Cheap Oil in Old Pipelines: Tracing German-Russian Oil Connections from the Cold War Division to Energy Sanctions

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The transition from a coal-based economy to an industrial model based on oil, a cheaper primary energy source, began at the end of the 1950s. It enabled higher economic growth and consumption in industrialised countries,[1] but the political and economic decision to use oil also led to greater dependence on oil imports. Many European countries experienced this fact first-hand during the 1973 oil crisis and the second oil shock in 1979, which coincided with the Iranian Revolution. Following the Arab oil embargo, it was not only the price shock on world oil markets that was recognised as a threat, but also the general fact that dependence on oil supplies from a single region makes the national economy vulnerable to political and economic pressures from that region. The transition of the oil trade away from the usual trade relations to high-level politics, and the perception of oil shortages as a threat to economic security, led to the securitisation of oil-related risks[2] and of the oil market, as oil-related issues were considered vital for economic survival.

Energy security certainly involves the affordability of fossil fuels (oil prices), but it also requires energy to be available (which means ensuring oil imports or domestic production to cover consumption), accessible (through uninterrupted supplies) and sustainable (through minimising environmental impact). Although concepts of energy security may differ, strategies for achieving it tend to be similar in mostly addressing issues of efficiency, storage and supply diversification.[3] The methodological approach used in the model of short term energy security known as MOSES uses different indicators to identify potential threats. The model distinguishes between crude oil and oil products, as well as other energy sources. It identifies dependence on imports, political instability in the supplier countries, transportation infrastructure (e.g. pipelines) and supply diver-

1 *Türk*, Krisenmanagement, 17–18.
2 *Misiągiewicz*, Geopolitics, 30–32.
3 *Novikau*, Security, 2–3.

sification as external risks to oil security.[4] This makes oil-related issues political. The two oil crises of the 1970s accelerated political aspirations for greater energy efficiency and attempts to diversify energy sources (plans to expand nuclear power generation continued until the Chernobyl disaster in April 1986).[5]

Since the late 1950s, West Germany's search for new oil suppliers had developed towards increasing Soviet oil imports. However, the shift towards cheaper Soviet oil raised US security concerns.[6] In the US, the Soviet oil trade was portrayed as a foreign policy tool used by the Soviet Union to extend its political influence over Western countries, thereby damaging the economic interests of US oil companies.[7] In 1980, the US president, Jimmy Carter, introduced sanctions aimed at reducing the Soviet oil trade, including restrictions on US exports of technology that could be used for oil and gas production. The general rationale behind economic sanctions is beyond the scope of this investigation, but it is relevant here that resource sanctions differ from other sanctions in that they affect energy security. The global oil trade encompasses crude oil production, transportation, refining and the delivery of the final product.[8] This involvement of many different actors (states and business from different countries) makes potential oil sanctions less effective due to coordination difficulties.[9]

The International Energy Agency (IEA) was established in 1974, shortly after the first oil crisis, with the primary objective of ensuring oil security. To date, the organisation has taken five collective decisions in response to significant oil supply disruptions; two of these (in March and April 2022) have been related to the war in Ukraine.[10] Despite the transition to green energy that was anticipated from the 1970s, and the environmental impact of oil spills, carbon dioxide emissions and water pollution caused by microplastics, oil remains the world's main energy source, accounting for 30.2 percent of the global energy supply in 2022 (compared to 27.6 percent

4 *Misiągiewicz*, Geopolitics, 34, table 1.2.
5 *Türk*, Krisenmanagement, 19–20.
6 *Skorokhodova*, Turmoil, 213.
7 *Perović*, Fuel, 96–98.
8 *Balmaceda*, Energy.
9 *Fischhendler*, Sanctions, 64.
10 The three first collective actions occurred in 1991 (Gulf War), in 2005 (hurricanes damaged oil infrastructure in the Gulf of Mexico), and in 2011 (Libyan civil war). URL: https://www.iea.org/reports/oil-security-policy. (Accessed November 28, 2025).

for coal and 23.1 percent for natural gas).[11] In the context of post-Soviet geopolitical developments and the shift from Arab to Russian oil, as well as the adverse effects of economic dependence and environmental issues, it is puzzling why Germany (along with some other EU countries) has tolerated and even increased its dependence on Soviet, and later Russian, oil in this period. Following the outbreak of the Russian-Ukrainian war in 2022, it seems that the US's earlier concerns about growing Soviet fossil fuel exports were not entirely misplaced. A greater diversification of suppliers and reduced dependence on Russian energy resources would have been beneficial to Germany and to the European Union in geopolitical terms, even if it meant paying higher oil prices.

