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David Dusseault**DRAFT ONLY: NOT FOR CITATION. THE STRUCTURE OF RUSSIA'S ENERGY SECTOR: EXPECTATIONS AND CHALLENGES IN TOMSK OBLAST***

This paper intends to dig deeper into the Russian energy sector and investigate the relationship between the variable presence of hydrocarbon resources and their influence over policy preferences of regional economic and political elites of Tomsk Oblast in Western Siberia.

Keywords: Russian energy sector, oil and natural gas production, regional economic and political elite.

Much of the current academic and policy based securitised discourse surrounding Russia's energy sector treats the country as a unified energy space in political, economic, and social terms. Despite the predominance of and explanatory power attributed to the bureaucratic power-vertical and vertically integrated corporate paradigms, there exists a body of evidence suggesting that Russia's energy sectoral interests are fractured along institutional, temporal, and informational lines. It is hoped that conducting research at the source of Russia's natural wealth, a more accurate picture of the energy sector's structure, the challenges it faces, as well as the nature of its potential influence may be obtained.

It is not too great of a risk to bluntly state that western scientific as well as public discourses concerning the nature of the Russian energy sector are unsophisticated in terms of the methods employed to decipher the country's energy strategy. When asked in a recent interview to comment on the social sciences' ability to discern reality from myth concerning our understanding of the workings of the state and society, Simon Kordonsky responded that scientific analysis starts when researchers focus not on the possibilities of the state to organise social relations, but instead investigate the limits of states' ability to govern social processes. Only then can the myths surrounding the all powerful leader or state be dispelled. This comment mirrors the debate between positivist (concerned with explaining how things are) and normative approaches (concerned with how things should be) in the social sciences [1]. Whether western analysis is driven by political ideology or a popularly formed mythology surrounding the object of inquiry, the fact remains that recent attempts to investigate the nature of the Russian energy sector are inhibited by the inability to perceive the fractures among political and economic interests, identify competing elite groups, and understand the institutional conditions that contribute to the strategic decision-making process of the Russian Federation. As a result, the Russian energy sector (or *ТЭК* in Russian) is presented in scientific and popular terms as a political and economic monolith.

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In order to provide more explanatory value to research into the Russian energy sector, researchers need to quit relying on the easy answer that geopolitical analysis always seems to provide regardless of prevailing domestic socio-economic and political conditions: *maximized control over natural resources is inevitably directly and positively correlated with highly consolidated political power.*

It will be argued and substantively demonstrated here that moving beyond the conceptual pale of the Kremlin's walls and expanding the scope of research concerning Russia's energy sector to the country's regions where the industries are based will provide a more representative study into the complexities of the country's political and socio-economic fabric. Additionally, new areas for possible scientific enquiry will be unearthed; and finally, realistic assessments of the nature of Russia's energy sector will make significant contributions to pressing long term policy matters facing the Russian Federation itself, the EU, and other states in the Eurasian context.

In order to frame this article's argument concisely, it is crucial that the main conceptual and methodological weaknesses concerning the existing analysis of the Russian state and the country's energy sector are presented and examined. Based upon experience gained from research conducted over the past several years, four separate deficiencies have been identified and will be discussed below in turn. Several concepts that are present here have been taken from the authors notes and can be attributed to expert interviews and discussions conducted by the author with staff of Kosarev Consulting, Moscow held on the 28th of September 2008 and the Centre for Regional Development, Irkutsk Oblast, Irkutsk on September 4th 2008.

Conceptual Weakness I: Bargaining within the Russian federal system

As stated above, the Russian political system has been treated as a political monolith. During former President Putin's first term in office, the concept of the administrative power vertical was introduced as a mechanism to stabilise the open ended political and economic bargaining that characterised federal-regional relations. Western academia has in turn taken the centralisation trend as a sign of the end of federalism as an institutional organising principle of the post-Yeltsin Russian state. This trend is evidenced through the reduction in the number of federal units, the dominance of Edinaya Rossia as the party of power in the electoral cycles and at all levels of the federal power structure, the appointing of regional governors by presidential decree and the removal of the regional heads from positions in the representative branch of power in Moscow.

However, just because the institutional distribution of power does not fit into the vague, dichotomous paradigms (federalism for some is a stagnant, institutionalised and clearly delineated distribution of power between the federal centre and the regions) supported by western analysis does not mean that various interests fail to espouse competing preferences within the federal power structure. Institutions that regulate competition among societal elites within a polity are themselves still in formation and subject to elite bargaining. Powerful actors and interests continue to possess, although arguably to a much reduced degree, the ability to influence the shape and nature of the Russian state.

In that context, the Russian federal system and decision making at all levels of the hierarchy may not be fully institutionalised according to traditional western conceptualisations (Max Weber's conception of the legal rationalisation of power

comes to mind here). Instead, policy formation is highly personalised; and related elite competition is motivated by a pragmatic approach to “solving” significant macro political and socio-economic policy issues by limiting the influence of existing institutional-bureaucratic structures. In this sense interest competition among and organisation of preferences at various levels of the federal hierarchy may be modelled more effectively as “social networks” [2], or nested bargaining games [3, 4].

