Is there a place for problems of energy resource transit in the EU Baltic Sea Strategy?

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1. Introduction

Today the problem of the European Union's energy dependence on a few countries-providers of energy resource is an extremely urgent issue. Within the limits of the present article the author would like to concentrate on the problem of concordance of the energy dialogue between the EU energy carrier providers on one side, and the transport supply of the attendant cargo traffic within the Baltic Sea Strategy on the other side. The relevance of the current issue is supported by the fact that the EU Baltic Sea Strategy should be considered as an instrument to ensure not only the economical and political, but also ecological security of the region.

The aim of the Strategy will be to coordinate the efforts of various actors in the Region (Member States, regions, financing institutions, the EU, pan-Baltic organisations, non-governmental bodies etc.) so that by working together they would promote a more balanced development of the Region.

The strategy will aim at four main objectives (European Commission):

1. to improve the environmental state of the Baltic Sea Region and especially of the Sea;
2. to make the Baltic Sea Region a more prosperous place by supporting balanced economic development across the Region;
3. to make the Baltic Sea Region a more accessible and attractive place for both its inhabitants, for competent labour force and for tourists;
4. to make the Baltic Sea Region a safer and more secure place.

2. Main features in development of the world trade and their impact

The development of the world trade is a basis for the foundation of economic preferences for the countries-participants in the trade process. The European countries' demand for energy resources increases every year, which undoubtedly affects the consolidation of fierce competition for cargo

traffic in the Baltic Sea region. However, even if competition is considered to be the main element of market economy, it currently causes many problems, which slow down the more qualitative and rapid development of port capacities in the Baltic countries. A natural process of competition, in circumstances where national transportation programs are not coordinated, may prejudice not only the interests of individual countries, but also adversely affect the economy of the whole Baltic Sea region.

In order to avoid the eventuality of such developments, the issue of closer cooperation in forming the transportation policy of the states situated on the shores of the Baltic Sea should be raised. Multibillion investments may be left uncommitted as a consequence of uncoordinated actions related to the national transportation programs, miscalculations in forecasting the transportation volumes and routing schemes. Creating large international investment projects aimed at the development and improvement of transport infrastructure of the Baltic Sea region, including support measures of the Baltic Sea Strategy, would enable to unite all the elements of transport infrastructure in the Baltic Sea states.

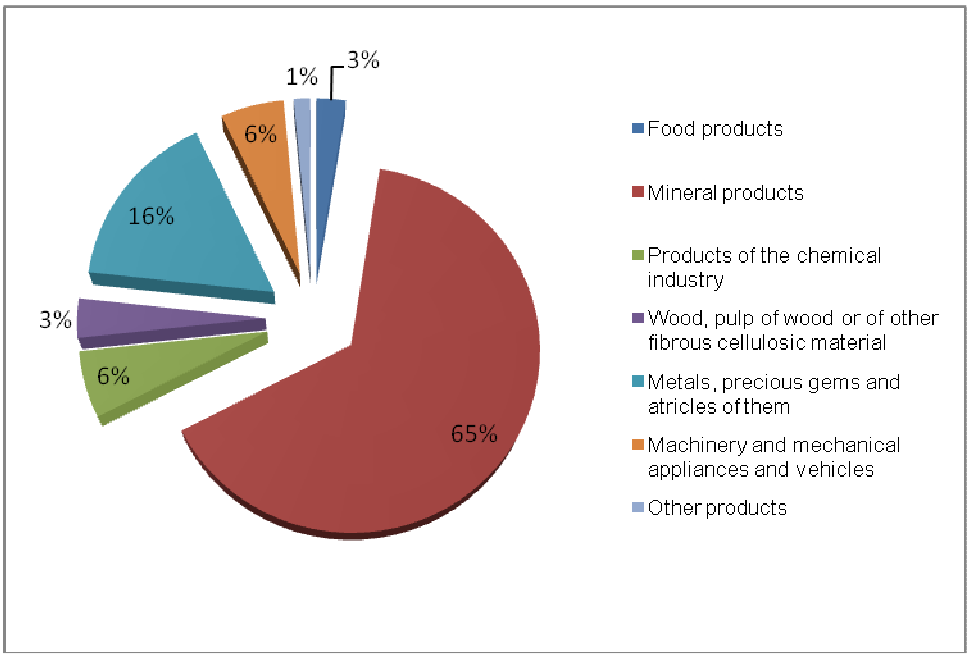
The main countries-providers of cargo into the Baltic harbours are Russia, Kazakhstan, and Byelorussia. Until the recent time, a more scaled economic interaction between Russia and the Baltic States has been the transit of Russian goods.

