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# Russia's Pragmatist Approach to Energy Governance: Shifting with the Wind while Maintaining its Ground

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## Abstract

This article analyzes Russia's energy policy in the 21st century to explore its seemingly dual roles in global governance. In the global governance of energy, Russia's strategy demonstrates a balancing act that aims to retain its great power reputation, while integrating it within the rising power initiatives. Russia's foreign policy attempts to accommodate the changes in global energy governance associated with a rise of new actors. In this paper, I will argue that Russia employs a pragmatic position that combines status quo strategy with revisionist elements. I will base this argument on Russia's participation in global and regional intergovernmental organizations designed to deal with the energy sector. The paper contributes to existing work on global governance by demonstrating the ability of a single power to navigate complex energy governance arrangements in pursuit of its objectives. Specifically, it illustrates Russia's ability to assume a dual-role – of a great power and a rising power – simultaneously in the current system of energy governance.

## Keywords

Energy Policy, Global Energy Governance, Intergovernmental Organizations, Power, Russia

## Introduction

Russia can play a prominent role in global energy governance as it is one of the major powers on the energy market. The country is blessed with abundant energy resources. It has around 80 billion barrels of oil reserves and has the largest reserves of natural gas in the world with 1,688 trillion cubic feet based on the data for 2016 (EIA 2016). Russia is one of the largest energy producers in the world. It is the largest producer of crude oil and second-largest producer of natural gas (EIA 2016). Russia is the “largest energy supplier in the world” and is one of the largest energy-exporting nations (Ministry of Energy of the Russian Federation

2010, p. 23). These energy exports place Russia in a dominant position in the global energy trade. Russia's energy exports account for 12 percent of world's oil trade and 25 percent of natural gas trade (Ministry of Energy of the Russian Federation 2010, p. 21). Although Russia is richly endowed in energy resources and is one of the major exporters, it does not guarantee its superior position in global energy governance.

Energy resources figure prominently in Russia's foreign policy. As the former president of the Russian Federation, Dmitry Medvedev, pointedly suggested "[Russia's] future...depends on how active and sustained... [Russia's policy makers are] in the international arena, [and] in the energy cooperation sphere" (Kremlin 2009). Given the centrality of energy in Russia's economy, one begins to wonder what role does the country play in global energy governance? To answer this question, I examine Russia's participation in global and regional organizations that govern energy. I argue that Russia employs a pragmatist position that combines strategy of status quo with revisionist elements. Specifically, I propose that Russia can either support existing intergovernmental organizations or to develop alternative organizations to govern energy.

This paper contributes to the literature on global energy governance by analyzing the flexibility of established energy governance arrangements to respond to changing interests of individual actors. In doing so, I examine the strategies that Russia has adopted to energy governance at the global level. The first section of this article analyzes Russia's position in energy sector considering the changing energy market. The second section draws links between global energy governance and Russia's foreign energy policy. In the third and fourth sections the article investigates Russia's participation in global and regional organizations. Ultimately, the paper demonstrates that in the field of energy governance, Russia has some flexibility in navigating established governance arrangements strategically to attain its goals by adopting a pragmatic approach to global governance.

### **Russia's Position in Global Energy Governance**

Russia appears to be one of the major powers, yet its position in the sphere of global governance is difficult to classify. Scholars have struggled to classify Russia in terms of its global influence. They have classified Russia as a major/great power (Tsygankov 2005; Haass 2008), a rising power (Armijo 2007; Schirm 2012), a re-emerging power (Macfarlane 2006), and a declining power (Umbach 2000). Although these categories serve as a useful analytical tool, they fail to reach a consensus about Russia's standing in global governance. Russia can also be described as a "state in search of itself" that seeks to "remain a power with global interest and global reach" (Mankoff 2009, p 11 and p 29). This description captures Russia's ambiguous role in global governance and foreshadows that Russia can play a dual

role in global energy governance.

