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**THE IMPACT OF ENERGY ON RUSSIA'S FOREIGN POLICY
AND IN ITS RELATIONS WITH CHINA AND THE US**

ANNA ARISTEA ANGELI

SUPERVISOR: ASSOCIATE PROFESSOR DR. SPYRIDON ROYKANAS

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TABLE OF CONTENTS

ABSTRACT	6
1. Introduction	7
Aim, Methodology, Structure, and Contribution of the Thesis	7
2. Literature Review	8
2.1 Introduction	8
2.2 The Role of Energy in Russia's Foreign Policy	9
2.3 The Sino-Russian Energy Relationship	10
2.4 USA-Russia Energy Affairs	12
2.5 After the Ukraine Invasion	13
2.6 Conclusion	13
3. The Role of Energy in Russia's Foreign Policy	14
3.1 Introduction	14
3.2 Russia's Energy Resources	14
3.3 Russia's Energy Policy: A Historical Approach	17
3.4 Russia's Energy Relations with Other Countries	19
3.5 The Energy Weapon Theory and its Deconstruction	20
3.6 Factors Shaping Russia's Energy Policy	23
3.7 The Resource Curse	25
3.8 Conclusion	26
4. Russia's Energy Relations with China	27
4.1 Introduction	27
4.2 Historical Context	28
4.3 Energy Cooperation Landmarks in the 21 st Century	28
4.4 The Potential of the Sino-Russian Alignment	30
4.5 Regional and Global Implications	31
4.6 Challenges	32
4.7 Conclusion	34
5. Russia's Energy Relations with the United States	34
5.1 Introduction	34
5.2 Historical Context	35
5.3 Energy Dialogue	35
5.4 Geopolitical Rivalry	36
5.5 Shale Revolution and Liquefied Natural Gas	37

5.6 Impact of the US Sanctions on Russia’s Energy Sector	38
5.7 Conclusion	39
6. Comparative Analysis	40
6.1 Introduction	40
6.2 Differences	40
6.3 Similarities	43
6.4 Complexities and Interactions	44
6.5 Conclusion	45
7. Conclusion	46
References	48

ABSTRACT

This dissertation examines how energy shapes Russia's foreign policy and further instigates into the relationships between China and the US with Russia. The aim is to bridge a literature gap through a comparative lens by blending historical pieces with current events. This offers significant and timely insight into how energy affects all fields, from power to politics. This study begins by tracing the historical evolution of Russia's energy policies. We move on to assess the factors that shape Russia's energy policy. Firstly, we dive into Russia's energy relations with China, by navigating historical contexts, cooperation landmarks, and challenges. Later, we explore the Russian – United States energy relations, covering geopolitical rivalries, the turbulence caused by the Shale Revolution, and the impact of US sanctions. We conclude with a comparative analysis that showcases the similarities and differences in the energy transactions that Russia makes with China and the United States. Could energy developments on the other side of the Atlantic have a negative impact on Russia? These and many other questions will be answered in this paper.

1. Introduction

Aim, Methodology, Structure, and Contribution of the Thesis

The aim of this dissertation is to highlight the major part that energy plays in Russia's foreign relations, to outline the international scene as it is shaped by energy relations, and to contribute to the current research. This paper will bring out the different roles that energy plays in each bilateral relationship, depending on the historical background, the political context, the role of each country, and geographical proximity. Energy will be viewed in its interplay with economics, power dynamics, foreign policy, and leadership.

To achieve this goal, this dissertation will draw on existing literature, and comment on articles, studies, online sources, European documents, and official state documents in which Russia's energy policy is explicitly stated. The format, however, will not be that of a Thesis-Literature Review. Instead, this paper will combine sources and, in conjunction with current affairs, will create a new dialogue on the topic. This paper will organize its material thematically and introduce its useful arguments.

The thesis has the following structure. Firstly, a delving into the existing literature on the topic is attempted. The literature review is divided into parts, reflecting the structure of the thesis's main part. The last sub-chapter of the Literature Review examines the most recent literature which was written after Russia invaded Ukraine. The third chapter of the thesis, which introduces its Main Part, investigates how Russia's foreign policy is impacted by energy. This chapter is the most extensive, as it deals with Russia's resources, attempts a brief historical review of its energy policy, and investigates its energy relations with neighbouring countries, including Ukraine. In this part of the paper, the "energy weapon theory" and its deconstruction are contested, as well as the theory of the resource curse.

The fourth chapter discusses China and Russia's energy relations and more specifically, their historical relationship, the turning points of their energy relationship in the 21st century, the potential of their cooperation, and the challenges it faces. Similarly, the fifth chapter deals with Russia's energy relations with the US. Following a brief historical context, the two nations' energy conversation is explained. The largest part of the chapter is concerned with the geopolitical rivalry between the countries, the turbulence of the Shale Revolution, and how the US sanctions affect Russia's energy industry. In the last chapter, a comparison of the aforementioned relations is attempted, differences and similarities are identified, and a trilateral scheme involving all three countries is highlighted. In Conclusion, the findings of this thesis and a summarization of the main arguments are listed.

This paper hopes to offer a refreshing look at Russia's energy relationships. It combines older and newer literature, commenting on the current reality and events of the war. Inserting contrasting insights on theoretical notions such as the oil weapon theory, the resource curse, the energy dialogue, or the energy security, offers a better understanding of examined topics. Moreover, especially concerning its last part, the paper fills a gap in the literature, which is that of a comparative analysis of Russia's energy relations.

2. Literature Review

2.1 Introduction

Since “the Russian Federation has been a petrostate for its entire legal existence” (Weber, 2018, p.99), it is to be expected that energy scientists and internationalists alike have been concerned about Russia's energy partnerships with other nations. There is a rich literature on Russian-Chinese energy relations, while research on the US-Russia affairs regarding energy is relatively sparse. The recent Ukrainian crisis has produced a now voluminous literature on

the possible scenarios of European and American sanctions against Russia that are stirring things up.

2.2 The Role of Energy in Russia's Foreign Policy

The relevance and presence of energy in relation to Russia's foreign policy is commonly accepted and has been the topic of research not only by energy scientists but also by internationalists and geopolitical experts. For example, Andrei P. Tsygankov lists energy as one of the six unique factors that define Russian foreign policy, along with identity and international standards, the nation's place in the global political economy, geopolitics, and worldwide military power. (Tsygankov, 2018, p. 1). The texture of energy's role, however, is still debated.

Internationalists and experts who follow the realistic school of thought have spoken of Russia's "energy imperialism" (Goldthau, 2008; Baev, 2009). Baev states that Russia does not view energy simply as a commodity but rather as a way to expand its power, influence, and geopolitical benefits. A solid example of the instrumentalization of energy is the systematic pressure and influence exerted by the Russian state on the post-Soviet oil-dependent states (Kropatcheva, 2011, Smith Stegen, 2011). This energy weapon (Goldman, 2010; Orttung & Overland, 2011) or "oil weapon" theory (Smith Stegen, 2011) which states that Russia's aggression is determined by the price of oil (Weber, 2018, p.100), has also been examined as the war chest theory, which suggests that Russia's energy superiority renders the country more aggressive in international conflicts.

At the opposite end of this school of thought, liberal scholars argue that other economic forces, such as "complex institutional arrangements", and non-state entities control Russia's energy strategy (Goldthau & Witte, 2010), while neo-realists highlight the international changes that are altering the power exerted by a state as well as the landscape of energy relations between states. Finally, the school of neoclassical realism escapes the regional

interstate relationships and places Russia in the broader international context, taking into consideration the role of other global actors (Kropatcheva, 2014).

Regarding Russia's energy resources, there is a strand, in theory, discussing Russia's heavy dependence on oil and gas (Ahred, 2005; Yang et al, 2021). Some economists include Russia among the countries which, despite their abundance of resources, have lower GDP growth and due to their energy-dependent economic model, might suffer long-term economic injuries. This “resource curse theory”, applied to the Russian paradigm, demonstrates Russia's susceptibility to changes in the global economy and oil prices (Roukanas, 2015, p.65). Therefore, this segment of scholarship underlines the need for Russia to alter its production model. The concept of energy security (Huotari, 2011), the part Gazprom plays in Russia's gas export plan (Henderson & Mitrova, 2015), Russia’s economic pivot to Asia (Gabuev, 2014; Krutikhin, 2014), Russia’s regional energy chains (Balmaceda, 2021) and its “surplus capacity for oil and gas exports” (Vatansever, 2017) are some of the energy-related issues that have occupied the theory’s focal points and will be examined in this thesis.

2.3 The Sino-Russian Energy Relationship

The border proximity between China, the country with the greatest need and consumption of energy, and Russia, the nation possessing one of the world's greatest fossil fuel reserves, has involved the two countries in an energy partnership that appears to be the ideal balance between supply and demand (Kaczmariski, 2015, p.54). Sino-Russian energy cooperation, especially after it was secured in the 2008 Summit and after 2019 when the "Power of Siberia" pipeline was launched, has been more closely examined. Overall, there is almost a unanimous agreement in the existing literature that the relationship between the two countries is a logical result of changes in international relations over the late 20th and early 21st centuries (Lukin, 2018, p. ix). There is, however, disagreement as to the exact nature, the dynamics, as well as the consequences of this relationship.

