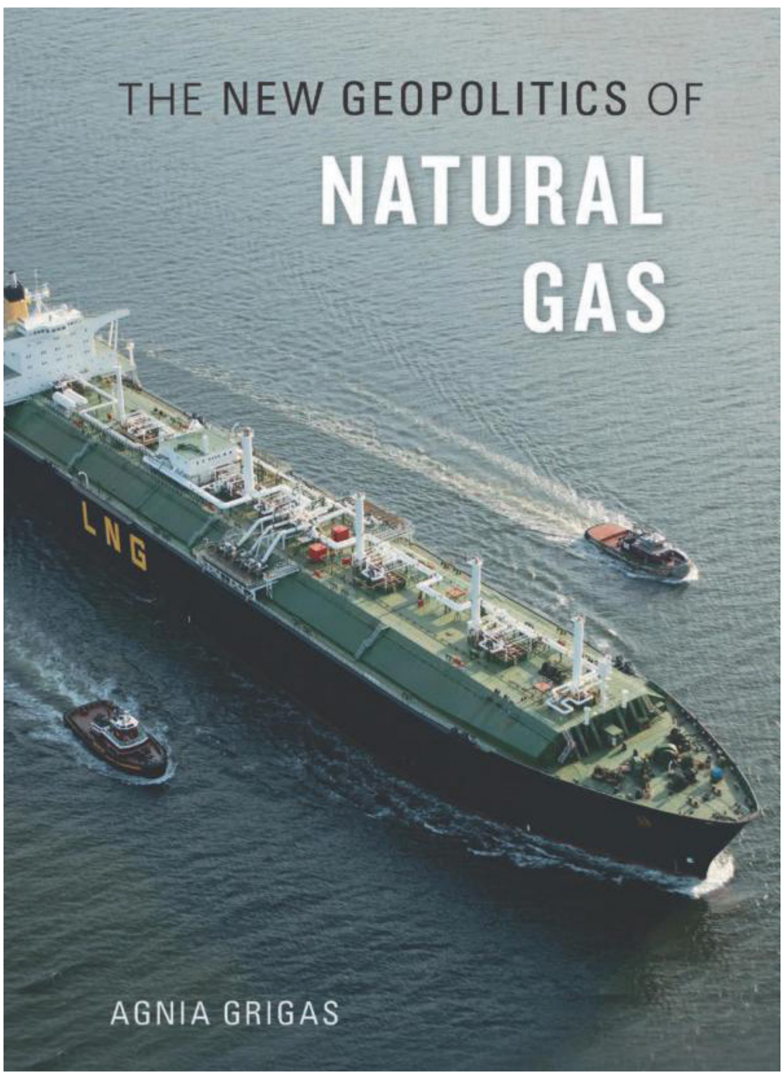
The New Geopolitics of Natural Gas
by Agnia Grigas

A Book Review by Dr. Andrew C. Hess

It is encouraging to find a highly competent scholar willing to take on the complexities of a global energy revolution. Agnia Grigas' book is not just about the political control of oil and gas reservoirs. Rather, it addresses the consequences of a new era in natural gas production that is capable of transforming structural relations in the energy world. Grigas' geographical and historical context for examining the new politics of natural gas are appropriate: the geography being the northern and eastern parts of Eurasia, while the historical dimension is the emergence of a large pipeline structure connecting the Soviet Union to Europe after 1960, and the challenges it posed after the collapse of Soviet Union in 1991.

Long before Nikita Khushchev (d. 1971), Soviet geologists had discovered large reserves of oil and gas in Central Eurasia. After the end of World War II, the Soviet State proceeded to construct a huge pipeline network to distribute energy within the Soviet Union as well as to Europe. This created an energy management system that favored long pipelines, long-term contracts, fixed prices, and a decision-making environment in which political power often determined the outcome of disputes over prices and costs. Post 1991, with the Russian Union trying to protect its market for gas in Europe on one hand, and emergence of new nation states on the other, severe disputes arose over the price of gas.



