

Fuel and Power

This is a very timely study of Russia's development into a global energy power from the Russian Revolution to the present day. Beginning in the late nineteenth century, Russia emerged not only as a key producer but also as one of the world's leading exporters of oil. Russia's transformation into a modern global power was connected to its ability to make use of its vast natural resources and produce energy in increasing quantities. While the development of Russia's energy industry went hand in hand with a profound socio-political and economic transformation, the book also tells the story of international cooperation and competition, transnational exchanges, and transborder interdependencies. Through energy exports, Russia shaped global energy flows and connections; at the same time, the growth of international trade impacted the views and decisions of Russian leaders, affecting the fabric of the country's foreign relations and, ultimately, the course of Russian history.

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Fuel and Power

*Energy, Trade, and Russian Foreign Relations
from Lenin to Putin*

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Preface

This is a history of Russia told through the prism of energy, trade, and international relations. While this study takes a longitudinal view – from Lenin to Putin – the focus is on the later period of the Cold War, as it was from the late 1960s and throughout the 1970s that the Soviet Union and Western Europe became increasingly interdependent in the oil and gas trade. The reason such a relationship came about despite differing ideological and political positions is not immediately apparent. Countries such as West Germany, Italy, and France were eager to diversify their energy imports away from the Persian Gulf to enhance the security of their energy supplies. By importing ever-larger quantities of Soviet oil and gas, however, these countries made their economies dependent in a strategically important sector on a neighbour whose nuclear weapons were still pointed westwards.

Equally in need of explanation is the Soviet leadership's choice to allow this massive increase in trade and the consequent increase in interdependence. By concluding long-term economic agreements and creating an ever-expanding international energy transportation system, Moscow retreated from its long-standing principle of modernising and developing its economy, if not in isolation, then preferably without the risk of becoming too reliant on the capitalist-dominated world economy. In deciding to establish energy trade relations with countries beyond the Iron Curtain, the Soviet Union opted for close economic cooperation with Western European states that endured well beyond the end of the Cold War. At the same time, growing addiction to oil and gas rents led to the kind of structural distortions that have affected the Russian economy also after the collapse of the Soviet Union.

This book is mainly concerned with the Soviet perspective, seeking to understand the meanings that political leaders and decision-makers in Moscow have attached to natural resources and international trade, particularly in oil and gas, and why and how these meanings have changed over time. In so doing, it brings to the fore a history of energy and trade that has been treated as peripheral in the general literature.

Although the focus of this study is on the Soviet era and developments during the Cold War, this book traces Russia's trajectory from the early twentieth century up to Putin's war of aggression against Ukraine in 2022. With this war, the entire system of Russian–European economic relations as it has evolved over decades is undergoing profound changes, with geopolitical interests dominating the Russian leadership's agenda. In fact, this book evolved from a history of how Russia became Europe's key supplier of fossil fuels into a history of the rise and decline of Russian–European energy relations. Moreover, since Europe was Russia's most important trading partner and investor until the war, the disruption of economic ties will also impact the geographical parameters of Russia's external trade relations and contest Russia's future role as an international energy power.

Historians explore the past. But they are also subjects of their own time and place. Given Russia's aggressive behaviour and its use of energy as a political 'weapon' against those European states that support sanctions against Russia, the history of Russian–European economic relations is currently being viewed in a more critical light. 'Change through rapprochement' – the slogan that inspired Willy Brandt's *Ostpolitik* more than half a century ago, leading to a massive expansion of West German–Soviet trade relations – is now seen by some as naïve. But each period of history must be judged on its own merits. Oil and gas have repeatedly been the subject of economic conflicts and political tensions. At the same time, energy trade became the lubricant that fostered mutual trust across the Iron Curtain. It facilitated exchanges among politicians, trade representatives, and engineers and had an overall stabilising effect on political relations.

My interest in energy history was sparked in the early 2000s, when the global oil market experienced a massive price spike, helping Russia's beleaguered economy begin to recover from the deep slump of the crisis years of the 1990s. Studying these developments revealed to me not only how important it is to understand the history that underpins them but also how under-researched the field of Russian energy history was at the time. This research desideratum was the focus of my project 'Energy and Power: A Cultural History from the Early Soviet Era to Contemporary Russia', conducted at the University of Zurich in 2011–2017 and supported by the Swiss National Science Foundation.

