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ВЛИЯНИЕ ВСТУПЛЕНИЯ В ЕАЭС НА ИМПОРТ ЭНЕРГЕТИЧЕСКИХ РЕСУРСОВ В АРМЕНИЮ: ОПРАВДАЛИСЬ ЛИ ОЖИДАНИЯ?

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Аннотация:

Целью данной статьи является сопоставление фактических результатов с прогнозами экспертов и экономистов о возможных изменениях цен на импорт энергетических ресурсов в Армению вследствии присоединения к ЕАЭС. Приведены возможные последствия для энергетического сектора страны при подписании Соглашения об Ассоциации с ЕС. Изучены основные изменения, которые произошли в структуре импорта энергетических ресурсов страны с 2015 года. В статье также представлены основные факторы, препятствующие развитию сотрудничества с Ираном в секторе энергетики.

Ключевые слова: энергетический сектор, ЕАЭС, природный газ, нефть и нефтепродукты, снижение цен на газ, прогноз, Соглашение об Ассоциации с ЕС, атомная станция, санкции

EAEU MEMBERSHIP IMPACT ON ENERGY IMPORTS OF ARMENIA: DID REALITIES MEET EXPECTATIONS?

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Annotation: The objective of the article is the comparison of actual results to the forecasts of experts and economists regarding possible price changes on energy resources imports to Armenia due to joining EAEU. Possible consequences for the country's energy sector are given in case of signing EU Association Agreement. General changes in the structure of energy resources imports since 2015 are studied. The article also considers main factors impeding development of Armenian-Iranian cooperation in the energy sector.

Key words: energy sector, EAEU natural gas, oil and petroleum products, natural gas price reduction, forecast, EU Association Agreement, nuclear plant, sanctions

As a country with scant energy resources Armenia highly depends on the import of these resources. Such scarcity and dependency has an adverse impact on the country's economy. The biggest supplier of energy resources for Armenia is Russian Federation: 84.1% of purchased natural gas is imported from Russian Federation. In such circumstances it is quite natural to have some optimistic expectations regarding price reduction after EAEU membership.

In terms of gasification Armenia (96%) is the second among EAEU countries after Belarus (99%), while the figures for Russian Federation, Kazakhstan and Kyrgyz Republic are 67, 32 and 22 per cent respectively.

A group of Armenian economists and experts calculated the potential gains from gas price reduction. It is estimated that the country will have nearly $750 million benefit in five years only through reduction of gas price thanks to elimination of its import tariffs. The authors also expect investment opportunities in oil refining industry, construction of refineries and supply of oil for domestic consumption without any obligation to export [2, 16-18].

According to the forecast of A. Tavadyan, doctor of economics, price reduction of imported energy resources will improve the competitiveness of local goods and contribute to creation of new jobs [5, 16].

A number of experts have made forecasts and calculations concerning Armenia's potential benefits from joining EAEU. Many of these forecasts associated with the energy sector, particularly high possibility of gas prices reduction was considered. Experts of Eurasian Development Bank analyzed and estimated the economic impact of membership for Armenia. According to their calculations the country will see additional 4% annual growth of GDP as a result of joining EAEU. Furthermore, short-term trade benefit of a year will count nearly $140 million, which will be the result of Russian gas price reduction. This potential benefit was being compared with possible GDP growth of $146 million in the long run as a result of joining EU Association Agreement [4, 6-7].

Another advantage of preferring EAEU to EU Association Agreement is the technical and financial assistance by Russia for further exploitation of Metsamor nuclear power plant. In case of choosing EU Association Agreement, extension of the nuclear power plant would be out of question: the necessity of termination of the plant had been emphasized by EU many times. In this case Russia would obviously provide neither financial nor technical assistance for the plant extension, while Armenia has no alternative to it currently and no realistic solution has been offered by EU for this important issue.

Joining EU Association Agreement could also adversely affect Armenian-Iranian economic relationship, as Armenia could have been obliged to follow western sanctions against Iran, which could involve cooperation in energy industry as well.

