

Geopolitics of the Russian Factor in Northeast Asian Energy Security:
Can We Overcome Sino-Russian Distrust for Regional Cooperation?

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1. Introduction

It can be fairly said that the future of international energy security will be largely affected by the way in which new energy supply chains will be developed in Northeast Asia, given that this region has both China as the biggest energy consumer and Russia as the biggest hydrocarbon supplier with its untapped huge resource potential in its eastern regions.

At the beginning of the twenty-first century, Russia began to look eastward more aggressively than ever in the energy sector. Russia began to export liquefied natural gas (LNG) from the Sakhalin-2 project in spring 2009. Subsequently, the first crude oil tanker sailed from the Pacific Coast at the end of the same year with the completion of the first phase of the East Siberia–Pacific Ocean (ESPO) pipeline. Indeed, Russia made a striking debut as a new oil and natural gas supplier in the region. Besides the extension of the ESPO crude oil pipeline by another 2,000 kilometers, Russia is currently making strides in the development of natural gas pipelines in the eastern regions.

However, Moscow has faced an almost insurmountable investment challenge while it has been accelerating development of untapped oil and gas resources in eastern Russia (i.e. eastern Siberia and the Far East) in order to increase production and exports of these hydrocarbons. Russia's geopolitical mind-set has turned out to be a serious impediment to timely attraction of foreign investment. Notwithstanding high degree of mutual complementarity in theory with regard to oil and natural gas markets between Russia and China, Moscow has paradoxically concerned that increase of Chinese influence in the energy sector might ultimately encroach upon Russia's geopolitical interest. Yet, Russia's geopolitical tactics to counterbalance China's rise has not developed in the way the former initially attempted, only resulting in slow progress of eastern regions' development.

Firstly, this paper makes a brief overview of the projected China's increase in oil and natural gas demand, given that these are the very hydrocarbons about which international geopolitical contest with China is increasingly concerned most seriously. Secondly, untapped hydrocarbon potential and the current state of energy pipelines in eastern Russia are summarized. Thirdly, Russia's geopolitical management of energy toward Northeast Asia is

explored. Lastly, the author proposes a solution to further encourage Sino-Russian energy trade in view of its merit on the global energy market.

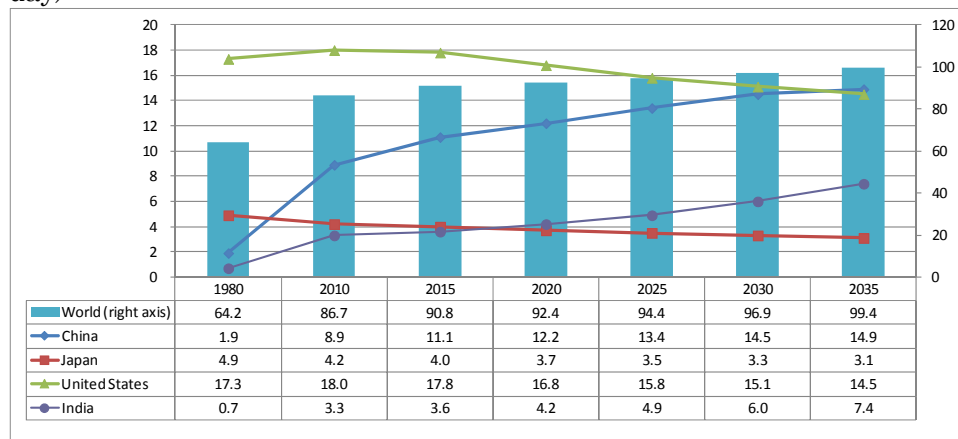
2. China's Surging Energy Demand

China's energy demand is increasing dramatically. China overtook the United States as the biggest energy consumer in 2009 and the former primary energy demand is projected to increase by 1.7 times from 2009 to more than 3.8 billion tons of oil equivalent in 2035, according to estimates of World Energy Outlook 2011 (WEO2011) by the International Energy Agency (IEA).

It is forecasted that China will surpass the United States in the early 2020s as the biggest importer of oil. China's oil demand is to increase by 1.7 times from 2010 to 1.5 million barrels per day in 2035 (Figure 1). Its import dependency of oil is projected to increase from 54 percent in 2010 to 84 percent in 2035.¹

China is accelerating to expand the volumes of strategic petroleum reserves (SPR): It currently aims to build 90 day-equivalent of SPRs by 2020.²

Figure 1. Demand for Oil in Selected Countries, 1980-2035 (est.) (million barrels per day)



Source: World Energy Outlook 2011, p.107.