Despite the optimistic declarations on the part of the official discourse on politics (Kolosov & Zotova, 2021) and the enthusiastic statements of the representatives of the states, theorists and specialists immediately expressed their skepticism. Bobo Lo described the Sino-Russian relationship as an "axis of convenience" in his groundbreaking study since it includes an axis that was created out of necessity and is based on the pursuit of certain tactical and strategic objectives (Lo, 2008, p. 54-55). Additionally, he described the alliance as asymmetrical since China views Russia more as a secondary and "limited" partner in specialized fields than as a major global strategic partner. (p. 10). This asymmetry was also illuminated by other scholars (Kuteleva, 2021; Skalamera, 2016). Some of them have highlighted the growing dependence of Russia on China (Kaczmarek, 2015) while others predicted a continued strengthening of China at the expense of Russia (Skalamera, 2016; Lukin 2018). Some theorists are even more alarmed, positing that China is acquiring assertiveness in Eurasia (Zweig & Bi, 2005). Moreover, according to the realistic view of international relations, if Russia is an imperialistic superpower, China in turn has been named by Kuteleva a "hungry dragon" that must battle for energy resources, especially fossil fuels, in order to fuel its quickly expanding economy (Kuteleva, 2023, p.9).

The review of the commercial transactions, negotiations, material acts, and constructions, as well as the agreements between the two countries, have been documented in detail by Keun-Wook Paik in his "Sino-Russian Oil and Gas Cooperation" (2012), which is considered to be an important source on the topic of interactions between Russia and China in the energy sector (Henderson & Mitrova, 2015, p. 8). Other scholars have contributed analytical diagrams (Grama, 2012) or historical reviews of the evolution of this bilateral relationship (Lukin, 2018). Additionally, theorists have documented contemporary issues that limit current energy cooperation (Grama, 2012, p. 50) between Russia and China, such as the absence of vital infrastructure or the power of local "interest groups" in Russia (p. 51), among

others. Furthermore, Martin Kaczmarki points to “external factors, US primacy in particular” or significant changes in how material power is divided between the two states (Kaczmarki, 2015, p.27) both of which affect the Sino-Russian interplay.

2.4 USA-Russia Energy Affairs

In contrast to the existing rich literature on the China-Russia energy alliance, the area of US-Russian energy ties is still mostly uncharted territory. The competitive energy relations between Washington and the Kremlin have been studied in their multi-faceted aspects. One much-discussed topic is the US’s indirect dependency on Russia’s oil (Shepard & Pratson, 2022) as well as the shale gas revolution as a groundbreaking moment as Wang et al documented that shale gas will be the primary source of natural gas independence for the United States in the future (Wang et al, 2014, p.10). The Shale revolution as a triggering point in the US-Russia interplay has attracted attention, as much as the sanctions targeted against Russia’s energy sector imposed by the US due to the Ukrainian crisis of 2014 and the recent invasion in Ukraine (Goldthau & Boersma, 2014 and Chen et al, 2023 respectively).

The antagonism between the US and Russia has been designated as crucial for Russia’s new energy strategy and its pivot to Asia as an alternative market. Kacmarski has stated that Moscow’s and Beijing’s condemnation of Washington’s superiority acts as the strongest bond between the two major powers that are not liberal in the international order (Kacmarski, 2015, p. 116). However, the view stated by Wishnick that it is incorrect to view the alliance between China and Russia as anti-American (Wishnick, 2009, p. iii) has been expressed as well. The latter opinion is based on the competition between all three superpowers as to which will prevail geopolitically in Eurasia (Marketos, 2009).

2.5 After the Ukraine Invasion

The invasion of Ukraine by Russia has focused attention in the literature on the energy security crisis—that is, the interruption of the world's energy supply chain and the ensuing economic unrest. The urgent need for a shift towards renewable and green energy sources, which should be supported by governments, policymakers, and investors, was immediately stressed (Mohammed et al., 2023). Europe's independence on Russian energy became a hotly contested topic after Russia cut its gas deliveries to the EU by more than 80% between May and October of 2022 (Mohammed et al., 2023, p. 36783). McWilliams et al. (2023) examined all possible scenarios and principles for Europe to be viable without Russia's energy and concluded that cutting Europe off from oil supplies is hard but manageable, and so is the cutting off from coal, due to the fuel's replaceability. In contrast, a stop to natural gas imports would bring about a challenging situation that would call for strong political, logistical, and economic judgments as well as a high level of preparedness from European leaders and transnational collaboration and solidarity (McWilliams et al, 2023, p. 9).

While the EU will always have a brief and difficult period before markets adjust (McWilliams et al, 2023, p. 9), Russia's isolation will have more long-lasting and devastating effects. Mardones' economic sanctions scenarios have concluded that Russia will undergo a decrease in production of 10.1% in the case of European Union sanctions and 14.8% in the case of additional sanctions imposed by Australia, Canada, Japan, the United States, and the United Kingdom. (Mardones, 2022, p.672). Cui et al.'s scenario of a joint energy ban against Russia from the West and the East will deal Russia a severe blow, with its real GDP declining by a maximum of 5.49% (Cui et al, 2023, p.1).

2.6 Conclusion

Given the current situation, where Russia is still energy-dependent on Europe's energy markets but also covets the Chinese markets, while simultaneously the US makes use of the

circumstances to build a separate energy supply chain (Cui et al, 2023) that excludes Russia, it is time to reflect on the “Russia- China-USA geopolitical triangle” (Cui et al, 2023, p.15). Such a project was undertaken and completed by Gregory. O. Hall and his recently published “Examining US-China-Russia Foreign Relations: Power Relations in a Post-Obama Era” (2023), which will prove useful. This thesis will build on the existing literature, as outlined in this chapter, to approach the aforementioned issues that are central to Russia's energy strategy and its diplomatic ties with these significant entities, who are seen as reasonable actors.

3. The Role of Energy in Russia's Foreign Policy

3.1 Introduction

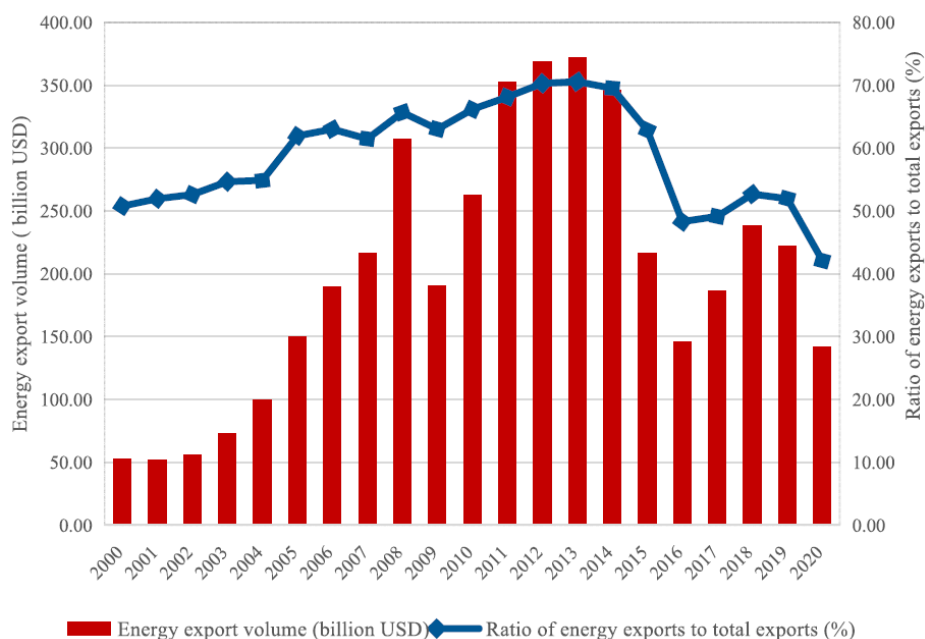
Despite the different schools of thought mentioned earlier, there is a consensus on how vital energy is to Russia's foreign policy (Barkanov, 2018). Since Russia's military and economic capabilities are constrained, its primary source of power and influence comes from the energy industry. The energy resources allow Russia to build the narrative of a superpower (Kuteleva, 2021), and this status cannot be achieved without using natural gas to further Russia's national interests and without using oil to increase national wealth (Ozawa & Iftimie p.14). Russia falls into the transnational game of “energy geopolitics” specifically, control over the availability, delivery, and transportation of energy resources; production technologies; the condition of logistical supply chains; processing facilities; and transit infrastructures (Kropatcheva 2011, p. 555).

3.2 Russia’s Energy Resources

Russia’s large area and geophysical richness offer two great advantages for its annual energy production. According to Yang et al., it is thought to have the largest reserves of natural