Rapid development of atomic and other alternative energy resources could also be mentioned here, though, until nowadays, the fuel-energy society demands have been based on the use of hydro carbonic and, uppermost, of oil-and-gas material. Thus, approximately one third of the oil import into the European Union and 40% of the gas import is provided by the Russian Federation.

The importance of oil production and export accumulation results from the Russian resource potential and the growing demand on the world markets. According to Rosstat (Federal State Statistics Service) data, the leading fuel-and-energy goods accounted for 65% of the goods structure of Russian export in 2007 (Figure 1). Undoubtedly, the European Union, as the greatest energy resource consumer, is interested in the potential capacity of the Russian Federation on the product market.

It is obvious that today none of the energy resource countries-providers in the EU holds a proper level of stability to ensure uninterrupted delivery of goods. International political and economic developments dictate new rules of collaboration between the countries-participants in the trade process. The current issue also becomes urgent from the Baltic countries' point of view in order to activate their own transport capacity for energy carriers delivery on the EU inner market.

Figure 1. Structure of Russian export, 2007, %



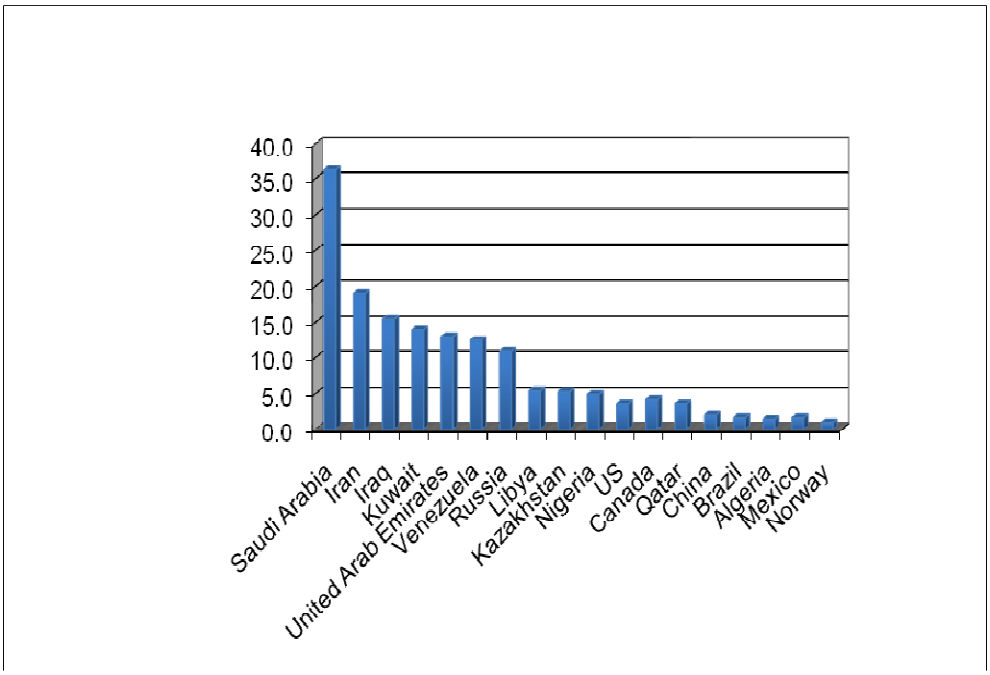
Source: Товарная структура экспорта Российской Федерации, [http://www.gks.ru/bgd/regl/b08_11/IssWWW.exe/Stg/d03/26-08.htm].

The countries that are involved in transit are interested not only in production accumulation and the export rates of oil products from Russia, but also in the growth rates of Russian port-transport infrastructure.

The total established oil resource was approximately 168.6 billion tons in the end of 2007. More than 75% of the world oil stocks have concentrated in the developing countries and less than 4-5% - in the developed countries. Approximately 6.4% of the world oil stocks make up the established

resources of the Russian Federation, which make up to 10.9 billion tons (Figure 2).