China is also beginning to consume natural gas at an accelerating pace. At the beginning of the 21st century, Japan's demand for natural gas was 2.6 times as much as that of China. The share of natural gas in China's primary energy mix accounted for only 3 percent as of 2008, whereas its Twelfth Five-Year Plan, published in March 2011,

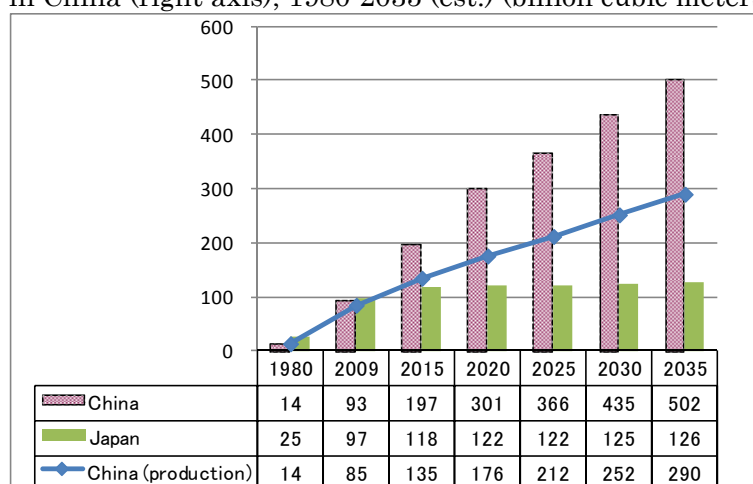
¹ IEA, *World Energy Outlook 2011*, p.92.

² "Woguo shiyou zhanlue chubei jiang jiasu tuijin [Our country's strategic petroleum reserve is about to increase rapidly]", *Zhongguo Xinwenwang*, August 16, 2011, <http://www.chinanews.com/ny/2011/08-16/3259835.shtml>.

demonstrates the governmental decision for more aggressive use of natural gas for the purpose of building “low carbon economy” in addition to making countermeasures against climate change.³

China’s natural gas demand overtook that of Japan in 2009 and is predicted to increase by 5.4 times from 93 billion cubic meters in 2009 to 502 billion cubic meters in 2035 with a compound average rate of 6.7 percent per annum, according to the IEA (Figure 2).⁴ Accordingly, China’s import dependency of natural gas is estimated to increase from 9 percent in 2009 to 42 percent in 2035.

Figure 2: Demand for Natural Gas in China and Japan and Production of Natural Gas in China (right axis), 1980-2035 (est.) (billion cubic meters)



Source: World Energy Outlook 2011 (Paris: International Energy Agency, 2011), p.159, 165.

Natural gas infrastructure has developed rapidly across China: The First West-East Gas Pipeline (3,800 km) and the Second West-East Gas Pipeline (8,700 km) came online in late 2004 and in June 2011, respectively, in addition to the Shaan-Jing Gas Pipeline and the Sichuan-to-East Gas Pipeline. It is projected that the total length of natural gas transmission pipelines in China will exceed 60,000 km by 2020 and 80,000 km.⁵ In addition, China has five LNG terminals in coastal area in operation as of the end of 2011: at Dapeng in Guangdong Province, Meizhou in Fujian Province, Yangshan in Shanghai, Rudong in Jiansu Province, and Dalian in Liaoning Province. Moreover, Several LNG terminals are currently under construction and several others

³ *Zhongguo shihua xinwenwang* [China Petrochemical News Net], August 16, 2011.

⁴ The IEEJ predicts that China’s demand for natural gas will increase at an annual average rate of 7.7 percent, faster than the IEA’s estimates. *Azia / Sekai Enerugi- Auto Rukku 2011* [Asia / World Energy Outlook 2011], October 2011.

⁵ Northeast Asian Gas Pipeline Forum (NAGPF), *A Long-term Vision of Natural Gas Infrastructure in Northeast Asia, 2009 version* (Tokyo: NAGPF), p.22.

are under contemplation.

