Notes


5. Association for the Study of Peak Oil and Gas (ASPO), Newsletter No. 31, July 2003, esp. p. 4.

6. In late August 2003, the president of Russia’s main oil investor in Iraq, LUKoil, said that when the new Iraqi government is in place, the chances of restoring Russia’s role in Iraq will be “over 50%.” TASS, 28 August 2003, reported by Financial Times Information wire.


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11. Khodorkovsky, 17 June 2003; “Making Sense of Merger Mania,” Petroleum Economist, 10 June 2003. “Energy sector needs $500bn in investments,” The Russia Journal, 22 September 2003. Yulia Latynina, “A National Energy Plan Fit for Caligula,” The Moscow Times, 28 May 2003, argues that Russia has two energy strategies. The private companies emphasize expansion through mergers, acquisitions and partnerships with Western corporations in order to boost production, increase share value, and decrease dependence on those in power. The state’s strategy, however, gives priority to control. “It involves clipping the wings of the private oil majors and keeping them in a relationship of dependence on the state, even if slower growth is the price to pay.”

12. In his 2003 presidential address Putin described Europe as a “strategic partner” and did not even mention the United States. Elena Chinyaeva, “Putin’s State of the Nation Address,” Russia and Eurasia Review, 27 May 2003.


14. Nizhnevartovsk, for example, in Tyumen Oblast about 600 miles east of the Ural Mountains in western Siberia, which has for several decades been one of Russia’s most productive oil regions, was built in the 1960s on the massive Samotlar swamp/lake. The Samotlor old field is the largest in Russia and the seventh largest oil field in the world.

15. TNK and Halliburton International representatives working in Nizhnevartovsk recognize that while production remains high at present, it will
decline over the next thirty years and even now must remain competitive through the application of increasingly sophisticated technology. Already, planning is underway to develop alternative industries in the regions of the aging fields so that the western Siberia of the future will not be a land of ghost towns. Interviews with Oleg Nam, director of TNK’s Siberian Business Unit, and Byron Sprawls, manager of Halliburton’s “Exim” operations, in Nizhnevartovsk, Western Siberia, in July 2003.


17. APSO Newsletter, p. 8.


19. Environmental groups that apply extreme pressure may push out international agencies that would assure “decent” if not ideal environmental and social safeguards and in the end, harm their cause. An article in the U.S. edition of The Financial Times (2 September 2003), “Pipeline politics: Environmental groups’ pressure can be counter-productive” pointed to examples of good and bad policies. Among the former, British Petroleum drew European banks and corporations into its pipeline project from Baku on the Caspian to Ceyhan on the Mediterranean, which bypasses Russia altogether, and thus assured that at least “decent environmental and social norms will be observed.”

20. For this section, see in particular U.S. Energy Information Administration reports of November 2002 entitled “Russia: Oil and Natural Gas Exports” and “Russia: Oil and Natural Gas Export Pipelines.”


reported that 70 percent of the oil pipeline system in Russia has deteriorated. Only 7 percent has been in use for less than ten years while 34 percent has been used for more than thirty years. The ministry estimated that some US$130 million is needed each year just to keep the system working at its present level. Pravda, 28 February 2003.


26. Interview in Moscow in July 2003 with Mikhail Margelov, chairman of the Parliament’s Committee for Foreign Affairs.


29. In mid-2003 Russia became the sixth largest exporter of oil to the United States, replacing Iraq, after Saudi Arabia, Canada, Mexico, Venezuela and Nigeria. Some of the oil went to the U.S. Strategic Petroleum Reserve.


35. “Axis of Oil,” p. 57. In “Sifting through the Rubble of the Yeltsin Years,” a paper delivered at the Jamestown Foundation in 1999, Hoover Institution Senior Fellow John Dunlop emphasized that Russia must implement at least “the elementary rule of law” to improve its lot. “The exhortation which should be addressed to aspiring Russian leaders and politicians is not, "It's the economy, stupid," but rather, "It's the rule of law, stupid.”


