

# EU-Russia Gas Relations

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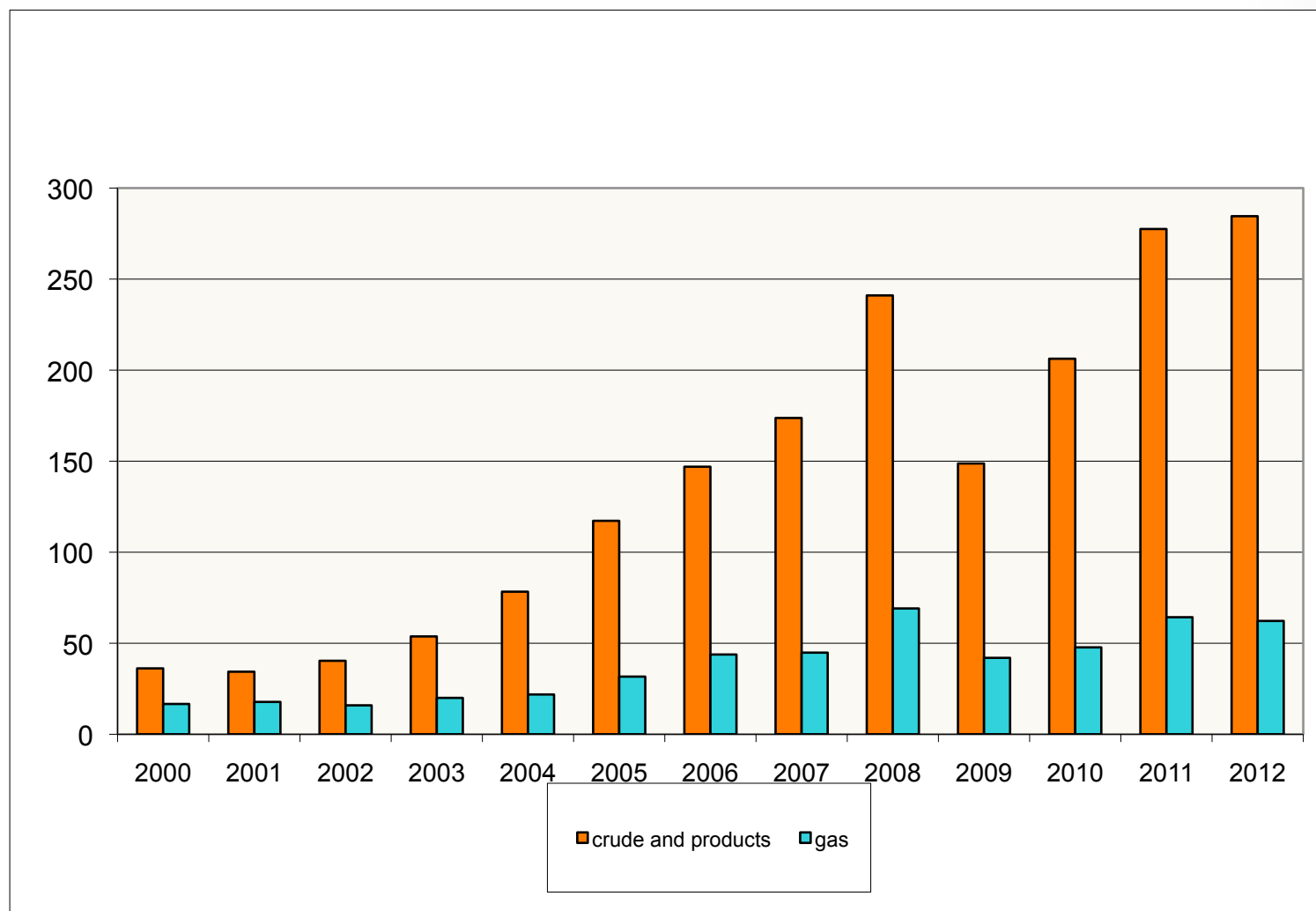
# EU-Russian Gas Relations