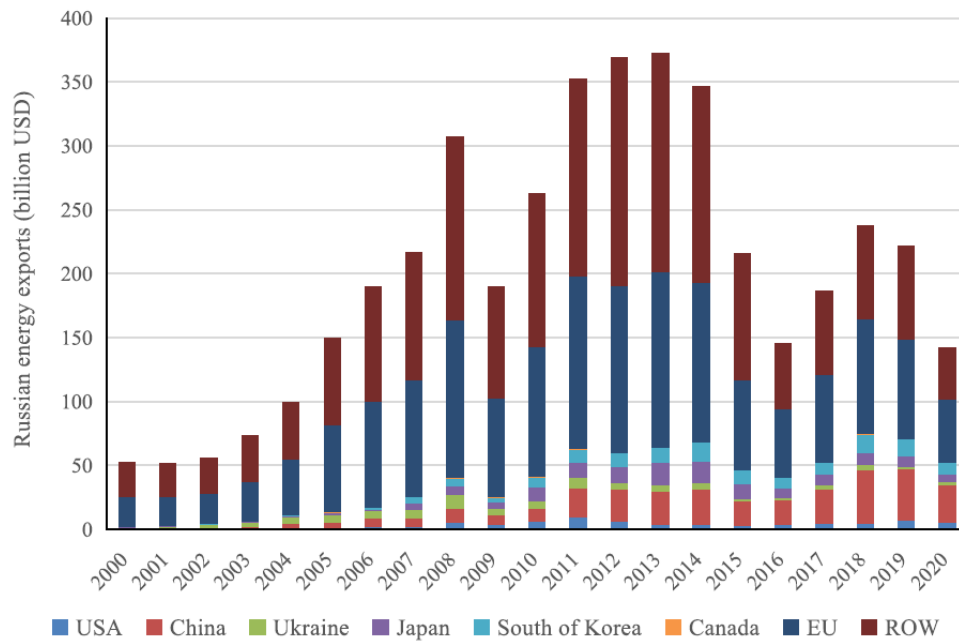
gas, the second-largest deposits of coal, and the seventh-largest reserves of oil in the world. (Yang et al, 2021, p.1). Russia possesses 54% of global gas reserves, 46% of coal reserves, 14% of uranium reserves, and 13% of oil reserves. owning numerous natural gas fields, encompassing the Urengoy field, the second-largest in the globe ($353,000 \times 10^9$ cu ft) in western Siberia and the third largest in the globe, the Yamburg gas field ($289,542 \times 10^9$ cu ft) in the Arctic circle, both operated by Gazprom. Energy plays a crucial role in Russia's international trade. From what we can observe in Figure 1, from 2000 to 2013, Russian energy exports increased at an average annual growth rate of 114.94%, from 52.34 to 372.04 billion USD, before declining steadily after that. (Cui et al, 2023). In Figure 2, we can see the countries where these Russian exports happened. Through a system of pipelines, Russia ensures the transport of gas to Europe, mainly in Germany (via Gazela Pipeline, MEGAL, Nord Stream, Yamal), and Turkey (Blue Stream). Apart from natural gas, oil has been one of Russia's main exported goods. In Figure 3 we can actually see the Russian energy exports by type, meaning by shares in coal, crude oil, natural gas and electricity.

Figure 1: Russia's energy exports see an incline from 2000 to 2013 and then a steady decline



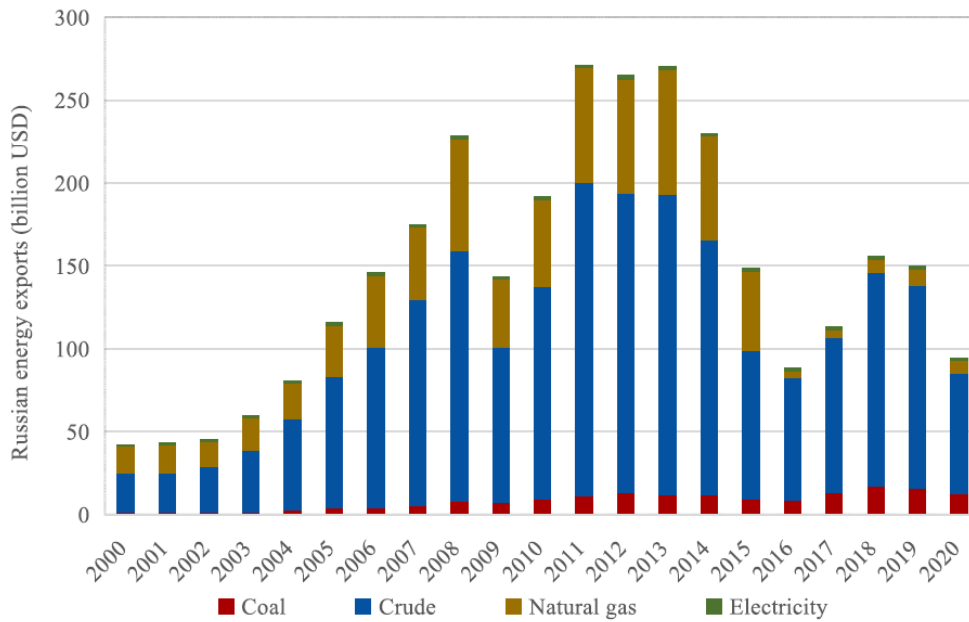
Source: Cui et al, 2023

Figure 2: To which countries these Russian exports happened



Source: Cui et al, 2023

Figure 3: We can observe the shares between coal, crude, natural gas, and electricity as energy exports



Source: Cui et al, 2023

3.3 Russia's Energy Policy: A Historical Approach

The energy advance as a means of the country's development was already a feature of Tsarist Russia's policy, as a way to project influence abroad (Weber, 2018, p.99). Energy policy was a crucial feature of both Lenin's planned economy and Stalin's autarky policy. The former achieved the country's energy sufficiency and the latter paved the way for energy development. However, the five-year plans after the war did not include major projects in the oil and gas sector (Baev, 2009). High priority was given to heavy industry infrastructure, namely electrification of vast areas, and nuclear energy plus new hydro-power projects. In the 1960s, building and maintaining oil and natural gas pipelines throughout the USSR was given top priority, but the Soviet Union had a technological deficit compared to other countries. This imbalance was restored after the Yom Kippur War and the 1973 oil crisis, an "eye-opener" (Baev, 2009) for policymakers. When the West urgently needed cheaper energy, Russia provided it in exchange for technological expertise.

Handed over as a public good under the ideological veil of socialism, energy was until then exported at a lower cost due to lower production, transportation, and labor costs. Studies have shown that following the oil crisis, oil exports almost doubled in the 1970s, while gas exports rose from 3.3 billion to 54.2 billion barrels (Baev, 2009). The last years of the Soviet Union may have gone down in history as the Brezhnev "zastoi" (slack) or stagnation era (c. 1975-1985), but it was then that Russia joined the energy world market. In the 1980s, the energy landscape was already altered:

With the start of the 1980s, (...) the demand for resources was growing faster than the supply (...) Gorbachev had rotten luck with oil prices, which dropped sharply in 1986 and again in 1988, so that the budget deficits increased to about 10 percent of the GDP, while the external debt snowballed. (Baev, 2009, p. 19)

Among the many factors that led to the collapse of the Soviet Union, energy was a major one. After the dissolution of the Soviet Union, and since the possibility of the formulation of a

common foreign policy with the CIS states failed (Nygren, 2008), Yeltsin promoted privatization as a way of forging political alliances. However, the energy sector was excluded from the privatization program. The rule in the energy sector was and still is that of state control. In the gas network, there is a monopoly of the state-owned Gazprom, the top exporter of natural gas worldwide, while the oil network is controlled by the majority-owned by the state Transneft. This state control implies control of routes and pipeline construction, which according to Vatansever means that in the end, important choices have been made at the highest political level (Vatansever, 2017, p. 6). The state appears to have the authority to remove Gazprom's management, and it has done so on multiple occasions (Smith Stegen, 2011, p.6506). Despite the enterprise's constant efforts to deny the following, it seems that "when the Kremlin calls, Gazprom answers" (Smith Stegen, 2011, p.6506). Despite a brief drop in Russia's energy power brought on by low oil prices in the late 1980s and early 1990s (Newnham, p135), after 2000, as a result of the oil market's sharp increase in price at the start of the twenty-first century (Huotari, 2011, p.127), Russia revised its approach, moving away from geopolitics and toward a "economicization" of its foreign policy—a cogent plan that made use of both political and commercial resources for Russia's economic gain (Barkanov, 2018, p.141).

Under Putin, with a view of natural resources as a competitive advantage and aspirations of international influence, Russia's energy strategy emphasized international economic integration and competitive market formation. As Baev has stated, Russia has only truly evolved into a "petro-state" during Putin's leadership, both in terms of the energy sector's percentage of GDP and the makeup of exports, as well as in terms of the country's self-perception (Baev, 2009). The state appropriated Gazprom in the image of the Western superpowers, with the aim of expanding its operations in Europe through downstream penetration and gaining some ownership control over midstream pipelines (Barkanov, 2018, p.

141). Gazprom indeed entered the German market and by 2011 the Nord Stream pipeline was constructed.

One source of reference for Russia's energy policy is the “Energy Strategy Document”, approved by the Russian government in 1992, proclaimed with a presidential decree in 1995, and adopted until 2010. In 2003, a new provision was adopted for an energy strategy up to 2020, and in 2009 it was renewed up to 2030. The primary goal of the Russian energy policy is clearly stated in this document, which is to improve the quality of energy and increase the competitiveness of Russian energy services and production on international markets by strengthening the country's scientific and technological foundation. Emphasis is placed on energy security and budget efficiency. The document also sets out short-term commitments, including energy gas emissions reduction, sustainable development, and renewable energy.

3.4 Russia's Energy Relations with Other Countries

Russia's relations with neighboring countries are profoundly affected by the energy factor. Ukraine has historically been energy-dependent on Russia's NG pipelines. In particular, before the war, 66% of its total energy consumption came from Russian imports, including the import of gas, oil, and fuel for the Ukrainian nuclear power plants (Karagiannis, 2010, p. 196). However, as Kropatcheva clearly explains, since Ukraine is the destination of 80% of Russia's total natural gas exports to the EU (20% of all NG consumed in the EU), Russia also needs Ukraine (Kropatcheva, 2011, p. 553). Russia's relationship with Ukraine in terms of gas policy has gone through many fluctuations, as each country has historically used the aforementioned leverages to negotiate the most advantageous supply-transit agreement.

The 1990s saw the earliest confrontations with Russian cutoffs of natural gas supplies to Ukraine because of outstanding payments (Kropatcheva, 2011, p.558). Under Yeltsin's rule, there were some attempts to cancel the debt at great cost to Ukraine in terms of fleet and nuclear power, which were not accepted. In the winter of 2005-2006, another dispute between the two

countries occurred. Gazprom announced a price increase for its supply of gas “from US\$ 50 to \$230 per 1,000 cubic meters (Mcm)” (ibid, p.559), and although, after Russia curtailed NG supplies to Ukraine, these gas volumes were diverted for the Ukrainian company Naftogaz Ukrainy's usage, resulting in a decrease in the pressure within the gas pipelines of many EU states (ibid, p.559), Gazprom achieved a doubling of the price after all. 2009 saw Naftogaz decline once more to ship the Russian NG to the EU. This crisis lasted for 10 days, with some EU countries being unable to meet their needs for heating. Russia refused to give up in the negotiations and instead used the gas to force its allies to conduct business on its preferred terms as well as to provide incentives (Barkanov, 2018, p.147). Trenin claims that with the Maiden Revolution and the invasion of Crimea, ties between Russia and Ukraine reached an all-time low, and Russia's foreign policy ventured into previously unexplored territory (Trenin, 2014, p. 36).

