

# Major-Power Competition in Energy Cooperation between Europe and Russia

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**A**t present, the European Union, the United States and Russia are engaged in some political jousting over energy resourcing between Europe and Russia based on their different interests and geostrategic orientation. The US and Europe share similar geopolitical interests, while Europe and Russia share economic interests in energy cooperation, and this dichotomy will have a major impact on the evolving trilateral relations among the EU, the US and Russia. Therefore, it is necessary to deepen our analysis of the major-power contention in EU-Russia energy cooperation and study its influence and future trend.

## The Progress of EU-Russia Energy Cooperation

Energy cooperation between the EU and Russia has been growing since the end of the Cold War and has reached a high level, yet some areas are still troubled by bottlenecks.

### **Energy trade develops rapidly but reaches a ceiling**

During the Cold War, the former Soviet Union piped oil and gas to the Federal Republic of Germany, Italy, Austria, and other Western European countries. Since Russia joined the world economic system and turned to a resource-driven development mode following the conclusion of the Cold War, its energy trade with the EU has developed rapidly.

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In terms of the oil trade, the former Soviet Union in 1990 exported only 34.567 million tons of oil to the European Community (EEC), accounting for 6.4 percent of the EEC's imports. Since then, Russia's exports to the European Union have increased rapidly, reaching a peak of 192 million tons in 2006, 5.56 times the number in 1990, accounting for 31.2 percent of the EU's oil import volume, while the EU's total annual oil import only increased by 14.4 percent during this period. Since then, the total volume of EU oil imports and overall imports from Russia have both declined, with respective volumes of 150-166 million tons and 521-565 million tons between 2014 and 2017, but Russia's share was still between 27.6 and 30.4 percent, far ahead of Norway (11.2 percent), Kazakhstan (7 percent) and Saudi Arabia (6.3 percent).<sup>1</sup> In terms of natural gas, the former Soviet Union exported 111.7 billion cubic meters of natural gas to the EEC in 1990, accounting for 56 percent of the EEC's total import volume. Since then, Russia's export of natural gas to the EU remained basically stable, between 95.3 billion and 136.2 billion cubic meters from 1991 to 2015, and in 2017 the volume soared to 163.2 billion cubic meters. However, during this period, the total volume of EU natural gas imports rocketed, reaching 477.8 billion cubic meters in 2017, 2.4 times that of 1990, while the market share of Russian natural gas dropped to 34.2 percent. This figure indicated that during this period, the growth of EU natural gas demand was mainly taken over by other countries, such as Norway, with its 107.26 billion cubic meters of natural gas exported to the EU in 2017, a market share of 22.4 percent, and thereby becoming a competitor with Russia in the EU's energy supply.<sup>2</sup> However, Russia remains the largest energy partner of the EU. In 1996, Russia replaced Saudi Arabia to become the EU's largest oil import source. From 1990 to the present time, Russia has been the largest natural gas import source for the EU (EEC).

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1 EUROSTAT, "Imports of Oil and Petroleum Products by Partner Country, Updated on 03-Jul-2019," [https://ec.europa.eu/eurostat/web/products-datasets/-/nrg\\_ti\\_oil](https://ec.europa.eu/eurostat/web/products-datasets/-/nrg_ti_oil).

2 *Ibid.*

## **Energy connectivity continues to deepen**

During the period of the Cold War, in order to transport oil to Germany and Central-Eastern European countries, the former Soviet Union built the “Friendship” pipeline (1964) via Belarus, the “Brotherhood” natural gas pipeline (1968) via Ukraine, the “Soyuz” pipeline (1978), and the “Northern Lights” pipeline (1969) to pipe oil to Poland, Latvia, and Lithuania through Belarus and Ukraine. After the end of the Cold War, Russia and Europe continued to expand infrastructure connectivity in order to diversify oil and gas trade routes. In terms of oil facilities, Russia completed the Sukhodoly-Rodionov oil pipeline and the Baltic oil pipeline to its Baltic port in 2001 and 2002 respectively, and expanded them twice in 2003 and 2005, with a capacity of 50 million tons per year, which greatly enhanced Russia’s ability to supply oil to the EU by tankers.<sup>3</sup> In the field of natural gas, Russia continues to push pipeline construction through countries other than Ukraine.

The Yamal-Europe pipeline through Belarus was completed in 1997 and expanded in 2005. The “Blue Stream” pipeline was built in 2005 to supply gas to Romania and Bulgaria through Turkey. In 2011, the “Nord Stream” pipeline jointly built by Russia and Europe across the Gulf of Finland and the Baltic Sea to Germany was successfully completed. In 2007, Russia also planned to build a “South Stream” pipeline to supply gas to Greece, Italy, Austria and other countries across the Black Sea through Bulgaria. The project in Russia started in 2012, but it was abandoned in 2014 due to EU anti-monopoly regulations. In December 2014, Russia decided to explore the possibility of cooperation with Turkey and other countries to build the “TurkStream” pipeline, which runs to Turkey from Russia through the Black Sea, and then extends to Bulgaria, Serbia, Hungary, Austria and other Central and Eastern European countries. Russia and Turkey signed an agreement in October 2016 and initiated the construction of TurkStream in early 2017. The Turkish section was completed in November 2018, and the Serbian section was also

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3 Feng Yujun, *Eurasian Transformation: Geopolitics and Energy Security*, China Social Sciences Press, 2019, pp.220-221.

started in August 2018. The much debated “Nord Stream 2” is an important effort made by Russia to diversify gas transmission to the EU. As an extension of “Nord Stream” between Europe and Russia, the project is expected to increase Russia’s direct gas supply capacity to Germany from 55 billion cubic meters per year to 110 billion cubic meters. In June 2015, Gazprom signed the “Nord Stream 2” contract with Shell of the Netherlands, EON of Germany and OMV of Austria. However, the contract failed to be approved due to Poland’s obstruction as well as the EU’s lengthy anti-monopoly review. In 2017, Nord Stream 2 AG, a subsidiary of Gazprom, signed another “Nord Stream 2” construction contract with five European energy companies. Each European enterprise invested €950 million in the project, which combined accounted for 50 percent of the total cost, with the rest funded by Gazprom.<sup>4</sup> Since then, there have been objections from the US and the EU, yet Germany still insisted that “Nord Stream 2” was a purely commercial project and continued to promote it. Germany, Sweden and Finland successively approved the commencement of the project. In September 2018, “Nord Stream 2” was officially started. By October 2019, 83 percent of the project had been completed. The Danish government also approved the construction in its territorial sea in October 2019. The whole project is expected to be officially completed in 2020.

