

Russia is finished as a major energy power

WASHINGTON/KYIV — Russia looms large in world energy markets. It supplies 40 per cent of the gas consumed in the European Union, and this is a particularly important economic issue for Germany, Italy, and Austria. But Russia's global energy footprint is largely about oil. It is the second-largest exporter of crude, behind only Saudi Arabia, averaging about five million barrels per day. Russia also exports some 2.85 million barrels of refined products, such as diesel and aviation fuel.

These fossil-fuel exports have enabled Russia's invasion of Ukraine and its extreme violence against unarmed civilians and civilian infrastructure. Russian President Vladimir Putin apparently believes that no one can stand up to him because of the naked power that he can exert through energy markets. If the Europeans resist too much, he will cut off their gas. If the rest of the world cuts back on their purchases from Russia, the price of oil will rise, causing economic difficulties everywhere.

But Putin underestimated the horror and fear that his invasion would create, particularly in Europe. Even worse for him, the United States, Europe and their allies have all the tools needed to end Russia's energy leverage. Importers around the world are shunning Russian oil and gas. Europe, certainly, will never again risk its national security on Russian energy imports. Consequently, Russia will soon be finished as a major player in world energy markets.

Putin's war of aggression has killed thousands of civilians and displaced about ten million, including more than four million who have fled the country. With Russian forces repeatedly shelling and firing missiles at civilian areas, 13 million Ukrainians are at risk of bombardment. In Mariupol and elsewhere, Putin's forces have targeted buildings where civilians were sheltering, even where the word "children" was clearly marked or a red cross was painted on the roof. In the eyes of the world, these are war crimes, pure and simple.

Nowhere is the shock and revulsion felt as intensely as in Europe. The entire EU has come together, taking in millions of Ukrainian refugees and seeking to help

Ukraine in as many other ways as possible. Every atrocity committed by Russian forces generates more support for Ukraine among European leaders and publics alike.

Some EU countries are already de facto boycotting Russian oil. According to TankerTrackers.com, in February, Denmark imported just over 7.5 million barrels of crude oil from Russia by ship. But in the first 27 days of March, Denmark imported no Russian crude whatsoever. Sweden, Finland and other countries also reported big declines in Russian crude imported by tanker. And there are increasing signs that Germany and other countries will step up to lead a full and immediate embargo on imports of Russian oil by tanker into the EU.

There is also discussion of paying for Russian gas and pipeline oil into escrow accounts that are effectively frozen, to ensure the euro proceeds cannot be used by Russia to buy weapons anywhere in the world. Putin attempted to get ahead of this development by demanding payment for gas only in rubles, but the EU has rebuffed this as a breach of contract. Germany and Austria are preparing to ration the use of gas.

Putin and some energy traders apparently think that it will be easy for Russia to switch from European oil deliveries to Asian markets. But they seem to have forgotten a key lesson of the Iran oil sanctions. Should the US, the EU, the United Kingdom, and Norway implement sanctions that prohibit all forms of maritime insurance for tankers carrying Russian oil and refined products, most of the world's tanker fleets would withdraw from the Russian market.

The Russians have their own tankers, of course, but their fleet is too small to move more than about one million barrels per day, particularly because a lot of the crude would need to be hauled from Murmansk, the Baltic Sea, or the Black Sea all the way to Asia. Some renegade operators may attempt to enter the business, but these activities would be tracked carefully, and ship owners, charterers, and captains would most likely face personal US and EU sanctions. Ukraine has already indicated it will pursue all possible remedies against anyone complicit in the financing of war crimes.

Once the world adjusts to living with much less Russian energy, there will be no going back. No European in their right mind wants nuclear-armed Russia to have the free cash flow that its hydrocarbon exports currently provide, because that

money will allow Putin (or his successors) to rearm and become even more aggressive, perhaps attacking NATO countries next time. There is no such thing as “cheap” Russian oil and gas.

Russian fossil fuels are funding an awful war. The killing must stop. And the world must learn to live without Russian energy products.

Simon Johnson, a former chief economist at the International Monetary Fund, is a professor at MIT’s Sloan School of Management and a co-chair of the COVID-19 Policy Alliance. Oleg Ustenko has been economic adviser to Ukrainian President Volodymyr Zelensky since May 2019. Copyright: Project Syndicate, 2022.

Source:

<http://jordantimes.com/opinion/simon-johnson-and-oleg-ustenko/russia-finished-major-energy-power>

[Disclaimer]