

# Goodbye Russian gas, hello rapid decarbonisation

Monday 23 May 2022, by [PIRANI Simon](#) (Date first published: 20 May 2022).

**We must cut Russian fossil fuel imports and change our energy use, to combat both the cost of living crisis and the global climate crisis**

Three months into the Kremlin's war against Ukraine, European politicians and officials are working out plans to reduce fossil fuel imports from Russia to zero.

This week, the European Commission [published a plan](#) to end Russian gas imports by 2027. Climate campaign groups say it can be done much sooner.

This is a historic turning point. Gas imports from Russia started in the 1960s and came to symbolise not only a flourishing trading relationship with Europe, but also a geopolitical partnership that survived the break-up of the Soviet Union in 1991.

How strong is the case for Europe's labour movement and civil society to support sanctions against the Russian economy, and specifically against Russian fossil fuels? Which sanctions could be effective? And could an embargo on Russian oil and gas imports give a push to decarbonisation and the fight to prevent dangerous global warming?

## The case for sanctions

The case for sanctions, like the case for supplying weapons to Ukraine, is tied to the nature of Russia's war.

Ukraine's army, actively supported by millions of its civilians, is defending territory from a Russian invasion that had the declared aim – now being scaled back – of dismembering and subjugating Ukraine. The Kremlin's justification for the invasion is that Ukraine, Russia's oldest colony, does not deserve to be an independent country.

The Russian army's brutal methods, including massacres, executions and rapes of unarmed civilians, has triggered Europe's largest refugee crisis since 1945. Nevertheless, there is still doubt in Europe's labour movement and civil society about supporting sanctions on Russia. [Opponents of sanctions say](#) they will hurt the Russian people more than the Russian government, and that Western politicians are more interested in wrecking the Russian economy than helping Ukraine.

The wide-ranging sanctions imposed on Russia in the first weeks of the war will undoubtedly do great damage to the country's economy for many years to come.

The measures aimed at Russian oil and gas exports are relatively limited so far. Heavy sanctions have been imposed on many of Russia's largest financial institutions; its access to the SWIFT payment system has been limited; and hundreds of billions of dollars, kept by Russia's Central Bank in foreign accounts to support the ruble, have been frozen.

'Self sanctioning' by Western businesses also counts. Firms that have worked in Russia for decades are pulling out, including [BP, Shell, ExxonMobil and Equinor](#), four of the six largest foreign companies in the oil and gas sector. Oil output has fallen.

Russia's manufacturing industry is being hammered. For example, [only one of Russia's 21 car factories](#) is working normally, as supply chains dry up.

The sanctions are likely to intensify the inequality imposed on tens of millions of Russians by the country's kleptocratic, parasitic form of capitalism. Living standards will certainly fall.

Despite this, Ilya Matveev, a Russian political scientist, [argues](#) that sanctions appear to be an "effective tool" to "stop, or at least weaken, the Russian military machine in Ukraine". The Russian military-industrial complex leans heavily on imported components and an economic blockade will reduce its ability to support the army's murderous mission.

"Supporters of peace should not advocate lifting economic sanctions, until Russia's military aggression stops completely," Matveev writes.

I agree with him.

Economic pain being visited on Russian people is nothing to celebrate - but neither is it a reason to oppose sanctions. The latter can hasten the war's end, saving the lives of both Ukrainian civilians and Russian soldiers.

What about Western politicians who talk about subjugating Russia? Yes, they do talk, but they do not play a decisive role in shaping relations between Russia and the big Western powers.

"Oil has contributed 45% of Russia's export revenues in recent years, gas - 12%. Much of this money goes directly to the Russian state"

The determining factor is Russia's integration into the world economy since the 1990s as a supplier of raw materials - oil, gas, metals and minerals - that is, as an economically subordinate country.

Over the last two decades, President Vladimir Putin has sought to compensate for Russia's economic weakness with military aggression - in Chechnya (2002-03), Georgia (2008) and Syria (2015-16).

The Western powers, far from trying to weaken Russia, allowed Putin his sphere of influence. Limited sanctions were imposed only when Russia annexed Crimea from Ukraine in 2014. As the Russian elite accumulated obscene wealth from oil and gas, the Western powers welcomed it being stashed away in the tax havens they facilitated.

This uneasy Western-Russian compromise was shattered in February, by Russia's recognition of the separatist so-called 'people's republics' in eastern Ukraine, and the all-out invasion that followed. Germany reversed its decades-long policy on Russia, immediately cancelling the Nord Stream 2 gas pipeline project and eventually supplying arms to Ukraine for the first time.

### **Which sanctions work best?**

Oil has contributed 45% of Russia's [export revenues](#) in recent years, gas - 12%. Much of this money goes directly to the Russian state: jointly, sales of the two fuels provide about 40% of its income. Sanctioning those revenue streams matters.

But the economic recovery from the coronavirus pandemic, plus the shock to trade flows caused by

the war in Ukraine, has pushed both oil and gas prices – and with them, Russia’s revenues – to record highs. Russia [earned an estimated \\$61bn](#) from oil and gas sales in the first two months of its war.

In May, fossil fuel revenues were rolling in at about \$1bn a day. Imports have slumped and Russia’s current-account surplus, which includes trade and some financial flows, [could hit \\$250bn](#) this year, more than double its level in 2021.

