



مركز الجزيرة للدراسات  
ALJAZEERA CENTER FOR STUDIES

## Report

# The Qatar-Ukraine Energy Cooperation: Characteristics and Prospects

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The importance of this study concerns the acute tension regarding the gas supplies of the European Union and former Soviet states, with the domination of these markets by the Russian company, Gazprom. This virtually gave Moscow a monopoly on gas exports to these countries, causing the termination of gas supplies to the abovementioned countries during the gas crises of 2006 and 2009, forcing the EU to find a variety of other sources and routes for gas supplies.

At the same time, and because of the reliance of former Soviet countries – especially Ukraine – on Russian gas, the cost of each 1000 cubic metres of Russian gas to Ukraine reached US\$430 in 2012. This gave the Russian Federation a means of exercising pressure on its neighbours economically and politically. In exchange for a discount of \$100 per 1000 cubic metres of gas, Ukraine was forced to pass a law extending the stay of the Russian Black Sea Fleet in Crimea until 2042, with the possibility of an extension; and this contradicts Ukraine's constitution which prohibits the presence of foreign troops in the country.

Using its gas supply to Ukraine, Russia aims to control the latter's gas pipelines by restoring it and, later, creating a scenario similar to that of Belarus. With twice the capacity of Nord Stream, Ukrainian gas pipelines are considered to be the largest in Europe. Therefore, it is in Russia's best interest to control the lines while Ukrainian officials realise that losing them would threaten the security and sovereignty of their country. Therefore, reducing dependence on Russian energy is a priority for Ukraine and the European Union.

Thus, Ukraine began its search for diverse sources of gas supplies so as to limit dependence on Russia and ensure its economic security and sovereignty. One of the most significant ways to do this is to import liquefied natural gas (LNG) and restore it to its gaseous state at LNG terminals. Qatar has been the largest exporter of LNG in the world since Doha developed its capacity to produce liquefied natural gas in recent years. Qatar could therefore access the Ukrainian energy market while enhancing its role in the broader European energy market.

In addition to economic factors, this multi-faceted process has political implications that are no less important. Russia and Qatar are at odds over the Arab Spring- i.e. the shift toward democratic transition in the Arab world - and Russia's position on the crisis in Syria.

## **The History and Characteristics of Qatari-Ukrainian Cooperation**

Diplomatic relations between Qatar and Ukraine date back to April 1993. In January 2002, Qatar and Ukraine signed an agreement on economic, trade and technical cooperation that became effective in December 2004. In March 2009, the two countries signed a memorandum of understanding on cooperation between their foreign ministries. On 19 October 2011, in Kiev, and under the sponsorship of Ukrainian president Viktor Yanukovich and the Emir of Qatar, Hamad bin Khalifa Al Thani, a number of agreements were signed between the two countries including an agreement on the exchange of information between the Ukrainian national news agency, UKRINFORM, and Qatar News Agency, as well as one on air travel between the two countries.

Political relations between the two countries reached a new level when the Ukrainian Prime Minister, Mykola Azarov, undertook an official visit to Qatar on 8-9 May 2012, paving the way for the visit of President Viktor Yanukovich to Doha on 27-28 November 2012. During the Qatar-Ukraine talks, the most important initiatives towards bilateral cooperation, especially in the fields of energy, agriculture, military, technology and construction were identified and a number of agreements for cooperation were signed. The Ukrainian president emphasised that he regarded strategic cooperation with Qatar as one of his country's priorities. Qatar articulated its hope to move the relationship between the two countries to an even higher level and for the agreements to translate into valuable projects for both countries' economies.

The capital cities of Doha and Kiev have never been considered such centres of power as Brussels, Moscow and Washington are but both are likely to become, over the next decade, among the most influential energy market players in the world.

According to the agreements between the two countries, Qatar may become the gateway for Ukrainian grain to the Gulf region and the Middle East as a whole as it has expressed its willingness to invest in the cultivation of feed grain and the sale of Ukrainian wheat in Arab countries. In return, Ukraine would get liquefied natural gas from Qatar and, more importantly, at a cost of US\$140 per 1000 cubic metres – one-third of the price of Russian gas. In the long term, a terminal will be built in the Ukrainian port city of Odessa to receive LNG, thus allowing Ukraine to import ten billion cubic metres of gas, enough to meet not only Ukraine's need but also to export to other European countries. Ukraine is scheduled to receive its first shipment of Qatari LNG at the beginning of 2015. With this project, Qatar has ensured future gas exports through Ukrainian gas pipelines. With its competitive gas prices, it could become a strong competitor to Russia in European markets.

The Qatar-Ukraine cooperation transcends the narrow scope of bilateral cooperation and has the following regional and global implications:

- It will contribute to reducing Russian pressure on and influence over Ukraine.
- It will guarantee the protection from gas crises like that of 2006 and 2009, and reduce the cost of gas to European countries.
- It will limit the extent of Russia's influence as a centre of power and result in financial losses for Russia due to its partial loss of the Ukrainian and European markets.
- It will strengthen Qatar's presence in European markets and increase cooperation between Ukraine, Qatar, the European Union and the United States. (The involvement of the last two will help relieve Ukraine of Russian influence.)

