



The Russia-Belarus Oil Dispute and Western Oil Supplies

Posted by [Heading Out](#) on January 16, 2010 - 8:49am

Topic: [Policy/Politics](#)

Tags: [belarus](#), [florida](#), [gas pipeline](#), [oil pipeline](#), [power blackouts](#), [russia](#), [turkey](#), [ukraine](#) [[list all tags](#)]

I hadn't actually been paying much attention to the Russian:Belarus dispute over oil supplies. After the annual debacles that we are used to over natural gas supplies that flow from Russia to Western Europe through Ukraine, and which seem somewhat quiescent at the moment, I had failed to grasp how much Western supplies of oil from Russia flow through Belarus. But as is pointed out in [Foreign Policy](#), the flow is significant, and this is a more far-reaching conflict than I grasped.

As a brief review:

In 2001, Belarus unilaterally canceled a contract that mandated the sharing of these revenues, leading to substantial losses for Russian pipeline monopoly Transneft and the Russian state budget. Now, Transneft is demanding that Belarus pay full import duties for the portion of Russian oil that it resells on the European market, a demand that could cost Belarus as much as \$5 billion per year. The Belarusian government argues that the Russia-Belarus customs union obviates the need for Minsk to pay duty on imports from Russia. Although deliveries through the Druzhba pipeline have not, as of mid-January, been cut off, the prospect that Transneft (whose chairman is Russian Deputy Prime Minister Igor Sechin, a close confidant of Prime Minister Vladimir Putin) will turn off the taps to force compliance from Minsk is clearly one that has European leaders worried because the European Union imports about a third of its oil from Russia, mostly via Belarus. Already, the prospect of supply disruptions has driven U.S. crude oil prices to a 15-month high, presumably to Moscow's delight.

Well, as [my post on Wednesday](#) showed, I am not convinced that this conflict had a lot to do with the rise in oil prices (which actually dropped a little today, on their overall march upwards). But that does not lessen the longer-term impact of what is going on. It is, as it was with the Ukraine dispute, to with control, with Russia seeking to control fuel distribution in these countries, and through supply controls also influence the directions in which the country moves.

Russia is now warning that it will [reduce oil flows](#) to Belarus even further and wants the duty on the roughly 290,000 bd that is refined in Belarus and then exported to the West. At the moment the refineries in Belarus have a relatively short reserve (between a [few days](#) and a [week](#), reportedly - depending on source) and the current contracts have expired.

Germany and Poland are believed to be hit hardest once Russia halts shipments through the Druzhba pipeline. Germany depends on Russian crude for about 15 percent of its

total consumption, and Poland buys from Russia to meet 75 percent of its market demands.

Minsk has threatened to raise the transit fee for its European customers more than tenfold, from 3.9 dollars to 45 dollars per metric ton, should Moscow not agree to its conditions, RIA Novostinews agency quoted an unidentified expert close to the talks as saying.

At the moment the talks appear to be stalled. However they are not limited to the transit of oil. There is also a dispute over the [transmission of electric power](#). Belarus acts as a transit country for power both to Kaliningrad and to the countries of the Baltic. It has assumed somewhat greater urgency with the closure of the [Ignalina nuclear power plant](#) in Lithuania. The plant closed on December 31, and there are [fears of greater dependence](#) on Russia for future power. [Russian complacency](#) about the situation is not, I suspect, exactly helpful.

“It is inevitable that Russia is going to become a bigger supplier of energy to Europe and particularly to the Baltic countries. Ultimately there comes a point where you have to let the old days go,” Chris Weafer, chief strategist on Moscow’s Uralsib bank, told New Europe on 5 January, adding that the Baltics, which sorely need energy supplies, should adopt a pragmatic approach and rely on their eastern neighbor and forget the legacy of the Soviet Union. As long as Russia continues to try and build a modern and diversified economy with greater global integration, then it needs the goodwill of the West just as much as the West needs Russia’s energy.

Bids for construction of a new plant are due to be submitted by the end of this month, with the hope of getting the new plant on line by 2018. (Kaliningrad is hoping to have its own reactor in about the same time frame).

In the interim the Baltic states are going to be dependent, not only on Russia for their electricity and oil, but also on satisfactory conditions to allow the transit of both through Belarus on their way.

Meanwhile, over in Ukraine, there is an [election underway](#), with initial voting to take place on Sunday. It is perhaps for that reason that there have been no major gas disruptions so far this year. Anger with the current administration is giving a bit of a boost to a [third candidate](#), so perhaps it is in Russia’s best interests to retain a low profile at this point. In fact Russia is [claiming credit](#) for keeping the UK supplied with gas as supplies from Norway dropped due to bad weather at some of the production sites. However Russia is also being [nice to Turkey](#) as insurance just in case it will still need to do some bypassing around Ukraine to supply Western Europe after the election is over.

Not that conditions in Ukraine itself have been unaffected. There are some 175 towns and villages that are reported to be still without power, due to the [bad weather](#). This is a decided improvement from the 1,598 who lost power in the [Dec 29th storm](#). At least they are more used to the cold.

Those in Florida who aren’t, and plugged in too many heaters, are also [causing power outages](#) down there.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).