40. Mikhail Fridman, the head of the powerful Russian group called Alfa, the partner of BP in the TNK merger, told the Financial Times (29 August 2003): “Of course we understand that the distribution of state property
was not very objective. But we used our chance, and the people are angry about it."


42. On Khodorkovsky, an Economist editorial, “The troubled face of Russian business” (17 July 2003) remarked: “During the free-for-all infancy of Russian capitalism, Mr Khodorkovsky sailed as close to the wind as anybody. . . . [But he] was the first to realize [that when] the asset-grabbing was over, his firm needed to grow. Growth meant investment. Investment demanded stability and transparency, clear rules and minimal government meddling.”


44. Petroleum Intelligence Weekly reported on 21 August 2003 that Royal Dutch/Shell, Exxon Mobil, ChevronTexaco, and Total “are considering equity acquisitions, while smaller firms [are] discussing joint ventures and participation in Russian projects. US Unocal and Marathon Oil [are] in talks with TNK on setting up joint ventures to develop acreage in Western Siberia.” Marathon is “looking at participating in the grandiose $5.2 billion project to build a pipeline from Western Siberia to the deepwater port of Murmansk.” TNK and city leaders in Nizhnevartovsk, western Siberia, where TNK is the major industry, have been conducting prolonged seminars with local residents to calm their fears about the relationship with BP. Interviews in Nizhnevartovsk, July 2003.

45. Dmitri Simes and Nikolas Gvosdev, in “The Mood in Moscow,” In the National Interest, 28 May 2003, convey a mood I heard in July 2003 from St. Petersburg to Siberia. “There is a palpable suspicion in the corridors of the Kremlin . . . that the neo-conservative faction in the Bush Administration wants to establish American global dominance which under the guise of promoting security and democracy would actually allow the United States to unilaterally act as the arbiter of international policies.” Public opinion polls show that about three-quarters of Russians distrust the United States or consider it an enemy. “Vladimir Putin’s long, hard haul,” The Economist, 16 May 2003.


47. Lilia Shevtsova, “Whither Putin After the Yukos Affair?” The Moscow
Shevtsova notes the root and frightening challenge reformers in Russia and many developing countries confront trying to carry out fundamental institutional changes that will assure stability, accountability and responsiveness for a nation. She says that in many respects, the Yukos affair was about “the very nature of the [Russian] political system and may serve as a foretaste of shake-ups to come. . . . The lack of developed institutions makes these clashes vicious and the results unpredictable.” Victor and Victor, “Axis of Oil,” commenting on the unreliability of PSAs, conclude, “The rules of the game can be reversed at any moment. Economic considerations and property rights can become hostage to the political struggle.”


49. In conversations during September 2003, David R. Oppenheimer and Jenik Radon contributed to, but are not responsible for, these conclusions.

50. Goldman notes the importance of culture in his The Piratization of Russia but doesn’t develop it systematically. Timothy Colton and Michael McFaul in “Russian Democracy Under Putin,” Problems of Post-Communism, July/August 2003, argue that “Russians value democracy but are too exhausted, from decades of turmoil, to fight for better democracy. Stability is the greater priority.” Russian society, they conclude, “seems content with the current quasi-democratic, quasi-autocratic order.” Many Russians I interviewed in July 2003, and on other occasions, said Russians have a very different view of what democracy is and its suitability for Russia. In a way, like Latin Americans and Chinese, most Russians traditionally have not only accepted but preferred a paternalistic government and want a strong, decisive, and ideally benevolent leader. One Russian analyst concluded, “Russians need a much stronger head of state than Americans do, maybe one more like China.” Fyodor Dostoevsky wrote of this kind of paternalistic leader/people relationship in the “Grand Inquisitor” chapter of The Brothers Karamazov.


53. Alfa head Fridman put it clearly in his 29 August 2003 interview with the Financial Times: “The rules of business are quite different to western standards. To say one can be completely clean and transparent is not realistic.” On these problems see Edgardo Buscaglia and William Ratliff, Law and Economics in Developing Countries (Stanford: Hoover Press, 2000).


55. In “Axis of Oil,” Victor and Victor discuss what they consider a mutually beneficial focus with Russia on nuclear power.