### **Mechanism for intergovernmental energy dialogue has stalled**

Before the end of the Cold War, Europe lost no time in utilizing the opportunity Russia could provide for the future energy security of Europe and tried to set up a political framework for energy cooperation with Russia. With the initiative by former Prime Minister Ruud Lubbers of the Netherlands, 50 parties from the EEC, the OECD, and Central and Eastern European countries signed the draft agreement of a European Energy Charter in 1991, which became a multilateral mechanism to promote the liberalization of world energy trade and investment in the future. In 1994, in order to attract

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4 The five companies are Uniper and Wintershall of Germany, Engie of France, OMV of Austria and the Royal Dutch Shell.

investment and technology from the West, Russia signed the Energy Charter Treaty based on the European Energy Charter, and the Treaty entered into force in 1998.<sup>5</sup> Europe and Russia also established an energy dialogue mechanism at the bilateral level. At the EU-Russia Summit in October 2000, the two sides signed the energy strategic partnership agreement, and decided to establish the EU-Russia Energy Dialogue, putting forward the goals of promoting energy investment, expanding market access, building an energy security framework, and advancing energy conservation and environmental protection. In 2001, the two sides, led by department-level units of the energy sector, set up four working groups to discuss specific technical issues in the areas of energy strategy, infrastructure and technology, investment, and energy efficiency. Since then, the EU and Russia have carried out energy dialogues at irregular summits, successively establishing a joint technology center, carrying out working group consultations, setting up the Permanent Partnership Council (PPC) on Energy, issuing the EU-Russia Energy Efficiency Initiative, and founding the EU-Russia Gas Advisory Council, among other implementation mechanisms.

However, the energy coordination mechanism between Europe and Russia did not play out expected. The EU hoped to build the Energy Charter Treaty into a framework to protect the liberalization of global energy trade and investment and regulate energy cooperation between the two sides. Russia, on the other hand, believed that the liberalization of energy infrastructure, energy investment and trade proposed in the Treaty would weaken its important role in natural gas trade activities from Central Asia to Europe, and diminish the role of its state-owned energy enterprises in the national economy. Russia's dissatisfaction over the EU's restriction of Russian investment in energy enterprises and infrastructure in the name of anti-monopoly concerns, and Russia's displeasure over the EU's continual request for Russia to increase its openness for investment in the energy industry have resulted in Russia's failure to have the Energy Charter

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5 Li Yang, "Energy Relations and Cooperation between Russia and Europe under the Ukraine Crisis: Foundation, Challenges and Prospects," *Russian, East European & Central Asian Studies*, No.5, 2015, pp.23-26.

Treaty ratified by the State Duma. In 2006, Russia forced Yukos, Russia's largest private oil company at that time, into bankruptcy in order to maintain the state's leading role in the energy industry and in its fight against corruption. This led to widespread criticism from the US and Europe. The Western countries went even further and launched an international lawsuit against Russia on the basis of the Energy Charter Treaty, asking the Russian government to compensate Western enterprises for their investment in Yukos. Russia resisted resolutely and withdrew formally from the Energy Charter Treaty in 2009. After the Ukraine crisis erupted in 2014, the EU-Russia Energy Dialogue stalled due to the interruption of EU-Russia summits. The main achievement of the Treaty, the early warning mechanism in energy conflicts, proved unable to manage differences between Europe and Russia. The EU, Russia, and Ukraine set up a trilateral talks mechanism on natural gas in May 2014, which ensured that there was no large-scale gas cut-off crisis in the EU, yet it was still unable to provide stable energy security for the EU, Russia, and Ukraine.

## **Russia's Advantages in Promoting Energy Cooperation with Europe**

Energy export constitutes the lifeblood of Russia's economy. 30 percent of its GDP in 2014 and 36 percent of its government budget in 2016 depended on oil and gas revenue.<sup>6</sup> The EU is Russia's largest market, accounting for 59.7 percent of Russia's oil export and 60 percent of Russia's natural gas export in 2017. Therefore, stable energy cooperation between Europe and Russia is related to Russia's core economic interests.<sup>7</sup> At the same time, energy interdependence serves as a ballast in EU-Russia relations, and has supported the bilateral relations especially following the Ukraine crisis, which serves as an opportunity for reviving bilateral ties and breaking the ice in the

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6 "Russia," US Energy Information, <https://www.eia.gov/international/analysis/country/RUS>; "Energy Policy of Russia," [https://en.wikipedia.org/wiki/Energy\\_policy\\_of\\_Russia](https://en.wikipedia.org/wiki/Energy_policy_of_Russia).

7 "Russia (RUS) Exports, Imports, and Trade Partners," Observatory of Economic Complexity, <https://oec.world/en/profile/country/rus>.

future. Russia has unique advantages in energy cooperation with Europe due to its resources and geographical advantages as well as its unremitting efforts in the European energy industry.

### **Russia's supply capacity is irreplaceable**

For the European countries, Russia is the largest oil and natural gas source. Russia accounted for 27.3 percent and 40.5 percent in the EU's oil and natural gas imports in 2018, with the import volume reaching 149 million and 47.4 million tons of oil equivalent respectively.<sup>8</sup> At the same time, with the decrease of natural gas production in Norway, the UK, the Netherlands and other European countries in recent years, there has been a need for Russia to compensate for the gap. Russia's natural gas export to Europe is on the rise, from 115.2 billion cubic meters in 2014 to 163.2 billion cubic meters in 2017, accounting for 35 percent of the EU's natural gas consumption, which is at an unprecedented level.<sup>9</sup> Taking price into consideration, Russia has a greater advantage in lower costs because of the highly developed and intensive pipeline facilities between Europe and Russia. In 2018, the average price of natural gas in Russia was 10 percent less than that of Norway and 17 percent lower than that of the United States. Russia also has obvious advantages in infrastructure. The annual oil delivery through the "Friendship" pipeline is 70 million tons, and the annual production capacity of the Russia-Europe natural gas pipeline is 257 billion cubic meters, which are enough to meet the export to Europe. Moreover, most of these pipelines were built in the Soviet era. Russia has not invested much in infrastructure. Compared with oil tankers from the Middle East, America and Africa, oil exports by pipeline have lower transportation costs with no maritime safety risks. From a geographical point of view, oil and gas exports from Central Asia and the Caucasian countries to the EU nearly always have to go through Russia, while Russia, by signing long-term trade

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8 "EU Imports of Energy Products - Recent Developments, Data Extracted in November 2019," EUROSTAT, [https://ec.europa.eu/eurostat/statistics-explained/index.php/EU\\_imports\\_of\\_energy\\_products\\_-\\_recent\\_developments](https://ec.europa.eu/eurostat/statistics-explained/index.php/EU_imports_of_energy_products_-_recent_developments).