3. Crude Oil and Natural Gas Production and Pipelines in Eastern Russia

Moscow has attempted to increase crude and natural gas production in the eastern regions against the background of four factors: 1) Russia has no alternative but to hurry up development of eastern Siberia and the Far East in order to make up for the decline of these hydrocarbon production in the traditional bases in western Siberia; 2) China is providing new growing market opportunities for Russia, while they can envision only limited growth in the future European market, which up to now has accounted for the overwhelming share of Russia's oil and natural gas exports; 3) Russia hopes to create an "Asian card" vis-à-vis the nations of the European Union which have gradually striven to reduce their energy dependence on Russia; and 4) Moscow wishes to overcome the economic backwardness of eastern Russia by developing the regional hydrocarbon resources, given that they consider this economically underdeveloped and scarcely populated area as their geopolitical weakness against the adjacent geopolitical rival, China.

Energy Strategy of Russia for the Period up to 2030 (hereafter abbreviated as *ESR2030*), published by the government in November 2009, envisioned that Russia would increase the share of Asia-Pacific region in the total quantity of its oil exports from 8 percent in 2008 to 22-25 percent in 2030 and in that of natural gas exports from 0 percent to 20 percent during the same period.⁶

The first phase of the ESPO crude pipeline, whose construction had begun in April 2006, was completed in late 2009 (Figure 3). Subsequently, Russia started to ship by rail 15 million tons of crude oil per annum over a distance of 2,000 km from the endpoint of the first phase (Skovorodino) to the Pacific coast. In addition, Russia began to export another 15 million tons of crude per annum by the spur pipeline from Skovorodino to China since January 2011 in accordance with the Sino-Russian 20-year contract in return for a credit of \$25 billion, concluded in the aftermath of the Lehman shock beginning in autumn 2009.

Russia's crude exports to Northeast Asia (China, Japan and South Korea) increased by more than seven times from 4.4 million tons in 2002 to 32 million tons in

⁶ Ministry of Energy, *Energy Strategy of Russia for the Period up to 2030* (Moscow: Ministry of Energy of the Russian Federation, 2010), pp.140-141, www.energystrategy.ru/projects/docs/ES-2030_%28Eng%29.pdf.

2010.⁷ The second phase of the ESPO is planned to come online by the end of 2012. With this completion of the ESPO crude pipeline system, Russia aims to export 50 million tons of oil per annum to the Pacific coast ultimately. However, that how much volume of crude they can ship in addition to the current volumes, including both 15 million tons per annum to the Pacific coast and another 15 million tons by land to China, has remained to be seen.

Figure 3: ESPO (Eastern Siberia – the Pacific Ocean) Crude Oil Pipeline



Source: Drawn by author.

According to *ESR2030*, crude production in eastern Russia will increase more than sevenfold, from 14.3 million tons in 2008 to 102-107 million tons in 2030. The share of eastern Russia in national crude production is projected to rise from 3 percent in 2008 to 10-12 percent in 2013-2015, to 12-14 percent in 2020-2022, and to 18-19 percent in 2030 (Table 1). *WEO 2011* made more conservative prediction that crude production in eastern Russia will slightly grow from 102 million barrels per day (51 million tons per annum) in 2015 to 107 million barrels per day in 2020, but will stay at almost the same level toward 2030.⁸

The extent to which Russia will be able to translate untapped hydrocarbon potential into reality has is to do with the colossal amount of necessary investments.⁹

⁷ Tamozhennaya statistika vnesnei torgovli Rossiiskoi Federatsii [Customs statistics of foreign trade of the Russian Federation], various years.

⁸ *World Energy Outlook 2011*, p.295.

⁹ In 2007, Russia's Ministry of Industry and Energy estimated that it would need as much as 102 billion U.S. dollars, including 23 billion U.S. dollars for establishing oil reserves, to implement the governmental geological program in eastern Siberia for the

The Institute for Energy Strategy under the umbrella of the Russian Ministry of Energy estimates that it costs \$2.50 to verify one ton of crude reserves in western Siberia, whereas it does, by contrast, \$4.00-5.60 in eastern Siberia.¹⁰ It was noted in *ESR2030* that achievement of optimal crude production for the ESPO pipeline would require a total of 1.8 billion tons of oil reserves in eastern Russia by 2020 and 3 billion tons by 2030.¹¹ Notwithstanding the urgency, however, they have faced serious underinvestment with regard to exploration of Russia's eastern flank against the backdrop of huge investment risks, including geological difficulties, the extreme climate conditions, etc.¹²

ESR2030 aims to increase natural gas production in eastern Russia more than tenfold, from 13 billion cubic meters in 2008 to 130-152 billion cubic meters in 2030 (Table 2).

