

The Geopolitics of Energy & Terrorism

Part 1

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Introduction

The following chapters are independent essays that were written between July 2015 and February 2016. They appear in random order, and therefore they do not have to be read in the order they appear.

The issue in all the essays is the connection between the energy policies of various countries, their foreign policies, and the wars that brake out at various parts of the globe, since all three are closely related. I describe many economic interests and many alliances in my essays. But alliances change and so do economic interest. Therefore what is more important for the reader is to have an idea of the global resources i.e. oil and natural gas in my essays, because global resources change at a much lower pace than economic interests and economic alliances.

The alliances and conflicts I describe in my essays might not exist in the near future, but if you have an idea of the global resources you will be able to see the alliances and the economic interests that will exist in the future.

I.A.

18.2.2016

Gazprom VS NATO : The War for Europe

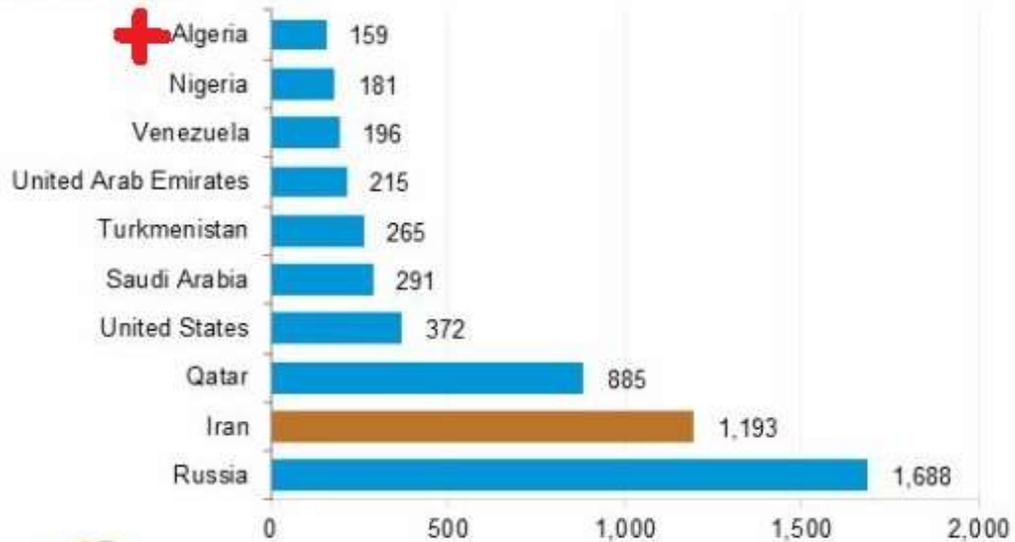
Most of the revenues of the Russian government come from oil exports. However it is natural gas exports that Putin has used as the main weapon of his foreign policy. Natural gas is a lot more potent from a geopolitical point of view, because it involves expensive pipeline networks which create geopolitical addictions and long term partnerships, which cannot be easily broken. Moreover the price of natural gas is not determined internationally, as it is the case with oil. The price of natural gas is negotiated between the buyer and the seller, and the seller can sell at lower prices to reward a friendly government, or sell at higher prices to penalize an unfriendly government. That's exactly what Russia is doing.

Putin's plan was relatively simple. Russia is Europe's largest natural gas supplier, with Norway and Algeria being the second and third largest suppliers of Europe. Norway is one of the largest natural gas producers, but her natural gas reserves are peanuts when compared to the Russian ones, and therefore Norway cannot threaten Gazprom's future. Algeria on the other hand is one of the richest countries in the world in terms of natural gas reserves, as you can see at the following table of Energy Information Administration.

Picture 1

Largest proved reserve holders of natural gas, January 2014

trillion cubic feet



Source: Oil & Gas Journal

Iran's natural gas infrastructure

Algeria is one of the richest countries in the world in terms of shale gas too, as you can see on the next energy information administration too.

Picture 2

Table 2. Top 10 countries with technically recoverable shale oil resources

Rank	Country	Shale oil (billion barrels)	
1	Russia	75	
2	U.S. ¹	58	(48)
3	China	32	
4	Argentina	27	
5	Libya	26	
6	Australia	18	
7	Venezuela	13	
8	Mexico	13	
9	Pakistan	9	
10	Canada	9	
World Total		345	(335)

¹ EIA estimates used for ranking order. ARI estimates in parentheses.