9 "Imports of Natural Gas by Partner Country, Updated on 03-Jul-2019," EUROSTAT, [https://ec.europa.eu/eurostat/web/products-datasets/-/nrg\\_ti\\_gas](https://ec.europa.eu/eurostat/web/products-datasets/-/nrg_ti_gas).

contracts with Turkmenistan and other countries through its energy diplomacy, has in fact become a energy broker between Central Asia and Europe. Europe and the United States intended to build the “Nabucco” natural gas pipeline from Azerbaijan to Turkey, but they finally had to abandon the project because the commercial nature of the project, limited by natural gas production from Azerbaijan, was no match to that of existing pipelines through Russia.

### **Russian energy enterprises and European political and business interests are closely intertwined**

Over the years, Russia’s cooperation with European energy enterprises has become increasingly close with intertwined interests through investment in European facilities, and by attracting foreign investment and commercial cooperation. Firstly, Russia’s entire industrial chain is deeply involved in the European energy industry. Taking Gazprom as an example, as early as 2006, it invested in 89 enterprises in the EU countries and Switzerland, Serbia and other non-EU countries, with businesses covering natural gas trading, transportation, storage, pipeline construction, and thermal power plants, reaching extensively into the mid-and-lower streams of the European natural gas industry. This shows that stable Euro-Russian energy cooperation is conducive to bilateral business and economic relations.<sup>10</sup> At the same time, Russia also directly registered and established energy firms in European countries. For example, in November 2005, Gazprom and four famous Western European energy enterprises jointly established Nord Stream AG in Switzerland, which specializes in promoting the construction and operation of “Nord Stream” and “Nord Stream 2” pipelines.<sup>11</sup> The board of directors of Nord Stream AG also includes executives from famous European energy and chemical enterprises such as E.ON, BASF, and Engie. At the same time, Russia has also gradually established contacts with EU political and business elites. For example, after German

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10 Andreas Heinrich, “Gazprom’s Expansion Strategy in Europe and the Liberalization of EU Energy Markets,” February 5, 2008, <https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/RAD-34-8-11.pdf>.

11 The four enterprises are Wintershall and PEG Infrastruktur AG of Germany, NV Nederlandse Gasunie of the Netherlands, and Engie of France.

Chancellor Gerhard Schroeder stepped down in 2005, he soon became the Board Chairman of Nord Stream AG, and in September 2017, he served as the Chairman of the Board of Rosneft Oil, giving critical support to Russian energy enterprises in Europe. Former Italian Prime Minister Silvio Berlusconi also actively promoted energy cooperation between Italian ENI and Russia during his term of office. At the same time, there were rumors that he had benefited from Italy-Russia energy cooperation.<sup>12</sup>

### **Russia strengthens common interests by supporting use of the euro in energy field**

After the Ukraine crisis, the United States and Europe imposed sanctions on Russia in the fields of enterprise financing and embargo of energy technological equipment. The Trump administration further upgraded the sanctions, and frequently threatened to impose sanctions on many other countries. Therefore, Russia has been increasingly alert to Washington's dollar-backed "long-arm jurisdiction" over Russian enterprises and even freeze of the dollar assets of Russian companies, and has worked actively to promote the "de-dollarization" process. The EU felt deeply concerned about the threat of US dollar payment to its economic interests after the US withdrew from the Iran nuclear agreement, and has shown a great deal of interest in improving the settlement of oil and gas transactions in euros. Russia is very keen to note the EU's concerns and the rising common interests of the two sides in "de-dollarization," and has taken proactive moves to explore further cooperation in this respect. In May 2018, Russia's First Deputy Prime Minister Anton Siluanov said at the St. Petersburg International Economic Forum that Russia would actively participate if the EU reached consensus on the widespread use of the euro and made commitments internationally.<sup>13</sup> In fact, Russia has taken the initiative to promote the use of the euro in the energy field. In October

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12 Felix K. Chang, "Ruble's Reach: Russian Economic Influence in Europe," June 13, 2018, <https://www.fpri.org/article/2018/06/rubles-reach-russian-economic-influence-in-europe/>.

13 Elina Ribakova, "Something Putin and Juncker Appear to Agree on - The Euro," Bruegel, September 25, 2018, <https://bruegel.org/2018/09/something-putin-and-juncker-appear-to-agree-on-the-euro>.

2019, Rosneft announced that in the future, the annual oil trade of up to US\$89 billion will be settled in euros rather than US dollars, which is a great boost to the euro's role in the world and is exactly what the EU wishes.<sup>14</sup> If Russia increases euro settlement in oil trade, it will encourage the EU to actively maintain or even expand its energy import from Russia for the sake of the euro's internationalization. At the same time, Europe and Russia also have the opportunity to settle accounts in the euro with regard to purchase of oil equipment and investment in the energy industry, so as to provide a starting point for Russia to obtain Western energy technology, equipment and investment despite sanctions from the US.

### **Russia and Germany enjoy deep-rooted common interests in energy cooperation**

Germany is Russia's largest energy customer in the EU, and the two sides' interdependence in energy supply and demand is higher than that between other EU countries and Russia. In 2017, Germany imported 33.51 million tons of oil and 62.08 billion cubic meters of natural gas from Russia, accounting for 36.9 percent and 52.3 percent respectively of Germany's total imports, both higher than the average level of EU countries. At the same time, Germany is also the largest beneficiary of "Nord Stream" and "Nord Stream 2" pipelines in the EU. The "Nord Stream" pipeline enables Russia's direct gas transmission to Germany to reach 55 billion cubic meters annually, and the "Nord Stream 2" will increase the gas transmission capacity to 110 billion cubic meters after its completion. This ensures Germany's consumption of cheaper gas free from the Russia-Ukraine dispute. And furthermore Germany also obtains additional benefits since it works as Russia's natural gas transit hub in Europe, and German machinery, energy, chemical and other enterprises all gain benefits from the construction of pipelines and exploration of oil and gas. Through direct linkage with Germany, 67.4 percent of Russian exports to Europe can reach the market

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14 Ortenca Aliaj and Nastassia Astrasheuskaya, "Russia's Rosneft Switches All Export Contracts to Euros," *Financial Times*, October 24, 2019, <https://www.ft.com/content/f886658c-f65c-11e9-a79c-bc9acae3b654>.

