

**Global gas trade may soften foreign policy of Russia, China**  
**Malaysian Insider**  
**6 March, 2014**

The United States, which pioneered the controversial hydraulic-fracturing technique to extract natural gas and oil from shale rock, has the upper hand in the tight oil and gas game. The rise of global trade in liquefied natural gas in the coming decade could curb Russia's foreign-policy leverage over Europe and prompt China to take a more constructive role in global affairs as its imports of the fuel surge.

This view, shared by many energy experts at the IHS CERAWEEK conference in Houston, means that in the future Russia may have less room to assert itself with neighbours the way it did when its forces recently seized control of Ukraine's Crimea.

Moscow has in years past cut gas supplies to Ukraine in foreign policy tussles, causing disruptions for Europe.

Russia's critical role in Europe's gas market is likely to continue through 2020 and beyond. But longer-term its role could fade as more shale gas is produced globally and numerous loading and unloading terminals for liquefied natural gas (LNG) come online.

That will give buyers more bargaining power and undercut pricing power for suppliers as more trade shifts to waterborne freight and away from pipelines like those that run to Europe from Russia, some through Ukraine.

"Russia has weaponised its gas-export capability for a long time and they've used it to make people dance. That's what has kept Ukraine on a short leash," said a person familiar with Russian energy issues who asked to remain anonymous.

In 10 years or more "Russia's not going to be able to use gas this way and they know it. They are understandably concerned about it," the source added. "It's a geopolitical problem for them."

Of the EU's current annual demand for 485 billion cubic metres (bcm) of gas, Russia supplies around 160 bcm. Around a third of Russia's gas is exported through Ukraine.

Carlos Pascual, the US State Department's senior energy diplomat, said Ukraine before the latest crisis had already trimmed reliance on Russian gas to around 22 billion cubic meters (bcm) from 42 bcm a year.

Still, the Ukraine conflict has prompted calls from lawmakers to have the US Department of Energy speed approvals for LNG export plants, following six that have received conditional approval.

US LNG exports are not expected to begin in earnest until at least 2017. In the meantime, supplies from other exporters, including Australia, Canada, and Qatar, could help meet European demand.

"We could use energy exports to wean countries off of dependence on a country like Russia. It helps the US trade balance, which in turn, makes the United States less vulnerable to developments in the world," said Richard Haass, head of the Council on Foreign Relations.

"The United States ought to be making it possible to export crude and we ought to be expanding the countries who are in a position to receive liquefied natural gas," Haass said.

There is also a growing debate in Washington about lifting restrictions on crude exports. US Energy Secretary Ernest Moniz said the oil industry needs to do a better job at making the case for freeing up exports as domestic oil output swells.

China is forecast to have voracious demand for gas, which comprises some 5% of its current energy mix, as it pushes to curb pollution from dirty coal plants.

"As China becomes more and more dependent on global (gas) supply... China is going to be the country that is greatly disadvantaged politically," Amy Myers Jaffe of the University of California, Davis, said at a forum last month on the geopolitics of gas.

China can currently take a "non-constructive" approach to key global diplomatic issues and not suffer any real economic consequences, but that will change, she said.

The United States, which pioneered the controversial hydraulic-fracturing technique to extract natural gas and oil from shale rock, has the upper hand in the tight oil and gas game.

"(The US) is the home of oil and gas technology so the developments are in the house and in many areas the way the states handle the regulations and the way that mineral rights belong to people who own the land" can facilitate doing business, said Andrew Mackenzie, chief executive of global mining and oil company BHP Billiton.

Even if export restrictions are not lifted, rising US output of oil and gas has already impacted prices for everything from coal to refined petroleum products. Countries that relied on exports to the United States are feeling squeezed and looking for new markets.

"It has affected all markets globally for crude," said Nigerian oil minister Diezani Alison-Madueke, who serves as the alternate president of Opec. "Everybody is struggling to reposition themselves." – Reuters, March 6, 2014.

Hakcipta © 2014 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/business/article/global-gas-trade-may-soften-foreign-policy-of-russia-china>