During this project, I benefitted greatly from exchanges of views with Dunja Krempin, Felix Rehschuh, and Felix Frey. They all wrote pioneering studies on different aspects of the history of Soviet energy and technology as part of their dissertations, which I had the privilege of supervising. I would like to express my sincere thanks to all of them for

reading and commenting on earlier drafts of the manuscript or individual chapters thereof. I would like to thank my colleague Viacheslav Nekrasov, with whom I have exchanged views on questions related to oil, gas, and pipelines in the late Soviet period. His assessments have enriched the content of this book. I would also like to thank Ellen Powell for editing and commenting on a first English version of the book manuscript and Trent Hancock for his careful copyediting of the final text.

The international conference ‘Oil, Gas and Pipelines: New Perspectives on the Role of Soviet Energy During the Cold War’, which we held at the University of Zurich in 2015, provided important impulses for my book project. This conference resulted in the edited volume *Cold War Energy: A Transnational History of Soviet Oil and Gas* (Cham: Palgrave Macmillan, 2017). I benefitted greatly from exchanges with participants during and after the conference. For this, I thank Margarita Balmaceda, Alain Beltran, Elisabetta Bini, Nada Boškovska, Roberto Cantoni, Nataliia Egorova, Falk Flade, Rüdiger Graf, Jussi Hanhimäki, Per Högselius, Niklas Jensen-Eriksen, Suvi Kansikas, Galina Koleva, Tom Koritschan, Dunja Krempin, Giacomo Luciani, Lorenz Lüthi, Viacheslav Nekrasov, David Painter, Tanja Penter, Felix Rehschuh, Oscar Sanchez-Sibony, Benjamin Schenk, Hans-Henning Schröder, Andreas Wenger, and Jean-Pierre Williot.

I was able to present early ideas and book excerpts on various occasions, including at a conference on the energy crisis of 1973–74 at the University of Potsdam (26–28 September 2013), at a conference on the energy history of Eastern Europe during the Cold War at the University of Tübingen (10 January 2014), at a research colloquium at the University of Regensburg (22 December 2016), at an event on energy history at the Università di Napoli (30 November 2017), as part of a lecture series on economic history at the University of Zurich (10 December 2018), and at a workshop at the European University Institute in Florence (27 September 2019). I would like to thank Elisabetta Bini, Frank Bösch, Alexander Etkind, Klaus Gestwa, Rüdiger Graf, Guido Hausmann, and Matthieu Leimgruber for inviting me to these events and for the fruitful discussions.

In writing the original manuscript, I drew on my previously published contributions on Russian energy history. I also made use of the lectures I gave at the University of Zurich in the autumn semesters of 2014 and 2020 and in the spring semester of 2023, as well as at the University of St Gallen in the autumn of 2017. The students’ questions and comments encouraged me to rethink some of my ideas and to re-examine certain assertions, for which I am grateful.

x Preface

This study represents a substantially revised and updated version of my German-language book *Rohstoffmacht Russland: Eine globale Energiegeschichte* (*Russia as a Natural Resource Power: A Global Energy History*, Vienna, Cologne: Böhlau, 2022). I have also added a short chapter ('Energy, Geopolitics, and War' [Chapter 6]) that looks at Russia's use of energy as a political 'weapon' in recent history and traces developments up to the start of Russia's war against Ukraine in 2022.