directly. The common interests between Russia and Germany in the energy field have a profound impact on German business and political circles. The Social Democratic Party (SPD), as one of the ruling parties in the SPD-CDU grand coalition, had maintained a moderate policy towards Russia since former Chancellor Helmut Kohl came to power, and had exerted important influence on the CDU. Since the end of the Cold War, business circles, organized around the German Committee on Eastern European Economic Relations, have pushed continuously for economic cooperation between Germany and Russia, and promoted the German-Russian Forum and the Petersburg Dialogue, among other mechanisms.<sup>15</sup> The energy bonds between the two countries have helped Germany take advantage of its core position in the EU and actively maintain the smooth energy cooperation with Russia. In 2011, German Chancellor Angela Merkel attended the “Nord Stream” completion ceremony with French Prime Minister François Fillon and Dutch Prime Minister Mark Rutte. In February 2019, Chancellor Merkel talked with all EU leaders by phone to persuade them to support the “Nord Stream 2” project, and she went even further to reach an agreement with France to support France’s digital tax proposal in exchange for Paris’ support for the “Nord Stream 2” project. With the increasingly close energy relations between Germany and Russia and with Germany’s political influence in the EU, Germany will further promote the EU’s support for energy cooperation with Russia.

## **The EU’s Ambivalent Attitude towards Energy Cooperation with Russia**

The EU itself has a very complex attitude towards energy cooperation with Russia. On the one hand, the EU believes that maintaining stable and high-quality EU-Russia energy cooperation is in the economic interests of the EU; on the other hand, some EU countries, especially the Central and Eastern

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15 Xiong Wei, “Weightless ‘Ballast’? The ‘Hirschmanesque Effect’ in Economic and Trade Cooperation – Taking German-Russian Relations and China-German Relations as Comparative Cases,” *Foreign Affairs Review*, No.5, 2019, pp.90-100.

European countries, have long-term prejudice against Russia. Due to the worsening relations between Russia and the West after the Ukraine crisis, the EU countries feel insecure about relying on Russian energy. Therefore, while cooperating with Russia in energy, the EU countries have taken measures to cope with the potential risks of dependence on Russian oil and gas.

Economically, the EU recognizes the positive role Russia plays in oil and gas supply, but the EU also worries about Russia's monopoly. Since the EU cannot find another country to replace Russia in its oil and gas supply at such favorable prices as those Russia offers, maintaining stable energy cooperation with Russia is in the best interests of the EU. In 2006, 2009 and 2014, three disputes concerning natural gas erupted between Russia and Ukraine, causing a decrease in natural gas supply and even a total cut-off in some EU countries. Slovakia issued a state of emergency, and Bulgaria suffered a grave reduction in industrial production.<sup>16</sup> From the perspective of economic cost, the EU is a net importer of energy, and energy prices have a great impact on its manufacturing. According to the report of the Centre for European Policy Studies, the energy-related costs of chemical fertilizer, aluminum smelting and glass industries account for 59 percent, 43 percent and 20 percent of the total costs respectively. The report also points out that the energy-related costs of the EU's manufacturing industry are far higher than those of the United States and Russia, and are comparable to those of China and Turkey.<sup>17</sup> Dieter Kempf, Chairman of the Federation of German Industries (BDI), said that liquefied natural gas (LNG) could not really replace Russian natural gas, and his words represented the attitude of the European manufacturing industry.<sup>18</sup> Therefore, the European economy depends on a stable energy supply from Russia.

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16 "FACTBOX - 18 Countries Affected by Russia-Ukraine Gas Row," *Reuters*, January 7, 2009, <https://www.reuters.com/article/uk-russia-ukraine-gas-factbox/factbox-18-countries-affected-by-russia-ukraine-gas-row-idUKTRE5062Q520090107?sp=true>.

17 CEPS, "Composition and Drivers of Energy Prices and Costs: Case Studies in Selected Energy Intensive Industries – 2018," January 14, 2019, [https://www.ceps.eu/wp-content/uploads/2019/01/ET0318091ENN.en\\_.pdf](https://www.ceps.eu/wp-content/uploads/2019/01/ET0318091ENN.en_.pdf).

18 Rick Noack, "US Ambassador in Berlin Warns Germans about Russian Gas Pipeline, Triggering Applause Elsewhere," *The Washington Post*, January 14, 2019, <https://www.washingtonpost.com/world/2019/01/14/us-ambassador-berlin-warns-germans-over-russian-gas-pipeline-triggering-applause-elsewhere>.

However, out of its vigilance toward Russian monopoly as well as its mistrust of Russia, the EU is greatly concerned by Russia's large share of its natural gas market, and Russia's massive equity participation in and even control over EU energy companies and energy infrastructure. Some member states rely heavily on Russian oil and gas. In 2016, 100 percent of the natural gas in Bulgaria and Finland was supplied by Russia, and so were 89 percent, 81 percent, 80 percent, 79 percent and 75 percent in Greece, Slovakia, Estonia, Latvia and Slovenia, respectively.<sup>19</sup> Moreover, Russia has signed long-term gas supply contracts with several EU member states, including a clause forbidding resale to third countries. However, the EU, following the economic philosophy of "building a highly competitive and open internal market," has strict standards for monopoly investigation and recognition. This, to some extent, has convinced the EU to think that Russia's advantages in the EU energy market can be turned into leverages for bargaining or even price-setting.

Politically speaking, the EU has a complex attitude in its energy cooperation with Russia. Taking the overall EU-Russia relationship into consideration, the EU believes that energy is an important area for bilateral cooperation, and provides important support for maintaining resilient bilateral relations. Believing that the security of Europe cannot be achieved without a stable and non-confrontational relationship with Russia, the EU also recognizes Russia's dependence on the EU market, and hopes to take the energy relationship as the starting point to draw Russia to its side. However, the EU has strong concerns about the political impact of its energy cooperation with Russia. Firstly, it is worried that Russia might win over individual member states using energy as a weapon. EU institutions and EU political circles believe that some member states' excessive dependence on Russia for energy would affect their decision-making in politics and diplomacy. In the EU's opinion, Russia is deepening its energy cooperation with Hungary, Greece, Bulgaria and even Germany, and is strengthening

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19 Rem Korteweg, "Energy as A Tool of Foreign Policy of Authoritarian States, in Particular Russia," The European Parliament, April 27, 2018, [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO\\_STU\(2018\)603868\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO_STU(2018)603868_EN.pdf).