While export revenues are up, the volume of exports is down – although oil shipments sanctioned in Europe have often [been sold in Asia](#) and other destinations. The total volume of [Russian oil production is falling](#), too, and in the long term producers will face further problems accessing capital and technology.

In short, sanctions on Russian oil are not so obviously effective – and economists are thinking up ways to improve them, such as [tariffs](#) or oil-for-reparations [“smart sanctions”](#) that withhold some remittances.

“The embargo on Russian gas imports currently under discussion in the EU could be more damaging, more quickly, to Russia”

But the embargo on Russian gas imports currently under discussion in the European Union could be more damaging, more quickly, to Russia. The gas that flows from the big western Siberian and Yamal Peninsula fields to Germany, Italy and central European destinations can’t easily be diverted elsewhere.

Russian gas exports to China are at a far lower level (38 billion cubic metres/bcm per year, with the promise of an extra 10 bcm per year in future) than exports to Europe (around 150 bcm per annum in recent years) – and anyway are supplied from other fields, in eastern Siberia. If Russian gas is shut out of Europe, it would likely have nowhere else to go.

The timing and success of an embargo on Russian gas is by no means assured, as many business leaders in Europe are opposed to it. For example, Herbert Diess of Volkswagen, whose supply chains have been disrupted by the war, effectively [challenged the EU’s stance on sanctions](#), calling on politicians to negotiate with Russia even while military aggression continued.

Other big beneficiaries of links with Russia are less inclined to talk about it publicly. These include the world’s largest oil trading firms – Vitol, Trafigura and Glencore – which continue to [ship millions of tonnes of Russian oil](#).

The limits to sanctions’ effectiveness is nowhere more striking than in the measures to sanction wealthy Russian individuals. The Tax Justice Network [warned](#) that efforts to track wealthy Russians’ assets by a transatlantic task force, set up by Western powers after the Russian invasion, are “severely hampered by loopholes, secrecy laws and shortcomings”.

The UK has been especially welcoming to Russian money. After the invasion of Ukraine it sanctioned a number of oligarchs, but in many cases this was slamming the door after the horse had bolted. For example, researchers found that institutional failings had allowed money belonging to Alisher Usmanov, a Kremlin insider and once the UK’s wealthiest citizen, to be [hidden in a web of trusts](#).

## **Sanctions and decarbonisation**

While business lobbyists hope to slow down the European Commission’s plans to cut Russian imports and reduce gas consumption, climate policy campaigners want to speed up these efforts.

And it's not just about speed. It's about whether to concentrate on replacing Russian imports with fossil fuels from elsewhere – postponing drastic changes in our fossil-fuelled systems – or to take the bull by the horns and cut gas use. This would involve inflicting suffering on individual European consumers, but by finding other ways to provide the heat currently produced from gas.

Researchers from the Regulatory Assistance Project, an energy policy think tank, [argue](#) that given that most of Europe's gas is used for low-temperature heating (for example, in homes), it can “be replaced by existing technologies”.

That means, in the first place, insulating homes and fitting electric heat pumps; installing [district heating systems](#) – a centralised heat source for a neighbourhood; and producing electricity from renewable sources instead of gas.

Gas is also used in industry, both as a heat source and a raw material. Replacing it there is trickier, but engineers know how.

Energy systems researchers say that conservation measures – which should have been started decades ago, to help avoid dangerous global warming – [can slash gas demand](#) by nearly one-third of the EU's total consumption within a few years.

An environmentalist alliance [targeted](#) 100 bcm of gas savings by 2025 across the EU via energy efficiency measures, heat pumps and electrification in buildings, and more renewable electricity. Climact, a climate campaign group, [proposed](#) cuts of 26.6 bcm by 2027 from only the three biggest gas-burning industrial sectors: chemicals, food and non-metallic minerals (mostly glass and ceramics).

These substantial reductions in fossil fuel use are the type of policies needed to address the climate crisis, in contrast to governments' “[net zero](#)” targets. These are duplicitous, because they assume that economies can keep pouring large quantities of greenhouse gases into the atmosphere, and remove them in future decades with unproven technologies.

While environmentalists' proposals focus (correctly in my view) on wasteful technological systems, still more fossil fuels could be saved by changes in the way we live – for example, by moving away from car-based urban transport systems, sharply reducing air travel, and so on.

Economic policies that question not only the efficiency of fuel use, but also what the value of production is for human development and happiness – and not just for profit – could also take chunks out of fuel demand.

“These proposals for energy conservation can also help to address the cost of living crisis, which is exacerbated by Russia's war on Ukraine”

Europe's labour movement and social movements have everything to gain by siding with these proposals for energy conservation – because they can also help to address the cost of living crisis, which is exacerbated by Russia's war on Ukraine.

A crash programme to insulate homes and supply electric heat pumps, or connections to district heating systems, would address both the immediate crisis facing households, of unpayable bills, and the greater, longer-term global warming crisis. [Campaigning](#) for such a programme could bring together climate policy and social justice in action.

Governments and corporations are framing Russia's war on Ukraine as an “energy security” issue that can be addressed in the first place with fossil fuels from elsewhere, or false solutions such as

[hydrogen](#). Against that, we need to address this crisis together with the global warming crisis and mobilise in support of long-overdue energy-saving policies.

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