The geo-economic ambitions of the EU and Russia have always been at odds, but they are also mutually dependent. During the Cold War, the USSR consistently supplied gas to Europe until the mid-2000s, when consumers in all industries shifted from oil to gas. This supply began in the late 1960s (Henderson & Mitrova, 2015, p.29) and up until the 2008–2009 financial crisis, which caused the demand for gas to drop dramatically (p.30). But the Russo-Ukrainian gas conflict at the beginning of 2005–2006, which marked the first instance of energy transits from Russia to the European Union being cut off, already weakened ties between Russia and Europe (Huotari, 2011, p. 121). This led to a review of Russia's gas export policy and Gazprom towards Asia, as will be shown later.

3.5 The Energy Weapon Theory and its Deconstruction

It is commonly acclaimed that Russia weaponizes energy to maximize its influence and power over its neighbours (Nygren, 2008). According to the energy weapon theory, a state that supplies energy to its clients may use those resources as a political instrument to punish or

force them, or occasionally both (Smith Stegen, 2011, p.6512) has drawn attention to Russia's constant provocation of energy disruptions against its neighbors. Russia, which has enormous market influence over its clients due to its monopolistic status (Newnham, p.135) has threatened Ukraine and Belarus, both gateways for Russia's energy to access Europe, with price increases or disruption of supply over the years. Unlike these countries which have the negotiating advantage of setting the transit price, some countries depend on Russia's energy and succumb to its power. Moldova, after suffering supply disruptions due to unpaid debts, was forced to cede control of Moldovan companies to Gazprom (Nygren, 2008, p.96). In Lithuania, the cessation of supply to a small town has been used by Russia as a means of exerting pressure to prevent the sale of a refinery to Americans. When the refinery was finally sold to a Polish company, Russia showed a vindictive attitude, stopping the supply to the refinery. The suspension of oil and coal exports through the Estonian port of Tallinn following the Estonian government's decision to move a Soviet monument was also punitive. As far as Latvia is concerned, in 2003, Russia completely stopped its exports from the port of Ventspils, leading to its bankruptcy (Lough, 2011). After their governments leaned toward the West, Russia also penalized the Baltic States with higher prices and supply disruptions (Newnham, p.134).

However, based on the four Smith-Stegen stages that must be met for a country to qualify as an “energy weapon”, Russia is not classified as such. The state has indeed consolidated the country's energy resources over the past years (Stage 1), has control of transit routes (Stage 2), and has implemented price hikes and cut-offs for its political objectives (Stage 3). However, the fourth condition, in the case of Russia, the dependent government's response to threats, price increases, or cutoffs is never satisfied (Smith Stegen, 2011, p. 6511). Conversely, some client states—even those that were extremely weak and dependent—were

able to bear the strain of manipulations and interruptions (*ibid*, p. 6511). Therefore, Russia does not fulfill the "success" of an energy weapon implementation.

Huotari also moves toward dismantling the energy weapon theory because it ignores two crucial elements: first, the significance of commercial considerations in Russian decision-making, i.e., the interests of major energy companies operating in its territory; and second, the interdependence and nearly half-century history of uninterrupted energy trade between Russia and Europe (Huotari, 2011, p. 124). Energy does play a significant part in the formulation of Russian foreign policy, but it is not the only one. Global politics and economics, as well as developments at the regional and bilateral levels and the dynamics of the energy market, all have an impact on Russia's foreign energy policy. (p. 125)

The CIS nations are dependent on Russian energy imports, but there is a difference between the possibility of using imports as a tool for gaining political power and the restricted chance of using energy exports as a "weapon." (p.125) Russia has the choice, but it will not take use of it since using energy as a tool for foreign policy is a double-edged sword because any threat of lowering or stopping energy supplies will harm Russia's standing as a trustworthy trading partner. (p.128).

Weber also challenges the "oil weapon theory", claiming that the aggressiveness of Russia's foreign policy is not proportional to the growth of its energy power. Generally, increased energy revenues may offer a wider "menu of foreign policy options" (Weber, 2018, p. 99) and an "expansion of military capabilities" (p. 100), but do not necessarily lead to coercive diplomacy and aggressiveness in foreign policy. Internal politics, the executive's foreign policy preferences, and his political allies and subordinates influence the final option (*ibid*, p.102). Russia's expansionist foreign policy appears to be influenced by its oil reserves as well as pre-existing foreign policy inclinations and leadership prowess, according to his petropolitics thesis applied to Russia's paradigm (*ibid*, p.99). Regarding Russia's current

foreign policy, it is true that the country's diplomatic and military capabilities have increased as a result of oil money, however, Putin has been able to maintain policy consistency regardless of whether there has been an oil boom or bust, thanks to his personal political power and domestic alliances. (*ibid*, p.112).

3.6 Factors Shaping Russia's Energy Policy

Talking of personal political strength, there must be a reference to “the personalized, absolute, popularly legitimized power and influence exercised by Putin, the ‘modern-day tsar’” (Trenin, 2014, p. 37). The country's energy policy is directly influenced by the way he has over the years perceived Russia about the world. The initial view of Russia as an independent member of the Euro-Atlantic world turned into an understanding of the country as a superpower that needs to strengthen itself internally and take its rightful place in the world. It has him that, in June 2000, adopted the “Russian Foreign Policy Doctrine”, in line with which the Federal Republic of Russia implements an active and multidimensional international strategy to improve its role as a global actor. Putin grew increasingly certain over time that Russia's actual destiny was to develop into a unique civilization (*ibid*, p. 37), he proceeded to a series of acts of ideological and political empowerment to make the Kremlin a geopolitically and economically strong center amongst Eurasian countries. Putin proposed a Eurasian integration in 2009, the first significant Russian foreign policy initiative since the fall of the Soviet Union. He started "nationalizing the elites," a campaign against foreign meddling in Russian domestic politics, in 2012. He fought against the EU's Association Agreement with Ukraine in 2013 and attempted to get Kyiv to join his Customs Union with Kazakhstan and Belarus. (*ibid*, p .38)

The impact of domestic factors such as centralization, economization, and militarization of the society on Putin's part on Russia's ambitions was called ‘Putinism’ or the ‘highest stage of Russian capitalism’ (Bertil Nygren, 2008). Therefore, as long as Putin prioritizes economic

prosperity and enhancement of Russia's global and regional role, Russia's foreign policy will remain a policy of continuity, even if this does not align with the available energy resources.

To expand on Russia's energy policy, one has to also bear in mind the country's pipeline diplomacy and more specifically Russia's "considerable surplus pipeline capacity". It seems that Russia is building "too many pipelines" (Vatansever, 2017) compared to its gas export capacity and as a result, these pipelines are underutilized. This surplus indicates a shift towards the Asian market as the outcome of a geographical shift in energy demand, but it must also be viewed as a "means serving Russia's foreign policy objectives", (ibid, p. 7) since it "has secured Russia a substantial room for maneuvering about its Europe-bound routes" (ibid, p. 10). Building pipelines hinges on the desire of the provider country to have more alternative export routes and therefore be less dependent on particular transit countries. Therefore, excess capacity itself may be used as an energy weapon against the transit nations, who might face financial ruin if a new pipeline were to bypass them (ibid, p. 8). Since the Baltic Pipeline System (BPS-1) was built, the Kremlin has avoided transit countries (ibid, p. 10), and this policy is expected to continue.

Russia's foreign policy is significantly shaped by the rule of a wealthy elite, as Trenin further explains, whose members took advantage of the unstable 1990s environment to amass maximum personal fortune (Trenin, 2014, p. 37). He goes on to state that, even though the current thinking of those in power is outdated, this entrepreneurial aristocracy pulls the strings in accordance with its interests and objectives, "is fiercely independent and wants Russia to be a global player (ibid, p. 40). Putin, however, "lost faith in the old elites" recently and is now creating a new class of Russian proprietors, allocating among them the assets of Western businesses and Russian businesspeople (Prokopenko 2023). Last but not least, Russia's energy policy is inferred from public state documents, but can also be extracted from various non-explicit behaviors. For instance, Russia demonstrates her unwillingness to cede control of the

infrastructure necessary for energy transportation by maintaining state ownership of the pipelines and the fleet of oil and gas tankers (Huotari, 2011, p.128). Russia wants to show the same control over security issues. Despite the fact that military tools have shown to be significantly less effective in achieving energy-related goals than most geopolitically astute strategists in Moscow had anticipated (Baev,2009), Russia insists on its posture as ‘security provider’ (Baev, 2009). This is, for example, indicated by Russia’s competing with Iran for influence in the Caspian region, although not dependent on the Caspian Sea oil fields itself.

