

# From National Resurgence to Imperial Recklessness: Russia's War in Ukraine & the Impact on Europe's Energy Security



Author  
Constantine A. Pagedas

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At 4:30 a.m. on Feb. 24, 2022, Russian President Vladimir Putin ordered 190,000 Russian troops to invade Ukraine on the pretense that Kyiv was led by a group of thugs, drug dealers, and Nazis. The Russian attack began with a missile barrage of Ukraine's major cities and its key command and control centers as well as its military and transportation infrastructure, such as key airports, ports, and train stations. The Russian Army opened three main fronts with ground attacks from the east (into the Russian-breakaway Donbas region); from the north (through its ally, Belarus); and an amphibious attack along Ukraine's southern coast (from the Black Sea and Sea of Azov). Dubbed as a "special military operation" by Moscow, heavily armed Russian forces slowly moved into Ukrainian territory, with gunfire, explosions, and aerial combat across the country, focusing on the capital of Kyiv and other urban centers including Kharkiv, Kherson, and Mariupol.

When fighting broke out, US officials offered to evacuate the Ukrainian government. President Volodymyr Zelensky, however, refused, famously saying "The fight is here; I need ammunition, not a ride" and vowing to defend his country to the bitter end. Few expected Zelensky, a former actor and comedian, to become the wartime leader and "man of the people" Ukrainians need at this, their most desperate hour. Indeed, Zelensky has maintained an important daily social media presence to rally Ukrainian citizens to the cause, to win support in Western capitals, and to neutralize Russia's effort to undermine the Ukrainian military's morale and induce surrender (*Photo 1*). The US, its NATO allies, and other Western-oriented countries such as Japan, Australia, and New Zealand, are supporting Ukraine's resistance against Russia's aggression in their own ways. This support includes the delivery of potent arms and other military equipment, actionable intelligence for Ukraine's war-fighting effort, and of course humanitarian aid. As of mid-May, for example, the United States has provided approximately \$4 billion in military aid to Ukraine to include Stinger shoulder-fired anti-aircraft missiles, Javelin anti-tank missiles, Switchblade drones, heavy artillery with precision-guided shells, and other small arms and ammunition designed to tip the military balance against the Russian invaders. Other Western measures are aimed at hurting Russia's war-making effort by cutting off trade with key sectors and/or imposing sanctions against key Russian entities, leaders, and oligarchs.

Given Putin's sizable investment in expanding Russia's military power over the past 20 years and his relatively easy military

successes in Georgia, Syria, and the seizure of the Crimean Peninsula from Ukraine in 2014, many believed that Kyiv would fall in days and that Russia would install a pro-Russian puppet government. Instead, invading Russian forces quickly became bogged down on Ukrainian roads, making them easy targets for Ukrainian attacks. During the first six weeks of the war, the Russian military suffered relatively high casualties and the loss of many tanks, planes, and other military equipment. On April 14, the *Moskva*, the flagship of the Russian Black Sea fleet, sank under questionable circumstances. Ukrainian officials claimed their forces hit the *Moskva* with two R-360 Neptune anti-ship missiles. Russian sources said the ship sank in stormy seas following a fire of unspecified origin. Whatever the true cause, the *Moskva* was the largest Russian warship lost during wartime since 1945 and the first Russian flagship sunk since the 1904-1905 Russo-Japanese War.

Things have gone so poorly for Russia that by early April, Putin redirected Russian forces to concentrate their efforts in eastern Ukraine with the limited aim of expanding Russian control over the Donbas region and Ukraine's coastal regions. On May 2 a British defense intelligence briefing noted that since the invasion began, Russia had committed approximately 65% of its entire ground combat strength, noting "it is likely that more than a quarter of these units have now been rendered combat ineffective." Besides Ukrainian men of age being called up for military duty, Ukrainian civilians have been organized into guerilla units, armed with small munitions and

Photo 1: The Presidential Office of Ukraine at [www.president.gov.ua](http://www.president.gov.ua).



Despite the long odds, Ukrainian President Volodymyr Zelensky has become the wartime leader who has stood up to Vladimir Putin and his Russian imperial recklessness.