Evidence from literature on the German-Russian and EU-Russian oil trade suggests that, when selecting an appropriate energy strategy, the EU has tended to focus narrowly on economic rationality rather than economic security. This appears to hold true not only for the oil industry, but for natural gas as well. Professor Wolf Fichtner (Institute for Industrial Production, Germany) considers that supply security should not be understood as total autonomy, but argues that Germany relied too heavily on Russian gas pipelines when economic benefits were prioritised over supply security.[12] Balmaceda observes that the EU failed to reduce its dependence on imports of Russian energy by stimulating investment in infrastructure for import diversification, which private actors usually do not consider to be an economically attractive investment.[13] The German energy policy was too naive regarding Russian policy goals, underestimating the risks to energy security. Tynkkynen describes what he sees as a failed *Ostpolitik*.[14] This West German foreign policy approach aimed to develop economic relations with the Socialist bloc from 1969 onwards, in order to ensure dialogue and rapprochement between the GDR and West Germany. Tynkkynen points out that both German and Finnish foreign policies relied too heavily on an *Ostpolitik*-style approach even after the collapse of the Soviet Union. The "small Eastern enlargement" (Ackermann) of NATO following the reunification of Germany, and the withdrawal of Soviet troops from Germany,

11 Total energy supply = energy produced in a country + energy imported to a country – energy exported to other countries. Data taken from IEA. URL: https://www.iea.org/world/energy-mix. (Accessed November 28, 2025).

12 Comment in: *Karcher*, Energiesicherheit, 24.

13 *Balmaceda*, Chains, 249–250.

14 German for "Eastern policy". *Tynkkenen*, Europe, 3–4.

resulted in an uncritical picture of Russia in Germany, while mainly excluding the East German perspective and research from the former GDR on the developments in the Soviet Union and Russia.[15] This led to economic concerns becoming more important than geopolitical ones, with the hope that the Russian government would take the same approach.[16] In Tynkkynen's words:

> *The Ostpolitik energopolitical discourse was "schizophrenic" from its onset in the 1960s, but after 2014 the void between utopian intentions and grim reality became glaringly evident. The narrative leaned on a geopolitical Wandel durch Handel*[17] *ideology with an aim to change Russia, but this narrative has always had a strong consensus among those who propagated it: energy trade and cooperation are beyond (geo)politics. It was "schizophrenic" because the explicit objective of changing and pacifying Russia via the invisible hand of the economy was accompanied by the appeasement approach prevailing in most EU countries—– an inability to require concrete steps from Russia to remain in the interdependency frame.*[18]

Much of the literature on rentier states and petrostates has focused on the influence of oil rents (or resource rents) on foreign policy.[19] Generally, the literature on resource rents is mainly concerned with the political economy perspective to which they are linked. This perspective is usually assumed to be concerned with the economic profit from resource sales.[20] Prior to the first oil shock in 1973, no strong link between oil and war had been observed, but, after this turning point, phenomena such as the "resources arms race" (where high oil revenues enable increased military spending) and the "oil weapon" (where supply cutoffs are used to achieve policy changes in importing countries) became associated with the largest oil-exporting countries.[21]

15 *Ackermann*, DDR, 202–203.
16 *Tynkkynen*, Europe, 41.
17 German for "change through trade".
18 *Tynkkynen*, Europe, 39.
19 More precisely, in the public choice literature on rents, the latter are typically defined as receiving returns from the use of resources that exceed opportunity costs. *Kamerschen*, Costs, 273.
20 *Gaddy/Ickes*, Rents, 560.
21 *Ashford*, Oil, 51, 59, 161.