Table 1: Crude Production in Russia (est.), (million tons)

	2005	2008	2013-15*	2020-22*	2030*
North/Northwestern regions	24.5	29.1	33.5	35.5	42.5
Volga region	52.7	54.1	49.5	44.5	35.0
Ural region	49.2	52.6	46.0	38.5	27.0
Caucasus/Caspian regions	4.9	4.8	9.0	19.5	21.5
Western Siberia	334.3	332.7	302.0	298.5	302.0
Eastern Siberia (incl. the Sakha Republic)	0.2	0.5	27.0	46.5	72.0
Far East	4.4	13.8	24.0	30.5	32.5
Total	470.2	487.6	490.5	515.0	532.5

* The mean value between the forecasted minimum and maximum volumes.

Source: ESR2030, p.145.

purpose of ensuring sufficient amount of crude production for the ESPO project in the future. But this program was underachieved due to serious underinvestment, resulting in accumulation of only less than 18 million tons of proven reserves against the program's original plan of 56 million tons by 2008.

Cf. Russia's federal government revenue in 2007 was 7,781.1 billion rubles (approximately 304.2 billion dollars calculated by the annual average exchange rates of ruble against U.S. dollar). "Donskoi: S 2005 po 2008 gg. v raione Vostochnoi Sibiri i Iakutii bylo otkryto 14 novykh mestorozhdenii nefti i gaza [Donskoi: 14 New Oil and Gas Fields Opened in Eastern Siberia and the Sakha Republic from 2005 to 2008]," *ProvoTEK*, March 20, 2009.

¹⁰ *Toplivno-energeticheskii kompleks Rossii 2000-2006* [The fuel-energy complex of Russia in 2000-2006] (Moscow: Institute for Energy Strategy, 2007), p.125.

¹¹ *Energy Strategy of Russia for the Period up to 2030*, p.64.

¹² For the details, see Shoichi Itoh, *Russia Looks East: Energy Markets and Geopolitics in Northeast Asia* (Washington, D.C.: Center for Strategic and International Studies, 2011), pp.4-11.

Table 2: Natural Gas Production in Russia (est.), (billion cubic meters)

	2005	2008	2013~15*	2020~22*	2030*
Western Siberia	588	604	592.5	590.5	627
European region	46	46	72.5	117.5	134
Eastern Siberia	4	4	11	40.5	55
Far East	3	9	37	66	86
Total	641	664	715	820	912.5

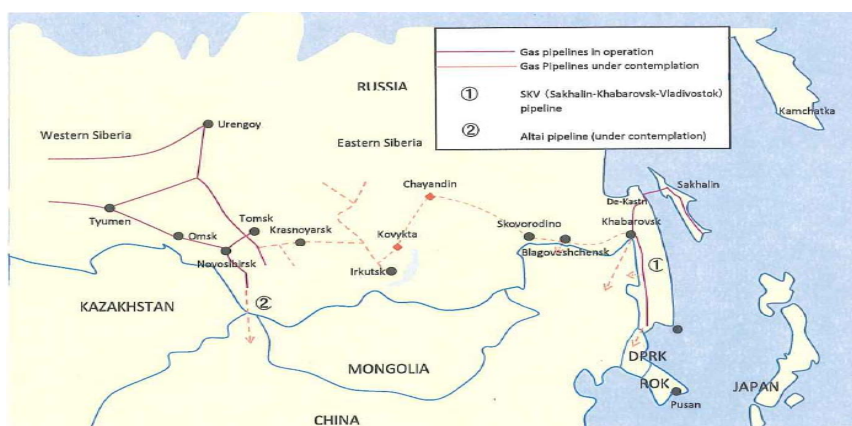
* The mean value between the forecasted minimum and maximum volumes.

Source: ESR2030, pp.146-147.

