Article

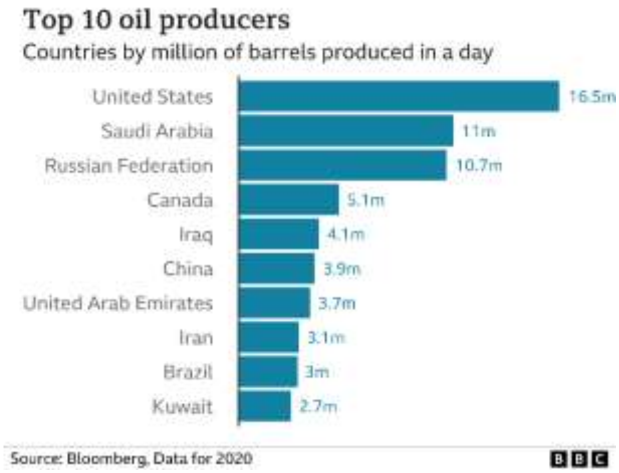
بسم الله الرحمن الرحيم

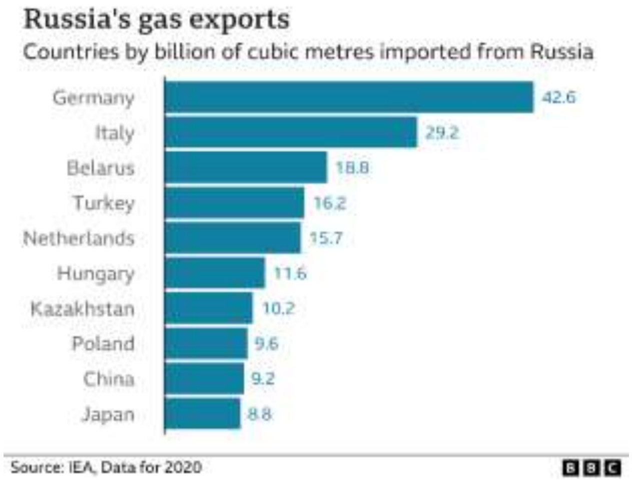
America vs Russia: Fuel and War

On 24th February 2022, Russia invaded Ukraine. The crisis is ongoing and has garnered a lot of international attention, with the Western countries immediately condemning Russia's actions and unleashing a slew of reports meant to turn public opinion against Russia's actions.

It didn't happen overnight- there were a number of events, which led to the occurrence of the invasion. And it's clear that rather than working to stop it, America lured Russia into the invasion. From a security perspective, it's clear that American interests in the Russian invasion of Ukraine lies in the destabilization of Russia and the region.

But what's interesting, albeit unsurprising, is that there is an economic component here- specifically to do with oil and diesel. Europe is very reliant on Russia for fuel (roughly 2/3rd of its external crude oil, which is refined to make diesel). And this makes them vulnerable if Russian gas supplies dry up, and vulnerable if Russia decides to use the gas supply to exert pressure over Europe.





This reliance would have increased with the German development of the Nord Stream 2 gas pipeline; a 1,200km pipeline under the Baltic Sea, which will take gas from the Russian coast near St Petersburg to Lubmin in Germany. The existing Nord Stream pipeline, along with the new Nord Stream 2 gas pipeline, could deliver 110bn cubic metres of gas to Europe every year. That is over a quarter of all the gas that European Union countries use annually.

The Nord Stream 2 gas pipeline was completed in September, and while it wasn't operational (as Germany was trying to decrease Russian control over the pipeline and its supply) final approval was put on hold due to the Ukraine issue.

The USA, UK and Ukraine were against the pipeline. The US previously tried to block Nord Stream 2, by imposing sanctions on companies involved in the project but they only targeted Russian firms and not German ones, for fear of damaging diplomatic relations with Berlin. Then, the US President Joe Biden vowed to shut down Nord Stream 2 if Moscow invaded Ukraine.

Europe looks for alternative sources of fuel

The Ukraine war has resulted in the EU looking for new sources of diesel; coordinating diesel trade flows with Middle Eastern and Asian nations, and the U.S.

- U.S. refineries have exported more diesel to Europe from New York and the Gulf Coast in recent months. This is unusual because those refineries typically sell most of their products domestically during the winter, when demand for diesel tends to be higher than in the summer. (Nytimes)

- Germany agreed to a contract with Qatar for the supply of liquefied natural gas (LNG), that will help the European country wean itself off its dependency on Russian energy. The Gulf country is expected to almost double its production of LNG by 2025. But Germany will need to build LNG terminals in order to reduce its flow of energy from Russia. (Guardian)

So while the Ukraine Crisis exposed Europe's reliance, with the disrupted trade flows impacting their supplies, the fuel crisis predates the Ukraine crisis.