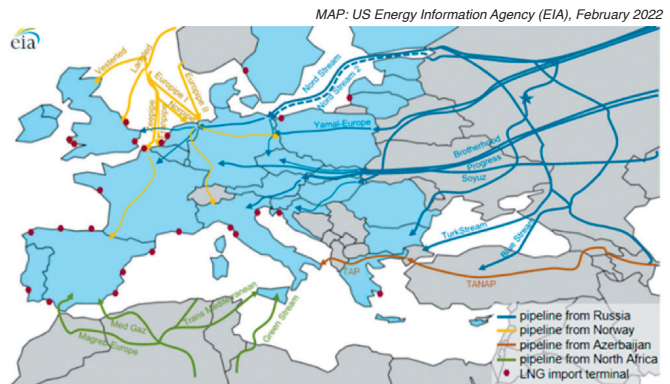
home-made Molotov cocktails to complement the Ukrainian military's conventional forces against the Russian invaders. As of mid-May, both sides appeared to be settling in for a long, drawn-out, and costly war of attrition.

Russia's resurgence and its return to relevance covered in previous issues of *Japan SPOTLIGHT* (July/Aug. 2014 and March/April 2017) has now finally given way to recklessness. Russian aggression against its neighbor has whipsawed the international order and the underlying global economic system. Nowhere has the war in Ukraine had both an immediate, yet long-lasting, effect than in the flow of global energy between Russia and the West. While it is still too early to understand the full effects and long-term ramifications of Russia's recent actions, it is apparent the world has entered a new era – starting with the abrupt redirection of Russian energy flows away from Europe and the abandonment of Europe's post-Cold War dependence on Russia for a major share of its energy imports.

### European Energy Dependence on Russia

Blessed with enormous size and abundant natural resources, Russia in recent decades has built up its economy on the export of oil, natural gas, and other minerals. At the same time Europe, led by Germany, relied increasingly on Russian energy to fuel Europe's economy. From 1998 until 2005, German Chancellor Gerhard Schroeder headed a Social Democrat-Green Party coalition that initiated Germany's phase-out of nuclear power and promoted alternative sources of clean and renewable energy. As part of this effort, Schroeder developed a personal friendship with Putin and sought to form a Russo-German "strategic partnership" for the 21st century based on imports of Russian energy in exchange for access to the Russian market for German goods and services (*Photo 2*).

Schroeder endorsed a plan to link the two countries with the then-planned natural gas pipeline between Vyborg, Russia and Greifswald, Germany running under the Baltic Sea. Built by Nord Stream AG – a consortium headed by the Russian majority state-owned company Gazprom, the new pipeline was developed to circumvent transit fees



*The growth and development of natural gas pipelines increased Europe's dependence on foreign sources of energy, particularly from Russia.*

of existing land-based pipelines charged by Central and Eastern European countries such as Poland, the Czech Republic, Slovakia, and notably, Ukraine. Indeed, near the end of Schroeder's chancellorship, the German government backed Gazprom's investment in Nord Stream up to 1 billion euros. Less than a week after transferring power to Angela Merkel in November 2005, Schroeder joined the board of Nord Stream, drawing widespread criticism for his apparent conflict of interest. Nevertheless, the Nord Stream 1 pipeline was built and has delivered up to 55 billion cubic meters (Bcm) of Russian natural gas per year to Germany since 2011. A second pipeline, Nord Stream 2, which would have doubled the amount of Russian natural gas headed to Germany to 110 Bcm, was supposed to begin operations this year (*Map*).

While Schroeder's policies may have secured Germany's economic leadership of Europe in the early 2000s, they also created a dependency on Russian energy for Germany and much of the rest of the European Union. According to a US Energy Information Administration (EIA) report from February 2022, "Imports of natural gas by both pipeline and as liquefied natural gas (LNG) provided more than 80% of the supply of natural gas to the countries of the European Union (EU-27) and the United Kingdom (UK) in 2020, up from 65% a decade earlier." Of that total amount, the EIA report continued, "Pipeline imports originating in Russia – the largest supplier in the region – grew from about 11 billion cubic feet per day (Bcf/d) in 2010 to more than 13 Bcf/d in 2020 (a low consumption year due to COVID-19 related impacts)."