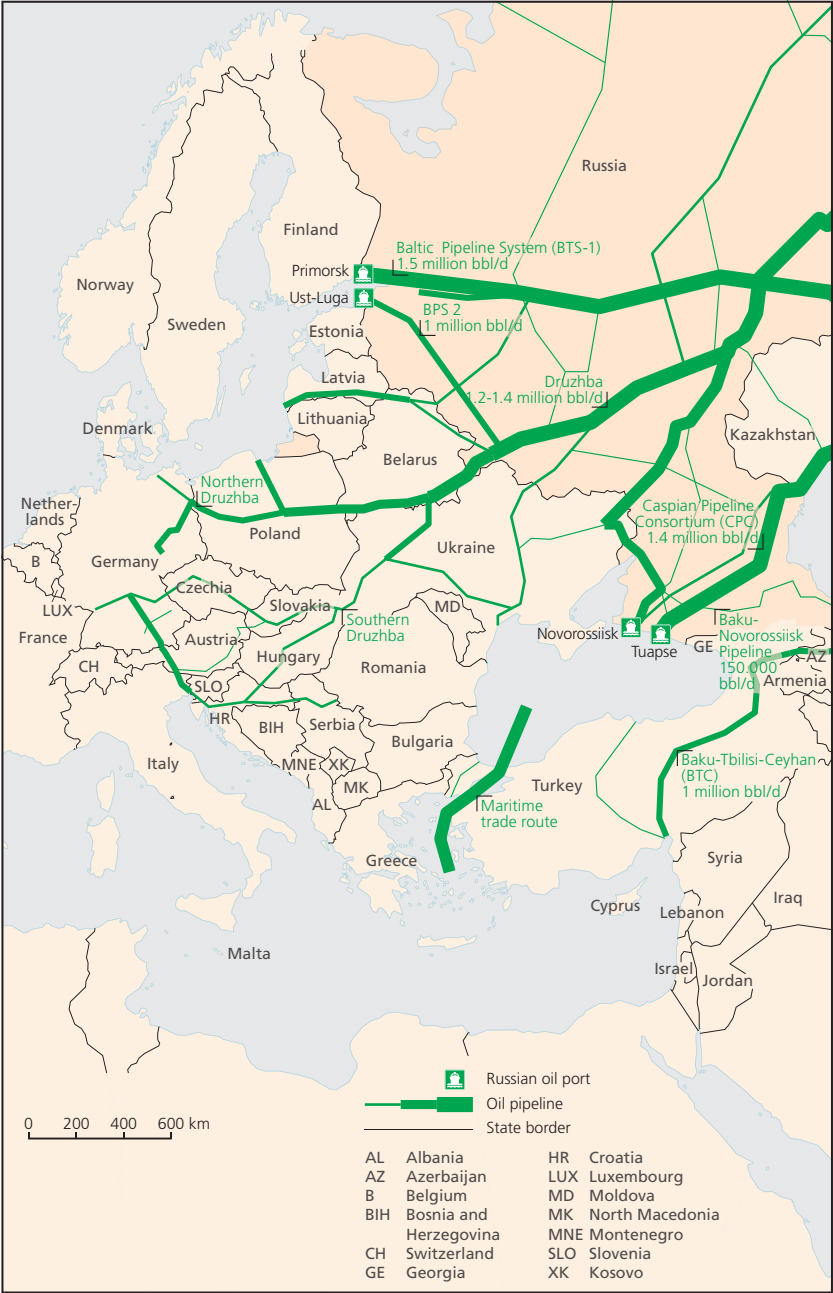
On the journey from the manuscript to the finished book, I received valuable assistance from the publisher. I would like to thank Michael Watson, Rosa Martin, and Anita Atkinson of Cambridge University Press for their excellent cooperation and the anonymous reviewers for their insightful feedback and constructive criticism, which helped to improve the quality of the final product.