Before March 2020, and the global Covid lockdowns of industry and transportation, the demand and supply of diesel fuel was well balanced. The sudden lockdowns led to a collapse in the diesel demand, which resulted in unprofitable refineries closing down and capacity declining. So now, as things return to normal, diesel reserve stocks worldwide are dangerously low, especially in the EU which is the world's largest diesel consumer.

As a result of the low diesel stocks the price of the fuel increased- between January 2021 and January 2022 EU diesel fuel prices had almost doubled. The problem was then exacerbated when USA and the EU began to ban Russian fuel, and China imposed a ban on its exports of diesel fuel, to "ensure energy security" amid Western sanctions on Russia.

So, the price of the fuel wasn't increased as a result of the Russian invasion, it was a result of the Western response to it. (Western because there are a number of countries across the world who haven't responded by boycotting Russia)

The Ukraine War accelerated European efforts to move away from Russia, as Germany revived plans to build gas importing terminals and E.U. countries agreed to jointly purchase and store natural gas.

"We will now use our collective bargaining power…Instead of outbidding each other and driving up prices, we will pool our demand." Ms. von der Leyen, the commission president, said. (NY Times)

But unlike the United States, Europe has refrained from an embargo on Russian gas and oil. Though the EU has said that it will switch to alternative supplies and make Europe independent from Russian energy "well before 2030".

This desire to shift away from Russia has been seen to be supported by multinational companies; with several companies including large European oil companies announcing they are leaving Russia. As an example, TotalEnergies, the French oil giant, said this month that it would stop buying Russian diesel and oil by the end of the year.

Alternative fuel sources.

"We want as Europeans to diversify away from Russia, toward suppliers that we trust, that are friends and that are reliable… Therefore, the U.S. commitment to provide the European Union with an additional at least 15 billion cubic meters of L.N.G. this year is a big step in this direction, because this will replace the L.N.G. supply we currently receive from Russia." Ms. von der Leyen of the European Commission said.

The United States is a net exporter of energy – For the first time in 2021, they were the world's largest exporter of liquified natural gas (LNG).

With Europe looking away from Russia, the Biden administration has stated that it can send US liquefied natural gas (LNG) to Europe and largely replace Russia in meeting Europe's energy needs. They also want Saudi Arabia to increase its oil production and they are looking at relaxing sanctions on Venezuela's oil.

There is a concern that it'll be hard to make up for the loss of Russian energy; with conflicting news coming out of the USA over their industry's willingness to increase production. Though, when reading these reports, it's important to remember that these companies benefit from the heightened demand, and the reduced supply, as it increases the cost of the fuel. This leads to a direct increase in their profits.

And in contrast to those worries, there are reports of the Biden Administration increasing its efforts to extract oil and gas within America. In fact, President Biden has outpaced Donald Trump in issuing drilling permits on public lands. The administration approved more than 3,500 oil and gas drilling permits in its first year, nearly 900 more than the Trump administration did in its first year. And after setting a record for the largest offshore lease sale in the Gulf of Mexico, the Interior Department plans to auction off oil and gas drilling rights on more than 200,000 acres across Western states by the end of March, followed by 1 million acres in the Cook Inlet, off the coast of Alaska.

Also, according to a White House statement, there are companies within the USA that have committed to increasing their production. They expect that the domestic production will increase by 1 million barrels per day this year and nearly 700,000 barrels per day next year. While there are companies within the oil and gas industry that are reluctant to do so (possibly due to the profit that they stand to make as a result of the high profits that results from a limited supply), President Biden wants to put pressure on them to start production. He is doing so by calling on Congress to make companies pay fees on wells from their leases that they haven't used in years and on acres of public lands that they are hoarding without producing. Companies that are producing from their leased acres and existing wells will not face higher fees.

The USA and other major economies have also agreed to take steps to bring the surging prices back under control, with a coordinated release of 60 million barrels from stockpiles around the world. Under the agreement, the U.S. will release 30 million barrels. This is the largest release of oil reserves in history, and it is done so that it will serve as bridge until the end of the year when domestic production ramps up.

Distorting public opinion

What's interesting is that the Ukraine war has given the USA and the West an opportunity to once again give its people someone else to blame for the economic problems that they are facing. While there is proof that the oil and gas issues pre-date the Ukraine war, the Russian invasion has created a situation where (for example) German citizens are happy to '*make sacrifices*, *sacrifices, including higher gas prices, if it helped defeat Russia'* (Guardian).

This isn't surprising- they have launched similar campaigns in the past, (such as in the lead up to the Iraq War), where they built public opinion up in support of their policies in order to allow them to make policy decisions, which would require public spending.