However, as one Atlantic Council report recently noted, even after Russia's seizure of the Crimea in 2014, Russian natural gas exports to Europe rose from 30% to 45% of total imports (and 50% for Germany) in February 2022 when Russia launched its full-scale invasion. As the report's author Alan Riley observed, the situation was "underpinned by the principle of mutual interest; Russia needed to sell gas, and Europe needed to buy it." In addition to becoming a key supplier of natural gas to Europe, Russia has developed into the world's second-largest producer of crude oil. In 2021, it pumped 10.8 million barrels per day (mb/d) or 10% of total global oil output. EU countries imported 25% of their crude oil supplies from Russia that year.



*The Russo-German "strategic partnership" based on the close friendship between Putin and German Chancellor Gerhard Schroeder made Europe's largest economy dependent on Russian energy imports.*

## Europe's Response to Putin's Reckless War

Given Europe's strong dependence on Russian energy and the reality of record high European natural gas prices, Putin gambled that Europe would not sacrifice its own energy security to support Ukraine. After all, previous Russian actions against Georgia in 2008 and Ukraine in 2014 had not caused Europe to question its energy relationship with Russia. Part of the reason why Putin chose to invade Ukraine at this time may lie in the departure of German Chancellor Merkel, whose 16 years in office saw her guide Germany and Europe through several major crises. These included the 2008 financial crisis, Greece's near departure from the Eurozone, the European migrant crisis of 2015, and the Brexit negotiations with the UK. The change of leadership in Berlin marked a transition from someone who was frequently called the *de facto* leader of the EU to Merkel's untested successor, Olaf Scholz. Indeed, the SPD leader who came to power in December 2021 brought with him a coalition of Greens and Free Democrats in a political arrangement that seemed even more leftist and domestically oriented than Schroeder's coalition government of more than 20 years earlier.

Instead, Putin's dubious claims against Ukraine and his willingness to start the largest war on the European continent since World War II have unified Western leaders in a way not seen since the darkest days of the Cold War. Moreover, the steady stream of reports of Russian military atrocities against Ukrainian civilians in Bucha, Mariupol, and elsewhere has only intensified European and US resolve to constrict relations with Russia – energy, financial, and otherwise. As of May 6, 2022, more than 5.8 million Ukrainians have fled the country, most of whom have entered Poland, Romania, Hungary, and Slovakia, further alienating Russia from Europe.

The process of breaking Europe's dependency on Russian energy has already begun. Russia's invasion has compelled Europe and the US to prioritize energy security imperatives due to the newfound need to diminish and ultimately eliminate European dependence on Russian sources of fossil energy. As a first step, Scholz announced on Feb. 22 that his government had suspended certification of the Nord Stream 2 gas pipeline which was scheduled to begin delivering Russian natural gas later this year. Underscoring the seriousness of Putin's miscalculation, Scholz highlighted: "Now it's up to the international community to react to this one-sided, incomprehensible, and unjustified action by the Russian president," adding that it was necessary to "send a clear signal to Moscow that such actions won't remain without consequences" (*Photo 3*).

On March 8, the European Commission (EC) announced plans to cut EU imports of Russian natural gas by two-thirds by the end of 2022 and eliminate imports of Russian gas entirely by 2030. EC President Ursula von der Leyen stated, "We must become independent from Russian oil, coal, and gas. We simply cannot rely on a supplier who explicitly threatens us." The EC plan aims to eliminate the bloc's energy ties to Russia over the coming years, to include all its natural gas, oil, and coal imports. The EC aims to accomplish this goal by deploying additional sources of renewable



Photo 3: Bundesregierung/ Kugler

*Chancellor Olaf Scholz and President Joe Biden meet at the White House on April 11, 2022. Close coordination between the US and Europe, especially Germany, has been critical to the West's response to the Russian invasion of Ukraine.*

energy, biofuels, and hydrogen; accessing new gas supplies by increasing LNG and pipeline imports from non-Russian suppliers; reducing the use of fossil fuels; increasing energy efficiency; and addressing energy infrastructure bottlenecks.