Lack of Substantive Empirical Data: Differentiation in and the nature of rent distribution

The drive to explain the Putin phenomenon over the past 5 years has left the analytical field of Russian domestic politics in a difficult position. In the endless quest to vilify Putin and the state system most analysts give him personal credit for, we have lost touch with the domestic context in which the Kremlin’s power to govern exists. By focusing on macro-normative debates concerning regime type, analysts and researchers alike have neglected the socio-economic and political changes the 82 regions are currently undergoing. We lack up-to-date data concerning the socio-economic and political conditions that exist in the regions and how the variation among the federal units influences the implementation of corresponding federal policies.

If the institutional decision-making process of the Russian Federation is as personalised as presented above, then it is not unreasonable to expect that the level of variation in rent distribution among the regions and the federal centre is highly diversified, too [5]. The way in which various regional groups form their economic and political preferences is influenced by sundry forms of economic, political, and social path-dependencies [6].

However, even if resources are located at the regional level, the extent to which regional elites maximise their resource based “gate keeping”, “agenda setting” or “rent extraction” at the expense of one another or the federal centre in the energy sector is subject to the physical, economic, institutional and financial conditions that are simultaneously determined by structures and actor interests beyond the regional scope [7]. For example, interests may be determined at the federal centre including nation-wide health-care and educational policies; or at the international level where global commodity pricing for local hydrocarbon resources are set. Resources are here defined as natural: oil and gas; political: elections and political parties; bureaucratic: staffing and cadres which control administrative apparatus; social: ethnicity and identity; and legal: mechanisms to form and shape legislation governing the macro political, economic and social rules of the game.

Decision making in the Russian federal system is not dominated by the downward flow of political, economic or social directives from Moscow centre. In fact there is evidence which clearly demonstrates to the contrary that at various institutional levels, competing interests and institutional structures symbiotically interact to form respective political and socio-economic policies at corresponding layers of the federal system [4, 8].

Absence of Scientific Enquiry: The dissonance between regional socio-economic development strategies & corporate cost / benefit maximisation analysis

The socio-economic situation in many regions has been complicated by the distancing of the socio-economic from the political following the collapse of the Communist Party’s nomenklatura in 1991. Differentiation among socio-economic

levels in the regions produces unexpected sets of incentives for economic and political agency. RF development policy is liberal; poorer regions receive federal transfers only to the extent that they do not cross a specific line of economic growth. Incentives therefore remain for the poorest regions to remain underdeveloped. As long as socio-economic indicators remain low, federal funds still flow to the region. Even if the average annual Gross Regional Product (GRP) grows, the relationship between the most developed and least developed regions may remain unchanged, and in the worst case, the development gap may widen.

Within increasingly neo-liberal economic parameters, expectations and legitimacy of the political elite differ greatly from those of the business community. Under “ideal” market conditions, political elites rely upon service provision for their legitimacy in front of the voting and tax paying public. In contrast, business interprets its socio-economic value through the spectrum of “bottom line” profit maximisation / cost-benefit calculi. This is an extension of the argument put forward by Kivinen in which various actors frame their particular strategies in a given sector according to their own perceptions of the existing policy environment [9]. This gap among expectations and sources of legitimacy for political and economic elites presents the greatest challenge to Russian macro political and economic strategies. This seems increasingly relevant to the argument especially under conditions that will see the competition among the regions over federal funding and private sector investment surrounding the development of their specific resource bases increase [10].

In such a competitive environment, practical experience may demonstrate that socio-economic strategies are not meant to fully maximise socio-economic benefits for the region, but instead act as a mechanism to extract a suitable degree of rent from the federal budget to support regional socio-economic initiatives when business and regional prerogatives do not fully overlap. The degree to which a region is successful in gaining federal support may depend upon the organising and lobbying ability of the regional political leadership and the degree of control over regional resources; and not along the lines of a simple distribution of decision-making powers bequeathed to the region by the federal centre.

Conceptual Weakness II: The Russian energy sector as export only

Russia is not just an energy exporter, but an importer, a transit state, and a consumer. However, the predominant western conception of Russia’s energy sector emphasises the export of hydrocarbons as the single most important priority of the country’s energy strategy. According to this school of thought, the main purpose behind the export of Russia’s hydrocarbons is to boost the country’s ability to influence policy in Europe and further a field by leveraging energy supplies against neighbouring states’ own internal economic and political policies. This energy security discourse tends to over-represent the external strategic importance of the natural resource export sector while overlooking its value to and dependence on other parts of an integrated energy value chain and the country’s socio-economic and political development on the whole [11].

Plainly put, the Russian energy export sector may be a means to serve domestic ends [12]. Russia’s energy complex encompasses other components of the value chain that have been heretofore missing in the western securitised discourse: power generation, grid organisation and transmission; district heating; as well as the proc-

essing and refining of hydrocarbons for domestic industrial and retail consumer use. All these segments of the value chain form an organic whole; and it would be difficult to argue that as a separate entity, any specific segment could be considered either economically commercializable or the sole source of political legitimacy for any elite over the long term.

