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The political-economic dimension of transformations in EU-Russia gas trade mechanisms

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DOI:
[10.33612/diss.133806107](https://doi.org/10.33612/diss.133806107)

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Document Version
Publisher's PDF, also known as Version of record

Publication date:
2020

[Link to publication in University of Groningen/UMCG research database](#)

Citation for published version (APA):
Franza, L. (2020). *The political-economic dimension of transformations in EU-Russia gas trade mechanisms*. University of Groningen. <https://doi.org/10.33612/diss.133806107>

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Academic propositions – PhD – Luca Franza

1. The design of historical long-term contracts responded to geopolitical, economic, and commercial objectives. They were designed to minimise and manage conflict, distribute trade gains and cross-border rents between Western Europe and the Soviet Union, and ensure the viability of capital-intensive, asset-specific investment allocated in conditions of bounded rationality and uncertainty – in line with TCE findings.
2. EU gas market liberalisation had collateral geo-economic objectives vis-à-vis Russia (cf. Lisbon Strategy).
3. Gas oversupply at the end of the 2000s created a situation whereby EU importers were committed to buy expensive gas from Gazprom but had to compete with cheap spot-priced gas in the end-user market, which led to long-term contract renegotiations and arbitrations.
4. Historical oil-indexed long-term contracts will not make a comeback, but, in line with findings from the contract literature, a return to more long-term contracting (albeit in different forms from the past) is to be expected, .
5. The quantitative analysis found that the adoption of hub indexation resulted in savings for the EU, and an order of magnitude of such savings has been indicated (between 3.03 and 6.87 billion euros per year on average between 2009 and 2018).
6. The focus of the EU's foreign energy policy discourse on Russian gas is not justified on political-economic grounds.
7. Unlike import bill savings, the long-term damage to the EU-Russia gas trade relation is impossible to translate into quantitative variables. The impact of the deterioration in the trade relation will be felt more acutely by the EU when today's buyers' market gives way to a sellers' market, potentially posing risks for the EU's security of supply.
8. By understating its future energy import needs and discouraging the signature of new long-term contracts, the EU is pursuing a risky security of supply strategy (or not pursuing a strategy at all).
9. From a geo-economic perspective, it would mostly be oil that strengthened Russia relative to the West in the 2000s. The fact that transformations in EU-Russia gas trade dented Gazprom's sales revenues in the EU between 2009 and 2018 was not a key development for redressing Russia's increased defiance of the West, even if from a macro-economic and fiscal perspective Gazprom's revenues in the EU are certainly not negligible.
10. The notion that the liberalisation of EU gas markets and aspects of EU-Russia gas trade would trigger Russian gas market liberalisation neglects the presence of logics of appropriateness, institutional complementarities and path dependencies.