Literature on Soviet and Russian energy relations with the West focuses more on the political agency of these relations than on the interests of businesses or other economic actors.[22] Russia's possession of rich oil deposits has helped it to gain influence over trading partners, as is the case with Belarusian-Russian energy relations. Lower prices for Russian fossil fuels have enabled Belarus to generate external rents through oil-based rents (importing subsidised crude oil from Russia and exporting refined oil products at higher prices), gas-based rents (importing Russian gas at discounted prices and selling it for domestic use at a mark-up) and transition fees for Russian oil and gas exports to other destinations.[23] While these rents may benefit Belarus, Russia also gains political leverage.[24] The Belarusian case is an example of Russia using its own resource rents to influence a state with very limited domestic fossil fuel deposits, but Russia also interferes in the politics of resource-rich countries, as the example of Kazakhstan shows. The oil pipeline infrastructure built during the Soviet Union connected Kazakh oil fields mainly with Russia for refining and further transport (or internal transport within Kazakhstan), with no new oil pipelines built in Kazakhstan in the early 1990s.[25] This made extra-Russian oil trade difficult due to the dependence on Russian infrastructure. Additionally, the Russian oil company *Transneft* owned the main Kazakh oil pipeline in the 1990s.[26] Under these conditions, Russian companies set low prices for oil exports from Kazakhstan, as Russia effectively acted as the sole buyer (monopsony status) between 1991 and 2001.[27] Later on the country joined new oil pipeline initiatives with neighbouring countries, among which are the Caspian Pipeline Consortium (first oil was shipped from 2001), the Baku-Tbilisi-Ceyhan oil pipeline consortium (from 2005) and the China-Kazakhstan pipeline (used from 2006).

This chapter aims to address the question of why German energy policy moved towards closer ties with Russia following the Soviet collapse, given that this is now generally regarded as a failure to have missed the

22 *Lutz*, Dependency, 13.
23 *Alieva/Pikulik*, Rent.
24 For example, in 1996 Russia wrote off $1.27 billion of Belarus's gas debt to *Gazprom* in exchange for political and military concessions in a deal known as the "zero option" agreement. *Balmaceda*, Life, 47.
25 *Osmanov*, State, 110–111.
26 *Ashford*, Oil, 208–209. Only in 1997, the national company *KazTransOil* was founded that operates the national oil pipeline system.
27 *Ashford*, Oil, 208–209.

opportunity to diversify the oil trade. In the literature, dependence is used as a popular but poorly theorised and conceptualised category,[28] but the category of "dependence" in relation to oil trade relations is too broad and imprecise to explain why the West became more interested in Russian oil. At the same time, it is difficult to speak of a German "Finlandisation".[29] Decisions on energy security post-1989 were based on very limited information regarding Russian strategic objectives and were intended to support German business interests and the new *Bundesländer*.[30] This analysis takes into account the oil trade between the Soviet Union and both parts of Germany, as well as general trading conditions during the 1990s, based on Western and Soviet/ Russian secondary literature, archival sources, official documents and empirical data.

The chapter also contributes to the discussion of developments in former Socialist states following the collapse of the Soviet Union and the reunification of East and West Germany. It is intended to help bring the economic realities of East Germany—resulting from the need to bridge the productivity and the standard of living gap between East and West Germany—into the discussion about oil relations with Russia. Finally, the chapter sheds more light on the reasons why continuing an *Ostpolitik*-style relationship building with Russia after the fall of the Berlin Wall was not an efficient way for Germany to influence Russian politics. While cheap oil from Russia, transported via old existing pipelines, certainly helped to maintain an energy-intensive East German economy, it also gave Russia greater political leverage through the pipeline infrastructure. This contributes to the literature on rentier states and petrostates by showing how a petrostate can increase its influence over another state's infrastructure (pipelines) and interfere in its internal politics.

The section below outlines the significant changes that occurred within the Soviet and post-Soviet Russian oil industries, as well as the associated energy policy debates. Subsequently, I illustrate the economic requirements arising from German reunification to reinforce my argument on the importance of the East German economic interests and the existing pipelines. The fourth section discusses how the first signs of a growing eastern oil

28 *Lutz*, Dependency, 30.

29 The theoretical concept of *Finlandisation* implies a foreign policy strategy adopted by a small country in an asymmetric power relationship.