If it is possible to summarise the above conceptual and theoretical arguments in a concise manner, it may be that the drive to understand the Russian energy sector's domestic and international potential may be derived from the intuitive understanding on the part of researchers and analysts alike that there exists a huge gap between the expectation for natural resource based socio-economic development and the state's institutional capability to organise disparate societal interests. Therefore by continuing along this line of argumentation, several preliminary and key observations can be made:

1. Actors' expectations, the structure of the energy sector's value chains, and the Russian Federation's institutional environment play a significant role in the observed dissonance between socio-economic priorities and cost benefit maximisation strategies;
2. It is this dissonance, not popularly prescribed regime type which poses the greatest challenge to efficient organisation of the country's energy sector; and
3. These conditions mirror in detail a classic wealth and power distribution issue familiar to all social scientists.

Based upon these three general observations, the following research question is proffered: How does the presence of oil and gas influence the regional socio-economic strategies within the Russian federal context?

At this point in the paper, the argument has reached a crossroads. The challenge is now to synthesise the analysis of the Russian energy sector within the significantly malleable and opaque institutional conditions of the Russian federal system. After reviewing the data, a general dynamic has come into focus. The distribution of federal and regional competencies in the Russian energy sector is characterised by influence over and access to various components of the energy sector's economic value chain (see Table 1). Information presented shows only firms of federal significance and was compiled by author from company sources on the Internet. This conceptualised division of economic capacity and political competencies among federal and regional interests is based on similar categorisations, departmentalism versus localism, developed by Rutland and Gel'man et al. [13, 14].

Starting at the extreme end of the upstream sector, ownership of fields and extraction industries is dispersed among federal owned monopolies, private Russian firms, private foreign firms, and in some cases, regional governments. Moving on to the value added sector, ownership of refining and other processing industries roughly mirrors that of the upstream, but is under the auspices of regional governments. Taxes on economic activity are not the only contributions to the regional budgets that energy firms make. Other forms revenue streams include surcharges on extracted resources; in kind contributions of refined products to regional institutions or corporate tax relief for investments made in the region are also made. In the downstream, transit, distribution, and export of hydrocarbons and electricity transmission is the domain of federal monopolies. To distil this division of competencies further and make it relevant in the Russian federal context, it can be said

that federal interests control transit and export of the energy sector's production, while regional interests hold sway in the value added industries of processing and refining of raw materials. This simple distribution will be applied to the case of Tomsk Oblast in the sections that follow.

The second section of the paper is composed of several parts that make up the case study focusing on Tomsk Oblast's energy sector as it has developed within the Russian federal system from 1995-2008. The purpose of the case study is to see if the theoretical and conceptual ideas concerning the nature of Russian federalism and the Russian energy sector put forward in the paper's theoretical discussion are to any degree, accurate. The degree to which they are accurate will determine the explanatory power these points may contribute to continued scientific enquiry into the structure of the Russian energy sector.

Tomsk Oblast is located in the West Siberian Federal Okrug, three time zones to the east of Moscow. Historically, before the coming of the Trans-Siberian railroad in the latter part of the 19th century, Tomsk occupied a position of economic and political importance in western Siberia. For much of the czarist period, Tomsk was a major centre for natural resource extraction, mainly gold, and was the political-administrative centre for a large swath of Siberia, which at some point included the northern parts of present-day Kazakhstan. After World War II, Tomsk regained prominence under the Soviets with the advent of the military industrial and agrarian complexes to the region. On these two highly centralised economic sectors, Tomsk's regional leadership and the fortunes of the population itself depended. During the late Soviet period, significant reserves of oil and natural gas were located in the Oblast and the energy sector began to grow in economic prominence and political stature right up to Perestroika.

During the 1990's Tomsk suffered through many of the familiar political and socio-economic traumas associated with the late Perestroika and early Yeltsin periods of the early to mid 1990s. With the soviet and later Russian federal centres forming no more than institutional power vacuums, financial and political support for the regions from Moscow ceased to exist. Tomsk's federally orientated energy, military and agricultural complexes atrophied. Political turmoil ensued; and many members of the region's soviet era Communist Party nomenklatura gradually lost positions of economic, political and social significance as the decade moved on (see Figure 1) [15, 16].

The reasons for the elite transformation in the region are manifold. Yet it is possibly to divine several of the major contributing factors: general economic downturn due to economic liberalisation programme; lack of investment and maintenance in regional industries; the decline of the military industrial complex; a decline of export revenues; and the influx of Russians from near abroad [17. P. 1114].

While the federal level political and economic institutions in Moscow were powerless to reign in the forces at work in the regions, new interests, some based in the old soviet cadre, others in industry and still more in soviet society itself filled in the institutional gap [15, 16]. Pressures from these groups espousing their own competing interests gained more say in the formulation of the regional political and socio-economic agenda-setting observed both during perestroika and the Yeltsin administration's first years in government after the coup in 1991.

The various financial, political and social issues that the leadership of Tomsk Oblast was dealing with at the time were not unknown to the other Siberian regions or throughout the Russian Federation on the whole following the collapse of the USSR and the shelling of the State Duma by Yeltsin in 1993. Instead of going it alone, Tomsk Oblast was a member of a collective bargaining organisation known as the Siberian Agreement [17]. Many of the federal units, from the eastern edge of the Ural Mountains to the Kamchatka peninsula shared Tomsk's economic and political troubles. Although they were an economic, socially and politically heterogeneous group, the 19 regions were able to find a common language of concerns vis-à-vis Moscow centre.