3.7 The Resource Curse

Energy is a tool of influence that affects not only political but also economic and cultural aspects of power. When it comes to the economy, an energy-based development has been judged as dangerous for the country's economic stability. As discussed earlier, based on the theory of the resource curse, an economy is unstable when over 60% of exports are made up of oil and gas, which also contribute over 30% of the GDP of the nation. It is prone to both external shocks, such as the commodity’s price volatility, and other internal, institutional, monetary, and fiscal pathologies. Due to the finite number of natural resources and the low-tech character of extractions, the growth potential of natural resource sectors is comparatively low. Russia's economy appears to be indirectly affected by the resource curse phenomena, as seen by the country's increased reliance on oil exports, restrictions on the export of manufactured goods, rising inflation, and depletion of foreign reserves (Roukanas, 2015, p.58), making Russia susceptible to changes in the global economy and in the price of oil (ibid, p. 65;) The effect on international relations is anticipated. The main obstacle to Moscow's foreign policy goals is a structurally fragile economy, especially in light of the sanctions the US has imposed on Ukraine (Trenin,2014, p. 39).

However, Yang et al.'s analysis of the resource curse considered the asymmetric effects of natural resource exploitation and rents collected on overall economic development, as well

as the growing value of natural gas and its competition with oil as a fossil fuel (Yang et al, 2021, p.6), A negative shock can be turned into a positive influence by the resilient Russian economy. All things considered, the resource curse is a blessing because both positive and negative shocks have a favorable influence on GDP growth. These shocks to oil rents are thought to be the primary cause of the curse. (p.7) It has also been substantiated that the ownership and control arrangements that resource-rich nations frequently select for their resource sectors may be more to blame for a country's low economic growth than its wealth of resources (Ahrend, 2005, p.593). Using Russia as an example, the gas industry is perhaps the least efficient significant sector in the country and has seen the least reform (Ahrend, 2005, p. 597). It is also highly controlled and monopolized, making it difficult to have consistent output growth and export expansion. According to some theorists, the notion that energy is a "curse" has been extensively refuted (Weber, 2018, p. 102).

One "short-term" solution to the resource curse is to privatize the sector and invest in new technologies. Russia must be able to maintain rapid export growth in order to maintain high growth (Ahrend, 2005, p. 595). It further demands spending on transportation infrastructure, particularly pipelines (ibid., p. 596). Policies pertaining to taxes and regulations are essential because they promote the creation of new oil fields to supplement the output from those that are currently declining (p. 596). Roukanas (2015) suggests that altering the production model is a long-term solution to the problem. Overcoming the economy's high reliance on resources through macroeconomic management, "counter-cyclical fiscal policy," or a "stabilization fund" are some prime examples counting as long-term solutions (Ahrend, 2015).

3.8 Conclusion

According to Goldthau and Tagliapietra (627), Russia's place in the world's energy markets, as well as the nature of those markets, have been drastically changed by the country's

recent conflict against Ukraine and its aftermath. With Russian military actively involved and Western nations indirectly involved, Ukraine has turned into a battlefield (Trenin, 2014, p. 41). Meanwhile, the European Union is contacting key gas suppliers like the US, Norway, and Algeria (Goldthau & Tagliapietra 627). According to Mohammed et al, the energy security issue, which has resulted in price volatility, supply issues, security worries, and economic unrest, has returned as a result of Russia's invasion of Ukraine. Russia cut its gas shipments to the European Union by more than 80% between May and October 2022, leaving the customs union with a substantial energy mix deficit and an immediate need to identify alternative energy sources. Russia's natural security is under jeopardy since it depends mostly on energy security, which is influenced by Europe's reliance on Russian natural gas and the financial gains from oil. (Ozawa & Iftimie p.14). As will be illustrated in more detail in the next chapter, Russia is currently moving its lost European exports east to Asia, primarily China, after creating an organization of natural gas exporters fashioned after OPEC (Goldthau & Tagliapietra 627).

4. Russia's Energy Relations with China

4.1 Introduction

Regarding all of Russia's international energy relations, the relationship with China deserves special attention and analysis. The “pivot to Asia” is of particular concern to researchers who view this relationship as a new axis in international politics, with great implications for geopolitics, security, and economic dynamics of the wider region. This chapter will investigate the gas and oil deals between Russia and China, the potential of such an energy relation, the implications on the regional and global context, as well as the challenges that it contains.

4.2 Historical Context

Historically, the relationship between Russia and China has gone through many stages, evolving from a dynamic in which the Soviet Union was China's "big brother" (老大哥, laodage)" (Kuteleva, 2021, p. 84), supplying China with the knowledge, tools, and technology needed to establish a contemporary oil sector (ibid, p. 61), to a situation in which contemporary Russia is only China's commercial partner and not a member of its family (ibid, p. 84). From being once about to engage in a nuclear conflict (Lo, 2008, p.1) during the 1960s-1990s, the relationship has evolved into a strategic alignment in the 21st century. In general, there are three phases of Russia's eastern energy policy: socialism optimism (before to 1991), post-perestroika realism (1992–2002), and capitalist pragmatism (2003–present). Energy ties with China were tightened in this last phase, especially after the annexation of Crimea, the Donbas war, and the following US and European sanctions and Russian counter-sanctions, which led to an acceleration of the "Pivot to the East", as referred in the bibliography or "The Eastern Vector of Russia's Energy Policy" as referred to in official documents. The completion of the Eastern Siberia–Pacific Ocean (ESPO) oil pipeline, which included a branch to China, contributed to this shift.

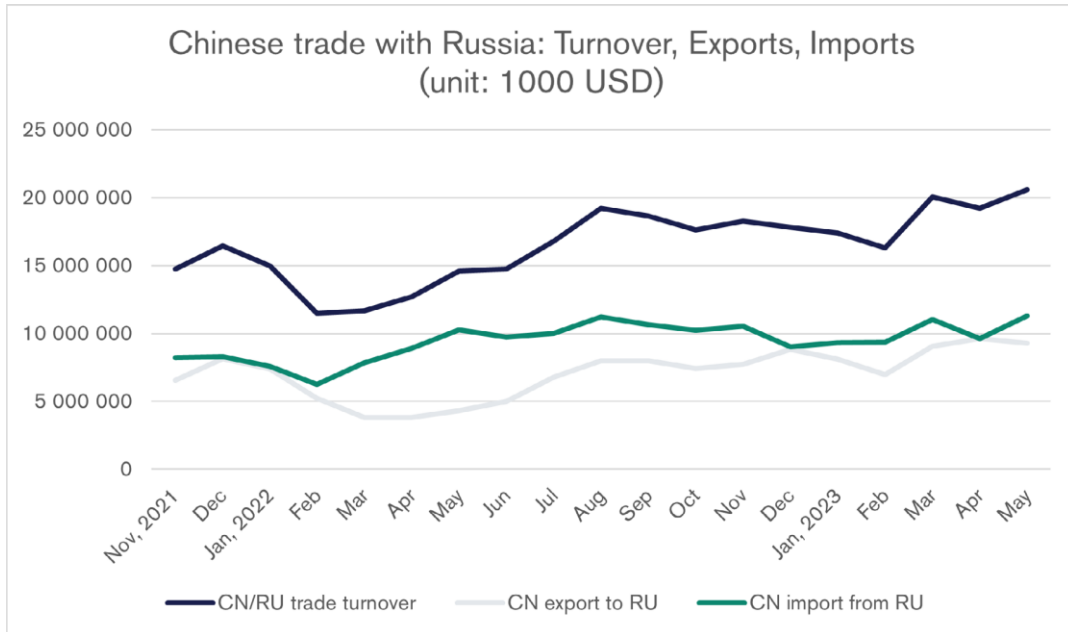
4.3 Energy Cooperation Landmarks in the 21st Century

The prospect of Sino-Russian energy cooperation was rooted already in the 1990s when negotiations between the two states started. Up until the early 2000s, Moscow was weakened by ceaseless talks with Beijing because of their encouragement of rivalry among prospective Asian clients and their ability to threaten EU member states by diverting resource flows eastward (Kaczmariski, 2015, p.54). After the "2004 strategic co-operation agreement" (Barkanov, 2018, p.145) between Gazprom and the state-Chinese company CNPC, negotiations were intensified and in the following years, a number of collaborations were formed, including Chinese businesses investing directly in the Russian energy market (Lukin,

2018, p.149). The global crisis of 2008 accelerated events, leading to the first mutual agreement to build a pipeline from Russia to China at the Summit of the same year. According to Kaczmariski, in 2009, Rosneft and Transneft agreed to supply 300 million tons of oil over a 20-year period in exchange for loans of US\$15 billion and US\$10 billion, respectively, from the Chinese government (Kaczmariski, 2015, p. 56). In 2010, the completion of the Skovorodino-Daqing oil pipeline was celebrated, and oil supplies began in 2011, the same year that “Moscow signed the memorandum on economic modernization with Beijing” (ibid, p. 21). Last but not least, with the pivotal gas contract signed during the 2014 summit in Shanghai, Russia engaged in providing gas to China until 2047. In September of the same year, Gazprom started building the “Power of Siberia”, a gas pipeline between Siberia and north-eastern China, which became operational in December 2019, In the same year, a memorandum for floating nuclear power plants was also approved.

Russia was China's second-largest oil supplier by the year 2016, and as of right now, the country's energy exports to China have increased dramatically, accounting for around 20% of all energy exports (Cui et al., 2023), making China Russia's largest trading partner. Figure 4 below illustrates how Russia's energy exports to China have expanded dramatically in both volume and value since its invasion of Ukraine. The two nations inked a new 30-year deal on February 4, 2022, to sell Russian gas to China via a new pipeline with a maximum capacity of 10 billion cubic meters (bcm) that would cross the Sea of Japan and be operational in a few years.

Figure 4: Trading between China and Russia encompasses a substantial turnover, featuring significant exports, and crucial imports like energy resources.