relations with these countries by dangling energy and economic advantages. It is also believed that Russia tries to win sympathy from these countries, divide the EU and weaken cohesion and consensus within the EU. Secondly, the EU is concerned that Russia uses energy as leverage in order to influence peripheral countries of the EU. The EU has always attached great importance to its political, economic and ideological influence on neighboring countries, and has resorted to economic and trade cooperation, assistance and accession prospects as bait to attract the Western Balkan and CIS countries to move closer to the EU. The EU is of the view that its neighbors' "Europeanization" in ideology and political and economic system as well as their "Westward" drive in diplomacy will not only enable the EU to gain greater geopolitical advantages and international influence, but will also demonstrate the advantages of, and thereby help legitimate, European integration. By so doing, it can also boost its internal solidarity and cohesion, and improve the international image and soft power of the EU in the world. If Russia continues to maintain and strengthen its energy relations with the EU's neighbors, and weaken the status of transit countries like Ukraine, Ukraine's loss of this "transit income" will worsen its economic situation, and reduce its willingness to be more West-oriented in its system and diplomacy, increasing to a large extent the possibility of Russia's control of Ukraine and creating the impression that the EU's charm is no match for Russia's gas and oil. Therefore, out of political considerations, the EU institutions have tried to counter the "Nord Stream 2" project. In March 2019, the European Parliament adopted a resolution to stop "Nord Stream 2" on the grounds of environmental protection and EU-Russia relations. Based on similar considerations, the EU has also tried to seek a balance in Russia-Ukraine natural gas disputes, in order to prevent Ukraine from being completely marginalized in EU-Russia energy cooperation, and to maintain Ukraine's leverage on Russian energy. EU Energy Commissioner Maroš Šefčovič said the EU proposed a new agreement to stipulate that Russia has to ensure a gas supply of no less than 60 billion cubic meters via Ukraine each year, with 30

billion cubic meters of additional flexibility.<sup>20</sup>

Therefore, in order to gain the upper hand in cooperation and reduce energy dependence on Russia, the EU proposed a series of measures. Firstly, to regulate Russia's oil and gas industry sector. After the Ukraine crisis, the European Union followed the United States in imposing sanctions on Russia with the oil and gas industry as the key target, and the European Council has extended the sanctions every six months. The EU's regulations and restrictions affect Russian oil and gas enterprises' operation in Europe administratively and jurisdictionally. In the name of the Third Package of Internal Energy Market signed in 2009, the EU frequently launched anti-monopoly investigations on Gazprom and other enterprises, forcing them to abandon the bargaining mode of linking prices of natural gas and oil. In April 2015, the European Commission issued a statement accusing Gazprom of using its ultra-high market share advantage in eight Central and Eastern European countries to sell gas at an "unfair price" significantly higher than the cost, and adding provisions in the supply contract to prevent transnational transshipment and control infrastructure such as pipelines. The EU threatened to impose a fine on Gazprom equivalent to 10 percent of its global annual revenue for its suspected violation of EU anti-monopoly laws and regulations. After several years of negotiation, the two sides reached a settlement in May 2018. Gazprom promised to make concessions to customers' price-cut requests, to free the flow of natural gas in the EU, and to allow change of gas terminals, thus avoiding a fine of about US\$8 billion. In July 2017, the European Commission further proposed amendments to the Third Package to strengthen supervision of projects by any third EU country other than project participants.<sup>21</sup> Secondly, to reform the EU's energy strategy and reduce dependence on Russia's oil and gas resources. In February 2015, the EU put forward the "energy alliance" strategy, the main goal being

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20 Pavel Polityuk, "Ukraine Prepares Gas Facilities for Possible Transit Supply Cut," *Reuters*, August 14, 2019, <https://www.reuters.com/article/ukraine-gas-transit/ukraine-prepares-gas-facilities-for-possible-transit-supply-cut-idUSL8N25A3IO>.

21 EUR-Lex, "Proposal for Directive of the European Parliament and of the Council," <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52017PC0660&from=EN>.

to improve the level of energy security and enhance the EU's contribution to climate change and emissions reduction. The contents include strengthening energy diplomacy for major energy producers and transit countries, promoting renewable energy use, enhancing energy efficiency improvement measures, and reinforcing internal energy connectivity. The "energy alliance" is essentially aimed at reducing the EU's dependence on Russia's oil and gas and related risks by cutting down the use of fossil energy, and increasing import diversification and internal mutual assistance capabilities. In fact, EU countries, other than Germany, with over 50 percent of dependence degree to Russian natural gas, imported 42.02 billion cubic meters of gas from Russia in 2016, while the natural gas production within the EU countries had reached 121.8 billion cubic meters. That means that under the condition of smooth network, the EU is capable of standing up against a gas cut-off. Thirdly, to actively invite outsiders to the competition. Of late, the EU, especially the Central and Eastern European countries, has actively introduced liquefied natural gas (LNG) from the US to compete with Russia and weaken Russian dominance in the gas market. In July 2018, European Commission President Jean-Claude Juncker paid a visit to the US, and the two sides reached an agreement of intent on EU expansion of LNG import from the US. The EU's imports of LNG from the US grew significantly from 2.2 billion cubic meters in 2017 to 3.3 billion cubic meters in 2018, and to 7.3 billion cubic meters in the first half of 2019, accounting for 32 percent of the EU's total LNG imports.<sup>22</sup> In November 2019, the European Commission announced its support for the construction of 55 fossil energy projects, including many LNG terminals to enhance import capacity.<sup>23</sup> At present, EU measures have effectively assured the stability of energy price. In July 2019, the natural gas price in the Dutch market fell to a ten-year low of US\$3.2/MMBtu, even lower than the American LNG cost price to Europe.<sup>24</sup>

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22 "EU-US LNG Trade," European Commission, July 25, 2019, [https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc\\_158271.pdf](https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_158271.pdf).

23 "EU Commission Backs 55 New Fossil Fuel Projects," *EU Observer*, October 31, 2019, <https://euobserver.com/tickers/146490>.

24 "European Natural Gas Prices Fall to a Ten-Year Low," *China Energy News*, July 15, 2017, p.5.

## The Recognition and Response of the US to EU-Russia Energy Cooperation

The United States is a global superpower and the leader of the military alliance of the European countries, and has long pursued a strategic containment policy against the former Soviet Union and later Russia, therefore inevitably keeping close watch on the energy cooperation between Europe and Russia. For both political and economic reasons, the US proactively gets involved and exerts its influence on the European-Russian energy cooperation.