## **The Positions of Other Parties**

### *The European Union*

During the gas crisis of 2009, when Ukrainian-Russian talks about the price of gas were halted, most EU countries became vulnerable to the winter. Thereafter, the EU's commissioner for foreign relations, Benita Ferrero-Waldner, issued a harsh statement in which she described Ukraine as an unreliable transit country and Russia as an untrustworthy supplier of natural gas. Waldner said the European Union depended on Russia for only 25% of its gas and stressed the need to find ways to diversify sources of gas, recognising the EU's limited achievements in this regard. Nevertheless, the EU continues to suffer from dependence on Russian energy. The European Commission then passed a law on 17 September 2012 that required all EU countries to unify their energy infrastructures by the end of 2014 so as to obtain energy from a variety of sources as an alternative to Russian gas. Among these alternatives, Qatar was at the forefront. Based on this perspective, Qatar-Ukraine cooperation is in the interest of the European Union and is a key factor to reducing dependence on Russian energy.

### *The United States*

The Qatar-Ukraine cooperation has been welcomed by the United States. US officials have often expressed their fear of the deepening and strengthening relations between Ukraine and Russia, especially in 2010 and 2011 when Ukraine extended its permission for the Russian Black Sea Fleet to use its territory and waters in the Black Sea. Also, Washington did not hesitate to express its concern about Russian pressure on Ukraine to join the customs union between Russia, Belarus and Kazakhstan. In addition, President Yanukovich refused to continue the approach of his predecessor, Viktor Yushchenko, in the efforts to join NATO. Considering these factors, the United States made continuous efforts to help Ukraine gain energy independence from Russia. Washington felt that

ensuring energy security in Ukraine was a key to halting the processes of economic and political integration between Kiev and Moscow.

Part of this effort was the approval of the US Trade and Development Agency (USTDA) in August 2012 to fund research for the development of gas fields in Ukraine to cover the needs of the local market. Thus, the cooperation between Ukraine and Qatar, which is regarded as one of the strongest factors in the diversification of gas supplies for the reduction of Russian dominance over the airspace of the former Soviet states, will be an important signal to the White House. The Ukrainians have also signed a contract with an American company called Exceleerate Energy to rent a floating platform for receiving and storing liquefied natural gas. US officials have never hidden their concern regarding Ukraine's dependence on energy from its northern neighbour. The deputy chairperson of the Atlantic Council, Damon Wilson, stated that reducing this dependence will be a positive factor in Ukraine's relations with its neighbours and will help in Europe's progress. The Qatar-Ukraine cooperation is thus consistent with the US strategy for Europe's energy security.

### *The Russian Federation and the Former Soviet States*

What is the Kremlin's position on the Qatar-Ukraine cooperation? So far, officials in Moscow have been silent. Similarly, representatives of Gazprom have not issued any statements on the Qatar-Ukraine energy agreements. It appears that Russia is currently observing, hoping to be able to alter matters before 2015 when Ukraine receives the first shipment of Qatari gas. As a reminder, the principle of "take or pay" applies to unfair agreements and contracts between the Ukrainian company, Naftogaz, and the Russian Gazprom, under which the Ukrainian importer cannot buy a quantity of gas less than that specified in the contracts.

Simultaneously, however, several critical articles have appeared in pro-Russian media – both in Russia and Ukraine – relating to the Qatar-Ukraine cooperation in the field of energy. Most of these articles were directed against Ukrainian officials.

The active role of Qatar in former Soviet countries, particularly the Baltic States – such as the visit of Lithuanian president Dali Grybauskaite to Doha in April 2012, the agreements between Qatar and Tajikistan and Kyrgyzstan on inviting labourers from these countries to Qatar, and Qatar's investment of US\$100 million in the Tajik economy – has caused many Russian experts to argue that Qatar is being confrontational towards the Russian Federation following Qatar's recent interventions in the Middle East. For example, pro-Russian writer Viken Akopian declares in one of his essays that "the ambitious Qatar" proposes fighting on all fronts and, with the support of the United States, wants to build a corridor stretching from Qatar to Turkey through Saudi Arabia, Jordan and Syria. But creating such a corridor requires a regime change in Syria, which is backed by Russia and its geopolitical partner, Iran. So, through cooperation with Ukraine, Qatar may run the risk of straining its relations with Russia. To Qatar, this cooperation is worth the risk for a number of reasons. First, the economic benefits Qatar will reap from Ukraine will enable it to strengthen its presence in the European energy market. Second, it will weaken Russian influence in former Soviet territories, and this will have an impact in the international arena.