Table 3. Top 10 countries with technically recoverable shale gas resources

Rank	Country	Shale gas (trillion cubic feet)	
1	China	1,115	
2	Argentina	802	
3	 Algeria	707	
4	U.S. ¹	665	(1,161)
5	Canada	573	
6	Mexico	545	
7	Australia	437	
8	South Africa	390	
9	Russia	285	
10	Brazil	245	
World Total		7,299	(7,795)

¹ EIA estimates used for ranking order. ARI estimates in parentheses.

<http://www.eia.gov/todayinenergy/detail.cfm?id=14431>

Algeria is already connected to Europe with three pipeline networks. The first one runs through Morocco and Spain (Maghreb-Europe Pipeline), the second runs through the Mediterranean Sea and Spain (Medgaz Pipeline), and the third one runs through Tunisia and Italy (Trans-Mediterranean Pipeline). You can see these networks at the following map.

Picture 3



https://upload.wikimedia.org/wikipedia/commons/a/a9/Algeria_pipelines_map.jpg

Moreover Algeria, Nigeria and Niger agreed on the construction of the Trans-Saharan pipeline, which will send Nigeria's natural gas to Europe through Algeria. That is if the pipeline manages to pass Boko Haram, the Islamist organization which operates in the area, and has been aligned with ISIS. It is Turkey and Qatar which have significant influence over ISIS, but

it is also in the interest of Russia, Iran and the Arabs to block Nigeria's gas before it reaches Europe.

Picture 4



In 2006 Putin did something very simple. He tried to make sure that Gazprom acquired a stake in the Algerian gas company Sonatrach. Gazprom is the only company which can export Russian natural gas, and Sonatrach, is the only company which can export Algerian natural gas. Therefore if Russia acquired a portion of Sonatrach, Russia would control the European gas supplies from the south too. Libya is rich in oil but not in natural gas.

Picture 5



Algeria is an Arab country that was under Ottoman occupation from 1516 to 1831. In 1831 France took control of Algeria, and Algeria remained a French colony till 1962, when the Algerian socialists, with the help of the Soviet Union of course, managed to beat the French and declare independence, as you can read at the following Wikipedia article, titled “Algeria–Russia relations”.

2nd Paragraph

Throughout the Algerian War of Independence, the Soviet Union had been providing military, technical and material assistance to Algeria. The USSR was the first country in the world to de facto recognize the Provisional Government of the Algerian Republic in October 1960, and then de jure on March 23, 1962, by establishing diplomatic relations with this country (a few months before the official proclamation of its independence).

https://en.wikipedia.org/wiki/Algeria%E2%80%93Russia_relations

The Algerian socialists introduced a socialist dictatorship, and nobody threatened them until the 1990s. When the Soviet Union, which was Algeria's main arms supplier, collapsed in the 90's, the Arabs of the Persian Gulf grabbed the chance to support the Algerian islamists against the Algerian socialists. A bloody civil war followed, with over 100.000 dead Algerians. However the islamists did not manage to beat the socialists. Even when the Arab Spring broke out in 2011, the Algerian socialists managed to beat the Algerian islamists, as you can read at the following Foreign Affairs magazine, titled "The Algeria Alternative", April 2015. Today, Algeria's president is the socialist Ibdelaziz Buteflika, who has been in office since 1999.

1st Paragraph

The upheavals of the Arab Spring seemed to pass one country by: Algeria. To its east, Libya collapsed into civil war, and Tunisia suffered an upsurge of terrorism that imperiled its democratic transition and economic recovery. To the south, Mali is holding together, if barely, thanks to a French-led stabilization force. But all the while, Algeria has remained a reliable bulwark—if also something of a riddle.

9th Paragraph

For one, although Algeria strongly discourages other states from using force, especially across borders, it has readily used its powerful military at home. In 2013, the Algerian army swiftly ended the terrorist standoff on the In Amenas gas facility, freeing more than 700 hostages, including more than 100 foreigners. The government also deployed ground forces to almost entirely wipe out the extremist group Jund al-Khilafa, which is allied with the Islamic State (also called ISIS). The terrorist organization announced its existence in September 2014; by December, the army had decimated it and killed its key leaders.

<https://www.foreignaffairs.com/articles/africa/2015-04-15/algeria-alternative>

Before the collapse of the Soviet Union, the relationship between Russia and Algeria was relatively simple. Russia supplied Algeria with arms. The two countries were not competitors, because Russia did not sell oil or natural gas to NATO countries. At least she was not selling much. On the contrary, Algeria could not find better clients from the European countries.