The agreement was not formed to seek independence from the Russian Federation, but essentially was an attempt to re-address the historical economic and political imbalances the regional leadership perceived as the major contributing factor to Siberia's persisting under-development despite its phenomenal endowment of natural resources [17. P. 1148]. In fact it can be argued that the Siberian Agreement was a collaborative response to the major challenge to the stability of the Russian federal system at that time: *the organisation of rent distribution among a large group of political units that are economically, politically, and socially heterogeneous under conditions of widespread institutional uncertainty.*

Despite the awarding of concessions to the members of the Siberian Agreement by Yeltsin, the Agreement slowly began to fade in terms of political relevance by the mid-1990s. These concessions included increased export quotas, a regional collateral investment fund, a regional oversight commission, a trade committee, and the establishment of a 20% regional structural fund [17. Pp. 1143–1144]. The Siberian Agreement is an important event in the post-coup history of Tomsk Oblast. The appearance of the grouping itself brought to the fore the overarching, shared concerns of individual Siberian regions, of which Tomsk Oblast was one. This is not to say that, the Siberian Agreement was an effective tool to fully re-address the economic and political balance between the federal centre and the regions in the long term, but it succeeded in bringing one important fact to the attention of the powers that be in Moscow: *in order to secure the stability and longevity of the nascent Russian state, the political and socio-economic aspects of persisting underdevelopment in Siberia would have to be dealt with in the near future.*

The basic document outlining the strategic approach to the region's socio-economic development was formulated by an independent group of development experts and approved by the region's high committee for economics in 2005. The approaches to the region's social and economic needs were novel in the Russian context at the time due to the programme's adoption of a long term scope, yet simultaneously focusing in on the fulfilling of concrete priorities that would contribute to the overall improvement of the region's socio-economic status within the Russian federal system [18. P. 4] (see Table 2).

To fulfil the strategy's main goal, the authors outlined several areas in which the region's economy would need to be modified. The region's industrial output would have to become more diversified, thus moving away from traditional resource extraction and the industrial production of the MIC; the conditions for small to medium size businesses would need to be set so that the economy could open up new areas of service provision and production while simultaneously allowing for

increased economic competitiveness and growth in Tomsk Oblast; and as a knock-on effect, the successful fulfilment of the latter two conditions would allow for the gradual improvement of the living standards of the general population as well as the overall socio-economic status of the region within the federal context.

As we will see later on, one of the ironic twists that the strategy provides concerns the current main sectors of the region's economy. While acknowledging that the present industrial base of the region is a major contributor to the region's continuing socio-economic development, strategic development as envisioned by the regional administration will inevitably reduce the socio-economic and political importance of the resource extraction industry and to a lesser extent, the MIC sector, upon which the whole strategy is currently based. The inconvenient question that crops up at this point is how do the regional administration and the affected industries come together and form a stable consensus regarding the nature of the region's socio-economic development? This question is not only relevant for the policy makers and vested interests involved in the process themselves, but for researchers who are trying to make sense of this complicated process (see Table 3) [19. P. 8–9].

Based upon the work of Aalto et al. and Dusseault an effective approach to categorising how actors formulate their strategies and then compete for them under changing institutional, physical, financial and informational conditions has been applied to the Tomsk Oblast socio-economic development strategy [8, 20].

By reading signals from the policy environment to which each of the four variables listed above contribute, actors form policy *expectations* respective to their conceptualisation of the existing policy space. Subsequently, understanding that both actor behaviour and the policy space itself is volatile and subject to change over time, actors assess changes in the environment and *anticipate* the level of risk these changes may bring to the success or failure of their chosen strategy. In the final stage of policy formation, actors then adopt concrete *contingency* plans that correspond both to their expectations and the anticipated risks derived from the morphing policy environment.

The expectation model is applied to the Tomsk case in Figure 2. By juxtaposing the framework on the strategy, several crucial points and challenges become clear, especially concerning the influence that the federal structure and the international externalities pose to the region's long term socio-economic development. It is of particular interest to the current argument the observed vulnerability of the region's energy sector both federal interests and the commodity prices set at the global level. As stated earlier in this section, the major irony of the region's development strategy focuses on the central role that the energy sector will play in the diversification of the regional economy away from the drilling of oil and gas.

Additionally, the regional administration has admitted the underdetermined status of resources between the federal centre and the regions as well as the world price for the region's hydrocarbons are considerable risks to the region's long term interests.

These challenges will be partly clarified when the question concerning the interests that control of the region's resources along the various parts of the value chain within the Russian federal context is presented in the next section.

“Tomsk Oblast, in which one of the major natural resources is oil, has made the decision to develop Greenfield projects. In a region which occupies one of the top spots in hydrocarbon extraction in Western Siberia, since 2005 the amount of oil pumped out of the ground has gradually begun to decline. The total reserves of the region have shrunk, symbolised by lower growth in hydrocarbon recovery.” [21].

It can be argued that over the past fifty years, the fortunes of the Soviet Union and later on the Russian Federation energy sector have mirrored the specific aspects of the country’s economic and political evolution. Besides referencing the obvious peaks and valleys in hydrocarbon production from the late 1960’s to the present day, the parallel between the energy sector’s condition can be mapped through the development of the relevant federal and regional legislation. Following the legislation from 1995-2008 (for a chronicled list of the relevant energy sector legislation from 1995-2008, please see Appendix I & II at the end of this paper.), it was found that the executive and representative branches of Tomsk Oblast’s leadership understood the need to create the corresponding legal conditions for the region’s resources and industry to return to profitability in the evolving political environment of Yeltsin’s Russia.