Figure 2. Proved reserves of oil, 2007, bln tons

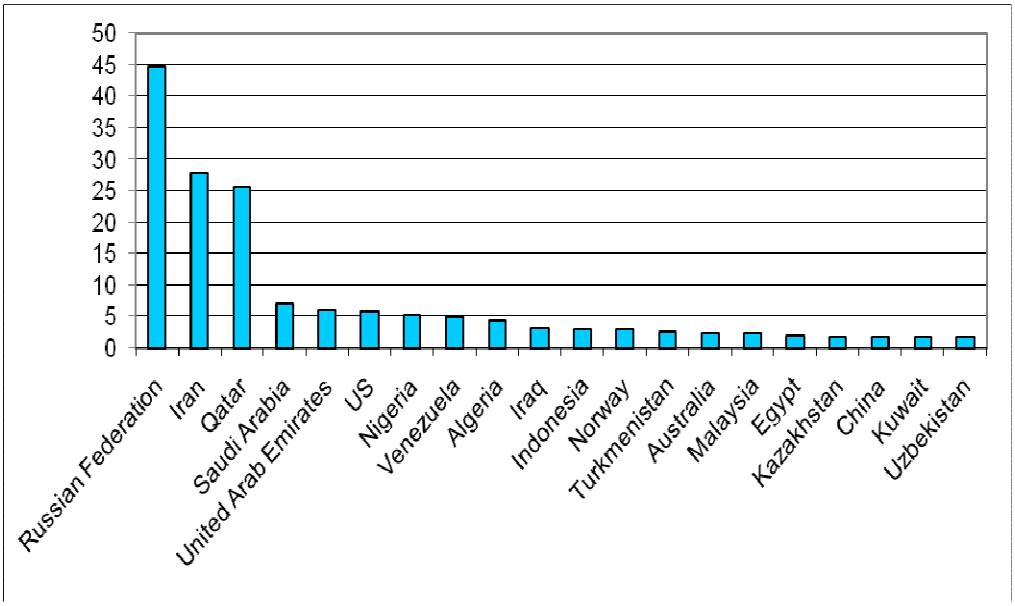


Source: BP statistical review of World Energy June 2008, p. 6.

The total established gas stocks were approximately 177.36 trillion cubic metres at the end of 2007. One fourth of the world's natural gas stocks belong to the Russian Federation (Figure 3).

The maintenance of high world oil prices, which stipulate the constant growth in export of oil and oil products, has great influence on the development of oil-producing industry. The projected slowing down trend of the production growth rates, which needs to be actively stimulated by the means of different tax privileges for oil exploratory enterprises and additional involvement of investments, has negative influence on the oil export increase

Figure 3. Proved reserves of natural gas, 2007, trillion cubic meters



Source: BP statistical review of World Energy June 2008, p. 22.

In addition to the government and the oil-producing companies, also the companies-operators that offer their transport services and whose volume of work depends on the demand for the current fuel and on its satisfaction, are directly interested in the price growth.

The rising trend in the world prices for energy carriers, which lasted from 2002 until the recent time, at the first glance, seemed to be rather favourable for energy resource countries-suppliers, although, in the conditions of favourable external economic conjuncture (in respect to the price growth), the oil export from Russia increased at advance rates in comparison with its production. Thus, within the period from 2002 to 2007 the oil export growth fluctuated from -3% to 20% a year, while the oil production growth fluctuated from 2.1% to 11% a year.

At the same time, according to the International Energy Agency, the world's primary energy needs are projected to increase by 55% between 2005 and 2030, at an average annual rate of 1.8% per year.

The demand will reach 17.7 billion tons of oil equivalents, in comparison with 11.4 billion tons in 2005. Fossil fuel will remain the main resource of primary energy; it will make up to 84% of the total growth of the demand in 2005-2030. Oil will preserve its role as the main kind of fuel; however, its part in the world demand will reduce from 35% to 32%. Due to the fact that developed countries hold less than 4% of the proved oil stocks, they will hold the demand for the main energy resource. The natural gas demand will grow less significantly – from 21% to 22%.

