," *Natural Gas Europe*, 6 September 2013, <http://www.naturalgaseurope.com/russia-dimitri-rogozin-moldova-gas-delivery> (accessed 27 August 2015).

88. Molnar, "Russia Hints at Stopping Gas Deliveries."

89. Interviewee 5, Chisinau, Moldova, 12 March 2015; Interviewee 6, Chisinau, Moldova, 12 March 2015.

90. C. Vlas, "Moldovagaz and Gazprom Agree on Prolonging the Contract until 31 December 2019," *moldova.org*, 30 December 2016, <http://www.moldova.org/en/moldovagaz-gazprom-agree-prolonging-contract-31-december-2019/> (accessed 16 May 2017).

91. In his campaign, Dodon often criticized the AA/DCFTA. His Socialist Party supported its cancellation and the reorientation of Moldova to the Eurasian Economic Union. See e.g. P. Ivan, "What to expect from the new president of Moldova," European Policy Centre, 14 November, [http://www.epc.eu/pub\\_details.php?cat\\_id=4&pub\\_id=7169](http://www.epc.eu/pub_details.php?cat_id=4&pub_id=7169) (accessed 16 May 2017).

92. Infotag, "President Igor Dodon Recognizes Transnistrian Gas Debts as Moldova's Aggregate Debt," *Infotag*, 18 January 2017, <http://www.infotag.md/economics-en/238272/> (accessed 22 October, 2017).

93. L. Barbarosie, R. Coalson, and R. Jozwiak, "Empty Pipeline Shows Difficulty of Breaking Moldova's Gazprom Addiction," *Natural Gas Europe*, 29 September 2014, <http://www.naturalgaseurope.com/empty-pipeline-shows-difficulty-of-breaking-moldova-gazprom> (accessed 27 August 2015).

94. EurActiv, "Russia to Moldova: Choose Cheap Gas or EU Integration," 13 September 2012, <http://www.euractiv.com/europes-east/russia-moldova-chose-cheap-gas-e-news-514769> (accessed 16 May 2017).

95. This assumption actually proved to be correct right from the start when the Iasi–Ungheni pipeline was inaugurated in August 2014. The rather sluggish activity of MoldovaGaz—a company controlled by Gazprom—was preventing the gas flow at that time. (Barbarosie et al., "Empty Pipeline Shows Difficulty").

96. A. Mihalache, "The Fairytale That Wasn't: The Iasi–Ungheni Gas Interconnector," *Natural Gas World*, 18 November 2014, <http://www.naturalgaseurope.com/iasi-ungheni-gas-interconnector> (accessed 17 May 2017).

97. F. Garbe, F. Hett, and R. Lindner, "Brothers to Neighbours: Russia-Belarus Relations in Transit," in *Russian Energy Security and Foreign Policy*, ed. A. Dellecker and T. Gomart, 188–202 (London: Routledge, 2011), 188.

98. See, e.g., P. K. Baev, *Russian Energy Policy and Military Power: Putin's Quest for Greatness* (London: Routledge, 2008).

99. A. Кречетников, "Щука Путина и сом Лукашенко: что стоит за пиаром лидеров," BBC, Русская служба, 1 August 2013, [http://www.bbc.com/russian/russia/2013/08/130801\\_putin\\_lukashenko\\_spike\\_catfish.shtml](http://www.bbc.com/russian/russia/2013/08/130801_putin_lukashenko_spike_catfish.shtml) (accessed 15 May 2017); Т. Мельничук, "Лукашенко в послании к нации выступил за единую Украину," BBC, Русская служба, 22 April 2014, [http://www.bbc.com/russian/international/2014/04/140422\\_belarus\\_lukashenko\\_ukraine\\_view.shtml](http://www.bbc.com/russian/international/2014/04/140422_belarus_lukashenko_ukraine_view.shtml) (accessed 15 May 2017).

100. Before 2002, Belarus imported gas for prices that were almost comparable with the prices on the Russian domestic market.

101. B. Nygren, *The Rebuilding of Greater Russia. Putin's Foreign Policy towards the CIS Countries* (London: Routledge, 2010), 71.

102. Since January 2010, the common customs tariff has been applied among Russia, Belarus, and Kazakhstan. The common customs code came into force in July 2010, but Belarus briefly withheld its signature because of disputes over energy. See e.g. I. Tochitskaya, "The Customs Union between Belarus, Kazakhstan and Russia: An Overview of Economic Implications for Belarus," *CASE Network Studies & Analyses* 405 (2010), [http://www.case-research.eu/upload/publikacija\\_plik/32701553\\_CNSA\\_405.pdf](http://www.case-research.eu/upload/publikacija_plik/32701553_CNSA_405.pdf) (accessed 15 May 2017). The signature of the series of agreements that established the customs union between the two countries laid the foundation for resolving what were at that time the biggest issues in the oil dispute. See A. E. Kramer, "Russia-Belarus Oil Dispute Threatens Europe's Supply," *The New York Times*, 3 January 2010, <http://www.nytimes.com/2010/01/04/world/europe/04belarus.html> (accessed 17 May 2017).