Europe has been closely coordinating with other Western allies in targeting Russia's energy sector. President Joe Biden signed an Executive Order on March 8 banning US imports of Russian crude oil, refined petroleum products, LNG, and coal. The US imported 672,000 barrels per day (b/d) of total crude oil and refined petroleum products from Russia in 2021, accounting for only 3% of US crude oil imports that year. Russia has not delivered LNG to the US since 2019.

The UK and Canada also announced bans on imports of Russian oil. On Feb. 28, the Canadian government banned imports of Russian oil and petroleum products even though Canada was not importing any Russian crude at the time. On March 8, the UK government also announced its intention to phase out imports of Russian oil by the end of 2022. In 2021, the UK received 8% of its oil from Russia. The UK also imports about 3% of its natural gas supplies from Russia.

Beyond these closely coordinated actions, on March 25 Biden and von der Leyen announced a joint US-European Task Force to safeguard Europe's energy security ahead of the winters of 2022-2023 and 2023-2024 while also "supporting the EU's goal to end its dependence on Russian fossil fuels". Dovetailing with the March 8 EC plan, the task force has two primary goals of diversifying Europe's sources of LNG supplies in alignment with its climate policy objectives and reducing Europe's demand for natural gas. Biden also committed the US to "ensure additional LNG volumes for the EU market of at least 15 Bcm in 2022, with expected increases going forward". The EC agreed to "work with EU Member States toward the goal of ensuring, until at least 2030, demand for approximately 50 Bcm/year of additional US LNG that is consistent with our [EU] shared net-zero [GHG emission] goals...[which] will be done on the understanding that prices should reflect long-term market fundamentals and stability of supply and demand."



## The Ties that Bind

To say that Russia is a petrostate strongly tied to Europe would be to state the obvious. In 2021, Russia's total global exports reached \$489.8 billion, over 49% of which were exports of oil and natural gas. Crude oil accounted for \$110.2 billion, oil products for \$68.7 billion, pipeline natural gas for \$54.2 billion and LNG \$7.6 billion, according to Russia's central bank. Russia's Ministry of Finance reported that oil and gas revenues amounted to 9.1 trillion rubles (or \$119 billion) in 2021. In October 2021 alone, revenues were 1.1 trillion rubles (almost \$15.5 billion), or about \$500 million per day.

According to the European Statistical Office, Eurostat, Russia represented the fifth-largest market for EU exports (amounting to 89.3 billion euro) in 2021, while Russia was the third-largest exporter to the EU (158.5 billion euro), meaning the EU ran a 69.2 billion euro trade deficit with Russia. Energy was of course the most imported Russian product for the EU in 2021 representing 62% of EU imports from Russia (or 99 billion euro), although this was a drop from 2011, when energy accounted for almost 77% of EU imports from Russia.

As Europe tries to reduce its dependence on Russian energy, the Kremlin has started to retaliate against Europe for its support of Ukraine. At first, this largely amounted to bluster. On March 7, Russian Deputy Prime Minister Alexander Novak threatened that Russia could impose a countersanction on the Nord Stream 1 pipeline following Germany's suspension of Nord Stream 2's certification. Novak stated, "We have the full right to make a mirror decision and impose an embargo." Further, he urged Europe and the US to not ban its oil imports. He stated that this would create an unprecedented increase in price, and it would take Europe a year to completely replace the oil it imports from Russia: "The surge in prices would be unpredictable. It would be \$300 per barrel if not more." Russia exports about two-thirds of its oil to the EU.

On March 23, Putin announced that all "unfriendly countries" must pay for their purchases of Russian gas in rubles. He noted that this adjustment will only affect the currency of payment, not the volumes or prices in fixed contracts. Ukraine, all EU members, the US, UK, Japan, and Taiwan are on Russia's list of 48 unfriendly countries. On March 30, the Kremlin clarified that it did not expect gas payments to be paid in rubles immediately, although it also announced that European buyers would require two accounts – one in euros and one in rubles. The Kremlin stated that Gazprombank would conduct the requisite currency conversions. Kremlin spokesman Dmitry Peskov stated that natural gas supplies would not be cut off immediately to buyers who refused to pay in rubles. Peskov explained that this is because "payments for fuel being delivered now aren't due until late April or early May."