Indeed, Russia has long been exposed to harsh criticism from European countries and the United States due to:

- Its suppression of democracy and human rights in Russia
- Its suppression of the opposition and the arrest of opposition leaders
- Its monopoly on the supply of gas to Europe
- Its confrontations with NATO countries, especially through aggression on Georgian territory

However, the nuclear threat and Russia's economic power forced the international community to tolerate these grievances, only protesting in extreme circumstances. Russian economic power is based mainly on energy exports. Therefore, if it loses its

leading role in the energy markets (particularly gas), there will be a large decrease and deficit in its budget and it will be difficult for it to keep upgrading its military strength. In addition, movements against the state will strengthen, as they had in 2011.

The Russian Federation is permanently threatened by the secession of many of its members. Many of the peoples within it, such as those in the Caucasus Republics, wish to gain independence; and Russian officials acknowledge that weakening the economic strength of their country will increase the desire to secede among many people within the country, which can already be seen in conditions of economic crisis, when there is a vacuum in the state treasury, and when citizens are deprived of social securities. This was the very scenario that resulted in the collapse of the Soviet Union. Therefore, it is clear to experts that Qatar's entry into the major energy markets of former Soviet countries will limit Russia's role politically and economically.

### **Turkey's Role**

Turkey plays an important role in the Qatar-Ukraine cooperation. Despite environmental risks related to the passage of oil tankers through the Bosphorus Strait, positive results are expected from the meetings of the three states' delegates. Turkey is also a country that attaches great importance to the diversification of gas supplies as it currently receives a large amount of its gas from Iran. If Qatar's LNG passes through Turkish territory, i.e. through the Bosphorus, Iran will suffer huge economic losses. Russia realises that it can neither block the Qatar-Ukraine energy cooperation nor prevent Qatar's penetration of European markets, which requires the help of Turkey, but it is finding it difficult to win Turkey over. Turkey will not stand by Russia for several reasons. Firstly, there is long historical integration between Turkey and Ukraine and there were numerous confrontations between the Russian and Ottoman empires for control of the Ukrainian territories of Crimea and regions adjacent to it. Secondly, Russia is not used to playing the diplomatic game on an equal footing as it deals with its neighbours to a great extent in an imperial manner. Today, Turkey is no longer a country that can be pressured, particularly due to its membership in NATO. Thirdly, there is no Russian lobby in Turkey with the ability to influence government decisions. Fourthly, the Qatar-Ukraine cooperation is in Turkey's interest as it is an important factor that could help lessen Ankara's dependence on Iranian gas and thus could contribute to taking practical steps to finding a quick solution to the protracted crisis in Syria.

### **The Effect of the Qatar-Ukraine Cooperation on the Political Atmosphere in the Arab World**

The impact of the Qatar-Ukraine cooperation will not be limited to former Soviet and EU countries but will become an important factor of ensuring security in the Gulf and the Middle East. Qatar's entry into European energy markets will contribute to the reduction of Iran's threats to its neighbours in the Gulf by neutralising Russian support for Iran. This is possible because of the economic problems that will arise due to competition between Qatar and Russia in European markets. As for the Syrian crisis, Qatar, like the majority of the Arab and UN member states, believes that the time has come for regime change in Syria as a regional continuation of the democratic processes and political transformations that were spawned by the Arab Spring, and that neglecting the Syrian issue will pose a threat to regional security and stability. But Russia and Iran see the Syrian regime as a protector of their interests. They have therefore offered military and financial support to al-Assad's regime for their own benefit: disrupting the primary exporter and providing the world with various forms of energy in the Gulf region, and engaging the region in internal strife to extend their influence in global energy markets. In addition, Shi'a Iran sees al-Assad's regime as a sectarian extension of itself. Under these circumstances, the struggle for Syria is of great importance to most Arab countries. The victory of the Syrian revolution and the fall of the regime will be a strong blow to Russia and Iran.

### **Conclusion**

The promotion of the Qatar-Ukraine energy cooperation guarantees the reshaping of international politics and diplomacy, potentially leading to significant changes in the political makeup of the world. This cooperation is of great importance to Qatar both economically and politically. It has adopted freedom of thought and opinion in the Arab world through the grace of its hosting Al Jazeera, and it has strengthened its economic position and made its role and influence effective in regional and international organisations. Qatar's competition against Russia in European energy markets will transform Doha's role regionally and internationally to a decision-making centre. Losing influence over Ukraine would deal a strong blow to Russia, which places much importance on its Slavic unity with Belarus and Ukraine.

Ukraine's emancipation from Russia has been one of the core issues for Ukrainian officials since the country's independence from the Soviet Union in 1991. Thus, Ukraine's importing of LNG from Qatar will ensure economic and industrial prosperity and give a competitive edge to its heavy industries.

The European Union and the United States attach great importance to the Qatar-Ukraine cooperation as an attempt to diversify the sources of gas supply. The EU also resolved to consolidate its energy structures by the end of 2014 in order to obtain alternatives to Russian gas.

In addition to the gains it would reap from cooperation with Ukraine in agricultural wealth and other areas, Qatar can guarantee a place for itself as the primary exporter of gas to Europe, thus controlling prices.

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