In the energy sector, Russia can be considered as a constrained 'superpower'. Scholars analyzing Russia's position in the energy sector, often classify Russia as an "energy superpower" (Balzer 2005; Bozarovski & Bassin 2011). They propose that Russia may use energy as a tool to alter the distribution of power on a global scale and to strengthen Russia's political position (Balzer 2005; Cameron 2010; Bozarovski & Bassin 2011). Russia's leadership acknowledges that Russia is a "major energy power" (Kremlin 2016a). However, this "superpower" status is constrained by economic factors that prevent Russia from using energy as a tool to attain foreign policy objectives (Hurrell, 2006; Hancock 2007; Ortung and Overland 2011).

Since energy resources are finite and require investment to maintain production, Russia's ability to retain the status of "energy superpower" is dependent on the ability of the Russian state to buttress the development of the energy sector (Cameron 2010; Goldthau 2008). Furthermore, Russia's power in the energy sector is constrained by hydrocarbon prices. Scholars have noted that when hydrocarbon prices are high Russia can act as an "energy superpower" (Newnham 2011; Sevastyanov 2008). Ultimately, Russia's ability to act as an "energy superpower" is not feasible in a market space dominated by multiple actors that export energy (Rutland 2006). Russia is thus aware about the importance of integrating within global energy governance to navigate a complex and shifting energy market.

Energy markets are currently undergoing a transition in consumption patterns. Historically, Russia has developed close energy relations with Europe after they became united by a joint pipeline infrastructure in the 1960s. Since then, a complex network of gas and oil pipelines has led to deeper energy integration between Europe and Russia. Europe is the largest consumer of Russia's energy resources. Russia exported approximately 71 percent of its oil and around 90 percent of its gas to Europe in 2015 (EIA 2016). In comparison, Asia and Oceania have received around 29 percent of oil exports and around 10 percent of the natural gas exported from Russia in 2015 (EIA 2016). The numbers indicate a strong connection between Russia's energy sector and the European market. However, the demand for energy is shifting from Europe to Asia. European demand for energy is projected to decline in the future, while Asian demand for oil and gas is projected to grow at a rapid pace (Ministry of Energy of the Russian Federation 2010). The shift in the dynamics of energy demand prompts Russia's energy corporations to integrate into both regions, which are advantageously neighbouring Russia.

To adjust to the shifting dynamics in global demand for energy, *Russia's Energy Strategy 2030* urges Russian energy corporations to diversify Russia's energy partners (Ministry of Energy of the Russian Federation 2010, p 23). Although Eu-

ropean Union will remain the main consumer of Russia's energy, Russia should gradually increase its energy exports to Asia-Pacific to secure markets for its energy exports (Ministry of Energy of the Russian Federation 2010). However, there will not be an abrupt shift in Russia's export destinations as the *Strategy* advises Russia to maintain "stable relations with...traditional consumers of energy resources" and to develop "equally stable relations...[with] new energy markets" (Ministry of Energy of the Russian Federation 2010, pp 21-22).

The *Energy Strategy* forecasts that the Asia-Pacific region will account for 22 to 25 percent of Russian oil exports and 19 to 20 percent of natural gas exports by 2030 (Ministry of Energy of the Russian Federation 2010, p 23). This is commonly referred to as a diversification policy that seeks to expand Russia's energy export markets. Diversification in export destinations should help Russia to cope with the instability on the global energy market, to enhance its position in the energy market, and to ensure its energy security (Ministry of Energy of the Russian Federation 2010, p. 55). Energy security is commonly defined as "the availability of sufficient supplies at affordable prices" for the energy importing countries and as the "security of demand" for the energy-exporting countries (Yergin 2006, pp. 70-71). Energy security stands in the centre of Russia's diversification policy. A diversification in the composition of Russia's export destination will ultimately strengthen Russia's energy security and increase its power in two of the largest regional energy markets – the European Union and the Asia-Pacific.