From a political point of view, Washington's position is to guard against, contain, and increase pressure on Russia, which it regards as an outcast. In the National Security Strategy released in 2017 by the Trump administration, Russia was characterized as a revisionist opponent, which means that the US policy towards Russia will continue to be that of confrontation and containment. Think tanks such as the Rand Corporation, the New American Security Center as well as officials such as former US Ambassador to Russia Michael McFaul believe that, in view of Russia's dependence on energy export, measures to reduce Russian oil and gas exports by increasing the global supply of energy and by imposing sanctions against Russian enterprises will deliver severe blows to the Russian economy, thus limiting the resources and capabilities of Russia's overseas endeavors, so as to achieve the goal of containment.<sup>25</sup> During the Cold War, the US had hit Soviet energy exports. When President Reagan was in office, the US spread false information about energy technology, among other means, to disrupt Soviet oil and gas exploration and pipeline transit. The US joined hands with Saudi Arabia and other OPEC countries to lower oil prices by increasing their production of oil, bringing down the prices and thus creating a sharp decline in Soviet export

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25 James Dobbins, Howard J. Shatz, and Ali Wyne, "Russia Is a Rogue, Not a Peer; China Is a Peer, Not a Rogue," Rand Corporation, October 2018, [https://www.rand.org/content/dam/rand/pubs/perspectives/PE300/PE310/RAND\\_PE310.pdf](https://www.rand.org/content/dam/rand/pubs/perspectives/PE300/PE310/RAND_PE310.pdf); Michael McFaul, "Russia as It Is: A Grand Strategy for Confronting Putin," *Foreign Affairs*, July/August 2018, <https://www.foreignaffairs.com/articles/russia-fsu/2018-06-14/russia-it>.

income. Some scholars even thought that the measures taken by Americans in the field of energy had a “fatal impact” on the Soviet economy.<sup>26</sup>

From an economic point of view, American attempts to restrict EU-Russia energy cooperation aims to expand Washington’s share of the European energy market. Since the successful “shale revolution” in 2008 as well as the policies put forward by the Trump administration for vigorous promotion of fossil energy, major changes have rapidly taken place in the pattern of world energy flows. The US became the world’s largest gas and oil producer in 2011 and 2014 respectively, and a net exporter of natural gas in 2017. The US Energy Information Administration (EIA) predicted that the US will achieve net oil export in 2020. The United States, with its increasing willingness and ability for energy export, has gradually turned from a fossil energy importing country into an exporting country. Oil and gas exports are now regarded as a new driving force for America’s economic growth, and even an important lever to enhance its national strength and international economic power. Since the EU is an important global oil and gas consumption market, it has become a target for the US to develop its oil and gas industry. The EIA predicted that by the end of 2019, the US LNG export could reach 252 million cubic meters per day.<sup>27</sup> A BP statistical review showed that the average price of German natural gas import was nearly 2.1 times the Henry Hub price in the US.<sup>28</sup> Europe is undoubtedly a lucrative market for US shale gas manufacturers, while Russian natural gas is the most powerful competitor for American LNG.

For this reason, the US has put forward a variety of measures to curb Russia in the energy field.

Firstly, they continue to escalate sanctions against Russia. The Sectoral Sanctions Identifications (SSI) List set out by the United States has been expanding, including such Russian pillar enterprises as Rosneft, Gazprom,

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26 Fu Ruihong, “The Reagan Administration’s Economic War against the Soviet Union: An Analysis Based on Objectives and Process,” Russian, *East European & Central Asian Studies*, No.1, 2019, pp.94-97.

27 “US Liquefied Natural Gas Export Capacity to More Than Double by the End of 2019,” Energy Information Administration, December 10, 2018, <https://www.eia.gov/todayinenergy/detail.php?id=37732#>.

28 “BP Statistical Review of World Energy 2019,” BP, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-full-report.pdf>.

Sibneft (Siberian Oil Company), and Transneft (Russian Oil Transportation Company). Meanwhile, projects and enterprises controlled by more than 50 percent of the sanctioned entities are also subject to sanctions. In terms of financing, since July 2014, the US has prohibited citizens and enterprises from providing financing for sanctioned Russian energy entities for more than 90 days. The Countering America's Adversaries through Sanctions Act (CAATSA) passed by the US Congress in July 2017 further shortened the financing period to Russia to 14 days. In terms of technology and equipment, in September 2014 the US banned its citizens and enterprises from providing technology and equipment for exploration and development of deep-sea and shale oil and gas to sanctioned Russian entities. The Bureau of Industry and Security of the US Commerce Department also listed corresponding entities to prevent Russia from escaping sanctions through transit trade.<sup>29</sup> Under the July 2017 CAATSA, American enterprises and citizens are prohibited from participating in deep-sea, Arctic and shale energy projects with 33 percent or more of Russian equity participation in terms of capital, technology, equipment or services. In the field of energy pipelines, the Act authorized the President to sanction any commercial ventures that participate in Russian energy pipelines. At the same time, the Act expanded the controlled objects from individuals and entities in the United States to simply "individuals and entities." This provision obviously tends to expand the scope of law enforcement to enterprises and entities outside the US.

Secondly, the US endeavors to suppress the connectivity of energy facilities between Europe and Russia. In recent years, Washington has stepped up pressure on "Nord Stream 2." President Trump, at the NATO summit in 2018, claimed that Germany's promotion of "Nord Stream 2" was simply "paying billions of dollars into the coffers of Russia." US Vice President Mike Pence, Secretary of State Mike Pompeo, US Ambassador to the EU Gordon Sondland and US Ambassador to Germany Richard Grenell all repeatedly persuaded, or even intimidated, the EU to stop the "Nord Stream 2" construction. In July 2019, the US Senate adopted sanctions against "Nord

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29 Jiang Yi, "Analysis of New US Act on Sanctions against Russia," *Russian, East European & Central Asian Studies*, No.1, 2018, pp.29-31.

