Научная статья / Research article

Russian-Armenian Energy Cooperation in the Context of Eurasian Integration

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Abstract. The article analyzes the main directions of Russian-Armenian cooperation in the energy sphere in the context of Eurasian integration. The introduction substantiates the relevance and scientific-theoretical and practical significance of the topic, as well as reveals certain aspects of the formation of the energy component of bilateral cooperation between the Russian Federation and the Republic of Armenia. The authors review in detail the legal and conceptual framework of the interaction between Russia and Armenia at both bilateral and multilateral levels (in particular, within the EAEU and CIS). In particular, they refer to the Treaty on Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Republic of Armenia of August 1997, the Treaty on Long-Term Economic Cooperation until 2010 and other agreements. It is noted that energy cooperation between the two countries is largely conducted within the framework of various integration associations in the post-Soviet space - primarily, within the Eurasian Economic Union (EAEU) (since 2014). The article examines in detail the key priorities of energy cooperation between the two countries and analyzes the dynamics of their interaction. The authors identify several main areas of Russian-Armenian cooperation in the energy sector: trade in electricity and energy carriers, development of nuclear energy (including the operation of the Armenian nuclear power plant), support for the operation of energy infrastructure, as well as cooperation in the use of renewable energy sources and development of the "green" economy and energy concept. It is noted in the article that these directions of cooperation develop unevenly, which is expressed in the prevalence of traditional aspects of cooperation. Based on the results of the study, the authors conclude that Russian-Armenian cooperation in the energy sector is a significant factor not only in economic, but also in political integration in the Eurasian space. Moreover, cooperation between Russia and Armenia in this area is extremely important in terms of ensuring the energy security of the entire South Caucasus region.

Keywords. Armenia, Russia, energy, fuel and energy complex, energy cooperation, South Caucasus.

For citation: Marina A. Shpakovskaya, Oleg K. Petrovich-Belkin. Renewable energy sources as a basis for ensuring the ecological sustainability of the Silk Road Economic Belt. Postsovetskie issledovaniya = Post-Soviet Studies. 2021;4(6):563–568 (In Russ.).

Funding: this research was supported by the Russian Science Foundation. The scientific project № 19-18-00165.

Российско-армянское энергетическое сотрудничество в контексте евразийской интеграции

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Аннотация. Статья посвящена анализу основных направлений российско-армянского сотрудничества в энергетической сфере в контексте евразийской интеграции. Во введении обосновываются актуальность и научно-теоретическая и практическая значимость данной темы, а также раскрываются отдельные аспекты становления энергетической составляющей двустороннего сотрудничества Российской Федерации и Республики Армения. Авторы подробно рассматривают нормативно-правовую и концептуальную базу взаимодействия России и Армении как на двустороннем, так и на многостороннем уровне (в частности, в рамках ЕАЭС и СНГ). В частности, речь идет о Договоре о дружбе, сотрудничестве и взаимной помощи между Российской Федерацией и Республикой Арменией от августа 1997 г., Договоре о долгосрочном экономическом сотрудничестве на период до 2010 г. и иных соглашениях. Особо отмечается, что в значительной степени энергетическое сотрудничество между двумя государствами ведется в рамках различных интеграционных объединений на постсоветском пространстве – в первую очередь, в рамках Евразийского экономического союза (ЕАЭС) (начиная с 2014 г.). В статье подробно рассматриваются ключевые приоритеты энергетического сотрудничества двух государств, а также анализируется динамика их взаимодействия. Авторы выделяют несколько основных направлений российско-армянской кооперации в энергетической сфере: торговлю электроэнергией и энергоносителями, развитие атомной энергетики (в т.ч. эксплуатацию Армянской АЭС), поддержку функционирования энергетической инфраструктуры, а также взаимодействие в сфере использования возобновляемых источников энергии и развития концепции «зеленой» экономики и энергетики. В статье отмечается, что данные направления сотрудничества развиваются неравномерно, что выражается в превалировании традиционных аспектов кооперации. По итогам исследования авторы делают вывод, что российско-армянское сотрудничество в энергетической является значимым фактором не только экономической, но и политической интеграции на евразийском пространстве. Кроме того, взаимодействие России и Армении в данной сфере крайне важно с точки зрения обеспечения энергетической безопасности всего Южно-Кавказского региона.

Ключевые слова. Армения, Россия, энергетика, топливно-энергетический комплекс, энергетическое сотрудничество, Южный Кавказ.

Для цитирования: Шпаковская М.А., Петрович-Белкин О.К. Российско-армянское энергетическое сотрудничество в контексте евразийской интеграции. Постсоветские исследования. 2021;4(7):563–568.

Финансирование: исследование выполнено за счет гранта Российского научного фонда (проект № 19-18-00165).

Introduction

With the dynamic growth of the world economy since the end of the Cold War and the collapse of the bipolar system of international relations, the value of energy and, even more broadly, of mineral resources has increased significantly. This is partly a consequence of intensive scientific and technological progress, which requires more and more energy to produce innovative, high-tech products.