The energy security standoff entered a new phase on April 27, when Russia shut off gas supplies to Poland and Bulgaria after each refused to make its payments in rubles. In 2020, Poland had allowed one long-term gas import contract with Gazprom to expire and planned to let a second gas contract expire at the end of 2022. Prior

to the shutoff, Poland had also announced plans to phase out Russian gas imports by the end of this year, while Bulgaria imported 90% of its gas from Russia via the Turk Stream pipeline under a 10-year contract also expiring at the end of 2022.

The leaders of both countries believe Russia's motives had less to do with propping up the value of the ruble and more to do with punishing their countries for supporting Ukraine. Polish Prime Minister Mateusz Morawiecki told Polish legislators on April 26 that he suspects Gazprom shut off supplies due to Poland's support for Ukraine and the imposition of Polish sanctions on Russia. These sanctions targeted 50 Russian oligarchs and their companies, which included Gazprom. Poland is a frontline country that has funneled NATO weapons to Ukraine's military. Poland has also delivered its own tanks to Ukraine, but it resisted US pressure to deliver its Soviet-era combat aircraft to the Ukrainian air force. Referring to Russian actions, Bulgarian Prime Minister Kiril Petkov said his country "will not succumb to such a racket". In December 2021, Bulgaria empowered a new centrist government comprising both pro-Western and pro-Russian politicians. Bulgaria also agreed to host a NATO battle group on its territory following Russia's invasion of Ukraine.

In response to the shutoffs, von der Leyen accused Russia of using natural gas as a tool of geopolitical blackmail: "It comes as no surprise that the Kremlin uses fossil fuels to try to blackmail us." The EC has arranged for neighboring EU countries – organized into ad hoc regional gas supply groups – to deliver gas to Poland and Bulgaria. Although von der Leyen did not provide any details concerning the organization of these groups, she did state that they will mitigate any possible gas disruptions that Poland and Bulgaria might experience due to the shutoff.

Beyond reducing Russian natural gas imports, on May 3 EU ministers considered a proposal to phase out imports of Russian oil by the end of this year. This proposed ban included seaborne and pipeline shipments of crude oil and refined products. Von der Leyen said that this move would "maximize pressure on Russia, while at the same time minimizing collateral damage to us and our partners around the globe".

That said, the EU faced a challenging political task in getting *all* 27 of its members to agree to this major step. On the one hand, Poland's anti-Russian position was expressed by Climate and Environment Minister Anna Moskwa, who called "for immediate sanctions on Russian oil and gas. This is the next, and urgent, and absolute step." On the other, pro-Russian Prime Minister Viktor Orban of Hungary informed the EC on May 5 that his country could not support an EU embargo on Russian oil at this time, explaining that an embargo would undermine Hungarian energy security. Orban also threatened that an embargo would damage European unity: "If the commission insists on the adoption of this proposal, it will have to bear full responsibility for a historical failure in the course of European integration."

The relatively rapid phase-out of Russian crude and petroleum imports will not be easy to achieve. For example, Slovakia and

Hungary rely on Russia for over 75% of their oil consumption. In early June, the EC reached agreement, albeit watered down, to ban all seaborne imports of Russian oil. Notably, Germany and Poland were the main countries agreeing to stop completely the import of crude oil via oil pipelines.

In response to the concerns voiced by Orban and other leaders, the EC granted Hungary, the Czech Republic, and Slovakia temporary exemptions with the ability to continue purchasing Russian oil via the Druzhba pipeline, bringing the ban on all Russian oil imports to 90% by the end of 2022. The EC also dropped a measure preventing EU shipping companies from transporting Russian oil to third countries in response to concerns raised by Greece, Malta, and Cyprus affecting that key sector of their economies.

In any event, the ties that bind Europe to Russia are ones that will not be easily broken – especially with respect to those ties based on their highly developed energy relations.