- Gas relations within the context of EU-Russian energy relations
- EU energy security – physical disruption as an overstated risk?
- Two key challenges for gas relations and EU energy security:
  - Managing price disputes that are likely to stay
  - Gazprom's adaptation to changes in EU's gas market

# EU-Russian gas relations in context

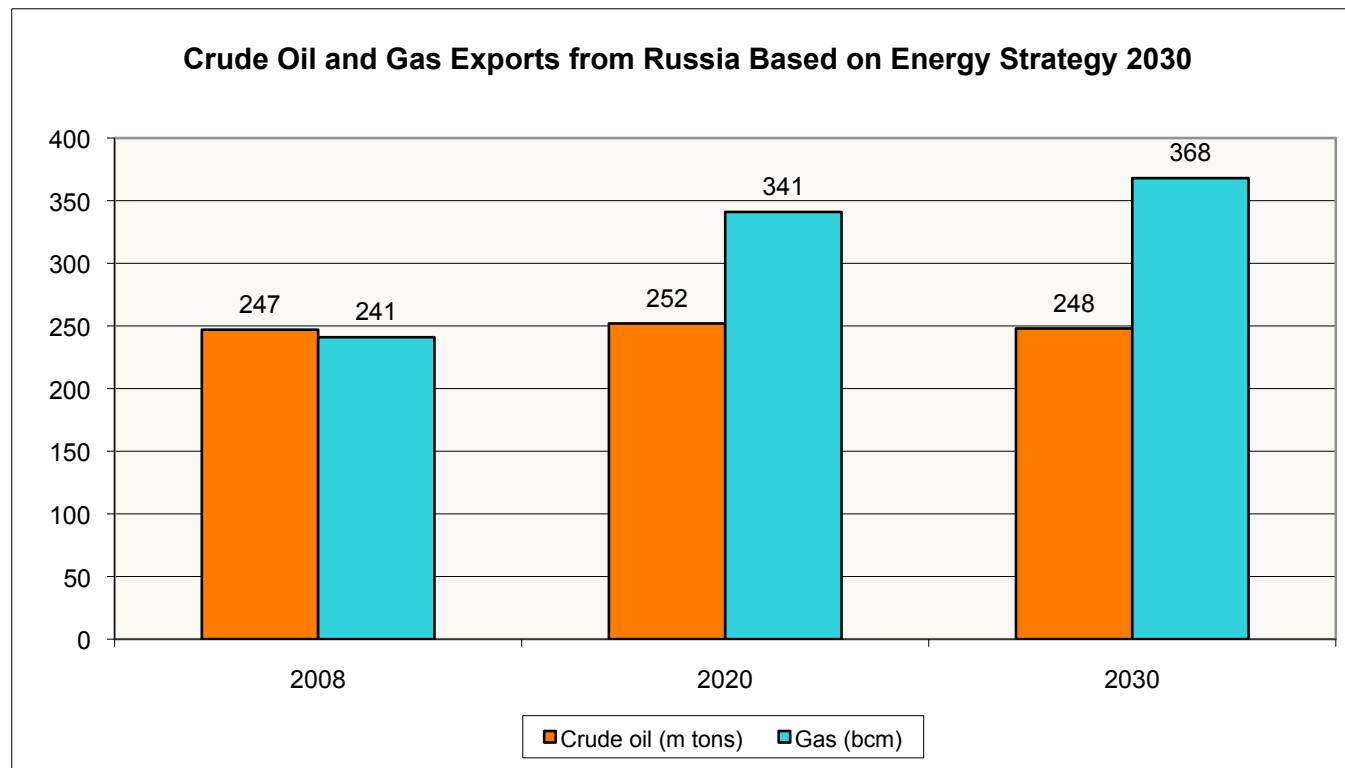
- EU and Russia as energy trade partners
- A diversified energy relationship
- Yet, most tensions on gas. Why?