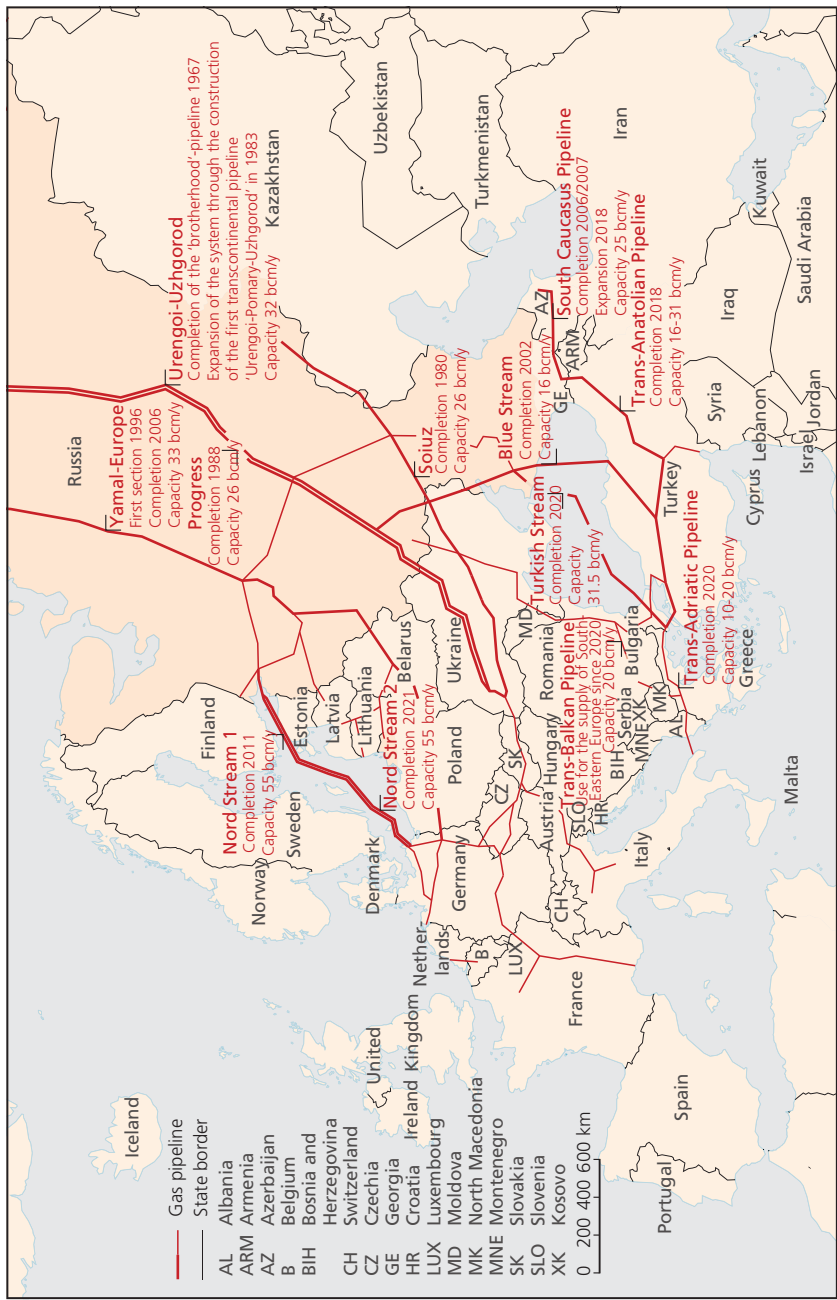
This book would never have come about without the support of my wife, who has stood by me through this and many other projects. I dedicate this book to you, Franca, with love.

