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Q. Evaluate the implications of Ukraine War for the Russia-Europe energy relations.

INTRODUCTION

Russia remains one of the largest producers of oil, behind the US and Saudi Arabia. It also has the largest reserve of natural gas in the world. The European Union has been the main importer of energy resources from Russia. In 2021, the EU imported ~50% of its gas from Russia. Similarly, in 2022, the trade was recorded at approximately €82 Billion in the first quarter. This shows the extreme dependence of Europe on Russian energy resources.

ONSET OF THE UKRAINE WAR

After the start of the war in 2022, Russia faced extreme sanctions on its energy exports. Over time, the EU slowly reduced their import bill. The gas imports dropped down to 19% while crude oil to just 3%. This was part of the pressure on Russia to stop its invasion of Ukraine. But Russia remained unfazed by the

actions. Finally, this culminated in the EU's legislative proposal for a complete phase out of Russian resources by 2027.

REPowerEU Plan

There are several key components of this plan:

1. Gas Contracts

Under the proposal, a complete ban to be imposed on new Russian gas contracts effective early 2026 and short term contracts to be terminated.

2. LNG Infrastructure

Complete ban on long term LNG terminal service contracts with Russian firms.

3. Diversification of sources

Realignment to achieve energy sovereignty. EU turning towards US, Norway, Middle East and Africa as an alternate

Strategy

4. Political Implications

With reduced dependence, Moscow loses leverage on the EU, which while facing sharp economic losses and pressure within.

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European Commission:

According to the President of the ~~EU~~ ^{EU}

"Russia has repeatedly attempted to blackmail up by weaponising energy. We are ending the era of Russian fossil fuels in Europe for good"

5. Geopolitical Shift

The move increases Russia's isolation from western energy markets while opening newer markets for EU in the middle east.

IMPLICATIONS OF THE PLAN ON EUROPEAN UNION

(i) Economic Costs The plan carries a high short term adjustment cost. The ~~market~~ newer markets are further away thus financially damaging. Burden of investment into renewables have to be borne.

(ii) Political Fallout Some countries with EU not ready for complete phase out and high cost. There is a risk of political fragmentation from within.

(iii) Varied results and outcome

The move pushes dependence of Russia on nations like China and India without any long term impact.

(iv) Long term payoff. The strategy is long term, thus increases pressure on the EU for an outcome. However, investment in renewables can help achieve future sovereignty in energy sector.

IMPLICATIONS ON RUSSIA

(i) Overheating of the economy

Increased inflation owing to a greater current account deficit. Results in high interest rates, further dampening growth.

(ii) Reduced Revenues

With declining demand, Russia will be forced to sell at even lower prices, which would entail lower profits. However, revenues could rise if lower costs lead to greater customers and contracts.

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(iii) Dependence on few actors

With increased sanctions from the west, only few players like China and India left to buy energy. With these reduced options, Russia greatly dependent on such states.

(iv) Increasing impact of war

Without ample funding to finance the war, Russia might be forced to rethink its strategy. Potential supply of arms and support from U.S to Europe puts further pressure on Putin.

(v) Renewable Energy Shift

EU's renewable energy plan leading the way for diversification for other states away from fossil fuels. Russia might have to find newer ways around sanctions or diversify its economy. ~~help~~

CRITICAL ANALYSIS

The E.U found itself in a ~~trade~~ trade surplus with Russia by reducing its import bill while keeping exports of manufactured goods like machinery

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and chemicals. On the other hand, Russia became worse off. While the long term implications of the policies are yet to be seen, it can be safe to say that for the time being, Europe won the battle by putting tremendous pressure on Putin economically, to withdraw his from his costly war. The rising inflation will, as a result, lead to further backlash for Putin at home.

CONCLUSION

Europe has long depended on Russia for its energy needs in the form of oil and gas. The Ukraine war, however, shifted the relationship dynamics, leading to diversification of Europe for its energy needs. The move, while costly, has been successful in putting pressure on Putin, but not enough to stop the war.