This could result in the prohibition of energy resources imports from Iran to Armenia as well as electricity export from Armenia to Iran [1, 74].

Enhanced cooperation with EU might entail significant gas price increases for Armenia, as Russia typically sets high tariffs for Eastern European countries that seek to become EU member.

So these were main predictions and expectations regarding the issue. Now the actual facts will be presented.

In 2013 government of Armenia and CJSC Gazprom signed a sales and purchase agreement for 20% of Armrosgazprom shares to cover Armenia's accumulated debt of about $300 million. As a result of this agreement CJSC Gazprom obtained full control over gas distribution company Armrosgazprom which was renamed to CJSC Gazprom Armenia. Since 2013 some changes in natural gas price for Armenia have been observed: in 2013 it was $189 per thousand cubic meters, in 2015 - $165, while in 2016 it reduced to $150. The above mentioned figures are prices at which Armenia gets gas on Georgian-Armenian border, while end-users pay $290 per thousand cubic meters. The agreement between Armenia and CJSC Gazprom expired at the end of 2018. In 2019 negotiations between Armenian government and Gazprom resulted in price increase to $165 per thousand cubic meters, but Armenian government claims that the consumers will continue to pay for it at the previously set price, i.e. $290 per thousand cubic meters. Price increase for the end-user is supposed to be avoided thorough improving expenditure efficiency by CJSC Gazprom-Armenia.

Armenia's only other supplier of natural gas is Iran the import from which started in 2009 (only 0.1% of total imports). In 2010 its share was 23.2 of total imports, but it gradually decreased accounting for 11% in 2013. By 2017 this indicator increased again making up 16% [7].

Although there have been some new opportunities for development of Armenian-Iranian cooperation due to reducing economic sanctions since 2015 [3, 195-203], there are still many obstacles for evolving collaboration in the energy sector. There are several factors impeding the expansion of Armenian-Iranian cooperation in energy industry. Firstly, sanctions against Iran reduce the possibility of Iranian gas exports through the territory of Armenia to Georgia and then to EU countries. Georgia isn't interested in importing Iranian gas through Armenia, as its price is significantly higher than that of Russia and Azerbaijan. Second, Iranian gas is imported into Armenia through CJSC Gazprom Armenia pipeline, which means that it cannot compete with Russian gas. The huge impact of CJSC Gazprom-Armenia constrains the appearance of alternatives for Russian gas import in Armenia.

Scheme N1 shows how proportions of natural gas imports from Iran and Russia changed from 2010 to 2017.