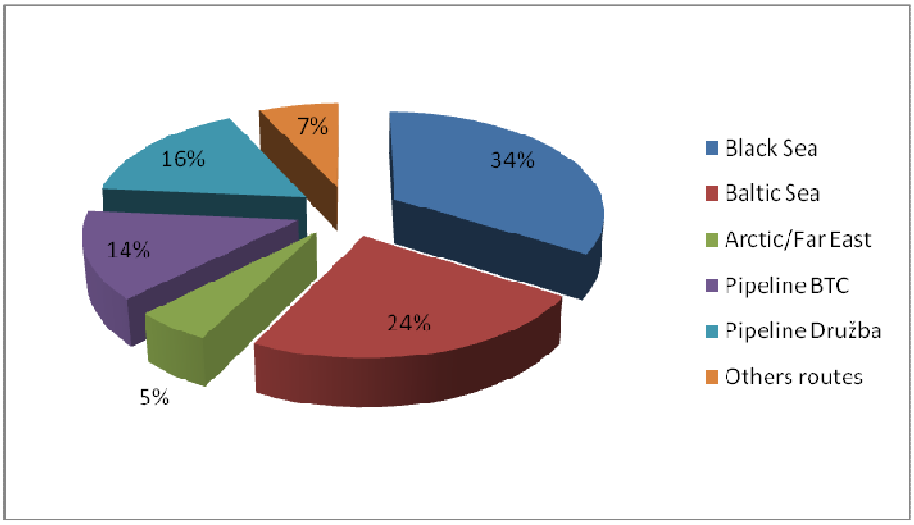
According to the data provided by International Energy Agency, it is necessary to invest approximately 22 trillion dollars into the development of infrastructure of energy carriers' deliveries in order to meet the world demand forecast. Mobilising investments in the required volume represents a serious goal; a legible circumspect strategy of the Baltic region here will be to the point.

Marine and railroad transport will remain a traditional means of transport, fully operating in the world community for oil, oil products, coal, and other kinds of transportation of energy resources. The main export streams of Russian oil – more than 60% - are sent via marine transport (Figure 4).

The Baltic Sea region seaways operate for the transportation of 25% of oil and oil products. 30% of Russian oil is transported along the pipeline system. The final kind of export is 3-6 times cheaper in comparison with the railroad and the marine transport. Considering the unfavourable ecological situation in the World Ocean, especially in the intersection zone of the most significant cargo mains, the surface pipeline and railroad transport should be considered as least aggressive towards the environment.

The same could be said about the transportation of the Russian natural gas in the EU, which is accomplished via pipeline grid, while the most widespread delivery for the rest of the world regions is the delivery of liquefied gas via marine transport (BP statistical review).

Figure 4. Export routes of Russian oil



Source: International Energy Agency, 2008

In reference to the problem of the Nord Stream project, the author considers the lack of confidence between Russia and the states situated on the shore of the Baltic Sea to be the main barrier for the realization. The project could not be realized only on the bilateral contacts of Russia and Germany.

3. Conclusion

The author suggests the following steps for the concordance of energy and transport issue:

1. To raise the issue of evaluating the means of delivering energy resources on supranational level (to replace the elements of planned economy with the principles of market economy);
2. To develop the most effective intermodal itineraries of transportation of dangerous goods (energy resources) aiming at:
   a. Unloading the marine ways of the Baltic Sea;
   b. Rational and effective use of harbour capacity of the Baltic countries, with the help of energy streams distribution between them;

c. Extension of the role of railroad transport in the delivery of energy carriers;
d. Extension of the significance and actual potential of the project Rail Baltica.

3. To investigate the opportunity of the natural gas delivery in the EU in a liquefied way, also by railroad transport. To carry out the projects of building the corresponding infrastructure in harbours of transhipment and final destination.
4. To toughen the standards on ensuring transportation safety of the energy carriers and increase the control over the fulfilment within the limits of the EU Baltic strategy.

Relying on the aforesaid, the author's point of view is that the energy dialogue is possible only within the limits of the adequate transport interaction between the provider and consumer of the energy material.

Close cooperation of all transport chain links will further not only the reduction of the negative influence on ecology, but also the reduction of transportation prime cost, and additionally, it will further the rational collaboration of transport capacities of transit countries.

With the help of brave steps and joint efforts of the Baltic countries on international level, the idea of the single Baltic transport space will become achievable. The Baltic Sea Strategy, in its turn, will further its effective and uninterrupted functioning. Within the limits of the strategy, the Baltic countries have a possibility to contribute to the development of the profound European integration and to realize the conception of the EU Single market in the Baltic Sea region.

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