Ultimately, Russia's energy policy reflects the dependence of the government's budget on the revenue generated by the sale of hydrocarbon resources. In 2015, almost 43 percent of Russia's budget was generated by the hydrocarbon sector (Russian Ministry of Finance 2016). Since Russia's economic development is dependent on export of hydrocarbon resources, the government incorporates energy considerations in foreign policy. To illustrate, Russian policy makers advocated for a reinterpretation of energy security concept that balances interests of the consumers and producers. At a meeting of the G8 energy ministers, Russian president, Vladimir Putin, proposed that energy security should be conceptualized as a "fair distribution of risks" among producers and consumers of energy to ensure energy security (Kremlin 2006a). This vision was adopted by the G8 leaders in Saint Petersburg (G8 2006). This example demonstrates that Russia's participation in global energy governance can serve to advance Russia's interests in the energy sector.

### **Global Energy Governance and Russia's Energy Strategy**

Russian policy makers attach a high degree of importance to Russia's membership and participation in international organizations that govern energy issues. Commenting on Russia's participation in global energy governance, the former

president of the Russian Federation, Dmitry Medvedev, has argued that “[Russia] must not allow questions of energy cooperation, [and] energy talks to take place without...[Russian] participation” (Kremlin 2009). This quote illustrates that Russian policy-makers are interested to ensure Russia’s participation at the governance table, where energy questions are discussed. By joining intergovernmental organizations states strengthen their market position, reduce economic and political risks, and promote common geo-strategic interests (Baccini, Lenzi, & Thurner 2013, pp. 1-2). Russian policy makers endorse Russia’s participation in global energy governance and advocate that Russia should expand its cooperation with a range of international organizations (Ministry of Energy of the Russian Federation 2010, p. 58). Russia’s pragmatic cooperation with multiple intergovernmental organizations may improve Russia’s market position in the energy sector and stimulate bilateral, regional, and international cooperation. Russia’s approach to cooperation is however dependent on the current state of global energy governance.

Global energy governance is a relatively modern phenomenon. It was virtually non-existent prior to the 1970s because states treated energy as a sovereign matter and governed it unilaterally (van de Graaf 2013, p. 46). As connections among energy consumers and producers began to grow with globalization, states realized that they will benefit from transnational energy governance (Sovacool & Florini 2009). Thus, unilateral governance mechanisms were replaced by global governance arrangements in the energy sector. These global governance arrangements include the “sum of laws, norms, policies, and institutions that define, constitute and mediate transborder relations” (Weiss & Thakur 2010, 31-32). As the definition suggests, global governance is a complex web of mechanisms that govern relations among different actors to ensure global stability.

To ensure global stability, multiple international organizations and actors strive to regulate energy collectively at the global level (Sovacool & Florini 2009, p. 5239). Global energy governance is characterized by a set of overlapping organizations that often act in uncoordinated and competitive manner (Lesage, Van de Graaf, & Westphal 2010, p. 51). In their discussion of the existing scholarly efforts to map global energy governance architecture, Van de Graaf and Colgan (2016) note that the number of organizations and governors in the energy sector ranges from 6 to 50, depending on “how wide the [analytical] net is cast” (p. 4). In this article, I focus predominantly on intergovernmental organizations, such as the International Energy Forum (IEF).

Intergovernmental organizations encapsulate institutional character of a historical period during which they were founded and may come under increasing pressure as actors’ interests change or new actors gain power in the system. These organizations are encompassed within international regimes, which are defined



as “implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations” (Krasner 1982, p. 186). In the energy sector, we find “regime complexes”, where institutions are overlapping and non-hierarchical (Raustiala and Victor 2004). Since the international regime governing energy is complex, states may use this complexity to their advantage. For example, states that are dissatisfied with the current regime may trigger a change in a given regime by triggering “institutional innovation” (Colgan, Keohane, & Van de Graaf 2012). Colgan, Keohane, & Van de Graaf (2012) outline three possible cases of institutional innovation: development of new institutions; inclusion of new members in existing organizations, and adaptation of the existing organizations (p 119). Institutional innovation is triggered when a state becomes dissatisfied with current governance arrangements.