Steam 2,” under which any person or entity suspected of providing pipeline laying vessels for the project would be prohibited from entering the country and their assets would be frozen. The 2020 National Defense Authorization Act passed by the Congress in December 2019 further requested the President to impose sanctions on enterprises participating in “Nord Stream 2” and “TurkStream” projects. In addition, America has been trying to support the connectivity plan of Central and Eastern European countries as a hedge against the building of Russian energy facilities. In August 2016, 12 CEE countries, including Poland, Romania and Croatia, held a leaders’ summit in Dubrovnik, Croatia. It was proposed that CEE countries bordering the Baltic Sea, the Adriatic Sea and the Black Sea should strengthen cooperation on energy infrastructure connectivity to promote regional economic and social development. The participating countries established a cooperation mechanism named the “Three Seas Initiative.” The US was quick to discover the geopolitical value of the mechanism in Central and Eastern Europe and joined the initiative. President Trump went to Warsaw in July 2017 to attend the second summit of the Three Seas Initiative, expressing American support for the initiative to build more energy facilities and promising to “help regional countries to diversify energy.”<sup>30</sup> At the Bucharest summit of the “Three Seas Initiative” in September 2018, then US Energy Secretary Rick Perry proposed that the US establish a “transatlantic partnership for energy cooperation,” and work together with the European Commission to guide private-sector investment to the “Three Seas Initiative” energy projects and encourage enterprises to carry out oil and gas exploration in the Black Sea. The summit supported eight energy projects, such as the LNG terminal in Klaipeda, Lithuania, to facilitate US LNG export to the EU.

And lastly, the US actively works to facilitate more options for the EU in the field of natural gas. In recent years, by supporting EU infrastructure construction and vigorously promoting LNG, the US has tried to provide the EU with other supply channels than Russian natural gas, and has urged LNG

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30 Madeline Farber, “Read Donald Trump’s Remarks at the Three Seas Initiative Summit in Poland,” *Time*, July 6, 2017, <https://time.com/4846780/read-donald-trump-speech-warsaw-poland-transcript>.

terminal buildings in Germany, Poland, Croatia and other EU countries to facilitate the purchase of American produced LNG. US State Secretary Pompeo and Energy Secretary Perry paid frequent visits to Europe to lobby the CEE countries and Germany to buy US LNG and they have achieved certain results. When Polish President Andrzej Duda visited Washington in June 2019, the two countries signed a US\$8-billion LNG contract. Poland also announced that it would stop buying Russian natural gas in 2022. In addition, the US also encouraged its allies from the Middle East to participate in LNG supply to the EU. In January 2019, then Deputy Secretary of Energy Dan Brouillette said that the US was persuading Qatar to actively supply LNG to Europe in order to reduce European gas purchase from Russia. Qatar said that it was willing to increase investment of 10 billion euros in infrastructure and other fields in the next five years to strengthen gas supply capacity to Germany and other countries.

## **The Prospect of Energy Cooperation between Europe and Russia**

There are obvious differences among Russia, the EU and the US in their political and economic interests with regard to Europe-Russia energy cooperation. Europe and Russia have closer energy and economic interests and greater consensus while Europe and the US share geopolitical interests. In the future, Europe and Russia will continue to maintain and develop their energy relations and avoid any breakdown in their ties.

Being the largest “meddler” in the European-Russian energy cooperation, looking ahead the US has a limited destructive capacity. Firstly, in the short run, the US is no equal to Russia in energy supply. At present, the US LNG market share in Europe is still small, accounting for only 0.7 percent and 3.3 percent respectively of the EU’s natural gas import in 2018 and in the first half of 2019. The EU expects that US LNG import will only reach 8 billion cubic meters per year by 2023.<sup>31</sup> Compared with pipeline natural gas, LNG

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31 Philip Blenkinsop, “EU Plans Sharp Hike in US Energy Imports as Trade Lever,” *Reuters*, May 2, 2019, <https://www.reuters.com/article/us-usa-trade-eu/eu-plans-sharp-hike-in-u-s-energy-imports-as-trade-lever-idUSKCN1S80J8>.

is difficult to compete in transportation efficiency and cost. According to Gazprom CEO Alexey Miller, the annual volume of natural gas through “Nord Stream 2” pipelines is equivalent to that of 645 LNG ships. Moreover, the expansion of US export capacity to Europe not only requires increased building of new facilities on American soil, but also requires European coordination.

Secondly, the different views of the US and Europe on many issues makes the EU reluctant to submit to America’s containment of energy from Russia. Historically, economic considerations in European-Russian energy cooperation always come first. Even during the Cold War period, the former Soviet Union did not sever cooperation with Italy, Austria and West Germany, and built a number of oil and gas pipelines leading to Western Europe. For some time, 80 percent of the natural gas in Western Europe came from the Soviet Union. Both sides recognized the mutual benefits from their oil and gas cooperation, which was only negligibly affected by the US-Europe military alliance. In addition, as the transatlantic disputes expand, the EU no longer responds so readily to US demands. In Europe, the voices calling for a more pragmatic “strategic independence” and for “European sovereignty” is growing. The EU has come to realize that Washington’s policy aims to garner the EU’s help in the containment of Russia at the expense of Europe’s own interests, while ensuring a market for President Trump’s revitalization of America’s fossil energy industry. The US has constantly asked the EU to halt the “Nord Stream 2” project and pushed the EU to accede to these demands in the interests of the US-EU security relationship. This has caused widespread dissatisfaction among European political and business circles. An article published by the Brookings Institution said that the “Nord Stream 2” project has exacerbated the mistrust between Washington and Brussels, making policy coordination more difficult.<sup>32</sup> The report by the German Institute for International and Security Affairs (SWP) clearly pointed out that America’s Russia policy seriously damaged EU energy and economic interests, and threatened the EU’s energy

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32 Giovanna De Maio, “Nord Stream 2: A Failed Test for EU Unity and Trans-Atlantic Coordination,” Brookings Institution, April 22, 2019, <https://www.brookings.edu/blog/order-from-chaos/2019/04/22/nord-stream-2-a-failed-test-for-eu-unity-and-trans-atlantic-coordination>.

supply stability and its investment in energy enterprises.<sup>33</sup>

The EU has a variety of considerations in its energy cooperation with Russia, and its ability to grow its demand is limited. With its steps in de-industrialization and its continuous efforts in the field of environmental protection and climate change, Europe has seen a gradual decline in its oil and gas demand in recent years. The oil consumption has decreased from 725 million tons in 2006 to 624 million tons in 2018, and natural gas consumption has dropped from 521 billion cubic meters in 2010 to 466.8 billion cubic meters in 2018. The EU is promoting the use of renewable energy, and it is expected that oil and gas consumption will continue to fall. Therefore, the EU will manage its energy relations with Russia in the future on the principles of “cooperation, balance, and diversification.”<sup>34</sup>

On the one hand, the European energy sectors show a willingness to cooperate with Russia. Total of France holds 50 percent of Russia’s Yamal LNG project. European energy companies insist on promoting “Nord Stream 2” in disregard of American warnings. In order to circumvent US sanctions, the Nord Stream AG has taken measures such as installing pipelines by divers and setting up warehouses throughout Europe storing pipes, spare parts and equipment.<sup>35</sup> During the St. Petersburg International Economic Forum in June 2019, Shell, Total, OMV and Repsol signed agreements with Russian energy enterprises on oil and gas development and LNG project equity in disregard of frequent American sanction warnings.

