Session A:
Politics and Economics of Gas Export Projects

Russian Gas:
Across Belarus to Poland & Germany

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The Belarus Connector

Map of gas fields and countries in the region.
The Key Players and Their Interests

• Russia and Gazprom
  – Boost export volumes
  – Direct access to German Market
    • Bypass Ruhrgas; gain higher margins
  – Internal turmoil in early 1990s

• Belarus

• Poland

• Germany
  – No “German” interest
  – Wintershall (BASF): break the German gas monopoly

How well did they do?
Soviet and Russian Gas Exports

FSU: Natural Gas Production, Export, Import and Consumption

Gas Consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>Production for internal use</th>
<th>Import</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>10.4</td>
<td></td>
<td></td>
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<tr>
<td>1960</td>
<td>47</td>
<td></td>
<td></td>
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<tr>
<td>1965</td>
<td>129.3</td>
<td></td>
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<tr>
<td>1970</td>
<td>187</td>
<td></td>
<td></td>
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<tr>
<td>1975</td>
<td>270</td>
<td></td>
<td></td>
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<tr>
<td>1980</td>
<td>371</td>
<td></td>
<td></td>
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<tr>
<td>1985</td>
<td>544</td>
<td></td>
<td></td>
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<tr>
<td>1991</td>
<td>666</td>
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<td></td>
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<tr>
<td>2001</td>
<td>553</td>
<td></td>
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</tbody>
</table>

Billion Cubic Meters


1960 1980 2000

Billion Cubic Meters

0 10 20 30 40 50 60 70 80 90 100 110 120 130 140

0 20 40 60 80 100 120 140

-200 -100 0 100 200 300 400 500 600 700 800 900 1000 1100 1200

Import
Export
Production for internal use
Gazprom and the German Market

- Minimal Impact on margins
- Volumes higher, but along baseline
- Accelerated gas-on-gas competition and opening of German gas market
- All told, a disaster for Gazprom?
- Story still unfolding
  - Gazprom’s downstream holdings
German Market and Wintershall

- Eroded Ruhrgas margins
- Wintershall has ~15% share today, up from ~zero in 1990
- German (large) consumer a winner
Transit countries

- Poland
  - The problem of demand
- Belarus and Ukraine
  - Reversal of roles
Poland: Gas Struggles for Share
Direct Exports and Bypass

Map showing direct exports and bypass routes through various cities and countries, including Moscow, Yamburg, and other locations in Europe and Asia. The map also highlights gas fields and the Caspian and Black Seas.
Implications for Geopolitics

• Primary of Geoeconomics
  – Estimation of demand
    • Poland; Turkey

• Transit Country Problem
  – Ephemeral and overstated?
  – Contestability of routes and markets

• Security of Supply: Russia the reliable supplier?
Backup Slides follow
1970, 3.4 Billion Cubic Meters
- Poland
- Austria
- Czechoslovakia

1975, 19.3 Billion Cubic Meters
- Poland
- Austria
- Italy
- Others

1980, 57.6 Billion Cubic Meters
- Poland
- Austria
- Italy
- Germany

1991, 105.2 Billion Cubic Meters
- Poland
- Austria
- Italy
- Czechoslovakia
- Germany
- France

2001, 131.06 Billion Cubic Meters
- Turkey
- Poland
- Germany
- France
- Italy
- Others

Key:
- Austria
- Bulgaria
- Croatia
- Czech Republic
- Finland
- France
- Germany
- Greece
- Hungary
- Iran
- Italy
- Netherlands
- Others
- Poland
- Romania
- Slovakia
- Turkey