The Sakhalin-2, which has a maximum production capacity of 9.6 million tons per annum and commissioned the first shipment in spring 2009, is the only export infrastructure for natural gas in eastern Russia. This region is still in short of a blueprint for gas export by pipeline. The Eastern Gas Program, formulated by Gazprom and approved by the Russian government in September 2007, envisioned exporting 25-50 billion cubic meters of natural gas per annum via pipeline to China and South Korea combined after 2020. However, this program has been less than half-baked with the pipeline routes unspecified to date (Figure 4).

Immediately after the outbreak of the Fukushima Daiichi Nuclear Power Plant's accident in March 2011, Russian Prime Minister Vladimir Putin ordered Gazprom to undertake the revision of the Eastern Gas Program in anticipation of the growth in natural gas demand, including Japan's LNG imports. The lack of concrete picture concerning export infrastructure has remained the biggest obstacle for development of natural gas production in eastern Siberia with the very limited domestic demand in eastern Russia.

Figure 4: Eastern Gas Program



Source: Drawn by author.

4. Russia's Geopolitics of Energy

The development of talks on gas and oil pipelines has testified to Russia's geopolitical mindset.¹³ The concept of constructing a gas pipeline from the Kovykta gas field (approx. 2 trillion cubic meters of reserves), the biggest in size in eastern Siberia, used to draw attention as a symbol of Sino-Russian partnership since the mid-1990s. In fact, as late as autumn 2003, an international feasibility study of the Kovykta project was concluded by the RUSIA Petroleum (the license holder for the field's development), China National Petroleum Corporation (CNPC) and Kogas: it supported a plan of building 4,900 km pipeline from the Kovykta to the Korean Peninsula via Chinese territory. Both Beijing and Seoul accordingly endorsed this trilateral result.¹⁴ But Moscow had refused to clarify its position until the concept faded out of international setting in the following years. In retrospect, the Russian government, from the early stage, apparently had no intention of approving this feasibility study even before its result was published, considering the fact that they designated Gazprom to formulate the aforementioned Eastern Gas Program as early as July 2002.

Russia has attributed the reason for delaying construction of a gas pipeline toward China to disagreement on the latter purchasing price. Yet, historical evidence seems to show that Russia's hesitance stems from more than just a question of settling natural gas price. Gazprom and CNPC have negotiated over possibility of supplying 30-40 billion cubic meters per annum by constructing the western route (the so-called "Altai pipeline", about 3,000 km) and/or the eastern route since President Putin's visit to Beijing in March 2006. Moscow's proposal on the western option especially received global attention at that time, whereas there had been no study of the Altai pipeline's concrete routes and economic feasibility in advance for the president's public announcement. Russia, by then, could easily assume that China was unprepared to

¹³ For the details, see Shoichi Itoh, "The Geopolitics of Northeast Asia's Pipeline Development", E. C. Chow et al., *Pipeline Politics in Asia: The Intersection of Demand, Energy Markets, and Supply Routes* (Washington, D.C.: National Bureau of Asian Research, 2010), pp.17-24.

¹⁴ RUSIA Petroleum bankrupted in October 2010 against the background that the Russian government exerted pressure upon this Kovykta's project's operator by implying possibility of revoking the development license due to its failure to fulfill production quotas, which exceeded the local gas demand by far. According to the Federal Law on Gas Export, enacted in 2006, Gazprom Export, the export arm of Gazprom, had the exclusive right to export Russian natural gas. Yet, Gazprom, which kept silent about the Kovykta field until recently, did not support the idea of building a gas pipeline to China. TNK-BP, the biggest shareholder of RUSIA Petroleum, came to a dead end, finding no business feasibility in starting major gas production without any prospect of developing an export route.

make any concession on purchasing prices beyond what the latter would have made with regard to the “buried” Kovykta project. Moscow’s aim was no more than to brandish a “China card” vis-à-vis the EU nations in price negotiations.¹⁵

Neither has the eastern route to China been materialized to date. ExxonMobil, the operator of the Sakhalin-1 project, has intended to export natural gas by pipeline to China, whereas Gazprom, which has no stake in the project but is backed by the Russian government, has opposed to ExxonMobil’s agreement with CNPC.¹⁶

In September 2011, Gazprom completed a 1,350 km pipeline from the Sakhalin Island to the continental part of the Far East, Vladivostok via Khabarovsk (the so-called “SKV pipeline”). But the way how to secure sufficient volumes of gas supplies to this pipeline with the maximum capacity of 30 billion cubic meters has remained unsolved against the backdrop of Gazprom’s disagreement with ExxonMobil over the destination of natural gas export.