From the outset, there has been a consolidated legislative effort to set the basic rules governing sector’s key economic and legal aspects including ownership, licensing, and taxation under market conditions. There have also been gradual attempts to leverage the region’s reserves against capital investment in the various sectors along the energy value chain. Finally, there is evidence that the local administration and the Duma have a great interest to develop the region’s resources beyond the existing parameters. Actions taken include organising regional seminars and international congresses to address the future directions that the industry may take such as technical development and regional gasification of power generation for industrial and domestic consumption.

However, as the opening quote demonstrates, the prognosis for the region’s oil and gas industry is not particularly optimistic in the short to medium term. However, both the region’s administration and the companies involved in the oil and gas industry in Tomsk Oblast have several strategic options open to them to deal with the increasing decline of the brownfield projects. Before beginning to tackle the structure of the region’s oil and gas industry and what it means to the administration’s socio-economic plans, it may be helpful to look at the region’s production in the federal context. Table 4 outlines Tomsk’s oil and natural gas production in comparison with other regions either currently or in the future, earmarked to begin production of oil and natural gas.

At a quick glance, the numbers for oil and gas production compared with the total produced in Tyumen Oblast are small in the federal context. However, according to company sources and the local administration in Tomsk, the region’s largest oil company, OAO Tomskneft VNK, activities on the ground contributed 3.6 billion RR to the local budget in 2007. OAO Tomskneft VNK is currently owned by federal monopolies Rosneft (50%) and Gazprom (50%) [22]. The company, once owned by YUKOS, controls over 80% of the region’s producing fields, holds 17 production licensing agreements in Tomsk Oblast, along with a further 9 licenses for developing unexplored blocks in the region. In 2008 the company is expected to pump close to 8.5mt of oil in Tomsk Oblast. Continuing investment in

the region's energy sector will garner a further 11.3 billion RR totalling 4.5 billion RR in taxes for Tomsk's budget in 2008 [21]. However, the predictions for Tomskneft's production over the next several years are not entirely encouraging. It is expected that by 2011 growth in the company's production will only total .6mt. From the outside the numbers for Tomskneft do not bode well for the region's budget or its socio-economic development strategy.

What may provide both the regional firms and the administration with strategic options is the move to explore Tomsk Oblast's territory for hydrocarbon reserves on the east bank of the Ob River. Tomsk Oblast is dissected almost down the middle of its territory by the Ob River. To the west and north of the river lie the bulk of the region's oil and gas reserves already under production. It is these fields that form the base for the region's oil and gas production. However, due to the steady decline in these fields' production, the local administration and sector interests have begun to look towards the right bank of the Ob to replace and significantly increase the region's falling production [10, 21].

Approximately 20 companies have been active in developing the region's oil and gas resources [21]. Smaller firms such as Tomskburneftegaz, Russneft, Imperial Energy, and Petroneft Resources Plc could be responsible for 20–30% of the region's output by 2010 according to the regional administration's estimates [21]. These companies are contributing to the diversification of the industrial activities region's upstream sector which is also populated by major firms Gazpromneft, TNK-BP, Gazprom, and Surgutneftegaz (see Table 5).

After an analysis of the relevant federal and regional energy strategies and comparing them with those put forward by the companies themselves, we can apply the expectation model to a general set of shared expectations among industrial interests. As a result, we can see that the businesses are primarily concerned with maximising their economic profit from the hydrocarbon resources under their control (see Figure 3) [12].

Despite the industry's obvious market oriented strategy, businesses and the regional administration seem to have some common interests. Those include competitiveness of the regional economy; the effective exploitation of the regional hydrocarbon resource base; the resolution of competencies and relations between the federal centre and the regions concerning the country's oil and gas resources; the global pricing system for regional oil resources, and a well-educated and competitive workforce.

Conversely, there are some areas where the sides' preferences do not fully agree. It is not entirely illogical to expect that the regional administration would be in favour of more budgetary proceeds for its socio-economic development plans based upon the exploitation of the region's hydrocarbons; while simultaneously, the companies are seeking to reduce their socio-economic burden in favour of capital investment and tax payments to both the federal and regional authorities. Additionally, the companies, under structural conditions that emphasis export, may see that the most effective way to maximise the value of the resource base is to extract and export as much and as quickly as possible, while the regional authorities on their part would prefer to have the resources' value be spread over a longer term; especially since their constituency is not international consumers, but the local voting and tax paying population.

The main purpose of this paper has been to demonstrate by expanding the scope of ongoing research into the nature of the Russian state and the country's energy sector. By applying structuration and expectation models, a more detailed picture of how specific groups form policy through political and economic driven agency under complex institutional, financial, informational and physical conditions would be produced. While not complete in any sense, the analysis has fulfilled its primary role of illustrating that the Russian state and one of its main economic engines, the energy sector, are neither economic nor political monoliths dominated by an omnipotent set of interests that many researchers take as scientifically manifest.