Source: von Essen Report

4.4 The Potential of the Sino-Russian Alignment

At first glance, the Sino-Russian relationship looks advantageous from both sides. The fact that China and Russia are neighbors and have a 4,200-kilometer border makes sense for Russia to increase its energy exports to China (Grams, 2012, p.46), without the need for transit countries as third parties. Russia’s supply of advanced weaponry and abundance of commodities is greatly valued by China, while the latter offers cheap labour and manufacturing in exchange. With this alliance, China ensures energy supplies unaffected by Middle East unpredictability or maritime blockades, while Russia gains a diversified client base (ibid, p.46). China, moreover, appears to be willing to grant “loan-for-oil and loan-for-gas deals” (Kuteleva, 2021, p.76), as long as its rapidly growing needs for energy are satisfied. They both detest US dominance, are afraid of instability and radicalism in their shared neighborhood, and are against Western meddling in the internal affairs of sovereign states (Petersen & Barysch, 2011, p. 13). Dawei Liu has astutely observed how the two countries' evolving internal circumstances are generating ongoing cohesive forces that are drawing the two countries closer together from the inside out and building a robust energy partnership regime (Liu, 2023, p 2).

The sudden interest in China's markets, however, on Russia's part, has not only to do with the high demand that China offers due to its great energy needs. Russia is looking forward to building a dynamic front against the West and a way to counter the sanctions that the West imposes in times of turmoil such as the current one. According to Kolosov and Zotova, Russia's pivot to the east is a strategy for drawing in fresh foreign direct investments and quickening structural shifts in the Far Eastern and Eastern Siberian economies (Kolosov & Zotova, 2021, p.2). China, on the other hand, is aware that importing gas and oil from Russia will lessen the quantity purchased from the Middle East and Africa and help diversify the sources (Kaczmarek, 2015, p.54). The geopolitical importance of this cooperation for Russia is demonstrated by the extent to which China as an energy ally has received a lot of space in Russia's public discourse, getting the most attention from federal TV stations' news programming (Kolosov & Zotova, 2021, p.15) and other media. Since the two countries share a long-term plan for prosperity, in the gulfs of which "Moscow accepts asymmetrical vulnerability" (Røseth, 2017, p. 31) in favor of Beijing, their relationship has been characterized as a strategic partnership.

4.5 Regional and Global Implications

The obvious and direct consequence of the Sino-Russian cooperation is that it undermines other deals, such as Russia's possible ties with Europe and Asia-Pacific, canceled in favor of the China deal. Given that Russia is heavily dependent on the volumes of gas it sells to Europe, experts like Skalamera reassured that China will not replace Europe, but it is true that Europe is looking for other ways to lessen its reliance on Russia for energy, particularly after Russia invaded Ukraine in 2022 (Skalamera, 2016, p. 106). Another obvious complication of this rapprochement is the triggering of international competition in LNG markets:

American companies' profits in international gas markets will depend largely on the gap between the cost of producing natural gas in America and the prices that countries

in the Asia-Pacific region are accustomed to paying. (...) North American companies will have to accept lower revenues if they ever manage to build the pipelines and LNG terminals necessary to export their excess gas resources across the Pacific. (Skalamera, 2016, p.107)

Furthermore, such collaboration undermines China, the US, China, and the EU's economic and commercial cooperation as well as their mutual political confidence (Cui et al, 2023). The greatest impact, however, will turn against the US, if this alliance continues to tighten and consolidate not only in energy but also in military and political terms.

4.6 Challenges

Over the years, the obstacles that have been raised in the energy cooperation between the two countries were related to delivery price disagreements but also price formula discrepancies, since “Gazprom insisted on European equivalent prices” (Barkanov, 2018, p. 145) while in gas transactions China has rejected the oil-price linked formulas used in Russia's long-term contracts with European clients, the latter has been unwilling to pay the "global" market price (Petersen & Barysch, 2011, p.19). Despite the long-term contract negotiations, gas pipelines were until recently in abeyance, based on Lo's study, numerous issues have been brought to light by the protracted delays of the Kovykta gas pipeline and the East Siberian oil pipeline: Route uncertainty, pricing disputes, erratic investment levels, and prohibition of Chinese access to Russian energy equity (Lo, 2008, p.14)

China was once reluctant “to invest in transnational pipelines” (Gramma, 2012, p. 50) and also refused to agree with Russia on the pipeline route; Russia insisted on the Altai route, while China persisted in constructing a gas pipeline connecting Turkmenistan to the province of Xinjiang in the west (Lui, 2023, p.8)

Another obstacle to cooperation between the two countries is their conflicting interests. Starting with the stakes in Central Asia states, which lack an exit to the sea and are thus trade-dependent on the north and west by Russia and to the east by the Xinjiang province of China,

it is clear that there is trading competition in these countries. While China “has spent up to \$50 billion in trade and investments in the region according to the IMF” to strengthen her position as a trading partner with Uzbekistan, Kazakhstan, and Turkmenistan, Russia has been losing ground on these states, since “they no longer have the money to support the region”. Their conflicting interests are underlined by China's Belt and Road Initiative, and Russia’s effort to conclude agreements with other East Asian states, such as Japan, Vietnam, and Korea, despite China's annoyance. One has to bear in mind that the relationship between China and Russia is not exclusive. Demonstrating strategic flexibility, Russia is always looking for other markets and China is concluding agreements with Africa and Central Asia, keeping her options open.

Sino-Russian energy relation has gained much attention, birthing concerns about its long-term implications. One concern that has been expressed about this relationship is the growing asymmetry between the two powers, which could be disastrous for Russia. According to some, Russia may unintentionally assist China in developing its military-industrial complex and accelerating its ascent to economic and military dominance by serving as its "raw material appendage" (Petersen, & Barysch, 2011, p.16). Bobo Lo, the main representative of the “skeptics” regarding the Sino-Russian relationship has noted that every year, the terms of trade become increasingly uneven, even going so far as to propose that this unevenness takes on a neo-colonial aspect, with a modernizing China taking advantage of a less developed Russia for its resources in energy and timber. (Lo, 2008, p.85)

More specifically, according to Lo, whose seminal work expressed all concerns about the Sino-Russian rapprochement, geopolitical rivalry, cultural biases, historical mistrust, and conflicting agendas effectively prevent these nations from working together (ibid, p.2), while they remain divided due to significant disparities in perspective and emphasis (ibid, p.14). China views energy as a vital national need and means of modernization while Russia as a form of external power and geopolitical tool. Moscow views energy as the primary tool

for projecting power in the twenty-first century, much like it did with nuclear weapons, according to Lo's research. China is used as leverage against the West in this perspective. But rather than serving as a replacement for the Persian Gulf, Beijing views Russia as just one of several providers for its energy needs. (Lo, 2008, p. 47)

The perception of energy security is also noted to differ; for Moscow, it refers to supply security, whereas for Beijing, it refers to demand security, especially for pipeline gas. (ibid, p.133), particularly supply of oil. This contradiction entails an “imperfect complementarity” (ibid) since each side is pushing in its direction.

4.7 Conclusion

For this relationship to last, the need for more expanded infrastructure has been stressed by all specialists. Russia must accept that its energy prices must be competitive to keep China's interest. Russia does not identify with the West, but despite these similarities, one should remember that there is a much larger historical, cultural, and political divide between it and China (Kuteleva, p.84). But in such a dire situation, where it must deal with US and EU sanctions, Cui et al. demonstrate that boosting energy trade with China can help Russia achieve both concrete economic gains and what may be a necessary condition for it to end the international blockade and pursue political and economic security (Cui et al, 2023). The role of the US, as will become apparent shortly afterward, complicates matters.

5. Russia's Energy Relations with the United States

5.1 Introduction

The nexus of relationships between Russia and the U.S. has been complicatedly shaped by history, ideology, geopolitics, military, and energy concerns. Energy plays a key role in the relations between these states, since the U.S., just like Russia, views energy not merely as an economic asset but as a foreign tool. Although there has often been fruitful cooperation

between them, to set energy prices or to prevent price volatility in the context of the OPEC+ agreement, their relationship has many complications and is geopolitically antagonistic.

5.2 Historical Context

It is not possible that the historical reference to the relationship between these two states should not include the period of the Cold War, when the antagonism was mainly due to an “ideological incompatibility” between the USSR and the United States but soon turned into a “nuclear missiles race” (Rogov, 1999, p.12). The earliest indications of their energy competition date back to that time, when building pipelines throughout East Europe was seen as a crucial strategic instrument that could help Moscow wrest power from the United States in Western Europe (Newnham, 2011, p.136). As noted by Newnham, American officials were concerned that the Soviet Union would be able to exert influence in the West even in the early 1960s when the Druzhba [Friendship] oil pipeline was being built from Russia to East Germany for that reason (ibid, p.136). A typical example of armed conflict which was hiding a conflict for supremacy over the region is the Soviet–Afghan War. More precisely, the "arc of crisis"—a region that stretches from the Indian subcontinent in the east to the Horn of Africa in the west and contains almost three-fourths of the proven and estimated global oil reserves—was the source of the superpowers' hostility.

5.3 Energy Dialogue

Despite the general climate of competition and their diverging interests, during peacetime, a common ground on issues of energy abundance and technological progress can be found. There were some times in history when one country helped the other in the energy sector. The financial assistance Yeltsin received in the 1990s, when the Baku-Tbilisi-Ceyhan pipeline—which was questionable from a business standpoint—came to be with U.S. backing and broke Russia's monopoly on the sale of Caspian oil—is a prime example (Barkanov, 2018,

p.141). At the turn of the century, under Bush's administration, the launching of "an 'energy dialogue'" was suggested, and was indeed activated during 2003–2005. Before the recent Ukrainian war, there was also an ongoing dialogue between the two countries regarding possible nuclear energy cooperation. This discussion and the introduction of clean energy technologies and services are supported by the U.S.-Russia Energy Working Group, one of the many projects under the Bilateral Presidential Commission.