In turn, in the post-Soviet space, due to general political instability and a protracted economic crisis caused by the rupture of former economic ties, as well as the transition from a planned, administrative-command economy to a market economy, the process of increasing energy consumption was slower. Nevertheless, the importance of the energy factor in the foreign and domestic policies of each of the post-Soviet states was steadily increasing. This was especially true for those countries that did not have sufficient reserves of energy and mineral resources and, as a consequence, had to import them. In this context, Armenia was a vivid example of a state extremely interested in building mutually beneficial and constructive international cooperation in the sphere of energy security.

In addition, the situation for Armenia was complicated not only by the obvious shortage of its own energy resources, but also by the extremely difficult foreign policy situation - and,

above all, by the protracted conflict with Azerbaijan over the territorial status of Nagorno-Karabakh. In this context, energy imports from neighboring oil- and gas-rich Azerbaijan were completely ruled out for Armenia.

In this context, the Russian Federation naturally became Armenia's main partner in ensuring its own energy security (and, even more broadly, the energy security of the entire South Caucasus region). It is this circumstance that determines both the scientific-theoretical and practical importance of studying the key areas of Russian-Armenian cooperation in the energy sphere.

Normative-legal bases of cooperation between Armenia and Russia in the energy sphere

The legal and conceptual framework for relations between the Republic of Armenia and the Russian Federation, including in the energy sphere, has been formed over several decades, starting with the collapse of the Soviet Union. In the first years after the collapse of the Soviet Union, the main issue of Armenian-Russian relations was the sphere of regional security, which is understandable given the protracted Nagorno-Karabakh conflict. Particularly during this period, an agreement was signed on a Russian military base on the territory of the Republic of Armenia[1].

After the end of the acute phase of the Armenian-Azerbaijani confrontation in 1994, the economic, including the energy sphere, became an increasingly important aspect of Russian-Armenian cooperation. Thus, in August 1997 the parties concluded a fundamental Treaty on Friendship, Cooperation and Mutual Assistance, which implied, inter alia, the strengthening of economic cooperation in trade, transport, currency regulation and energy (Articles 11-14 of the Treaty)[2].

An important milestone in the establishment and development of economic and energy cooperation between the parties was the signing in September 2001 by Russian and Armenian presidents Vladimir V. Putin and Robert Kocharian. In September 2001 Russian President Putin and President Kocharian signed a Treaty on Long-Term Economic Cooperation until 2010. The treaty provided for "inter-sectoral cooperation in the fuel and energy and military-industrial complexes, non-ferrous metallurgy, construction, communications and information technologies and light industry"[3].

Multilateral treaties of the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EurAsEC; until the end of 2014) and the Eurasian Economic Union (EAEU; since 2015) also played a key role in intensifying Russian-Armenian cooperation in the energy sector. In particular, one of the first major multilateral agreements, signed back in September 1993, was the Treaty on the Establishment of an Economic Union[4], functioning under the auspices of the CIS.

In addition, the signing of the Treaty on the Eurasian Economic Union[5] (May 2014) and the Treaty on the Accession of the Republic of Armenia to the aforementioned agreement[6] (October 2014) were significant milestones in the development of both Eurasian integration and Armenian-Russian cooperation in the energy sector. Armenia's accession to the EEU gave a significant impetus to the development of bilateral political, trade and economic ties between the parties, primarily in the energy sector, which is a priority for both Russia and Armenia.

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[1] Treaty between the Russian Federation and the Republic of Armenia on Russian military base on the territory of the Republic of Armenia. URL.: https://docs.cntd.ru/document/901933348 (accessed 28.09.2021)

[2] Treaty on Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Republic of Armenia. URL.: https://docs.cntd.ru/document/8306454 (accessed 29.08.2021)

[3] Treaty between the Russian Federation and the Republic of Armenia on Long-Term Economic Cooperation until 2010. URL.: https://docs.cntd.ru/document/901952085?marker=65A0IQ (accessed 29.08.2021)

[4] Treaty on the Establishment of the Economic Union. URL.: https://docs.cntd.ru/document/1900462 (accessed 29.09.2021)

[5] Treaty on the Eurasian Economic Union (as amended on October 1, 2019) (version in force since August 1, 2021). URL.: https://sudrf.cntd.ru/document/420205962 (accessed 29.09.2021)

[6] Treaty of Accession of the Republic of Armenia to the Treaty on the Eurasian Economic Union of May 29, 2014 (amended April 14, 2020). URL.: https://sudrf.cntd.ru/document/420229250 (accessed 29.09.2021)

Thus, the legal and conceptual framework for Russian-Armenian cooperation is quite extensive and includes both bilateral and multilateral agreements. At the present stage, the partnership between the two countries takes place within the EAEU and, as a consequence, is an integral part of the Eurasian integration project.