To the contrary, the relationship between the business community and local authorities in Tomsk may be characterised to a large degree as symbiotic. There is a feeling, although still unsubstantiated, that both industrial and regional administrative interests understand the general rules that regulate socio-economic development and resource sector business activities in the Russian federation. Neither side's preferences may fully correspond. However, it seems that there is at least a general understanding among the respective players that as long as regional administrative and business interests play by the established rules whatever they may be, federal authorities will allow socio-regional economic development and the domestic energy sector to develop without too much interference.

Despite the added explanatory value the analysis has provided, it has produced more questions that need to be investigated at a later date:

- Besides the maturation of Tomsk's resource base, what are the other specific challenges to both the regional administration's socio-economic development plan and the oil and gas industry's long term growth strategy?
- How do the regional authorities and the companies involved in the development of Tomsk's oil and gas industry see their relationship evolving?

The two questions above concern the specific nature of relations among industrial and regional administrative interests. More specifically, the research has yet to uncover to what degree developments in the energy sector are influencing the success of the region's socio-economic development strategy.

- What is it about federal-regional relations that concern both the companies in the Russian energy sector and the regional administration?
- To what degree is the federal government active in the effective organisation and implementation of the region's socio-economic development and the country's domestic energy sector?

The last two questions are aimed at examining to a greater degree what exact role does the federal government and to a greater extent the federal system itself play in socio-economic development and the energy sector itself. As demonstrated in the tables, the energy sector is more diversified when we examine the firms and their activities at the regional level. It may hold true that in the export sector, federal monopolies hold sway, but there is evidence here that suggests more and more influence is being granted to smaller firms, who may be able to better adjust to the complexities associated with regional, extraction, value-added, and downstream activities along the value chain.

Appendix I: Legislation in Tomsk Oblast Gas and Oil Sector 1995–2001

1995	1996	1997	1998	1999	2000	2001
Decision N 123 Tomsk Oblast Duma 25 March 1995 Social-economic development of oil and gas producing regions of Tomsk Oblast		Resolution N49 17 March 1997 Creation and Development of Production of Competitive Oil & Gas sector Equipment	Resolution N49 6 Feb 1998 Creation of the working committee on relations among YUKOS, VNK and Tomsk Oblast Administration	Resolution N380-p 13 Sept 1999 Forms of Support for construction of Strezhevskogo Oil Refinery	Order N82-p 10 March 2000 1st Regional Conference "Oil & Gas 2000"	Order N4-p 12 Jan 2001 2 nd Regional Conference "Oil & Gas 2001"
Resolution N255 20 Sept. 1995 Realisation of Tomsk Oblast's Gasification Programme	Resolution N329 4 Dec 1996 Appropriation of salaries for expertise concerning companies in the oil and gas sector	Resolution N362 17 th Dec 1997 Establishment of public company Mezhhrengioz Trading House	Resolution N237 29 June 1998 Creation of Joint Stock Company Sibirgazifikatsii		Resolution N120 31 March 2000 Oblast Budget Fuel Subsidies to regional Institutions & Firms	Resolution N22 23 Jan 2001 Emergency measures for Oil related Catastrophes
					Decision N 568 Tomsk Oblast Duma 6 June 2000 Oblast Guarantee of Repayment of Federal Credits to Oblast Firms 1992–1994	
					Resolution N 283 21 June 2000 Reactivation of inactive wells in Tomsk Oblast	

Appendix II: Legislation in Tomsk Oblast Gas and Oil Sector 2002–2008

2002	2003	2004	2005	2006	2007	2008
Directive N74r 11 March 2002 3 rd Regional Congress "Oil & Gas" Automation of Production Processes	Resolution N4a 10 Feb 2003 Payments for Use of Regional Natural Resource	Directive N507r 13 Aug 2004 Amendments to the Development of the Oil and Gas Industry 2001-2005 to 2030	Resolution N50 4 April 2005 Administrative Expenditures	Resolution N7 20 Jan. 2006 Amendments to Oblast Fuel Subsidy Resolution N120 (2000)	Resolution N18 16 Feb 2007 Gasification of Tomsk Oblast	Resolution N37a 25 June 2008 11 th International Congress "Energy Conservation" & Exhibition "Gasification 2008"
Directive N624r 29 Dec. 2002 Working Group on Actors in Oil Sector	Law N 791 State Duma Tomsk Oblast 28 Aug. 2003 Exploitation of Natural Resources in Tomsk Oblast	Law N 1380 State Duma Tomsk Oblast 26.08.2004 Assignment of Associated Mineral Rights	Resolution N58a 30 May 2005 Licensing Rights	Resolution N2a 23 Jan 2006 Confirmation of Licensing Agreement Legislation	Directive N122r 12 March 2007 Amendments to Regional Energy Strategy	
		Directive N26r 7 Oct. 2004 Working Group on Model Hydrocarbon Companies	Directive N 583r 5 Oct. 2005 Siberian Natural Resources / Energy Complex Forum	Resolution N2783 GDTO 26 Jan 2006 Request for assistance in regional gas sector (Miller / Fradkov visit)	Directive N266r 28 April 2007 3 rd Siberian Forum "Suppliers & Consumers in the Energy Complex"	
		Directive N639r 13 Oct 2004 Regional Conference "Problems Perspectives in NR Sector"	Resolution N130r 13 Oct. 2005 Amendment to Oblast fuel Subsidy Res N 120 2000	Resolution N36 6 April 2006 Amendments to Oblast's emergency response programme Resolution N. 22 2001	Orders N73/563 & N73/564 17 Dec 2007 Liquefied Gas Pricing "Gaztorgresurs" "Asinomezhray gaz"	
		Resolution N75a 20 Oct 2004 Payments for Use of Natural Resources	Identification N63 Federal Anti-monopoly Commission 22 Nov. 2005 Anti-monopoly investigation Aleksandrovo Region	Resolution N170r 6 April 2006 16 th Int. Congress "New High Tech in the Oil & Gas Sector"	Orders N 73/565 & N. 73/566 17 Dec 2007 Liquefied Gas Pricing "NSRK Tomsk" "BMGK Myldzhino"	
		Directive N761r 2 Dec. 2004 Competition Commission for Gasification project of Tomsk Oblast	Resolution N129a 16 Dec. 2005 State Industrial Audit	Resolution N204 7 June 2006 Compensation for energy savings	Law N 121-O3 6 July 2007 Bases for Energy Conservation in Tomsk Oblast	

