

Law and Policy in the Russian Oil and Gas Sector

By Kaj Hobér*

Since the beginning of this century, Russian policy in the oil and gas sector has been clearly articulated. There are two key sources for our knowledge in this respect: (i) Vladimir Putin's scholarly writings and (ii) the 2003 Russian Energy Strategy. The Leitmotifs are state control and integration with Russia's national security policy. These two policy objectives permeate Russian legislation in this field, including e.g. the Law on the Subsurface, The Law On Gas Export and the Law On Foreign Investors in Strategic Sectors. The Russian policy has also manifested itself in the treatment of private investment in the oil and gas sector and in the handling of the most recent gas war between Russia and Ukraine. Since Russia's policy is unlikely to change within the foreseeable future, it must be taken into account in any negotiations with Russia.

Today the Russian oil and gas sector is facing serious challenges. Low oil and gas prices, the devaluation of the ruble, high taxes and difficulties in obtaining credits for major projects are all part of this challenge. In addition, price and transit disputes have led to disruption of gas supplies to European markets. What is going on? Why?

In the 21st century the rest of the world has come to regard Russia and the Commonwealth of Independent States (CIS) as increasingly important sources of energy for other countries, particularly in Europe, inter alia, against the backdrop of the seemingly permanent political turmoil in much of the Middle East.

Natural gas is becoming increasingly important for the world's energy needs. Russia controls an estimated 31 per cent of global gas reserves,¹ which

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1 Tompson & Arend, *OECD Economic Surveys: Russian Federation* (2004), p 144.