But today things are different. Russia is the largest and Algeria the third largest suppliers of natural gas to Europe. If the Trans-Saharan pipeline is constructed, things can become even worse for Russia. That's why Russia tried to buy a stake in Sonatrach in 2006. As you can read at the following Stratfor article, titled "Algeria, Russia: Europe's Natural Gas Dilemma" August 2006, in 2006 Russia wrote off a 5 billion debt from Algeria, which referred to the purchase of Russian arms, in exchange for closer cooperation in the energy sector. Gazprom and Sonatrach did indeed cooperate in the energy sector.

Stratfor mentions that the Italian Minister of Energy was very worried at the time, and that he informed the European Union that the agreement between Gazprom and Sonatrach could increase Europe's dependence on a small group of countries. According to Stratfor, if Russia and Algeria managed to seal a deal, and they managed to bring Norway on board, the European countries would have no alternative but paying higher prices for their natural gas. The article also mentions that at the time Italy was buying 69% of her gas from Gazprom and Sonatrach.

1st, 2nd, 3rd and 4th Paragraphs

A deal between Russia's Gazprom and Algeria's Sonatrach will increase Europe's dependence on natural gas supplies from a limited number of countries, Italian Energy Minister Pier Luigi Bersani said Aug. 9. Gazprom and Sonatrach signed a memorandum of understanding Aug. 4 on closer cooperation. Out of the many possible projects Russia and Algeria could be looking at — liquefied natural gas, pipeline construction, purchasing assets in a third country or collaborating on natural gas prices — the last is the most likely, leaving much of Europe at the mercy of two of its three largest natural gas suppliers.

A deal between Russia's Gazprom and Algeria's Sonatrach will increase Europe's dependence on natural gas supplies from a limited number of countries, Italian Energy Minister Pier Luigi Bersani said in a letter to EU Energy Commissioner Andris Pieļbāgs on Aug. 9. Gazprom and Sonatrach signed a memorandum of understanding Aug. 4 on closer cooperation.

Out of the many possible projects Russia and Algeria could be considering — liquefied natural gas (LNG), pipeline construction, purchasing assets in a third country or collaborating on natural gas prices — the last option is the most likely. This course would leave much of Europe at the mercy of two of its three largest natural gas suppliers. A relationship between Gazprom and Sonatrach has been in the works since Russian President Vladimir Putin made his first official state visit to Algeria in March, accompanied by a large delegation of defense and energy representatives. During that meeting, Putin wrote off nearly \$5 billion of Algerian debt to Russia, saying trade with Algeria is more beneficial to Russia than debt repayment. At that time, the energy talks between Gazprom and Sonatrach were overshadowed by a \$7.5 billion defense deal between the two countries.

11th Paragraph

If Gazprom and Sonatrach decide to raise natural gas prices jointly, most of Europe will have to live with it — even more so if the two companies can also get Norway in on the move. Jointly raising natural gas prices is much easier than any other collaboration between Gazprom and Sonatrach, since it does not involve sharing technology or building new infrastructure.

12th Paragraph

The Italian energy minister's concerns about the potential for this development derive from the fact that Italy relies for 69 percent of its natural gas on just two companies: Sonatrach (37 percent) and Gazprom (32 percent). Bersani thus said Gazprom-Sonatrach cooperation "confirms the concern already expressed about the effects on (natural) gas supplies to the European system, and on Italy in particular, derived from the dependence on imports from a limited number of supplying countries, which is expected to worsen in the coming years." A collaborative price increase would also hit at the worst time — the onset of winter.

<https://www.stratfor.com/analysis/algeria-russia-europes-natural-gas-dilemma>

As you can read at the following article of New Europe, titled “EU to Monitor Gazprom Sonatrach Cooperation”, January 2007, the European Commissioner on energy issues, Andris Piebalgs, said that the European Union would closely monitor Sonatrach’s cooperation with Gazprom. I guess that what his statement really meant, was that if Gazprom and Sonatrach reduced production to increase prices, the European Union would retaliate.

1st and 2nd Paragraph

European Union Energy Commissioner Andris Piebalgs said in Davos, Switzerland, that he favours market forces of supply and demand setting the oil price. "I am happy with the oil price with the growth rates we have in the world," he said.

Piebalgs also said he will monitor closely the links between Russian gas behemoth Gazprom and Algerian energy group Sonatrach, according to news reports.