On the other hand, the EU has also worked to create a ceiling on the energy import from Russia. The EU has a strong sense of risk in the field of traditional energy security. The focus of its energy policy includes not only the development of renewable energy to curb fossil energy consumption, but

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33 “US-Russia Policy Hits European Energy Supply,” German Institute for International and Security Affairs, February 6, 2019, <https://www.swp-berlin.org/10.18449/2019C06>.

34 “Ambassadors’ Conference - Speech by M. Emmanuel Macron, President of the Republic,” August 27, 2019, <https://lv.ambafrance.org/Ambassadors-conference-Speech-by-M-Emmanuel-Macron-President-of-the-Republic>.

35 Frank Dohmen, Alexander Jung, and Roland Nelles, “The Cold War Returns to Germany,” *Spiegel*, November 14, 2019, <https://www.spiegel.de/international/world/nord-stream-2-the-cold-war-returns-to-germany-a-1296251.html>.

also the diversification of imports to reduce excessive dependence on a single source. In its 2015 “energy alliance” strategy, the EU proposed to strengthen energy diplomacy with the Middle East, Africa and Central Asia, and diversify its energy imports. Compared with Russia’s energy supply, developing these channels is not necessarily cost-effective. However, inviting more competitors will help balance Russia’s position in the EU energy market while hedging against risks. Therefore, the EU will make adjustments in the future to prevent excessive energy import from Russia. In addition, from the perspective of market competition and geopolitics, the EU is making efforts to balance its energy cooperation with Russia in order to seize the initiative. For example, the EU has worked to maintain the important position of Ukraine as an energy transit country in order to diversify gas transmission routes between Europe and Russia. In March 2019, the EU formally passed a framework to screen foreign direct investment, which serves to reinforce scrutiny of investment in “critical infrastructure” such as energy by non-EU countries. This would bring about challenges to Russian enterprises’ involvement in Europe’s mid- and downstream energy industry. In terms of international rules, the European Commission proposed in May 2019 a draft to revise the Energy Charter Treaty, and was authorized by the European Council to start negotiations on this in July. It demonstrates that the EU will further shape the rules of international energy trade and investment in order to take further initiatives in its rivalry with Russia in the energy field.

Russia’s economic interests require that the country maintain and develop its energy cooperation with Europe. However, due to a steady decline in the total European energy demand and increased rules and regulations on the expansion of Russia’s energy infrastructure in Europe, Russia will maintain its interests in energy cooperation with Europe by other means. Firstly, Russia will boost its supply and its cost advantages in infrastructure connectivity. In the face of competition from shale oil and LNG from other regions, Russia will respond with lower cost and a more stable supply. “Nord Stream 2” and other pipelines will help Russia gain an upper hand by shortening transmission distance and saving on transit

fees. According to Gazprom CEO Miller, the gas transmission to Germany through “Nord Stream 2” pipelines will be shortened by 2000 kilometers compared to transit via Ukraine, which will reduce the cost of Russian gas to Germany by 1.6-2 times. In the next 25 years, Gazprom will benefit US\$45-78 billion from “Nord Stream 2,” while transiting Ukraine during this period would cost an additional US\$25-43 billion.<sup>36</sup> The “TurkStream” project planned by Gazprom aims also to strengthen the Russian supply capacity to Southeast Europe and connect to other potential markets. Secondly, Russia will look eastward for other opportunities. The US and European sanctions target precisely the financing of Russian energy enterprises and their access to exploitation and exploration technologies, equipment, and services. Since oil and gas production cannot be operated without continuous investment and exploration, Russia has to look for more dynamic economies for its oil and gas industrial development. In 2018, China became the world’s largest natural gas importer. With the energy transformation and the call for an “ecological civilization,” there is huge potential for the growth of natural gas demand here. To strengthen cooperation with China will bring more capital, technology and a larger market to Russia’s oil and gas industry, and will ease difficulties brought about by Western sanctions. Of late, China-Russia energy cooperation has achieved remarkable progress. In July 2018, the Yamal LNG project, with cooperation between China, Russia and France, began to supply LNG to China, and its annual export to China will reach 3 million tons. In December 2019, the China-Russia east-route natural gas pipeline was officially put into operation for gas supply. The contract will operate for 30 years, with a total value of US\$400 billion and an annual gas transmission capacity of 38 billion cubic meters. Although China-Russia energy cooperation is not directly related to Europe, it in fact reduces Russia’s dependence on the EU energy consumption market, making it more flexible in handling the energy bargaining with Europe.

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36 “Alexey Miller Speaks at Geo-Economics of Large-Scale Infrastructure Projects Panel Session at St. Petersburg International Economic Forum,” Gazprom, June 16, 2016, <https://www.gazprom.com/press/news/miller-journal/2016/277026>.

## Conclusion

Energy cooperation between Europe and Russia is based on the pursuit of their respective economic interests and their complementary supply and demand relationship. Since energy cooperation results in infrastructure connectivity and supply-demand dependence, naturally energy cooperation entails political and security issues as well. Europe and Russia have been engaged in protracted energy rivalry because of their divergent economic and geopolitical interests. As for the United States, with its gradual transformation into a global energy supplier thanks to the “shale revolution,” and its growing desire to counter and contain Russia, it now has a stronger desire to obstruct and undermine energy cooperation between Europe and Russia. Therefore, Europe-Russia energy cooperation will become an important factor affecting the triangular relations of Europe, the US and Russia. On the one hand, Europe and Russia are highly dependent on each other in the field of energy, and this helps to cement their bilateral relations. Both sides are unwilling to intensify confrontation or risk possible conflict, and both intend to better the bilateral relations. On the other, US-Europe relations have been repeatedly troubled by economic and trade issues, rifts over NATO and diverging views on the Iran nuclear issue. American interference in European-Russian energy cooperation shows that Washington intends to contain Russia and gain vested interests by forcing the EU to sacrifice its own economic interests and harming European-Russian relations. This will further alienate the transatlantic relations. In order to protect its own interests and enhance its independent diplomacy, the EU will find it difficult to submit to American coercion and decouple with Russia in its energy cooperation. Finally, as Russia-US political and security relations have fallen to rock bottom and America’s evolving position in energy has led Russia and the US to become energy competitors, Europe will find itself becoming an arena for this competition, and the rivalry between Russia and the US for the European energy market will only be further intensified. 🇪🇺