States may become dissatisfied when external changes reconfigure their interests and agendas. Van de Graaf and Colgan (2016) identify three major external transitions in the current global energy market that served to redefine state’s interests in the 21st century: climate change, geopolitical change, and volatile energy commodity markets (p. 2). While climate change and volatile commodity markets have led to important changes in global energy governance, this paper focuses only on geopolitical changes. Geopolitical changes are linked to the rise of the new energy consumers from developing countries and disintegration of the Soviet Union into independent states (Van de Graaf & Colgan 2016, p. 2). These changes revealed that the governance arrangements created by the key players in the 1970s are no longer able to support global energy security as new energy players are currently operating outside of the existing arrangements (Leverett 2010).

Geopolitical changes became even more prominent in the aftermath of Global Financial Crisis (GFC) of 2007/2008, which exposed weaknesses of the current governance arrangements. The GFC has created a window for change in the global governance as it triggered a power shift that has altered the composition and structure of international organizations (Best 2012; Narlikar 2010). It also produced alternative structures, ideas, and practices that challenged the *laissez-faire* policies adopted by advanced industrialized countries (Best 2012; Babb 2012; Kahler 2013). A shift in economic and political power from advanced industrialized economies to emerging ones is at the basis of transition in the current global energy governance architecture (Clapp & Helleiner 2012; De Graaff 2012; van Apeldoorn et al. 2012). As a result of these changes, global energy governance is in a period of flux.

This article builds on the notion of “institutional innovation” developed by Colgan, Keohane & Van de Graaf (2012) by tracing changes in Russia’s strategy toward intergovernmental organizations designed to govern energy. As institutional

innovation occurs when the states are dissatisfied with the current system, it is not surprising that Russian government appears to seek new responses to global energy governance. In a speech at Saint Petersburg's International Economic Forum's Plenary Session, Russia's former president, Dmitry Medvedev, has noted that the post-GFC period has brought a "new reality" that led to a change of "economic models, financial architecture, technology and social institutions" (Kremlin 2010). In his speech, Medvedev highlighted that it was a "unique time" that Russian policy makers had to "seize...to build a modern, strong, and prosperous Russia, a Russia that will be one of the co-founders of the new global economic order and a full participant in the post-crisis world's collective political leadership" (Kremlin 2010). This moment has opened the door for a reform of the global architecture for energy governance.

The current institutional architecture that underlines global energy governance is very flexible as it lacks a world energy organizations that can enforce and oversee energy governance. In a complex and overlapping world of international organizations, individual states seek to steer intergovernmental institutions in a direction that follows their interests. As any other country in the system, Russia aspires to build a stronger energy governance framework. Russian policy makers are aware that the world energy governance is still incomplete. To illustrate, Vladimir Putin perceives weaknesses in the current interstate energy cooperation, which, as he argues, remains "up in the air" as there is "no...coordinating authority on a global platform" (Kremlin 2013a). Russian leadership is determined to close the gaps in energy governance. During a speech at the Asian and Pacific Energy Forum, Putin has declared that "Russia is a consistent advocate of strengthening the energy sector's international legal framework" (Kremlin 2013b). Putin's proposals to strengthen energy governance have moved to calls for reform in 2014. Following the G20 Summit, Vladimir Putin has disclosed his support for "initiating [a] reform of international energy institutions" (Kremlin 2014a).

Ultimately, Russia's position in global energy governance is determined by its activities within intergovernmental organizations that govern energy. Russian policy makers have two options to pursue Russia's energy objectives globally. They can either integrate within existing organizations or to develop alternatives. It is also plausible that international organizations may adjust to incorporate Russia's energy goals. These options broadly resemble Colgan, Keohane & Van de Graaf's (2012) summary of institutional innovation. The first option upholds the status quo and is driven by Russia's great power rationale. By selecting this option, Russia becomes a member of the existing intergovernmental organizations or joins a dialogue with the members. If the integration process fails or does not provide Russia with adequate options, Russian policy makers can challenge the existing organizations and/or resort to development of alternative intergovernmental

organizations. In this case, Russia acts as a revisionist rising power in global energy governance. By choosing this path, Russia becomes a founding member of a new organization and develops alternative institutional arrangements within it. The future of Russia's role in global energy governance will depend on its ability to balance its dual position within multiple organizations.