5.4 Geopolitical Rivalry

As has already become clear, energy for Russia, is a tool for rivalry and negotiation and as such is inextricably woven with power and war, thus, the US as a superpower directly threatens Russia's plans. According to the Russian Government (2014), Moscow sees the US and NATO expansion as its biggest security threat, and Putin has made repeated attempts to thwart or at least offset this expansion. According to Weber, Putin has adopted a straightforward but comprehensive grand strategy that involves changing the global order to replace the United States' hegemonic position with a group of regional powers (the BRICS, Germany, and the United States) cooperating on global issues like climate change and Islamist terrorism while supplying public goods like security in their respective areas. (Weber, 2018, p. 112)

However, Russia's oil wealth represents a threat to the US because, first, it influences world oil prices and, second, even while the US is not directly dependent on Russian gas and oil, many of its friends are (Newnham, 2011, p.142). Furthermore, the US's advantageous position as the only regional hegemon in the globe could be threatened by Russia, one of the two great powers (the other being China) (Karagiannis, 2013, p.80). One additional reason for antagonism between the two countries is that they have "competing gas "pivots to Asia" (Barkanov, 2018, 146). Both countries lay claims on China's large market and energy demand, the U.S demonstrating an unquestionable naval superiority while Russia having an advantage due to

geographical proximity and an onshore pipeline gas that ensures protection against potential supply interruptions in the event that hostilities between China and the US materialize (Barkanov, 2018, 145).

The energy stakes are also particularly high for the two countries in the Caucasus region. Tsygankov has stated that a global struggle between Russia and the United States for security and power in chaotic times is crucial to comprehending Russia's military involvement in the Caucasus and Ukraine (Tsygankov, 2018, p. 2). Karagiannis emphasizes the geopolitical significance of the war between the two countries and notes that, to some extent, energy explains why the US is interested in the South Caucasus (p.80). The true reason that Russia and the USA are competing in the region known as "near abroad," or "bliznee zarubezhe" in Russian, is because of a number of military, economic, and demographic factors (such as a sizable population, abundant energy resources, and a nuclear arsenal). The rivalry between the two countries led, to and was the main reason, according to Karagiannis, for the war between Russian-Georgian wars. This is corroborated by the fact that, starting in 2007, Washington established military bases in the former Soviet Union in an effort to gain strategic advantage at Moscow's expense. As a result, Moscow gave top priority to keeping the US and NATO presence in the region contained (Karagiannis, 2012, p.84).

5.5 Shale Revolution and Liquefied Natural Gas

The reason why the extraction of natural gas from shale rock formations in the US with the method of hydraulic fracturing has been known and characterized as the "shale revolution" and is such a landmark event in the energy landscape is that it made "US contemplate self-sufficiency in natural gas" (Wang et al, 2014, p. 10). Moore in particular, the US became self-sufficient in less than ten years after becoming one of the largest gas importers in the world (*ibid*, p.1). By 2010, natural gas imports were reduced to levels not seen since 1994 (*ibid*, p.10). Regarding Russia, Henderson and Mitrova point out that one of the two shifts in the energy

sector that led to a "very sharp decline in gas demand" was the American shale revolution; the other was the growing emphasis on renewable energy sources throughout Europe (p. 31). Consequently, by the middle of 2010, a notable difference had emerged between the price of gas sold under long-term oil-linked contracts and the hub-based "market" price in Europe. This had noteworthy ramifications for both Gazprom and European utility firms. (p.31) The most important reason why this is called a "revolution" is that it allowed the US to export LNG.

Now, LNG is a threat to Russia's energy because, in any case of a conflict between the West and Russia, as happened in 2014 and 2021, Europe can solve its energy crisis by importing LNG from the US. Rich U.S. shale gas, as Goldthau & Boersma point out, can be shipped to Europe and serve as a practical backup in the event that the Kremlin makes decisions that interrupt the gas supply (2014, p. 13). Though the aforementioned analysts believed a few years ago that it was improbable that Europe would be the market of choice because pricing, not political intentions, determines where an item is sold (p.14), recent international developments proved them wrong. Conversely, Europe emerged as the top market for US LNG exports in 2022, taking up 64% (6.8 Bcf/d) of total shipments. Currently, there are discussions about whether US gas can "save" Europe from its energy crisis, which is likely to result in a negative response, considering the lack of infrastructure and the costly liquefaction process.

5.6 Impact of the US Sanctions on Russia's Energy Sector

Following Crimea's annexation in 2014, the U.S.-led sanctions targeting Russia's energy sector thwarted Russia's ability to explore new oil and gas fields and maintain market share in Europe. More recently, the Biden Administration prohibited the import of Russian coal, LNG, and oil (both crude and petroleum) in response to Russia's invasion of Ukraine in 2021 (Shepard & Pratson, 2022, p.462). The sanctions are meant to impair Russia's financial system, prevent it from funding its massive military budget, and drive it out of Ukraine (Chen et al, 2023,p.3082). As in the past, these sanctions will have and already have various

consequences on both regions, affecting the energy security of the countries directly involved while having a great impact on “the economy and society of the EU and Russia more than other stakeholders” (ibid). Russia's energy trade structure, which indicates that Europe and Asia are its primary trading partners, will drastically alter when combined with the sanctions put in place by Europe (Chen et al., 2023, p. 3084). The world GTP will undergo a shift, and so will the welfare levels. Experts estimate that because this shock will permanently change the structure of the global energy network rather than temporarily halt it, its effects will outlast even the COVID-19 pandemic (Shepard & Pratson, 2022, p.463). It is almost hard to remove one of the biggest manufacturers from the market without suffering grave effects, most notably from price shocks, as Goldthau and Boersma point out (2014, p. 14).

5.7 Conclusion

However, the US will not be unaffected by these sanctions. Busting the myth of the USA’s energy independence, Shepard & Pratson argue that although the crude oil (direct energy) imported from Russia may be of small amount, the energy incorporated into the imported goods and services (indirect energy) should also be counted. Russia’s globalized control of the supply chains relies on this “embodied energy” (*ibid*, p.462). Since the countries with the largest oil imports from Russia are China and North Korea and since they use that energy to produce products that are in turn imported into the US, the US is more dependent on Russian energy than one might think:

With supply chains that depend on these major manufacturing economies, the US is also indirectly dependent on Russian oil. And while the current crisis is likely to shift Russia’s role as a major energy supplier to global manufacturing markets, it will not diminish it. (p. 462)

For the moment, the US does not seem to be able to directly make up the export shortfall from the sanctions but seems however to be looking forward to creating its own, independent energy

supply chain. Having examined Russia's energy relations separately with the US and China, it now remains to investigate these relationships comparatively.

6. Comparative Analysis

6.1 Introduction

Having studied bilateral relations in detail, this section identifies differences and similarities between Russia's energy relationship with China and the corresponding Russia-US relationship. However, the analysis will not be limited to a simple listing but will attempt to highlight the complex relationship between all three states. Furthermore, the main focus of this work is Russia's relations, and we need to look into this context because Russia is now surrounded by nations (China and NATO) that are more powerful, influential, and dynamic in terms of politics, economy, and military might (Kropatcheva, 2013, p. 150).

6.2 Differences

The key difference between the China-Russia relationship and the US-Russia relationship is that the former is one of growing cooperation and the latter one of competition. Russia has the role of supplier in both relationships, but China has accepted its role as a consumer and promotes cooperation with Russia, while the US is trying to wean itself off Russian energy. As the energy policy of the US is committed to its energy independence from foreign supplies and as long as Russia is interested in expanding and diversifying its energy markets, their interests will become more and more conflicting. By establishing NATO troops in the “neighborhood” in which Russia exerts influence, the US was seen “as capable of causing problems” (Pardesi et al, 2006, p.28) by Russia from earlier years. However, the most important “trouble” emerged mainly with the sanctions imposed by the US on Russia in both the 2014 crisis and the recent one. Ironically, because of these restrictions, Russia has become even more dependent on China for technology, such as electronic components, that it was previously able to acquire from the West (Kendall-Taylor & Shullman, 2021, p.7).

It is true that China and Russia have a shared threat in the US, since both aim to break free from geopolitical restrictions and lessen their reliance on Western energy (Kendall-Taylor & Shullman, 2021, p.20). For that reason, in antithesis to its relationship with the US, Russia's ties with China are supported by infrastructure. The negotiation processes may have taken years, but the construction of both the ESPO oil pipeline and the Power of Siberia gas pipeline has cemented the relationship between the two countries. In order to attain energy independence, China and Russia are interested in strengthening trade infrastructure on the Eurasian continent as well as expanding regional trade and developing infrastructure throughout the Eurasian supercontinent, especially in Central Asia (ibid, p. 19). But as was previously shown in detail, the two nations are really united by the fact that they have similar energy interests in a number of areas (ibid., p. 20). One country ideally complements the needs of the other: China offers the perfect lucrative alternative to Europe as a consumer, and Russia is the perfect, nearby, stable, and reliable source of energy for China, as opposed to unstable regimes in Africa and the Middle East.

Since proximity was mentioned, although it may seem obvious, the difference between the two energy relationships from a geographical point of view is worth mentioning. The difference in geographical proximity has an impact on the texture and the degree of immediacy of each energy relationship. The fact that China and Russia share a 4,200 kilometres border forms a direct energy relationship which allows expanded energy exports of vast quantities from Russia to China. Furthermore, as Grama notes, this physical proximity for direct trade without the need for intermediary nations, who impose transit costs and have the authority to halt supply (Grama, 2012, p.46). On the contrary, the geographical distance between Russia and the US dictates other forms of energy exports, more indirect, such as the one mentioned earlier, the indirect energy "embedded into manufactured goods" (Shepard & Pratson, 2022, p.462). After all, refined oil products have not stopped entering the US, even now. The US

sanctions explicitly regulate that if the Russian crude oil is refined into another product (diesel, gasoline, jet fuel) through a transit country, then the refined product is not considered to be of Russian origin and can be sold with no price cap. Also, even in periods where no sanctions are imposed from one country to another, the US prefers the nearby Canada and Mexico for crude oil import, and Russia is preferred for fuel oil imports.