### Recklessness & Responsibility

During Russia's annual Victory Day parade on May 9 commemorating its victory over Nazi Germany in 1945, Putin portrayed his country as the victim of a Western plot, contending that war was forced upon Russia. "NATO countries did not want to listen to us," he claimed. "They had different plans, and we saw it. They were planning an invasion into our historic lands, including Crimea. There was a threat that was growing day by day. We had to do something, we had to do something, and we did it – it was the only right solution we could take... It was a threat we couldn't accept, it was a threat directly to our border. Everything showed that we are dealing with Nazis and we have to do something about it." (Photo 4)

Putin's reckless war offers no end in sight as casualties mount on both sides and Ukraine's major cities become little more than military targets. Daily reports from Ukraine – of Russian soldiers attacking the Azovstal steel plant in Mariupol, trapping civilians for weeks; of Russian missiles launched into occupied apartment buildings in cities throughout the country; and of satellite images confirming the

presence of mass graves in Bucha – have finally compelled much of the developed world to confront Putin's imperial ambitions. Biden has characterized Putin as "a war criminal" who "should be held accountable", stating that Russia's recent actions have amounted to genocide of the Ukrainian people. Indeed, Putin's war has undermined Russia's relationship with the West so much that even historically neutral Finland and Sweden have applied for NATO membership – a scenario that was unthinkable only a few months ago.

Given the massive destruction Russia has already inflicted upon Ukraine and Putin's commitment to achieve Russia's war aims, there is little expectation that the world will return to the *status quo ante bellum*. The war may end some day with either Putin's removal from power or Ukraine's complete destruction, assuming both sides fail to negotiate an end to the fighting. Until then, however, too much is at stake for both sides to cease hostilities – thus this war will likely continue its destructive path for the foreseeable future. In a strong signal that the US will back its partner in Kyiv for the long haul, Congress approved more than \$40 billion in new military aid and humanitarian assistance on May 19.

In at least one major sense, however, Putin has already lost the war he started. His unprovoked attack has called into question Russia's status as a major global energy supplier in the medium and long term. The US and its European allies have organized an unprecedented "maximum pressure" campaign that strikes at the main sources of Russia's revenue. While the energy-rich US redirects its own oil and gas flows to Europe in the coming months and years, it will be up to Europe to strengthen its energy security by diminishing its dependency on Russia. This will be neither easy nor quick. Moreover, the German government will have to play a strong leadership role and set an example by investing more in domestic production, perhaps even reversing its current phase-out of nuclear power.

Having said that, it is possible for Europe to break Russia's grip on its energy security. On April 2, the Lithuanian government announced that it had ended imports of Russian gas, becoming the first EU member to wean itself off Russian gas supplies. As recently as 2021, Lithuania had relied on Russian natural gas for 26% of its daily consumption. Latvia and Estonia have also since announced the complete termination of Russian gas imports. While this may provide Europeans with some cause for optimism, the larger energy consuming European economies such as Germany, Italy, and Austria that are currently dependent on Russian fossil fuels face relatively more difficult and expensive transitions ahead. This may be cold comfort for Ukraine at this dire moment, but as the ancient Greek historian Thucydides famously observed, "The strong do what they will; the weak suffer what they must."

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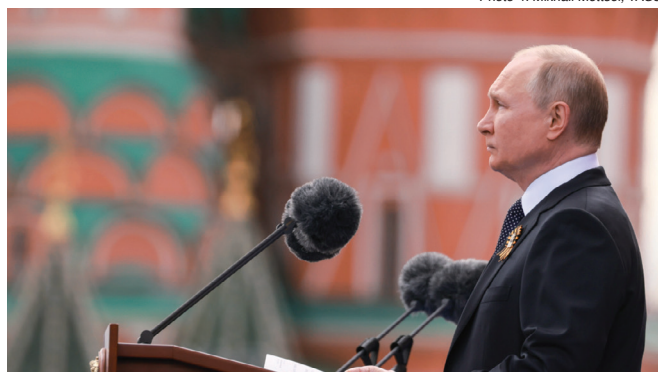


Photo 4: Mikhail Mettsel, TASS

On May 9, 2022, Putin addressed a military parade in Red Square in Moscow to mark the defeat of Nazi Germany. Putin strongly criticized Western countries and praised the Russian soldiers fighting in Ukraine.

Dr. Constantine A. Pagedas is executive vice president and COO at International Technology and Trade Associates, Inc. (ITTA), a consulting company based in Washington, DC.