

## Moscow energy storage policy

The Strategy sets a 56 percent energy intensity reduction target for 2030 (compared with 2005). It will be accomplished in three stages: the first is a major overhaul of the energy sector; the second emphasizes efficiency gains through new technology within the fuel and energy sectors; and the third stresses economy-wide energy efficiency.

For six decades, the bulk of Russia's pipeline gas exports were directed to the West. Now Russian pipeline gas exports to EU countries look extremely challenged, given the European Commission's target to stop these imports by 2027 and the uncertainty regarding when and how the war with Ukraine will end.

The reason for which Russia will shortly emerge as a leading country in new energy technology based on renewable power generation and energy storage in Li-ion battery and solar hydrogen, I argue in this study, is of economic and industrial nature.

The Strategy sets priorities of the state energy policy, tasks and key measures for the development of the energy sector. A few measures related to methane abatement are mentioned, including rational use of associated petroleum gas and minimizing the volume of its flaring alongside an overall goal for reduction of greenhouse gas emissions.

But accusations that Russia is restricting gas on purpose are "nothing but politically driven and entirely groundless bloviation," Russian President Vladimir Putin said at a much-awaited energy conference in Moscow last week.

Putin's public messaging comes amid heated debate on whether Russia has weaponized its dominant role in the European gas market gas to achieve political goals, including forcing Germany to give final regulatory approval of the controversial Nord Stream 2 gas pipeline or to damage Ukraine by denying it transit fees for Russian gas flowing to Europe.

Critics of the state-owned gas giant Gazprom point to the International Energy Agency's estimate, published on Sept. 21, which stated that "Russia could do more to increase gas availability to Europe." Putin has angrily countered the IEA report, stating that Gazprom has already sent 10 percent more gas to Europe this year than during the same period in 2020. Total gas exports from Russia to Europe have increased by even more--15 percent--if shipments of liquefied natural gas (LNG) from the Yamal Peninsula are taken into account.

Even among Russia's critics, few would argue that the current European energy crisis in Europe is entirely Gazprom's fault. A perfect storm of negative factors, including a cold winter followed by a hot summer, high demand for LNG in Asia, too little wind power, and a drastic decrease in domestic European gas production have contributed to the crisis. But key questions remain: Why is Russia not pumping more, since there is

plenty of pipeline capacity? Is it deliberately withholding gas from European markets? And if so, what does the Kremlin want to achieve?

The answers to these questions have to take both market factors and geopolitics into account. Moscow's handling of Europe's energy crunch is a tough balancing act, in which the Russian government wants to achieve three goals: Make sure Russia itself has enough gas in storage for the winter, facilitate swift approval of Nord Stream 2, and deny Ukraine extra profits from the transit of additional Russian gas to Europe.

According to Bloomberg's estimates, Gazprom's domestic storage was at only 16 percent of capacity in April, compared to usual levels at the end of winter of 35 to 40 percent. Just like in Europe, cold weather and the rebound in industrial production after the pandemic-induced slowdown had depleted inventories. This means that the company needs to pump up to 60 billion cubic meters of gas--more than two-thirds of what Germany consumed in 2020--into domestic storage in order to maintain stable supplies to Russian customers during the coming winter.

Others, like Nord Stream 1 and 2, connect newer gas fields and are more commercially viable, since they offer a shorter distance to customers and are cheaper to operate once built. Needless to say, building these pipelines was immensely costly and helped enrich contractors, most notably those owned by Arkady Rotenberg and Gennady Timchenko, two longtime Putin friends whose names were added to the U.S. sanctions list in March 2014 following the annexation of Crimea.

Translation: Moscow doesn't want Kyiv to reap extra profits. The Kremlin is very consistent in its attempts to make life difficult for Kyiv and increase Russia's leverage over Ukraine. Withholding income from gas transit is one tool for achieving that.

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