Table 1: Breakdown of Company Activities along the Oil and Natural Gas Energy Value Chain

Company Type	Upstream Sector	Value-added Sector	Downstream Sector
Federal Monopoly	Gazprom, Gazpromneft, Rosneft,	Rosneft, Gazprom, Gazpromneft	Tranzneft, Tranzgaz
Regionally owned	Bashkortneft, Tatneft	Bashkortneft, Tatneft	–
Privately Owned	Lukoil, TNK-BP, Surgutneftegaz	Lukoil, TNK-BP, Surgutneftegaz	–

Table 2: Selected socio-economic Indicators for Tomsk Oblast (from Goskomstat statistics (Ref. needed)

General Socio-Economic Indicators	
Population (2006 in thousands)	1033,1
Industrial Production Resource Sector (% of RF)	1,9 %
Agricultural Production (% of RF)	0,6 %
Gross Regional Product (2005 in billions RR / % of RF)	158219 / 0,9 %
Average Personal Income (in thousands RR / month)	9896,5
Unemployment (in thousands / %)	47,8 / 9%

Table 3 Tomsk Oblast Selected Industrial Production 2002-2004

Product	2002	2003	2004
Oil (million tonnes)	10,6 (mt.)	13,7 (mt.)	15,9 (mt)
Natural Gas (million cubic meters mm ³)	4444,1 (mm ³)	5264,3 (mm ³)	5337,8 (mm ³)
Gasoline (thousand tonnes tt)	35,2 (tt)	35,6 (tt)	36,4 (tt)
Polypropylene (thousand tonnes tt)	106,2(tt)	105,4(tt)	106,9(tt)
Electricity (million kilowatt hours mkh)	4665,8 (mkh)	4973,4 (mkh)	5325,5 (mkh)

Table 4: Tomsk Oil and Natural Gas Production in the Federal Context (from Goskomstat statistics (Ref. needed)

Region	Oil and Gas Condensate Percentage of national gross 2005 / amount (million tonnes)	Natural Gas Percentage of national gross 2005 / amount (billion cubic meters)
Tyumen (Total)	68,1% / 320 mt	91,3% / 585 bm3
Khanti-Maisiiskii	57,0 %	04,3%
Yamalo Nenets	10,8 %	87,0%
Irkutsk	0,03%	0,8%
Sakha	0,09% / 0,412 mt	0,2% / 1,6 bm3
Tomsk	2,5% / 11,7 mt	0,8% / 4,638 bm3
Sakhalin	0,85%	0,3%

Table 5: Breakdown of the Firms in Tomsk Oblast along the Energy Value Chain (from relevant corporate sites on the Internet)

Company Type	Upstream Sector	Value-added Sector	Downstream Sector
Federal Monopoly	VostokGazprom (OAO Tomskgazprom); Gazpromneft; Rosneft (Tomskneft VNK)	Tomskneftekhim/Sibur (Gazpromneft /Sibneft); Rosneft (Tomsknefteprodukt & Strezhevoi NPZ)	VostokGazprom (OAO Tomskgazprom); Gazprom Tranzgaz Tomsk; Tranzneft
Regionally owned	?	?	?
Privately Owned (f = foreign owned)	TNK-BP; Surgutneftegaz (?); Imperial Energy (f); Tomskburneftegaz; Russneft (ZAO Tomskaya Neft/ Sobolnoye); Petroneft Resources, Plc.(f) & VTK(?)	Petroneft Resources Plc. (Kolpashevsky region)	Imperial Energy (f); Petroneft Resources Plc.(f)