Moscow has resumed negotiations over possibility of constructing a trans-Korean Peninsula pipeline with Seoul and Pyongyang in 2011 for about a decade absence, while Gazprom and Japanese companies are engaged in a feasibility study of constructing a LNG plant in Vladivostok. Overall, it is clear enough that Russia has striven to secure an alternative route to bypass China before the former will ultimately build a gas pipeline toward China.

Russia’s equivocal natural gas policy toward China is analogous to the former failure to postpone construction of the spur pipeline from the ESPO crude pipeline. Sino-Russian talk on crude pipeline also dates back to the mid-1990s. As early as July 2001, President Putin and President Jiang Zemin agreed to build a crude pipeline from eastern Siberia to the Chinese territory with the aim of exporting 20 million tons per annum from 2005 and 30 million tons from 2010, when they signed the Sino-Russian Treaty of Good-Neighborliness and Friendly Cooperation. Subsequently, an intergovernmental agreement to undertake its feasibility study was also concluded, In the very same month, however, Transneft, the state-owned oil pipeline monopoly, announced an alternative proposal to construct a crude pipeline from eastern Siberia to

¹⁵ “Postavki gaza v KNR likvidiruiut zavisimost’ Rossii ot rynkov Evropy” [Gas Supply to China Overcomes Russia’s Dependence on European Markets], *Neftegazovaya vertikal’*, March 22, 2006; “Altaiskaya al’ternativa: Rossia obeshchaet Kitaiu mnogo gaza. Slishkom mnogo” [The Altai alternative: Russia supplies much gas to China, too much], March 30, 2006.

¹⁶ ExxonMobil and CNPC signed a memorandum of gas supply by pipeline in October 2006.

the Pacific Ocean without having it run through China.

After Japanese Premier Koizumi disclosed Tokyo's support for the Transneft's proposal, the so-called "Sino-Japanese scramble" over Russian crude oil hit headlines more than once in global media. Notwithstanding Beijing's repeated requests for Moscow to keep their "diplomatic promise", Russia maintained its equivocal attitude toward realization of a bilateral crude pipeline with China until the last minute even after the start of constructing the ESPO's first phase in April 2006. Rosneft, the main Russian oil company for oil exports to China, began to argue that the bilateral pipeline to China should be postponed until the completion of the ESPO's second phase as late as September 2007. In hindsight, Russia intended to postpone construction of the pipeline to China for a prolonged period while Moscow played Beijing and Tokyo off against another with anticipation of maximizing Japanese financial commitment in eastern Siberia. In so doing, Russia wished to reduce conceivable increase of Chinese influence over its eastern regions, but in vain. It was not before the global financial crisis which severely hit the Russian energy sector that the Russian government lost an alternative but to sign the intergovernmental agreement to undertake the construction of the spur pipeline to China from Skovorodino in April 2009.

Given the rapid increase in crude exports to China, ironically, there have emerged voices in Russia alarming that Russia may precipitate into "resource appendage" of the adjacent historically-opposed geopolitical rival.¹⁷ What is interpreted as "Russia's paranoia" by Chinese experts derives from the fact that the Russians cannot find a way to overcome its own weakness against the background of the ever-increasing widening gap of population and economic development between the Far Eastern regions, comprising more than 40 percent of Russia's total area with less than 6.5 million people, and China with more than 130 million people only in the northeastern provinces and the Inner Mongolia combined.¹⁸ Russia's concern about conceivable Chinese expansion of demographic and economic influence, which might loom over the scarcely populated eastern regions, has remained virtually unchanged despite development of Sino-Russian strategic partnership "politically camouflaged" in diplomatic scenes. Moscow is particularly nervous about China's proactive involvement in Russia's energy

¹⁷ Igor Naumov, "Sal'do ushlo minus: Kitai torguet Rossiei kak svoei kolonei [The balance turned minus: China trades with Russia as its own colony], *Nezavisimaya gazeta*, January 17, 2008.