Seven-in-Ten Americans Now See Russia as an Enemy, up from 41% in January. And on this topic, Democrats and Republicans largely agree, with 72% of Democrats and 69% of Republicans describing Russia as an enemy. (PEW Research)

So, the Western media (and government officials) have made sure that the public opinion within their countries is firmly against Russia; to the point where they are being called out for their hypocrisy- due to their actions and dealings with countries like 'Israel'. But the move isn't surprising; having an enemy to blame for their economic woes means that the public isn't as focused on questioning the systemic domestic deficiencies that were revealed by COVID or the role that their officials have to play in the current economic issues.

America vs Russia in Ukraine

The tensions between Russia and USA, over Ukraine, predate this current war. That's because Ukraine is an important country for Russia. From a security perspective, Ukraine is located only 300 km from Moscow and serves as a separation barrier between Russia and Eastern Europe so if Russia were to lose it, the West would be directly on Russian borders. American influence in Ukraine means a continuous hemorrhage to the Russian flank and puts pressure on Russia to not to obstruct the American projects in the region, particularly in the Middle East.

From an economic perspective, the Russian gas pipelines passes through it to the West and also Ukraine's industry, agriculture and energy sectors integrate with Russia.

So, just like in the 2014 Crimean war, the West fueled the current war with Russia. At that time, the USA began by declaring that it will support Ukraine with advanced weapons, and that it is possible for Ukraine to be NATO member... This is in addition to carrying out military exercises close to Russia's vital space, this was a provocation for Russia, who began to escalate military movements near Ukraine, and even interfering with the separatists even without announcing it. The US and NATO countries supplied Ukraine with billions worth of war material, high precision missiles, anti-aircraft and anti-tank systems, most of them produced in the US.

And since 2014, the West has maintained a presence in Ukraine; the West supported and continued to arm militias that have been guilty of numerous crimes against civilian populations since 2014: rape, torture and massacres. In 2020, these militias constituted about 40 percent of the Ukrainian forces and numbered about 102,000 men. They were armed, financed and trained by the United States, Great Britain, Canada and France.

Then in February 2022, there were reports that there was an increase in the artillery shelling of the population of Donbass by Ukraine- though this was later posed as Russian disinformation. After this, Putin gave a speech where he outlined his options. He then agreed to the request of the Duma and recognized the independence of the two Donbass Republics and, at the same time, he signed friendship and assistance treaties with them.

America did not respond to Russia's demands of the security guarantees, instead it worked to implicate it in Ukraine, so it made the government of Ukraine provoke it to launch attacks in its east of the Donbass region. They also made statements, provoking action such as;

"*I think that (Putin) will move, he has to do something. Russia will be held accountable if it invades, and it depends on what it does, It's one thing if it's a minor incursion by Russia into Ukraine that may not have a high price unlike a full-scale invasion"* Biden's statement during a press conference on 19/1/2022.

Then when the Russian military operation began; US President Biden announced that *"America will not interfere if Russia intervenes in Ukraine, but if it interferes in NATO countries, it will intervene."*

There have been reports of US and NATO military officers and intelligence services helping the Ukrainian forces. The United States and its European allies "continue to send increasing quantities of weapons to Ukraine. The US has supplied Kyiv with weapons worth over 3 billion dollars: among these weapons, there are over 50 million bullets, 20,000 missiles, 700 kamikaze drones, and thousands of anti-personnel mines. 30 US-allied and partner countries, including Italy, also supply arms to Ukraine. At the same time, Kyiv's forces, especially neo-Nazis, are being trained by the United States, which effectively commands them." (Source)

The inflows of weapons is said to have led to Russia widening its military operation to Western Ukraine, using precision weapons to destroy the weapon stockpiles and the means of transporting them. Thus, widening the war. **(**Source**)**

The increase in American provocations to Russia coincided with America's announcement that it had almost secured gas to the European continent as a substitute for natural gas from Russia. This meant that they were depriving Russia of the European market and finding alternatives to American and Qatari gas and from importers of Asia, especially the Japanese, who hold gas futures contracts.

And, according to the March 2022 report by the NY Times, in the United States, gas exporters were already shifting sales to Europe from Asia, largely because prices in Europe have been higher than almost anywhere else in the world because of rising tensions with Russia and, more recently, the war in Ukraine. Nearly 75 percent of U.S. L.N.G. exports have gone to Europe so far this year, up from 34 percent in 2021. A shift that the Biden administration has encouraged by relaxing export restrictions to certain European countries.

All of this, makes the connection between the two quite clear.

And the current tensions between the two countries will remain; as Russia wants USA and Europe to recognize its sovereignty over Crimea and America exploits its desire to achieve its own ends. This shouldn't surprise us – this is the way that these states operate, working within the system to pursue their own ends, no matter the consequences to their citizens or the world.

Written for the Central Media Office of Hizb ut Tahrir by

Fatima Musab

Member of the Central Media Office of Hizb ut Tahrir