Abbreviations

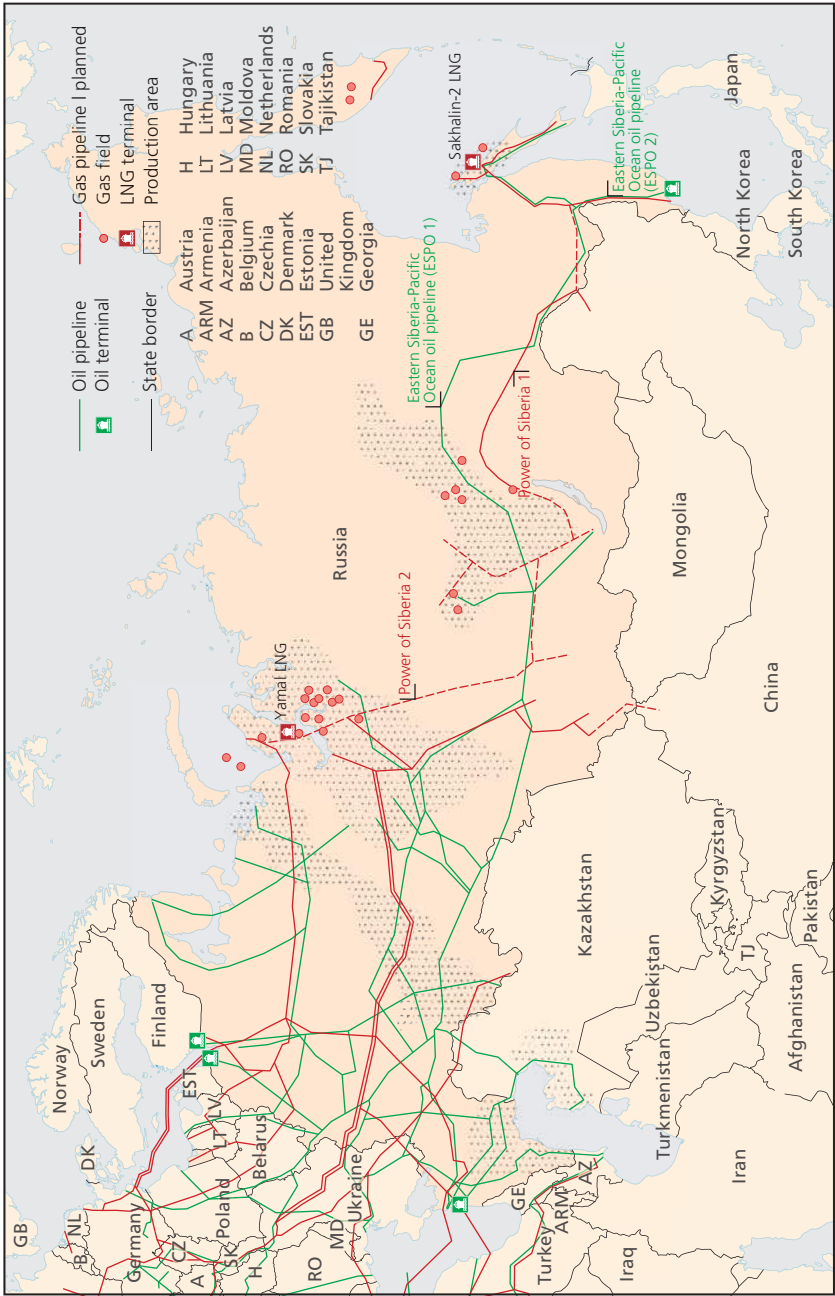
ARCOS	All-Russian Co-operative Society Ltd.
BAM	Baikal-Amur Mainline (Russian: Baikalo-Amurskaia magistral')
BP	British Petroleum
CC	Central Committee (of the Communist Party of the Soviet Union)
CIA	Central Intelligence Agency
CIS	Commonwealth of Independent States
CMEA	Council for Mutual Economic Assistance
CNPC	China National Petroleum Corporation
CPSU	Communist Party of the Soviet Union
Cominform	Communist Information Bureau
ENI	Ente Nazionale Idrocarburi (English: National Hydrocarbons Board)
EU	European Union
FRG	Federal Republic of Germany
FSB	Federal Security Service (of the Russian Federation) (Russian: Federal'naia sluzhba bezopasnosti)
GDP	gross domestic product
GDR	German Democratic Republic
GOELRO	State Commission for the Electrification of Russia (Russian: Gosudarstvennaia komissiiia po elektrifikatsii Rossii)
IEA	International Energy Agency
IMEMO	Institute for World Economy and International Relations (Russian: Institut mirovoi ekonomiki i mezhdunarodnykh otnoshenii)
LNG	liquefied natural gas
MFN	Most-Favoured-Nation
NATO	North Atlantic Treaty Organization

xii	List of Abbreviations
ÖMV	Österreichische Mineralölverwaltung Aktiengesellschaft (English: Austrian Mineral Oil Administration Stock Company)
OPEC	Organization of the Petroleum Exporting Countries
PSA	production sharing agreement
R.O.P.	Russian Oil Products Ltd.
RSFSR	Russian Soviet Federative Socialist Republic
SMEs	small and medium-sized enterprises
SMV	Sowjetische Mineralölverwaltung (English: Soviet Mineral Oil Administration)
SSR	Soviet Socialist Republic
USSR	Union of Soviet Socialist Republics





Map 2 Gas pipelines to Europe (as of February 2022)
Source: Gazprom (2021/2022) Cartography: S. Dutzmann Leipzig, 2023 © J. Perović



Map 3 Oil and gas transportation infrastructure (as of February 2022)
Source: Cartography: S. Dutzmann Leipzig, 2023 © J. Perović