103. With Kazakhstan, Armenia, and Kyrgyzstan.

104. The annexation of Crimea and the conflict in Eastern Ukraine.

105. IEA Energy Statistics, 2016, "Share of Total Primary Energy Supply in 2014. Belarus," <http://www.iea.org/stats/WebGraphs/BELARUS4.pdf> (accessed 15 May 2017).

106. IEA Energy Statistics, 2016, "Total Primary Energy Supply. Belarus," <http://www.iea.org/stats/WebGraphs/BELARUS5.pdf> (accessed 15 May 2017); International Energy Agency, 2017, "Statistics: Belarus: Electricity and Heat for 2014," <http://www.iea.org/statistics/statisticssearch/report/?year=2014&country=BELARUS&product=ElectricityandHeat> (accessed 15 May 2017).

107. BP Statistical Review of World Energy, June 2016. Natural gas, <http://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2016/bp-statistical-review-of-world-energy-2016-natural-gas.pdf> (accessed 15 May 2017).

108. Министерство экономического развития Российской Федерации, n.d., "Российско-белорусское инвестиционное сотрудничество 2012 г.," [http://www.ved.gov.ru/exportcountries/by/by\\_ru\\_relations/by\\_rus\\_projects/](http://www.ved.gov.ru/exportcountries/by/by_ru_relations/by_rus_projects/) (accessed 15 May 2017).

109. Garbe et al., "Brothers to Neighbours," 195.

110. Baev, *Russian Energy Policy and Military Power*, 147.

111. T. Romanova, "Energy Dialogue from Strategic Partnership to the Regional Level of the Northern Dimension," in *The EU-Russian Energy Dialogue. Europe's Future Energy Security*, ed. P. Aalto (Surrey: Ashgate, 2008), 89; E. Wyciszkievicz, "Polish Perspective on the EU's Energy Policy and the Security of External Supply," *International Issues & Slovak Foreign Policy Affairs* 1 (2009): 18–19.

112. See, e.g., S. Bohdan, "Belarus Has Obtained Gas and Oil Concessions from Russia: But What Did Russia Get in Exchange?" *Belarus Digest*, 11 April 2017, <http://belarusdigest.com/story/belarus-has-obtained-gas-and-oil-concessions-russia-what-did-russia-get-exchange-29754> (accessed 15 May 2017).

113. Nygren, *The Rebuilding of Greater Russia*, 77–78.

114. Here may be noted Lukashenko's attempts to open Belarus's door a little wider to relations with the EU in 2008–2010. These ceased after the EU issued a sharp rebuke and instituted restrictions on the country after the violent suppression of opposition demonstrations in Minsk tied to the 2010 presidential elections.

115. Since 2013, the price Belarus pays for Russian gas has been calculated based on the gas price in the Yamalo-Nenets region of Russia, where the raw materials for the Belarusian market are extracted, plus transport expenses to the border between Belarus and Russia and expenses for refuelling Russian gas tankers. This change was related to the rules of the Customs Union coming into force. See in M. Jirušek, T. Vlček, H. Kořoušková, R. Robinson, A. Leshchenko, L. Lehotský, and V. Zapletalová, *Energy Security in Central and Eastern Europe and the Operations of Russian State-Owned Energy Enterprises* (Brno: Masaryk University, 2015), 406, <http://energy.fss.muni.cz/bresearch/publications> (accessed 23 October 2017).

116. Вести: Бизнес, “В Казахстане создали Евразийский экономический союз,” Вести, 2015, <http://business.vesti-ukr.com/54142-v-kazahstane-sozdali-evrazijskij-jekonomicheskij-sojuz> (accessed 16 May 2017); ЕврАзЭС. Евразийское экономическое сообщество, n.d., <http://evrazes.com/customunion/eepr> (accessed 15 May 2017).

117. In the latter half of 2016, Belarus was at the receiving end of another reduction in Gazprom deliveries that was tied, according to reports, to the Belarusian debt reaching a level of about US\$300 million. The recent disputes were connected, e.g., with longstanding issues surrounding prices and tariffs on gas imported from Russia. It is in Belarus’s interest to keep gas and oil deliveries from Russia tariff-free and to keep gas prices close to those on the Russian domestic market, which is the basic incentive for Belarus to support the EAEU. Recent disputes have been also accompanied by trade wars in areas that are not directly connected to energy, and gestures on both sides that have threatened to call into question even Belarus’s membership in the EAEU. (See, e.g., A. Shraibman, “How Long Can Belarus’s Balancing Act Last?,” Carnegie Moscow Center, 15 November 2016, <http://carnegie.ru/commentary/?fa=66140> (accessed 15 May 2017); A. Shraibman, “The Far-Reaching Consequences of Belarus’s Conflict with Russia,” Carnegie Moscow Center, 8 February 2017, <http://carnegie.ru/commentary/?fa=67939> (accessed 15 May 2017).

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