### **Russia's Integration Within the Existing Arrangements**

One of the strategies that Russia pursues in global energy governance is integration into multiple intergovernmental organizations regulating energy. The integration strategy is consistent with one of the options for institutional innovation explored by Colgan, Keohane, & Van de Graaf (2012). By participating in global and regional organizations, Russia establish a strong position in the "game of institutionalized hierarchy" (Hurrell 2006). Russia's deeper integration into the global energy governance framework is advocated by the *Russian Energy Strategy 2030* (Ministry of Energy of the Russian Federation 2010, p 12).

Russia has successfully integrated into several global, energy regulating, intergovernmental organizations with multilateral membership. In some of these organizations, Russia acts as one of the great powers. For example, Russia is a member of several of the United Nations' bodies that deal with energy issues, such as the International Atomic Energy Agency (IAEA) and the UN's climate change initiatives under the UN Framework Convention on Climate Change (UNFCCC). In the UNFCCC Russia took on Annex I Party commitments, that unite advanced, industrialized countries by a joint commitment to combat climate change. In the IAEA, Russia subscribes to the principles on safe use of nuclear energy in nuclear power plants. Beside the United Nations agencies, Russia has gained membership within other global and regional energy agencies, including the IEF, the International Renewable Energy Agency (IRENA), and the Association of Southeast Asian Nations (ASEAN). Russia also supports IEF's JODI oil and JODI gas data initiative by contributing information about its oil and gas sector. In these organizations, Russia appears to take on the rules during the integration process and supports the status quo.

In other intergovernmental organizations, Russia's position is more flexible. While Russia integrates into these organizations and plays by the stipulated rules, it may use the mechanisms available within these associations to side on specific energy issues with the great powers or with the rising powers. An example of such dual behaviour can be observed in the WTO. In 2012, Russia became a member of the World Trade Organization (WTO) that provides countries with a set of tools to resolve issues related to the energy trade. After Russia became a WTO's member, it gained access to WTO's dispute settlement mechanisms. Russia resorted to this mechanism to resolve regional energy issues. In 2014, Russia filed a



complaint against the EU's "Third Energy Package" citing its inconsistency with the WTO's trade obligations (WTO 2016). Russia's complaint was backed by the rising powers, who support Russia's position on the EU's energy reforms. This litigation illustrates that Russia can use existing mechanisms to challenge interests of other great powers within intergovernmental organizations. Although this dispute is still at the early stages, it serves as a precedent for future negotiations on energy. Specifically, it illustrates that Russia's energy strategy is pragmatic and dual in nature.

### **Internal Change of the Organizations to Accommodate a New Player**

Russia's pragmatic stance to energy governance becomes even more evident when one analyzes internal changes within the existing organizations that seek to accommodate Russia's interest. This broadly falls under the notion of institutional adaptation advanced by Colgan, Keohane, & Van de Graaf (2012). In this case, intergovernmental organizations develop new practices to ensure that the actors dissatisfied with current governance structure maintain relations with the given organization. This occurs in the global and regional level.