30 *New Bundesländer* is the term used in German to describe the "new" federal states of Germany that prior to reunification were part of the German Democratic Republic (GDR).

dependence in Germany could be interpreted in the light of the theoretical concept of Finlandisation. The final section summarises the main findings and offers reflections on further research into the concept of energy security.

In Economic Interdependence We Trust: Debates on the Oil Trade

Following German reunification in October 1990 and the dissolution of the USSR in December 1991, German trade with Eastern European countries increased. Between 1950 and 1989, West Germany's export share of domestic production had grown from almost 10 percent to 30 percent.[31] However, during this period, exports were mainly oriented towards Western continental Europe (France, Italy, the Benelux countries, Switzerland and Scandinavia). In contrast, from 1992 to 1994, there was a significant shift in export orientation towards trade integration with Eastern European countries (with only Austria having a higher relative export integration with these countries).[32] Regarding the oil trade, initial trade relations between Europe and the Russian Empire had been established in the 1880s,[33] but were dissolved by the early Soviet regime. Yet historical experience continued to be a factor in the trade of resources with Russia, albeit with different priorities. Before the transition to coal in Europe, during periods of high fuel wood usage the Russian Empire exported some of its abundant timber resources to Europe.[34] In 1896, the Russian emperor Nicholas II effected an export ban on crude oil, allowing only oil products to be exported.[35] After the Second World War, the Soviet Union regained access to Western markets by offering significantly lower prices (sometimes even dumping prices) or bartering.[36] The Soviet Union's approach to the oil trade enabled it to acquire a larger share of the Western oil market more

31 *Lindlar/Holtfrerich*, Geography, 218.
32 *Lindlar/Holtfrerich*, Geography, 223–25, tables 1–3.
33 The first mention of kerosene export to Finland was even slightly earlier, in the 1970s, but at that time Finland was a part of the Russian Empire with an autonomous status. Since 1881 oil products were exported to Europe with a rising amount, while crude oil figures in larger amounts for export appeared only in 1881; see *Valetov*, Structure.
34 *Madureira*, Energy, 16.
35 *Kodzova*, Istoriya, 11–12.
36 I.e., exchanging oil for goods without a direct monetary transaction. *Rogers*, Petrobarter, 132.

quickly, whereas the strategy of the last reigning Russian emperor aimed to develop the national industry.

The share of crude oil and oil products in overall Soviet exports increased significantly, rising from 2.4 percent in 1950 to 24.6 percent in 1975 (and reaching 36.4 percent in 1980).[37] This substantial increase in oil exports was made possible by the discovery of major oil fields (such as those in the Tyumen region of Western Siberia) in the 1960s, as well as technological progress. The Soviet Union had already benefited from a transfer of US equipment and technology for the oil industry during the Second World War. Soviet specialists were able to gain insight into US technology (for example, during their stay in the USA in 1943) and, subsequently, the Soviet Union ordered equipment from the USA.[38] However, the USA later raised security concerns about increasing Soviet exports to Western Europe.

For the Soviet Union, rising oil exports were crucial in financing the sharp increase in imports of consumer goods, grain imports and production equipment. From the second half of the 1950s onwards, the largest share of hard currency revenues from the exports of Soviet energy resources was generated by oil exports (for example, in 1980, 79.8 percent of these revenues came from oil exports).[39] Higher world market prices for oil after the 1973 oil crisis and the second oil shock in 1979 made oil exports even more attractive to the Soviet Union. Despite the need for modernisation and for improvements to the general standard of living, providing aid to non-Socialist developing countries was an important policy instrument. This aid was provided in various forms, including direct loans and donations of goods. Between 1955 and 1965, the Soviet Union lent a total of 7.3 billion roubles to 31 non-socialist countries.[40]

Although the total amount of military and economic assistance provided to foreign countries was not disclosed to the public,[41] debates on the oil trade were diverse. For Soviet politicians, the perspective was that of a raw materials exporter, concerned to maximise the output of available resources, but there were also criticisms that the structure of Soviet foreign trade was too dependent on the export of raw materials such as oil, gas

37 *Ministry of Foreign Trade of the USSR*, Trade 1922–1981, 36–37.
38 *Perović*, Fuel, 74.
39 Soviet Energy Data Resource Handbook, 7, table 4.
40 *Pivovarov/Dzhalilov*, Strategy, 60
41 *Medvedev*, Democracy, 329.

