

Russia's attempt to strong-arm EU on gas could backfire

Europe Letter: Hardball Kremlin tactics could again serve to unify western countries.

The timing of Moscow's move to cut gas to Bulgaria and Poland was telling. It came just as the European Union approached a breakthrough on sanctioning Russian oil imports.

Just hours earlier the Polish and German governments had jointly announced a deal to co-operate on oil supplies that would allow Russian imports to be supplanted.

Vice-chancellor Robert Habeck said Germany was "very, very close" to ridding itself of Russian oil entirely, a turnaround from just a week earlier when his government was ruling this out as impossible.

The plan involves unpicking Europe's tangle of pipelines to link up an alternative supply to the last refinery that imports Russian crude oil in Germany: the PCK refinery in Schwedt, which supplies Berlin and the country's east.

Instead of receiving oil straight from the Russian heartlands through the Druzhba pipeline, PCK would instead get supplies via the Polish port of Gdansk and the German Baltic port of Rostock, linked by another pipeline.

A problem: the PCK refinery is owned by Russian state-controlled energy company Rosneft. They "won't even pick up the phone" to requests to make the switch, Habeck said on Wednesday.

Germany coming on board would be a breakthrough for EU efforts to embargo Russian oil imports, which are worth even more than gas

The solution is therefore that Rosneft would become "no longer the operator of the refinery", Habeck said. How? German media has reported that Berlin is prepared, where necessary, to nationalise such infrastructure.

It appears that Moscow did not like this prospect, and has reacted with punishment for Warsaw and a warning to Berlin, while seizing the initiative and

unleashing fresh volatility on to the energy markets to stoke cost-of-living fears. It reminds Germany of Russia's leverage: that it can damage Germany's industrial sector at will by cutting the gas.

It's also an attempt to strong-arm EU countries into paying for gas in roubles, forcing them to undermine their own sanctions and support Russia's currency. Gazprom's rationale for the move was that Bulgaria and Poland did not comply with this demand.

Is there division in the ranks?

Rouble accounts

A source close to Gazprom told Bloomberg that four European buyers had already paid in roubles and 10 had opened rouble accounts in preparation, fuelling fevered speculation about which countries were willing to comply. Senior Polish politician Donald Tusk tweeted rumours that Austria, Germany and Hungary were among the culprits.

This was denied by Austrian chancellor Karl Nehammer, who suggested it was "Russian propaganda fake news", briefed deliberately to sow division. "Austria is sticking to the jointly agreed EU sanctions down to every dot and comma," he wrote.

Division is a years-long Kremlin strategy. Moscow has repeatedly cut or threatened the gas supplies of smaller countries while leaving others untouched in recent decades, a way of demonstrating the costs of defiance and rewards of compliance.

It's possible that this time the tactic may backfire. Repeatedly during this war, hardball tactics from Moscow have served to unify western countries and achieve the opposite of the intended response, such as with the dark threats of "consequences" that have driven Finland and Sweden further towards joining Nato.

This demonstration that Russian energy cannot be relied upon is firming up once-vague aspirations to reduce dependency.

Two-way costs

In Poland's case, the move has accelerated an existing plan of the Warsaw

government to stop Russian gas imports this year. Poland already opened a liquefied natural gas terminal as part of efforts to reduce dependency, and a new pipeline to Norway is due to open this autumn. The government has said its existing stocks are sufficient to last until then.

Bulgaria is more vulnerable as it relies on Russia for 90 per cent of its gas, a dependency locked in through years of questionable energy infrastructure deals.

But its new coalition government had also already announced plans to end Russian gas imports by next year, helped by a gas connection with Greece that is set to receive supplies from Azerbaijan after July.

Remember: the costs imposed by this sudden upheaval to decades of mutually beneficial energy arrangements are not one-way.

Source:

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