Grigas discusses the natural gas pipeline era in Europe as an energy problem; a post-World War II struggle between the Russian Union's attempt to preserve its major European market and non-Russians' interests in forming a state and society unconnected to the Soviet past. The role of natural gas in this recasting of European affairs was so fundamental that when disputes erupted, the consequences provoked major actions on all sides. When Russians closed gas pipelines to the Ukraine in 2005 and 2009, the consequences involved economic, military and political considerations that were not only local, but also influenced the political order in Europe. Grigas throws light on Russia's strategic actions as its difficulties with the Ukraine mounted. These issues were so important that the financial challenges of distributing gas around Europe became a concern for both the United States of America and the Russian Federation. Amidst this, the Russians were focused on protecting their European gas market by expanding their existing system, while the European allies of the United States of America wanted to assist their allies in diversifying reliance on Russian energy.

Grigas then defines emergence of revolutionary petroleum technologies in the United States of America in 2010 as a disruptive event. The fracking revolution was not a product of a direct state intervention, rather an outcome of technical and economic innovation (horizontal drilling). This innovation helped develop new techniques for drilling and distributing Liquefied Natural Gas (LNG). After 2010, the United States of America turned from being a large oil and gas importer into a major global natural gas exporter.
During this period, new LNG gas producers established business conditions that liberalized gas price determination. Here, Grigas draws attention to the expanded production of natural gas for export, diversification of markets, and innovative efforts in construction of tankers and LNG port facilities. These developments engendered a new era in the energy landscape that continues to change the geopolitics of energy supply and demand to date. Grigas argues that greater pipeline connections with neighbors other than Russia and access to LNG energy will diversify EU supplies and force Russia to seek other distant markets in Asia and liberalize prices in energy markets.

The author then turns attention to the "Politics of Isolated Suppliers: The Caucasus and Central Asia." This parallel line of analysis for the new geopolitics of natural gas is acceptable; however, there are three difficulties with this framework that limit the scope of Grigas' work. Firstly, it is hard to describe the petroleum states in the Caucasus and Central Asia as being isolated from the politics of oil and gas. The territory that they occupy is at the center of Eurasia where geologists' claim 70% of the world's oil and gas reserves lie. Strategists who wish to understand major political events in the world since Alexander the Great to the Russian invasion of Afghanistan (1979-89) and the current presence of U.S. troops in Afghanistan acknowledge the important geographical status of central Eurasia. Secondly, it is important to mention the role played by Qatar and the Arabian American Oil Company in the last two decades of the twentieth century, when the trapping and processing of natural gas first began to matter. While current politics in this region has its limitations in supplying natural gas, there is reason to believe that, as was the case with the Baku Ceyhan pipeline (2015), another option will work out. Thirdly, the author's geopolitical viewpoint on isolation of natural gas in central Eurasia should be modified by a statement on the history of the origins of modern LNG production in the center of the Strategic Ellipse.

Finally, in discussing energy needs, everyone needs to account for LNG demand in Asia. The industrialization of China and India took place in the first decade of the twentieth century, at the same time as the natural gas revolution. The number of citizens in these two Asian states that would eventually feel the effects of any rapid change in the geopolitics of natural gas account for one third of humanity. Additionally, science and technology in this field are developing at a rate more advanced than in the Western agricultural and industrial revolutions. The new geopolitics of natural gas may play a controlling role in unsettling the Fourth Industrial Revolution and should continue to be part of the ongoing discussion of these changing times. Grigas has provided a remarkable introduction.

Dr. Andrew C. Hess

Dr. Andrew C. Hess is a Professor of Diplomacy and the Director of the Southwest-Central Asia and Islamic Civilization Program at the Fletcher School of Law and Diplomacy at Tufts University. His expertise is in Central Eurasia and includes the study of energy related issues, with a current focus on the emergence of an Asia-Pacific economy centered around the LNG trade. He is a former manager of Government Affairs for the Arabian American Oil Company (Saudi Aramco). Professor Hess is a former officer in the United States Marine Corps, an expert on the Battle of Lepanto and an enthusiast of the Turkish re-curved bow.