At the global level, the Organization of the Petroleum Exporting Countries (OPEC) and the International Energy Agency (IEA) have developed outreach programmes to incorporate Russia into their dialogues. The OPEC represents the interests of oil-producing countries, while the IEA represents the interests of oil-consuming countries. Although Russia is not a member of either of the two organizations, it participates in the dialogue with both. Since Russia is an energy producer, it engages with the OPEC through the OPEC-Russia Energy Dialogue. The Dialogues were initiated in 2005 to stabilize markets, improve energy security, and facilitate exchange of information (OPEC 2016). Russia's cooperation with the IEA dates to 1994, when they agreed to advance common interests, including energy security, information exchange, and energy efficiency (IEA 2017). The dialogues provide Russia with a mechanism to exchange ideas and promote common goals. At the same time, the dialogues do not bind Russia to follow the mandates of these organizations. Since Russia is not bound by the mandates of the OPEC and the IEA, it has a degree of flexibility in its cooperation with these organizations.

Similarly, Russia can promote internal change within the regional organizations. For instance, Russia may choose to collaborate with existing regional organizations to develop new rules. An illustrative example is Russia's collaboration with the Asia-Pacific Economic Cooperation (APEC) organization. Russia's collaboration with APEC promotes joint investment in energy infrastructure and supports the development of a common energy market. Since regional organizations may prove to be fundamental in laying down the ground rules for regional energy

collaboration, Russia seeks to ensure that its interests are incorporated into the APEC's framework. For instance, Vladimir Putin proposed that APEC can be used to develop "common 'rules of the game' in trade and economic sphere" and may work as a platform to design "new regional architecture" for economic governance (Kremlin 2014c). Given that regional organizations will have an important role in reshaping regional energy governance, their activities will be reshaped by actors in pursuit of their interests.

### **Russia's search for alternatives**

A failure to integrate into regional or global intergovernmental organizations may act as an incentive for Russia to revise existing global energy governance arrangements. While Russia can opt for status quo and support existing arrangements, it may also resort to developing alternative governance institutions. This is consistent with the third possibility of institutional innovation, namely development of new organizations by powerful actors in the system (Colgan, Keohane, & Van de Graaf 2012). There is evidence that Russia is developing new intergovernmental organizations, where it plays a dominant position (Armijo 2007). These new institutions may challenge existing organizations. In this case, Russia may act as a revisionist rising power in global energy governance by forming alternative institutional arrangements.

Institutional adaptation may fall short of satisfying the interests of involved actors, who may choose to develop alternative governance arrangements. As noted earlier, Russia takes part in the IEA's and OPEC's dialogues, yet these dialogues do not constrain Russia from creating alternative governance arrangements in the hydrocarbon sector. Russia was a founding member of the Gas Exporting Countries Forum (GECF) as an alternative to the OPEC and the IEA. The GECF is a new global organization that emerged in 2001 to govern natural gas. Russian officials support the forum's activities. At the Second Summit of the GECF, Vladimir Putin has stressed the importance of collaboration among the gas producers to "protect gas exporting countries' interests to strengthen the competitiveness of gas" (Kremlin 2013c). Putin envisions that this cooperation can increase energy security of suppliers by stabilizing global prices, providing information, and developing infrastructure (Kremlin 2013c). Ultimately, the goal of the GECF is to foster a collaborative environment among the producers to increase their market power. At a media conference, Putin has revealed that collaboration among the GECF members can make the energy industry "sustainable and predictable" by developing the "rules of the game" that guarantee energy security (Kremlin 2013d). Thus, new organizations can be used to strengthen energy governance.

Alternative governance arrangements are often a response to a failed integration into the intergovernmental organizations. A failure to integrate into intergovern-

mental organizations may pressure Russia to challenge the existing governance arrangements. Russia has joined the discussions on the Energy Charter Treaty (ECT) in 1991. The ECT promotes interstate collaboration in the energy sector including trade, transit, and investment. Although Russia has signed the Energy Charter in 1991, it decided not to ratify the Charter. The ratification process was not in Russia's interest as it would have undermined Russia's transit monopoly and committed Russia to following the rules that did not fit with its agenda (Westphal 2006). The ECT's framework that promotes liberalization of the energy market does not fit well with Russia's state capitalist one, thus leading to a rift in governance arrangements (Romanova 2014). Thus, Russia has withdrawn from the ECT in 2009 and is searching for the alternative governance arrangements.