Figure 1: Transformation of the Tomsk Elite 1986-1993

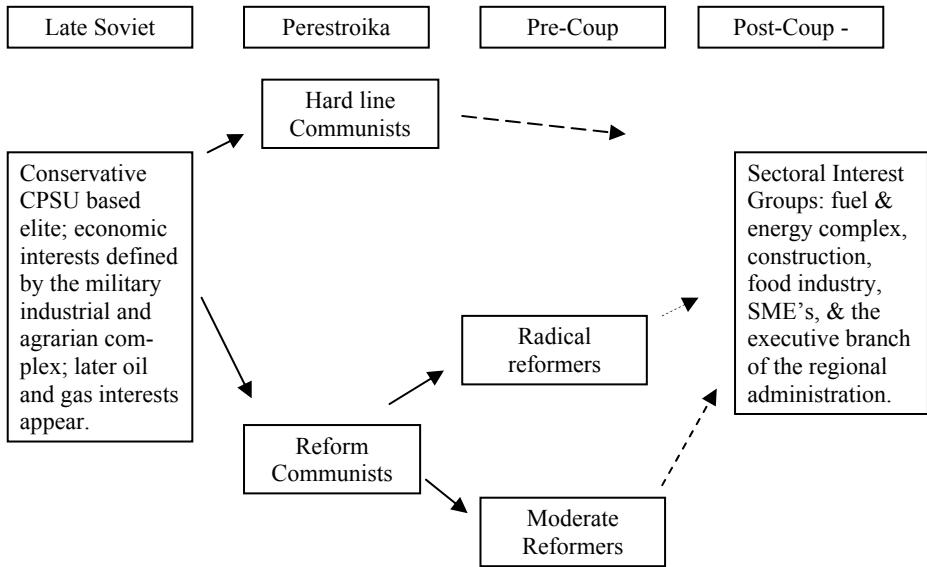


Figure 2: Tomsk Oblast's Socio-economic Development Strategy

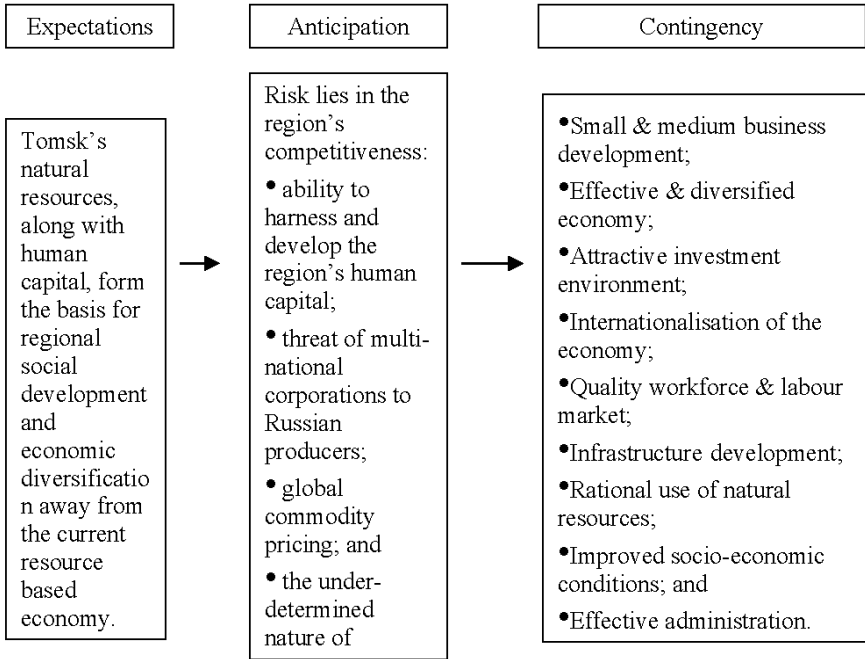
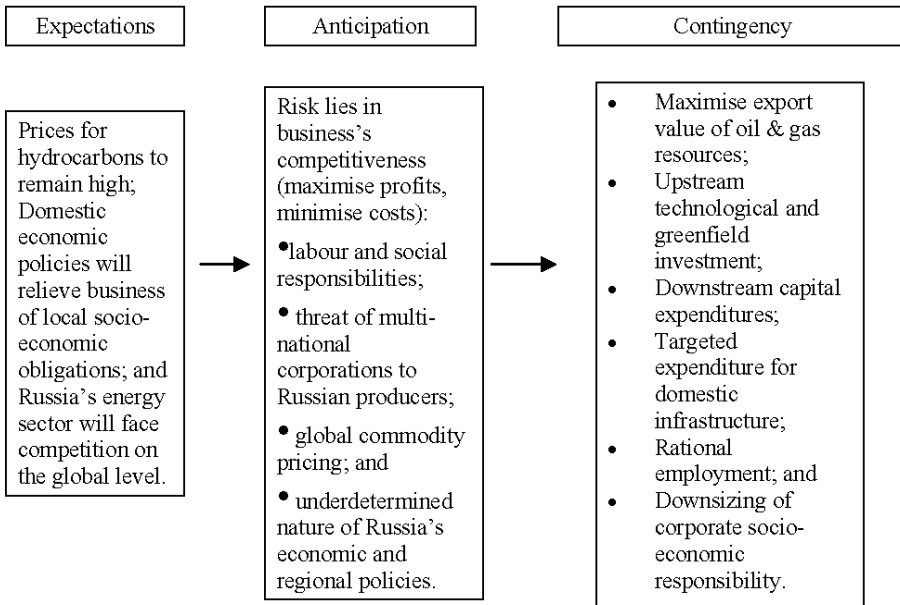


Figure 3: Expectations, Anticipation, and Contingency for Actors in the Tomsk Energy Sector



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