and wood.[42] The Soviet export structure had changed over time from a focus on agricultural products and grains, textile fabrics as linen and timber exports as a legacy of the late Russian Empire to a growing role of fuels and machinery. In 1922/1923, fuels and energy accounted for only 3.8 percent of total exports, with higher shares of agricultural products (33.3 percent), textile fabrics (20.2 percent) and timber (16.5 percent), while in 1940, fuels and energy accounted already for 13.2 percent. By 1981, fuels and energy accounted for 50.2 percent and machinery and equipment for 13.7 percent of all exports.[43]

Despite the growing share of fuels exports, the idea of being a simple raw material exporter was not fully accepted in the USSR. In the 1950s and 1960s the Soviet leader Nikita Khrushchev[44] had favoured an alternative approach, despite the Soviet demand for oil-related technologies and the superior quality of Western production. He wanted to shift the focus of technological cooperation and restrict exports of raw materials, and recognised the need to improve the domestic production of oil and gas pipes, despite many advisers considering Soviet production to be less advanced. In Khrushchev's words:

> *…We have purchased a large number of pipes over the years. … I don't think there is much sense in this approach, because we can produce the pipes and pipelines ourselves. ... The Japanese want to sell us $300 million worth of large-diameter oil and gas pipes. I am in favour of selling $300 million worth of oil. … However, I would … use this $300 million to buy, for example, equipment for oil refineries, or to buy [other] factories in Japan, rather than pipes.… Purchasing and organising these factories … will make it possible to … promote scientific development and raise our country's technological level.*[45]

42 *Medvedev*, Democracy, 8.

43 *Ministry of Foreign Trade of the USSR*, Trade 1922–1981, 32–33.

44 Nikita Khrushchev served as the first secretary of the Soviet Communist Party during the period 1953–64. From 1958–1964 he was in addition to this post the premier of the Council of Ministers, the de facto leader of the whole country.

45 Note from N.S. Khrushchev to the Presidium of the CPSU Central Committee on exports and imports of goods, 15.10.1963. Russian State Archive of Contemporary History (RGANI, fond 52, opis' 1, delo 361, listov 39–43). Translated by author from Russian. The political context was the occasion of the negotiations on an oil-for-large-diameter-pipes deal with Japan in October 1963.

During the Cold War period and until the Russia-Ukraine war began in 2022, there were no major interruptions to Soviet and Russian oil supplies to Western Europe (not counting technical difficulties or accidents).[46] Against this background, oil supplies appeared reliable in the early 1990s, and in Germany, the idea of reducing energy consumption further, or "petro-rationing", remained an unpopular recommendation at this period.[47] Between 1970 and 1987, industrial energy consumption in West Germany had already fallen by 40 percent.[48] Industrial production managers probably saw only little potential for further growth in energy efficiency without compromising international competitiveness. In October 1994, the Federal Constitutional Court (*Bundesverfassungsgericht*) ruled the *Kohlepfennig* —a colloquial name for the surcharge paid on electricity to subsidise the production of electricity from hard coal—unconstitutional.[49] Stopping the subsidy for the German coal industry made cheap oil even more attractive, which in turn discouraged industries from reducing their oil consumption.

Russia offered price discounts for its resource supplies to many West European countries, making the trade in energy resources economically interesting. However, the treatment of other trading partners was different, with oil supplies or prices vulnerable to changes in the political relationship with the Soviet, and later the Russian government. One example of this is the short-term oil export embargo imposed on Finland in 1958 in response to a change in government that was not sympathetic to Moscow.[50] From today's perspective, such historical precedents should have prompted a rethink on supply diversity. For complex reasons, however, many countries chose to continue their dependence on Russian energy, and the discourse used within Russia itself rejected critiques of Soviet policy in this area.[51]Although Soviet oil supplies to the West and trade with the Russian Empire had a long history of dependability, there were at least three factors that called this reliability into question during and after the dissolution of