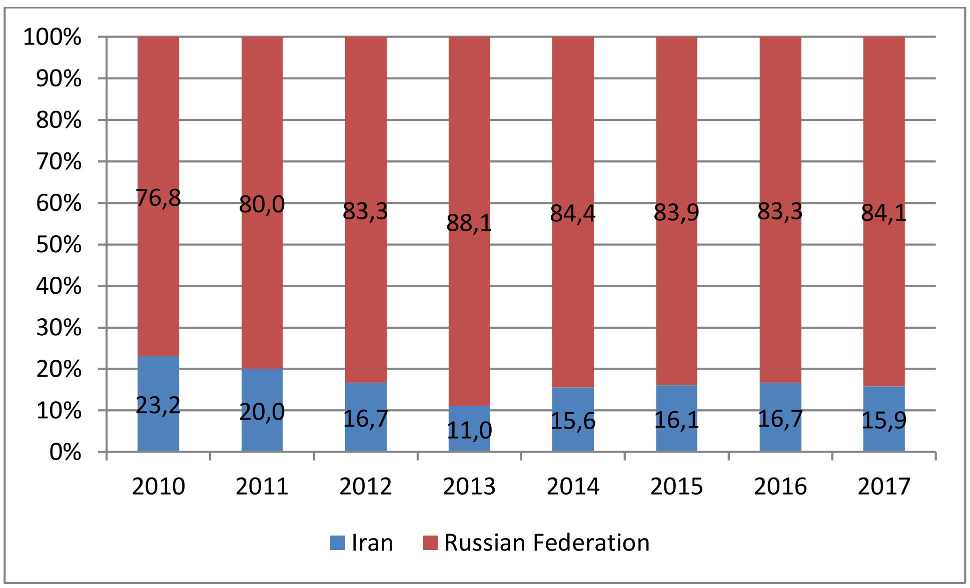

Chart N1. Dynamics of Iranian and Russian proportions in natural gas imports to Armenia from 2010 to 2017 [7]

We have also studied changes in the structure of imports of petroleum since 2013. 66% of this commodity group was imported from Romania, and 33% was imported from Bulgaria in 2013. Imports from Romania and Bulgaria significantly decreased during 2015-2017 period. Imports from Romania have been less than 1% since 2015, while imports from Bulgaria made up only 19.5% in 2017. The gap was filled mainly by imports from Russia. The increase of imports from Russia is a result of an arrangement between the presidents of Armenia and Russia on December 2, 2013, which set elimination of export tariffs for manufactured oil from Russia into Armenia. Thus state-controlled Russian oil company PJSC Rosneft entered Armenian market and it gradually gained monopolistic position in Armenian petroleum market since then. This is one of the reasons Armenia doesn’t see petroleum price falls even when world oil prices decline. In addition to this, common custom tariffs of EAEU for imports from third countries envisage 5% rate for this commodity group with only a few exceptions, which will expire in 2020 [8]. The above mentioned fact restricts the possibility of arising new suppliers of petroleum in Armenian market.

Armenia continuously deepens its economic dependency from Russia. It has always been closely linked with Russian economy, but taking into account Russia’s current difficult economic and political situation, this trend might have too negative consequences for such a small country.

There is a new treatment for Russian energy sector. Several US senators try to impose additional sanctions on Russia which will include energy sector. The new bill may impose some restrict measures on Russia’s oil and gas sector, including sanctioning people who provide goods and services, as well as financial support for the development of crude oil in Russia [6, 236]. Actually, sanctions of energy sector will adversely affect not only Russian economy, but also a number of EU countries greatly dependent on Russian natural gas and oil imports. Construction of Nord Stream 2, new gas pipeline, which will connect world’s biggest exporter of natural gas with Germany, the largest economy of Europe, will increase the capacity of natural gas export to European countries (target countries are Germany, Great Britain, Netherlands, France and Denmark). Therefore, Western European countries do not support USA in imposing strict sanctions in energy sector, as the sanctions aimed at the entities, including European companies, investing in Russian energy sector. In view of the fact, that Russian energy resources are currently indispensable for European countries, experts exclude the possibility of imposing too strict sanctions. So, in this sense, there is no exposure for Armenia.

As we can see, the main expectations from EAEU membership regarding energy industry were over natural gas price decrease. Many experts considered it to be one of the biggest privileges of EAEU membership and expected that natural gas price decrease would bring both short-term and long-term benefits to the country's economy by stimulating its development and creating new jobs. In fact natural gas price changes occurred only on the border of the country, but not for the final-users, which means that all these forecasts failed to materialize.

On the other hand, if gas price changes are considered in terms of not joining EAEU and opting for EU Association, Armenia could have experienced significant gas price increase as a punishment for not joining EAEU. It turns out, that the avoidance of negative implications is the only achievement of EAEU membership regarding gas price change.

Financial and technical support towards the modernization of Armenian atom plant would definitely not be available in case of choosing western integration path, so it can be considered one of the most important achievements in this sphere.

The downward trend of energy resources imports from third countries is mainly driven by imposing common custom tariffs as a result of which imports from EAEU countries, particularly Russia, get advantage for importing this commodity group. The increasing import of petroleum from Russia with declining imports from third countries leads to monopolization of the local market, which in turn hinder price reduction for these resources.

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