Key priorities and of Russian-Armenian energy cooperation

Currently, cooperation between the Russian Federation and the Republic of Armenia in the sphere of energy security includes a number of areas, the most significant of which are the following:

1. Supply of Russian energy resources to Armenia. Even before the collapse of the Soviet Union, Armenia received most of the energy resources its economy needed from other Soviet republics (primarily, the RSFSR, as well as the Azerbaijani and Turkmen SSR). As mentioned above, the escalation of the conflict in Nagorno-Karabakh in the 1990s made it impossible for Armenia to import energy resources from Azerbaijan.

This situation was typical not only for the turn of the XX-XXI centuries, but also (and even more so) for today. In 2020, the total trade turnover between Armenia and Russia amounted to $2.3 billion[7]. The main item of Armenian imports were mineral and energy resources, and they accounted for 32.5% of the total volume of Armenian imports from Russia[8]. These figures are particularly revealing given the fact that Russia is currently Armenia's main foreign trade partner, and 80% of the energy resources used by the Armenian economy are received from the Russian Federation.

2. Russian-Armenian cooperation in nuclear power development. In 2019, about 34% of all electricity produced in Armenia was generated at the Armenian Nuclear Power Plant [Rasoulinezhad, Taghizadeh-Hesary 2020]. In this context, one of the most important areas of interaction between Russia and Armenia in the energy security of the entire South Caucasus region was joint work to modernize and improve the efficiency of this nuclear power plant. In particular, in 1995, with the assistance of Russian specialists, the 2nd unit of the Armenian NPP, which had been mothballed since 1989, was launched.

In December 2014, the Ministry of Energy and Natural Resources of Armenia and the Russian state corporation Rosatom signed an agreement to extend the life of the Armenian Nuclear Power Plant and stage-by-stage reconstruction on a new technological basis. In the course of this project, Russia extended a loan to Armenia for the modernization of the power plant, supplied several state-of-the-art turbine units, carried out commissioning works and several inspections aimed at ensuring operational safety together with local specialists, and was also actively involved in the disposal and burial of nuclear waste.

3. Russia's Participation in the Development of Energy Infrastructure on the Territory of Armenia. During 1991-2021, Russian capital played a key role in the development and modernization of the Armenian fuel and energy complex (FEC). At present, Russian corporations (primarily Gazprom and Rosneft and their subsidiaries) own a network of gas stations in Armenia; several hydroelectric power plants (HPPs) in the Sevan-Hrazdan cascade; distribution enterprises and transport infrastructure for Russian gas supplies; and a number of oil refineries and a bitumen plant.

Russia is also actively involved in the modernization and technological equipment of Armenia's largest thermal power plant, the Hrazdan Thermal Power Plant (TPP). In particular, in 2012, a new, fifth power unit was commissioned, which is currently owned by Gazprom-Armenia (a subsidiary of PJSC Gazprom).

4. Interaction between Russia and Armenia in the field of "green" energy and the use of renewable energy sources. One of the innovative areas of cooperation between the two countries, which has already developed in the 21st century, can be called cooperation in the development and use of "green", i.e. renewable

[7] Report on foreign trade between Russia and Armenia in 2020: commodity turnover, exports, imports, structure, goods, dynamics (prepared by the Russian Foreign Trade website based on data from the Russian Federal Customs Service). URL.: https://russian-trade.com/reports-and-reviews/2021-02/torgovlya-mezhdu-rossiey-i-armeniey-v-2020-g/ (accessed 29.09.2021)

[8] Ibid.

energy. Despite the fact that at present the achievements in this area of cooperation are relatively small, a number of joint ambitious projects are planned in the medium term. Particularly, the construction of 10 new solar power plants in various regions of Armenia (including Aig-1 and Aig-2 plants with aggregate capacity of about 400 MW) is planned until 2030 [Rodionova, Kokuytseva, Shuvalova 2020]. In addition, several wind farms are expected to be commissioned by 2040 [Rodionova, Kokuytseva, Shuvalova 2020]. Russia also plays an important role in modernizing Armenia's hydropower sector, the Sevan-Hrazdan cascade, which consists of eight hydropower plants.

Conclusion

Thus, Russian-Armenian cooperation in ensuring both national and regional energy security in 1991-2021 developed extremely dynamically. The most important prerequisite for this is Armenia's objective need for energy imports, caused by the shortage of its own mineral resources, as well as the complete absence of economic and energy cooperation with oil- and gas-rich Azerbaijan.

The energy partnership with Russia is valuable for Armenia not only in and of itself, but also as an impetus to intensify mutually beneficial cooperation in other areas - first of all, in regional security, military-technical cooperation and political interaction. For Russia, the energy dialogue with Armenia is one of the most important tools for increasing its own political and economic influence in the South Caucasus and the broader post-Soviet region. In addition, the energy sector of Armenia is extremely profitable and lucrative in terms of investment, which explains the fact that a significant part of Armenia's fuel and energy complex is currently owned by Russian private and state corporations.

Armenia's accession to the Eurasian Economic Union gave a significant impetus to the development of Russian-Armenian cooperation in the energy sphere. The Russian-Armenian partnership in the sphere of energy security is now quite reasonable to consider in a broader context, as one of the most important elements of economic integration in the Eurasian space.

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