¹⁸ For example, see Cui Xiantao, *Mianxiang Ershiyishijide Zhonghe Zhanlue Xiezuo Huoban Guanxi* [Sino-Russian strategic cooperation partnership toward 21st century] (Beijing, Zhonggong Zhongyangdang Xuexiao Chabnshe, 2003).

sector as witness the bilateral upstream projects: only economically questionable places have been jointly developed under the politically choreographed strategic partnership.¹⁹

Meanwhile, China has multiplied the number of its contracts for natural gas imports from non-Russian sources: The pipeline from Turkmenistan, whose maximum capacity is planned to reach 60 billion cubic meters per annum after 2015, came online in December 2009 and the pipeline from Myanmar with the maximum capacity of 12 billion cubic meters per annum is currently under construction. In addition, LNG imports from the Middle East, Southeast Asia and Australia are now on the increase: they imported more than 11 million tons as of 2010.²⁰ Despite the projected increase in China's natural gas imports, however, Moscow and Beijing are yet to reach a compromise with regard to construction of the bilateral pipeline for natural gas trade. Russia has already lagged behind other gas producing nations in tapping the growing Chinese market.

5. Conclusion and Implications for the Regional Cooperation

Notwithstanding the high degree of mutual complementarity between China as a huge hydrocarbon consumer and Russia as a gigantic hydrocarbon producer, neither of them is anxious to accelerate the bilateral energy interdependence, betraying the surface impression of an evolutionary consolidation of bilateral strategic partnership.

Russia has faced a pressing need of speeding up development of oil and natural gas fields in its eastern regions, whereas its geopolitical interpretation of energy relations especially with China has fettered evolutionary development of the bilateral cooperation as witness the ups and downs of multiyear talks on oil and natural gas pipelines.

Indeed, Russia has increased its crude exports to Northeast Asia for the past decade especially after the first phase of the ESPO pipeline came online in late 2009. However, there have remained uncertainties with regard to how much more crude oil will be produced in eastern Siberia in order to make the best use of the ESPO's second phase in the foreseeable future, given the serious delay of geological exploration in the greenfield oil deposits with high investment risks and that of securing sufficient proven oil reserves.

Moscow also aims to increase natural gas production in eastern Russia. Yet, apart from the Sakhalin-2, which started LNG exports in spring 2009, no other export route

¹⁹ For the details, see Shoichi Itoh, *Russia Looks East*, pp.37-43.

²⁰ *China Oil, Gas & Petrochemicals*, December 15, 2011.

has come in sight to date. The conflict of multiple concepts on constructing natural gas pipelines has remained Russia's maneuver of designing its geopolitical calculation of countervailing China's presence in the eastern regions. As regards the ESPO crude pipeline, Russia failed to offset the China factor by exploiting Sino-Japanese rivalry. Similarly, Moscow has attempted to prolong the realization of a gas pipeline directed toward China by seeking a route bypassing this neighboring biggest energy market in the first place.

This paper proposes that all the regional energy stakeholders should find a way to overcome Sino-Russian geopolitical conundrum, considering the merit of greater energy interdependence between China and Russia, which in turn would stabilize oil and natural gas prices in the global market by alleviating the impact of China's surging demand. If we leave China and Russia by themselves, it is likely that the bilateral energy nexus will underachieve its potential: the increase in Russia's oil and natural gas exports to China would be slower than what would otherwise be the case.

Construction of a multilateral framework would be a key to reduce adverse effect of the limit of Sino-Russian partnership upon building a best energy supply chain in Northeast Asia. To this end, establishment of an international consortium, involving China, Russia and other players can be recommended in view of increasing the amount of investment, required for acceleration of developing untapped hydrocarbon resources in eastern Siberia and the Far Eastern regions, and diversifying the huge scale of associated investment risks. In addition to other Northeast Asian players, Japan and the Republic of Korea, commitment of the United States would be of critical importance, given that Washington has a big stake in Northeast Asian energy security with ExxonMobil as the operator of the Sakhalin-1 project. This concept would allow Russia to maximize foreign capital, while reducing Russia's concern about the loss of its geopolitical interest against China's conceivable projection of influence. At the same time, such a policy adjustment would also be a safeguard against a scenario in which the gigantic exporter could keep playing a geopolitical game by driving a wedge between the consuming nations.

With regard to the best use of eastern Russia's natural gas in particular, clarification of the pipeline route is also an impending issue in advance for its full-scale production in eastern Siberia. Moscow's hitherto separate bilateral negotiations with each of Northeast Asian consumers need to be converged on a multilateral policy arrangement.