# Export revenues from oil and gas (billion USD)



Source: Bank of Russia

# Growing importance of gas for Russia



Source: Energy Strategy 2030

# Physical Disruption—An Overstated Risk in EU energy security?

- Soviet/Russian track record overall positive
- Mutual, albeit asymmetric dependence
- The price of credibility
- Physical risks overstated both in Europe and Russia, for different reasons
- Future risks may be lower

# The uphill battle on price of gas

- Price of gas as a main energy security issue for Europe
- Multiple visions on how gas should be priced
- Price discrepancies for Russian gas across Europe

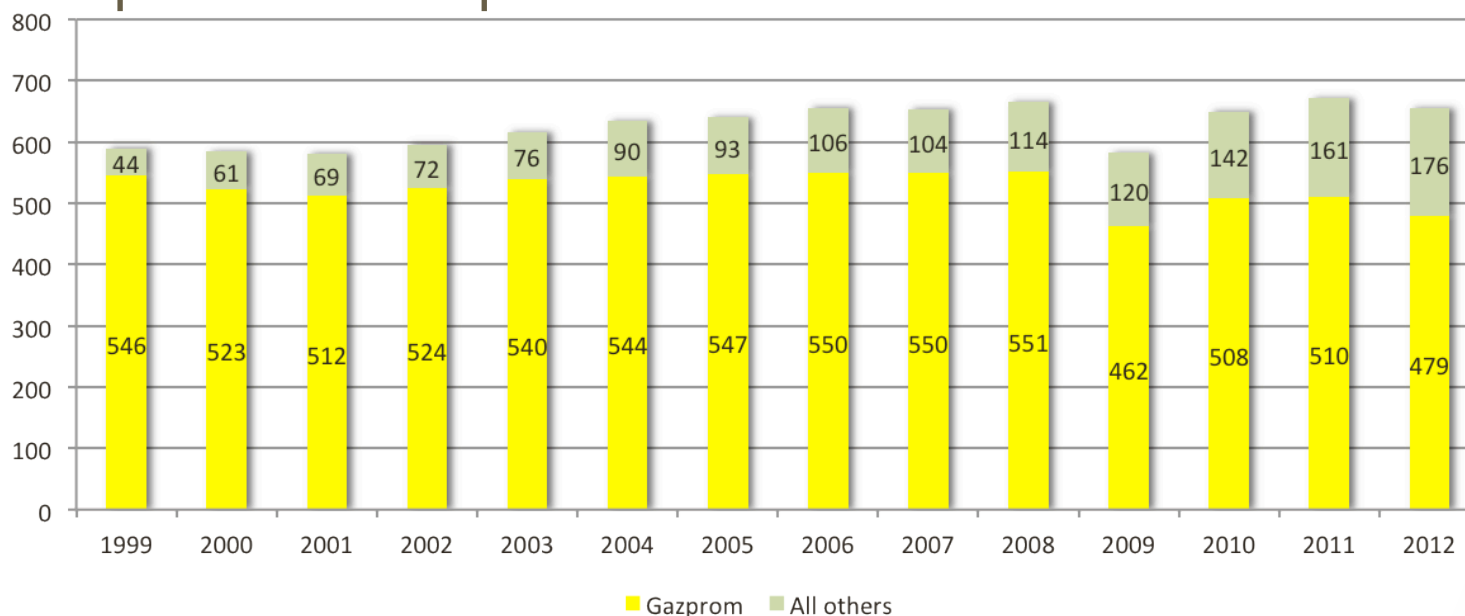
# Gazprom's Future Room for Maneuvering in Pricing?

- Market challenges at five fronts—implications for Russian gas
- The future of its upstream strategy, and its cost—impact on price?
- New export infrastructure as a blessing or burden?
- More tax pressure on the horizon at home?
  - 89 % of hydrocarbon taxes were from oil in 2012
- Rising domestic prices and their impact



# Increasingly competitive domestic market – implications for Gazprom

- Demand recovered after crisis, but constrained growth in future
- Gazprom vs. independents



Source: Nefte Compass

# Adapting to gas market transformations in Europe

- Three aspects of Europe's energy market transformation—implications for gas relations
  - Market liberalization and the new Gas Target Model
  - Europe's steps towards a physically integrated market
  - Ensuring fair competition
- Bridging the gaps in vision through the EU-Russia Energy Dialogue and the Joint Gas Advisory Council