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**invitation to contribute a 1.5-page article in English** (max. 6500 letters) related to Russia's capability to export gas in 2020 or any other topic you may consider relevant for the review.

# HAPPY END OF PIPELINE CONFLICTS?

Experts on gas industry in Europe may not believe their eyes. Orthodox Christmas of 2010 is behind us and no gas war at all! After five years of gas conflicts in Eastern Europe and struggles for and against new pipelines now it's quiet. May be skeptics were right and gas did not matter but politics? Some sober minds often hinted at it, but the heat of debates was too high to take it easily.

What was so important about gas? What were these conflicts about? Since the demand for gas is down at the time of the severe industrial recession in EU also there is much less pressure on Russians to invest and close the possible supply gap. Now it is not a suppliers', but the consumers' market. But pipeline gas pricing is based on oil prices – so, downturn in prices and incomes is limited. Gazprom and other suppliers now are concerned with economics of the projects. EU forecasters keep reducing the projections for gas demand. And Russian experts are quite concern again: few years ago on the supply – now on the demand. Still there is a danger that rosy scenario of 20-20-20 may be not actually realized on time. May be the EU is gambling on renewable and CCS by 2020. In this case the common wisdom recommends more Russian gas available in a decade.

Any way the race of pipelines and upstream projects is visibly easing, diversity of energy (gas) supplies is increasing in EU. The serious pressure applied by Brussels on Ukrainian politicians to exclude any steps on their side dangerous to gas supply (as in 2009). Russian Prime-minister made Gazprom to go on serious concessions in "take or pay" contract system (for Ukraine only) this winter to prevent any "Russian gas issue" in recent presidential elections in Ukraine. It appears all three sides tried in earnest to avoid `complications of the previous year and succeeded. Political collapse of Victor Uschenko has cleared the way for more cooperation on the repair of pipelines by involved parties. And Ukrainian economy will not be consuming so much gas as before the crisis.

Starting project by project approach from North to South we look at Shtockman first. Now it will be delayed by few years due to a limited demand in EU, and the shale gas & LNG suppliers in the USA. Russian huge gas field was in the focus for years but now it is a very big project, but not a controversy of the ownership and management. Of cause it will contribute to the EU supply in 2020. But the Final Investment Decision for Shtockman is delayed by another year – gas suppliers are not going to create the excessive in the near term after crisis. As the Oriental proverb says: Cautious is Sister of Wisdom.

The next goes the North Stream – its “ecology” was quietly approved by Swedish and Finnish governments. So much political ink was spent around that project. To say the truth Brussels always stood by the North Stream. Probably this lesson must be highlighted separately from all – politics should be separated the commerce. Russian experts mostly believed in this outcome and happily report it to the public. Now it will go on the commercial basis, and also will be delayed by the recession.

Belorussian story of pipelines and conflicts has nothing to do with the European energy security. It’s an issue of “sort of subsidy” between two countries. Again we see the serious improvement this year – actually no damage to supplies by a financial (energy related) conflict. Moscow Ministry of Finance has managed to get back some of export duty concessions from colleagues in Minsk. And again – no major headlines in Media.

South Stream is knocking again on the doors of Bulgaria with an expected success eventually. Romania tried to divert it to itself but failed and established (as compensation?) some elements of American Anti-Missile Defense. On this background Russian-Turkish energy cooperation has been strengthened. Second Blue Stream may be coming, Turkish waters may be used for South Stream and Nuclear Station may be built as a package.

What is the overall outcome the long snowy winter of 2010? EU has time for renewables, and Russia has time for more development in upstream and infrastructure. Transit countries are becoming friendlier to avoid future losses. Turkmenistan starts gas delivery to China and restarts them to Russia. One loser is obvious: Nabucco is again without money and gas (but with a lot of “goodwill”). Personally I believe it will be completed some day for Iranian gas.

My prediction in the fall of 2009 was pretty simple: given there is no new Ukrainian gas conflict in 2010 – we may see “Gas Returning scenario” to Europe. Gas has still the best economics among fuels and decade or two in vision. Nuclear power is politically difficult, coal is waiting for CCS, renewable look like slow. After losing the role of “a politically suspicious fuel” in EU natural gas may become again an energy favorite in years ahead of us. Winter 2010 has proved how quickly the political mines can be discharging by commerce and common sense.