Another case of failed integration occurred when Russia lost its seat at the Group of 7/8 (G7/8) table. Russia was an active member of the G7/8, which is a group led by the great powers to regulate global political and economic issues. The G7 formed in 1975 and invited Russia to participate in its dialogue in 1997. Since then, Russia was an active member in the G8 until its suspension from the group in 2014. During the period of its membership within the G8, Russia actively championed new energy governance initiatives. During the G8 Summit in Saint Petersburg in 2006, Russia advanced a policy that combined interests of oil producing and consuming countries. Russia's agenda for that meeting, as summarized by Putin during an interview, sought to promote "international energy security" by ensuring a "just distribution of risks" among producers and consumers (Kremlin 2006a). After leaving the G7/G8, Russia had to find alternative venues to discuss energy governance.

Russia's souring relations with the ECT and the G7/G8 has occurred at a time of larger transition in the energy market. Given that the relationship between Russia and Europe is undergoing a period of transition, the outcome of which is hard to determine, Russia has turned to Asia in a pursuit of energy diversification. Energy diversification is a goal of Russia's national energy policy since the 2000s (Shadrina 2016). Russia's switch to the Asian market is motivated by the domestic energy policy that seeks to develop hydrocarbon resources located in the Far East and East Siberia. This move will support Russia's economic and regional development. Russia's Pivot to Asia is accompanied by its deeper integration within the regional organizations that govern energy in the region. Regional initiatives to govern energy are gaining importance in Russia's energy strategy. As the global demand for energy is switching to the Asia-Pacific region, Russia is likely to continue pursuing integration within the regional organizations that govern energy issues. Russia's stronger relations with China "allows Russia to maintain its role as 'great power'" (Hancock 2007).

Russia took this opportunity to develop new outlets for energy collaboration in

Asia. At the Shanghai Cooperation Organization (SCO), Russia has led the development of new outlets for a joint energy governance. Since its founding in 2001, the SCO's activities focused on the security agenda of its members. Russia was among the first to advocate for the formation of an energy organization within the SCO framework. During a speech at the SCO's meeting in Shanghai in 2006, Vladimir Putin has indicated his support for the "energy club" within the SCO to coordinate regional energy issues among the members (Kremlin 2006b). Economic interests appear to be the driving force for this new organization. Putin anticipates that energy cooperation between the SCO members will act as "a powerful stimulus for regional projects" and will promote regional energy integration (Kremlin 2007). The member countries of the SCO agreed with Putin's proposal and established an energy club to promote regional cooperation on energy issues in 2007 (De Haass 2010). Although the club is fully operational today, its effectiveness in promoting regional energy cooperation remains to be tested. Seeking to stimulate the club's activities, Putin has advised that the club should take on "concrete tasks and objectives" by navigating the regional energy sector (Kremlin 2015a).

Russia is also becoming more involved in the BRICS's led energy initiatives. Russia advocates for an active collaboration in the energy sector amongst the BRICS countries. BRICS began discussing energy issues during the Yekaterinburg Summit in 2009. During the summit the BRICS agreed to collaborate in the energy sector to ensure energy security, energy efficiency, and support energy-related investment (BRICS information Centre 2008, clauses 8 and 9). In a speech at the BRICS meeting, Vladimir Putin has declared that BRICS have developed "common positions" on global governance, including development, finance, and economy (Kremlin 2016b). In his speeches, Putin supports a development of a BRICS-led Energy Association and an International Centre for Energy Studies and a Fuel Reserve Bank (Kremlin 2014b; Kremlin 2015b). Negotiations about the BRICS-led energy agency began in 2012. Energy became an important topic of discussion in the BRICS summits. It is placed firmly in the upcoming agenda of the BRICS Economic Partnership Strategy through 2020 (Kremlin 2015b). The goal is to promote energy security and develop "new instruments and new institutes to [support] trade [in] energy resources" (Kremlin 2014b).

