

Does energy renteeringism have a future after the price shocks?



MARGARITA M. BALMACEDA

**PROFESSOR OF DIPLOMACY AND INTERNATIONAL
RELATIONS**

**SETON HALL UNIVERSITY AND ASSOCIATE
HARVARD UKRAINIAN RESEARCH INSTITUTE**

KYIV, UKRAINE

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Energy Dependency, Politics and Corruption in the Former Soviet Union: Russia's Power, Oligarch's Profits and Ukraine's Missing Energy Policy, 1995-2006 (Routledge, 2008).

2

CQ: In the context of post-Soviet legacies and powerful external actors, What domestic political factors support/hinder the development of coherent, proactive policies in key policy areas?



Motivation

3

- **“No dog, no flies?”**
- **Close the pipe and close up shop**

- **Classic period of “rents of energy dependency”**
for Belarus: 2000-2014
for Ukraine: 1994-2006

- **Ukraine's Classic period of “rents of energy dependency” 1994-2006**

Key precondtions:

- 1) Single contracts covering supplies, transit prices and volumes (in gas)
- 2) Large price differential between various markets (RU, UA (inc role of barter) sub-markets within UA)

Potential Energy Rent Pools, External

6

- **Price differential between domestic and market prices**
- **Hidden subsidies through tax and customs preferences**
- **Potential arbitrage gains to be made from price differentials between import, domestic, and export prices for energy**
- **Transit revenue**
- **Payments for use of gas storage facilities**
- **Customs and value-added revenue from oil refining and re-export schemes due to preferential tax and duties regimes**
- **Profits from advantageous barter arrangements**

Potential Energy Rent Pools, Internal

7

- * Markups imposed on consumers in monopolized markets**
 - Stealing from the state through provision of unnecessary services that could be provided by state companies themselves**
 - Profits made by intermediary companies**
 - Profits from advantageous IOU (*zaliki*) arrangements**

After classical period, new renteerism opportunities

8

- 1) Domestic gas /oil production and issue of prices
 - ➔ related to investment issue
- 2) Procurement issues
- 3) Use of state companies for private interests
- 4) Electricity production
- 5) Price issue continues through coal issues

NEW/OIL RENT-SEEKING OPPORTUNITIES (cont.)

9

- **NEW/OLD OPPORTUNITY#6: corruption through Value-added chains**
ланцюги доданої вартості

Some parts of Machine-Building closely related to the added value chain of key energy sectors, esp. that of coal

Example of Ukraine:

coal → coke → steel → key M-B products (wheels, transport goods)

CONFLICT, CONTESTED SOVEREIGNTY AND RENT- SEEKING

- **NEW/OLD OPPORTUNITY#7**
- 1) the unique boundary/border as a chance to *create* artificial barriers to entry and a cash-cow for several actors
- 2) **Impact on energy supply** (coal in UA, generation capacities in MD)
- 3) **Blackmail and corruption opportunities** related to Gazprom's gas supplies to Transnistria, DNR/LNR