

The EU-Russia Energy Crisis. “Make hay while sun shines”: Indian, Chinese Ways

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Europe and Russia are entering a fateful competition over energy trade. Europe is diversifying its sources of energy away from Russia. Russia is racing with Europe to reduce its own dependence on the European market and substitute with a “Look East” policy that taps into the vast potentials of the Asian energy market.

Washington’s hopes to be the beneficiary. It can substitute Russian gas and oil with own exports to the European market; Russian economy may take a beating if income from Europe’s energy market dries up; and, a weakened Russia would make a sub-optimal partner for China.

Russia has an edge insofar as it is easier said than done for Europe to spurn Russian oil and gas because of low prices at which Russia supplies via pipelines on long-term contracts.

Russia plans to use this interlude to develop new markets. India and China stand to gain the most out of Russia’s quest for new markets. Russia has offered discounted prices to them and payment systems in local currencies.

However, India and China’s response present a study in contrast. India takes a defensive stance that its energy imports from Russia are minuscule. But coming under concerted Western pressure, Delhi hopes for some sort of quid pro quo from the West. India’s European diplomacy is in overdrive.

Everything in the Indian calculus has a “China angle” to it, inevitably. India hopes to cash in on any erosion in EU-China ties as a fallout of the Ukraine crisis. Expectations are running high, but the Ukraine crisis has put big question marks on the future of Europe itself.

A [commentary by Xinhua](#) has noted:

“Against the backdrop of an economic slowdown, supply chain disruptions and weak

consumer morale after more than two years into COVID-19, the Russia-Ukraine conflict and subsequent sanctions on Russia are wreaking more havoc in Europe, causing widespread panic over regional security, soaring food and energy prices and a looming drop in the standard of living.”

An influential section of Indian opinion espouses that India should astutely stay put on the “right side of history” — namely, align with the West. The former prime minister Manmohan Singh has written against buying discounted Russian oil or commodities.

“In the long run, India stands to gain more from unfettered access to the western bloc markets for Indian exports under the established trading order than from discounted commodities purchased under new bilateral currency arrangements that seek to create a new and parallel global trade structure,” [he wrote](#).

The elitist viewpoint blithely assumes that the US West has a strategic interest in building up India as a counterweight to China. The prevailing narrative in India is also that the “Free West” is winning the war against the Russia-China axis of autocracy.

Enter China. Succinctly put, Chinese approach is firmly supportive of Russia while cautiously avoiding needless entanglement with the Western sanctions regime. Senior US officials remain wary about China’s long-standing support for Russia, but they say they have not detected overt Chinese military and economic support to Russia or systematic efforts to help Russia evade our sanctions — at least for now. The best outcome for the West will be to get Beijing into an enforced balancing act between Russia and the West.

President Biden who is hyperactive on Ukraine issue, has not spoken of China helping Russia. Last week, Secretary of State Antony Blinken stated before the US Senate Foreign Relations Committee that China is dealing with a “significant reputational risk” of being Russia’s ally and that “for now we’re not seeing significant support from China for Russia’s military actions.” Biden’s forthcoming Asia tour to Japan and South Korea, his first as president, will be a pivotal event.

That said, facts speak for themselves. [Russia’s natural gas exports to China](#) went up 60 per cent in the first four months of the year from the same period of 2021. Gazprom said in a statement Sunday that Russian gas shipments to China via the upcoming Far East routes could reach 48 billion cubic metres per year by 2026 from around 10 billion cubic metres in 2021.

Meanwhile, Gazprom is also working on plans for another pipeline – the Soyuz Vostok – that will run from Russia to China via Mongolia, which would mean an additional 50 billion cubic metres of gas could be piped to China every year.

Clearly, China, the world’s biggest energy consumer, is sticking to its guns that it opposes sanctions and that its trade with Russia, including cooperation on oil and gas, will continue. Global demand remains high and prices have risen sharply since last year for natural gas and oil as well as coal and Russian energy’s difficulty to reach world markets could only drive them even higher.

Therefore, the Western game is not really to reduce or nullify Russian exports so much as to reduce the Russian oil and gas revenues. The Chinese policymakers have grasped this important distinction.

Interestingly, so does Japan, which has announced the intention to stick to its 27.5 per cent stake in Sakhalin-2 in Russia's Far East, despite joining tough G7 sanctions on Moscow. [Prime Minister Fumio Kishida said](#) the project helps to provide "long-term, inexpensive and stable LNG supplies" to Japan and is "an extremely important project in terms of our energy security."

This is where opportunities lie for India too, which has extensive refinery industries that are typically interested in the Russian crude oil. (Natural gas is going to be harder for India to source from Russia.)

The Chinese consultancy Fenwei Energy Information Service said earlier this month that Russian coal and oil paid for in yuan is about to start flowing into China and the first cargoes will arrive this month. These will be the first commodity shipments paid for in yuan since the US and Europe cut off several of Russian banks from the international financial system.

Indeed, China is viewing the paradigm of western sanctions from a vastly different perspective from Manmohan Singh's — how to take advantage of the sanctions optimally while also enhancing the partnership with Russia by adding more content to it. India's record, in contrast, has been that under the leadership of the previous government (2004-2014), India's relationship with Russia remained stagnant.

The [Reserve Bank of India recently estimated](#) that India is expected to overcome Covid-19 losses in 2034-35. But it is predicated on the big assumption of a sustained 7.5 percent annual growth of GDP. The consensus opinion of international economists puts India's GDP growth next year, and possibly beyond that, closer to 6 percent.

Clearly, India needs to figure out the algorithm of EU and US sanctions against Russia so as to take the fullest advantage of business opportunities at a critical juncture when the country's economic recovery ought to be the topmost national priority. Excessive geopolitical gyrations give an intoxicating sense of being smart.

While in Delhi recently, European Commission president [Ursula von der Leyen promised](#) us the moon. But we must be realistic. The EU has absolutely no history of building up world class powers. Leading American think tanks have been [sceptical about the EU's own future](#) even before the debris from Ukraine overburdened it.

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Featured image: Russian liquefied natural gas tanker at a terminal in Tianjin, China (Source: Indian Punchline)

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