Along with the other BRICS countries, Russia participated in the development of the New Development Bank (NDB). The New Development Bank was formed in 2014. The bank has a capital of \$100 billion USD to provide resources for infrastructure and sustainable development (New Development Bank 2016). The resources could be used to circumvent established donor agencies and create an alternative development structure (Khanna 2014). The bank has committed to provide funds for projects in renewable energy to the BRICS countries. Some

of the NDB's commitments include the following: \$300 million of USD to the Brazil's Banco Nacional de Desenvolvimento Economic e Social; \$ 250 million of USD to India's Canara Bank; and \$180 million for South Africa's Eskom Holdings SOC Ltd (Bloomberg 2016). These financial commitments are meant to support renewable energy in the BRICS countries. The Bank can play an alternative to the existing lenders, however its role is still to be determined.

New directions for international cooperation can be forged in the energy sector. Russia's *Energy Strategy* proposes that Russian should work toward a "united European-Russian-Asian energy area" (Ministry of Energy of the Russian Federation 2010, p 58). However, the *Strategy* does not specify how this new cross-regional energy relations will be governed. It is plausible that new intergovernmental organizations may emerge to govern energy relations between Europe, Russia, and Asia. These new organizations may be supported by the "One Belt, One Road" (OBOR) strategy led by China. The OBOR strategy aims to promote economic ties in Eurasia and is backed by Chinese finance via the Asian Infrastructure Investment Bank and the Silk Road Fund. The finances can be used to support stronger institutional linkages in the energy sector to promote future energy collaboration.

## **Conclusion**

Global energy governance is currently undergoing substantial changes driven by shifting interests of large energy consuming and producing nations. The GFC and the rise of new energy consumers in the face of China and India have acted as a stimulus for change in global governance. The geopolitical changes that have redefined the distribution of power have stimulated change in international organizations that govern energy. Russia appears to play an important role in reshaping existing governance arrangements. Russia's position in global energy governance is partially determined by abundant energy reserves and a favorable geography. It is conveniently located close to the largest energy consuming nations in Europe and Asia. Russia's role in global energy governance is partially determined by its internal energy policy. As Russia's economy is dependent on the hydrocarbon revenue, it is invested in supporting a reliable global energy governance.

Russia is forced to adjust to the changing governance dynamics in a pragmatic manner to retain its influence in the energy sector. Russia's strategy in global energy governance is driven by two forces integration and development of alternatives. Russia's decision to integrate to the existing governance arrangements signals that it aspires to be a status quo power. As a status quo power, Russia is interested to cooperate with other great powers in reinforcing existing governance arrangements in the energy sector. However, when these arrangements fail, Russia turns to alternative options. Russia may thus act as a revisionist power in energy



governance by creating alternative intergovernmental organizations that oversee energy. In its attempt to create alternatives, Russia seeks to cultivate relationships with the rising powers. As Russia's energy markets are reorienting to Asia, Russia's integration with emerging powers will most likely continue to grow and reshape Russia's position in global energy governance. Russia's future power in the energy sector will be determined by its ability to integrate firmly within multiple organizations that will govern energy markets. Russia's ability to fit within the two power structures simultaneously exposes Russia's dual role in global energy governance. This duality allows Russia to maintain its ground in the existing governance arrangements, while it shifts with the wind of changes and creates alternative energy organizations.

Russia's activities in global energy governance may have implications for other actors in the global system. For the rising powers, Russia's search for alternatives may present an opportunity to engage in parallel governance arrangements. Rising powers may benefit from new governance outlets that are created to regulate energy issues and may increase their leverage in negotiations. On the other hand, established powers may be prompted to renegotiate existing governance arrangements in the energy sectors. Since alternative and parallel governance arrangements may undermine existing intuitional structures, international organizations may be required to expand their functions and membership to accommodate interests of the rising powers. Ultimately, it appears as though global energy governance is undergoing a slow transition in its attempt to accommodate the diverse needs of multiple states.

## **Bio**

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