<http://www.neurope.eu/article/eu-monitor-gazprom-sonatrach-cooperation/>

In the end the Algerians did not give Gazprom a share of Sonatrach, even though the two companies have worked together. But the two countries are competitors in the energy markets, and as you can read at the following Al

Monitor article, titled “Algeria buys Russian arms but keeps Moscow at arm's length”, March 2015, Algeria keeps buying arms from Russia, but keeps Russia at a distance.

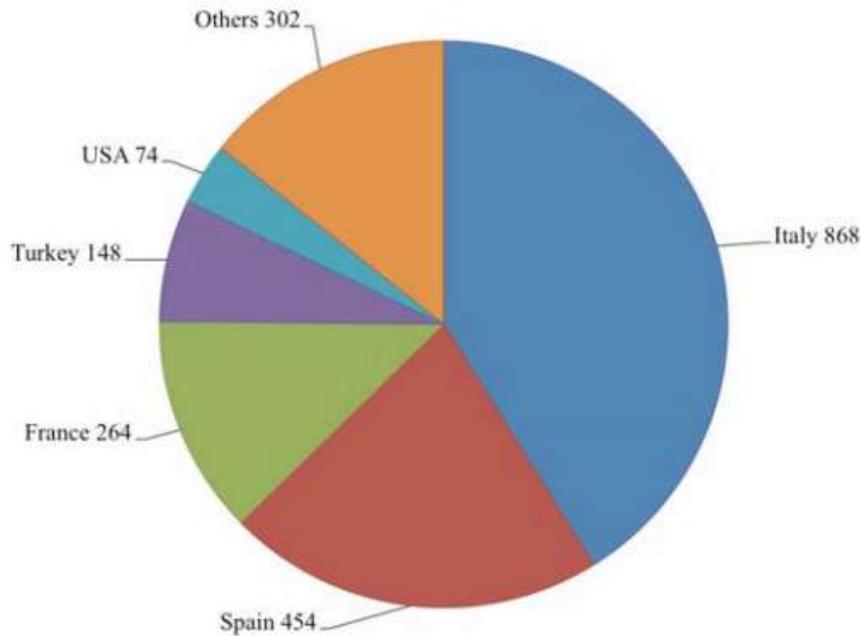
<http://www.al-monitor.com/pulse/originals/2015/03/russia-algeria-weapons-gas-bouteflika-putin.html>

The article mentions that the presidents of Algeria and Russia have not met many times in the last decade, and that Russia was not very happy with Algeria's somewhat neutral stance in Libya, where Russia whole heartedly supported Egypt's military operations against the islamists. I must say that the islamists in Libya are supported by Turkey, Qatar and Iran, and Turkey is one of the largest importers of Algerian gas, as you can see at following pie chart from Harvard's article, titled “The Geopolitics of Natural Gas The Changing Geopolitics of Natural Gas: The Case of Algeria”, November 2013.

Picture 6

Figure 1. Importers of Algerian Natural Gas in 2007

(Billion cubic feet)



Source: International Energy Agency

<http://belfercenter.hks.harvard.edu/files/CES-pub-GeoGasAlgeria-110113.pdf>

Turkey is the 4th largest importer of Algerian gas. Moreover Italy, Spain and France are the three largest importers of Algerian natural gas, and they would not be very happy if Algeria was to follow Russia's hard energy game against the European Union and NATO. Therefore, as I already said, relations between Russia and Algeria will be harder in 21st century, at least when compared with the ones of the 20th century.

The point is that Putin's geostrategy was very simple during the first decade of the 21st century. With the North Stream (Russia-Germany) and the South

Stream (Russia-Bulgaria) pipelines, together with the Russian pipeline networks that run through Ukraine, and the Russian stake in Sonatrach, Russia would encircle Europe, and she would put a lot of pressure on the EU. By giving large stakes to the Germans (North Stream) and the Italians (South Stream and Blue Stream), and also minor stakes to the French, Putin tried to break NATO too.

The only other major danger for Russia was the Southern Energy Corridor, promoted by the EU, the US and Turkey, which is supposed to send natural gas from the Caspian Sea and the Middle East to Europe through Turkey. With the South Stream pipeline in the past, and with Turk Stream now, Putin is trying to absorb demand, in order to eliminate viability of a competing pipeline which will be supported by NATO. Putin managed to create many problems for the EU and NATO, but at a great cost for his country and his people. The war between Gazprom on one side, and NATO and the EU on the other, is not over yet.

Picture 7



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