Apart from the qualitative and geographical differences, there is also an opposite escalation for each of the relationships. One relationship is in decline, while the other is increasingly promising. What was not mentioned earlier, when each relationship was examined, is that this difference is often attributed to each country's leaders. The more positive relationship between China and Russia is certainly due in part to the near-friendship between Vladimir Putin and Xi Jinping, while after Donald Trump assumed president in the US, ties between the US and Russia grew noticeably more antagonistic (2017–2021) (Hall, 2023, p. xv). Trump played indeed a key role in the deterioration of the Russia-US relationship, but it should also be mentioned that one of the reasons why China and Russia, “the two geopolitical heavyweights of the East” (ibid, p.19) have drawn so close to each other is to counter US supremacy and curb its influence in the East. Hidden behind other proclaimed purposes, the Sino-Russian alliance has been thought of as “an anti-American alliance in all but name” (Lo, 2008, p.1) and seen as the potential for a new global multipolar system that is democratizing international relations rather than being controlled by US "hegemonism." (ibid). According to Kaczmarek, tensions between the US and China have frequently prompted calls for deeper ties in both China and Russia (2015, p. 129), but the two countries have matured enough so that that the relationship between Russia and China is much more than just an "axis of convenience," and the US no longer plays a determining role in it (*ibid*).

6.3 Similarities

Among the similarities, I would include the fact that both the US-Russia and the Russia-China relationship are relations between superpowers. The stakes and actors involved in these relationships are so high that there has been reference of a “triangularity” (Hall, 2023) among them. This paper may deal with Russia's relations, but in this triangle, the US-China axis is also very important. As superpowers, these countries have conflicting interests in different geographical regions. According to Hall, “the Cold War lives on in the politics of the strategic triangle” (2023, p.14), meaning that these three countries continue to confront each other (e.g. Syrian War, Taiwan Strait) on a geopolitical level. All three claim interests in the Middle East, Washington through its naval and military presence, China through its oil dependence, and Russia by conducting energy diplomacy and concluding agreements on oil price pacts. Depending on the interests of third countries, some regional players support one relationship over the other. For example, Iran is a supporter of the Russian-Chinese alliance. India appears to be in favor of an alliance as well; in fact, a number of Indian analysts have suggested that Russia, China, and India collaborate on energy issues (Pardesi et al, 2006, p. 8).

Another similarity in the relationships is their significance. Despite this triangularity, both bilateral relationships (Russia-China, Russia-USA) continue in their two-dimensionality to play a major role in global energy affairs and in their region, the former being especially influential in the East and the latter in the West. Finally, another common component of both relationships is that they are prone to change, whether this change is attributed to domestic factors or external factors and geopolitical reasons, namely the influence exerted by other third countries. For example, Europe plays a significant role in the relationship between Russia and the US, while in the relationship between China and Russia, the energy behavior of other Asian countries affects China's decisions. In other words, the characterization of a relationship as competitive or allied is not absolute and these balances are constantly shifting. For instance, as we have seen, China and Russia's ties are strengthening, but they continue to compete in areas

like nuclear energy and arms sales, and their objectives differ in crucial regions like India, the Arctic, and Central Asia. (Kendall-Taylor & Shullman, 2021, p.3).

Last but not least, another similarity is that none of the relationships are inevitable, meaning that in none of these relations is Russia the strong player on which the other two states depend and without which cannot stand energy-wise. The US has currently excluded Russia from her import choices and, despite the energy interest's alignment of Russia and China, the latter has the opportunity to satisfy her needs elsewhere, if needed, hence she also has transactions with the Middle East and Africa or Asia. Additionally, certain Central Asian states have embraced Chinese control of oil and gas reserves, despite Russia's opposition to it. (*ibid*) Russia seems to be the weakest link in both relations.

6.4 Complexities and Interactions

Although identifying differences and similarities between these bilateral relationships is interesting, “bipolarity no longer reflects reality” (Kropatcheva, 2013, p.149). Since we are talking about such superpowers, the relationship of one dipole affects the other we must talk about intertwined relationships. Kropatcheva considers China the sometimes neglected “variable” in the US-Russia relationship. Already from 2014, she had noticed that China is acting more confidently, and Russia will be affected by its ascent, even as NATO has gotten weaker (*ibid*, p.150). More specifically, she referred to the problem of missile defense, as an actual illustration of how the China factor has begun to affect relations between NATO and Russia (*ibid*, p.151), because China was silently pulling the strings since NATO’s missile defense program was directly constraining the military strategic potential of China. The NATO-Russia cooperation scenario may not be fitting to today's circumstances, but what remains possible, as mentioned in the review, is that Russia and China are cooperating on an anti-NATO and anti-US basis. This allegation was overthrown by Kropatcheva, who thinks that the strong Chinese and Russian interests in Western markets and technologies make a

Russian-Chinese anti-NATO alliance unlikely (ibid, p.152). Even now, when all the energy news shows that China is Russia's only option, the latter cannot be sure whether China is a friend or a threat.

On the other hand, some American researchers warn of the necessity of preventing China and Russia from becoming too close (Herspring as qtd in Kropatcheva, 2013, p. 151). Andrea Kendall-Taylor and David Shullman explain the US's point of view:

As this report highlights, the impact of Russia-China alignment is likely to be far greater than the sum of its parts, putting U.S. interests at risk globally (...) as U.S.-China relations continue to deteriorate, Russia and China are likely to lean into—and increasingly coordinate—their efforts to accelerate that change (2021, p.23)

In general, there is alarmism in the investigations of the American experts, due to concerns about the de-dollarization of commerce between China and Russia and the impending lessening of the consequences of US sanctions. Kendall-Taylor and Shullman even speak of a blow to democracy. However, the US “uses its ties with others to counter its Big3 counterparts” (Hall, 2023, p.9).

6.5 Conclusion

Concluding this chapter by turning our attention to Russia once again, the fact that Russia–US tensions have reached a higher level than the disputes between China and the US must be stretched out. If combined with the reality that Russia now depends more on Beijing's assistance (Kaczmarek, 2015, p.130) than vice versa, then it becomes clear that Russia seems to need to keep up with China's energy needs. Soon, however, once the current energy crisis is overcome, the discussion on China-Russia cooperation on renewable energy sources will certainly be the prominent one. Russia has to keep pace with China, which seems to be entering the field of renewable energies dynamically.

7. Conclusion

This thesis attempted to highlight the essential place of energy in contemporary international relations generally and in Russia's foreign policy specifically. By means of an independent examination of Russia's associations with China and the United States, as well as through a comparative approach, it became clear that energy is not just an economic commodity for Russia, but plays a key role in the country's foreign policy, taking great dimensions for the country's security, power, influence and geopolitical importance.

Although it has been challenged in the past and all the counter-arguments have been presented here, this paper has argued through examples that Russia uses energy as a lever of pressure and coercion, thus as a weapon. More specifically, this paper has carefully studied both Russia's past energy behavior and its current energy strategy. By combining historical examples with the illustration of the current reality recurring in each chapter, the research concluded that energy constitutes a political matter for Russia. Due to disagreement over energy prices and transmission costs, Russia has threatened neighboring states and in any period of crisis threatens to cut off and has indeed cut off supplies. The constant and repeated tactic of exploiting the energy dependence of European states on themselves to increase their influence leads to the conclusion that Russia is using energy in a utilitarian manner.

Regarding its relations with the two superpowers, this research shows that energy plays a major role in both Russia-China and Russia-US relations. Russia has in recent years following a “pivot to Asia”, which was highlighted in this thesis. After analyzing Russia's choice to tighten relations with China, their joint negotiations, and ultimately their investments in energy infrastructure, this paper concludes that the two countries ideally complement each other. Russia is aiming for a strong alternative consumer market for cases damaged by European and US sanctions, but China is diversifying its suppliers and easing its dependence on the Middle East. The cooperation between the two countries is also building a strong front against the US.

However, this paper has also highlighted the asymmetry of the relationship between the two states, which in the long run seems likely to harm Russia's interests.

The relationship between Russia and the US, on the contrary, is very antagonistic and, as was said earlier, one country is threatened by the other. As the US shares Russia's plan to "pivot to Asia", the two superpowers are claiming the same space of geopolitical interest. The events that worsened the relationship between the two states, as highlighted by this paper, are the shale revolution and the imposition of sanctions on Russia led by the US due to the annexation of Crimea in 2014 and the invasion in Ukraine in 2021. The conclusion for this particular relationship is that behind the unfavorable relations lies a mutual interest of a commercial energy nature. Sanctions against Russia turn against its exports, but they also turn against imports from the US, which ultimately imports Russian energy through products, as discussed in the relevant chapter.

Finally, a comparative analysis of Russia's energy relationship with China and the US was attempted. Differences and some similarities were identified. The important finding of this paper, however, is that relations between superpowers should also be studied as a power matrix. These bilateral relationships influence each other to such an extent that there is talk of triangularity. China is a common point of interest for both countries. However, if China opts for universal cooperation with Russia, this duo is capable of overthrowing US omnipotence.

This paper has hopefully contributed to the theory of energy, illuminated the role it plays in foreign relations, and demonstrated that energy plays a crucial role in Russia's foreign policy, economy, and geopolitical flexibility. I hope to have highlighted the country's most important relationships and the role energy plays in each of them. I hope future research will study Russia's other relationships and adopt the comparative analysis, which provides a more three-dimensional view of the international energy policy scene.

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