46 *Perović*, Fuel, 204.
47 *Vorholz*, Development, 6.
48 *Bundesverband der Deutschen Industrie*, Bericht 1994, cited in *Vorholz*, Development, 20.
49 *Bundesverfassungsgericht*, 2 BvR 633/86, judgment of 11 October 1994.
50 *Perović*, Fuel, 204.
51 For example, Slavkina claims that the Soviet Union never used its oil supplies to put pressure on socialist, allied countries or to change their political or social systems. *Slavkina*, Chety`re lika, 64.

the Soviet Union. First, the decrease in oil prices in the mid-1980s had had a negative impact on the Soviet economic system, causing political instability. Second, high inflation and forced direct monetary financing of budget deficits created problems for the newly independent (from July 1990) Russian Central Bank, resulting in a conflict with the old Soviet *Gosbank*, which continued to function as a central bank until December 1991.[52] This made the monetary policy unpredictable to foreign observers. Third, the future development of the Russian oil sector was affected by controversies in the banking sector at that time. The creation of a two-tier banking system began with the reform of the banking structure in 1987 and the passing of the law on cooperative banks in 1988, based on the concept of self-financing and profit-seeking banks. In practice, however, the reform did not have the intended effect. Many of the new commercial banks were created by large companies, resulting in cross-ownership relations between the bank and the enterprise, which often led to loans being granted to the "parent" enterprise at very low and favourable interest rates.[53] Taken as a whole, these three factors created new conditions in the oil sector, leaving former and potential trading partners facing much uncertainty.

As well as its dysfunctional and indebted economic system and legal controversies in the monetary realm, the 1990s saw other changes in Russia. In the oil sector, it was the change of ownership that affected foreign trade from November 1992, when a presidential decree regulated the privatisation and transformation of oil industry companies (production, transport and refineries) into joint-stock companies.[54] Soviet oil companies were privatised for sums far below market prices. Meanwhile, the internal pipeline infrastructure remained state-owned and operated by *Transneft* (although Russia exported much oil by ship), whereas the gas industry, though privatised, remained state-controlled and monopolistic, with *Gazprom* now operating as a joint-stock company.[55] This affected the distribution of oil rents between the state and private sectors, potentially benefiting the newly

52 *Rupprecht/Sahling*, Independent.

53 *Rytilä*, Policy, 8–10.

54 Decree No. 1403, 17.11.1992. Ukaz Prezidenta RF "Ob osobennostyakh privatizatsii i preobrazovaniya v aktsionernye obshchestva gosudarstvennykh predpriyatii, proizvodstvennykh i nauchno-proizvodstvennykh ob"edinenii neftyanoi, neftepererabatyvayushchei promyshlennosti i nefteproduktoobespecheniya".

55 *Perović*, Fuel, 182–84; *Sagers et al.*, Rent, 397–399; Decree No. 1333, 5.11.1992. Ukaz Prezidenta RF "O preobrazovanii Gosudarstvennogo gazovogo kontserna "Gazprom" v Rossiiskoe aktsionernoe obshchestvo "Gazprom"".

emerging class of oligarchs and shifting oil rents towards business. However, in the 1990s, the Russian government introduced new taxes on oil in an attempt to regain some of the resource rent: excise duty, geological fees, royalties, profit tax, value-added tax, export duties and others. As most of these taxes were revenue-based, many oil companies were unprofitable and needed subsidised loans in the context of low oil prices and high taxes.[56] Typically, most of these taxes went to the federal treasury rather than to regional or municipal budgets.

Changes in ownership also affected oil exports for Russia's trading partners. The oligarchs held considerable political influence, particularly before Vladimir Putin's first presidential term. The "loans-for-shares" initiative in 1995–1996 that enabled the privatisation of 12 big Russian companies[57] at a very low price in exchange for loans to the government, and the oligarchs' appropriation of oil and gas fields by the late 1990s, significantly increased their political influence.[58] Putin subsequently reduced their influence over internal affairs and reacquired many private oil assets, thereby increasing the state's share in the oil sector.[59] With increasing oil prices and rising state influence on the oil sector from the 2000s, the non-monetary part of oil rents, or resource diplomacy, regained its value. Table 1 summarises the main changes in the 1990s compared with previous and subsequent time periods. Newnham has termed this growing influence under Putin "petroleum-power". This meant that the threat of an oil cut-off or a significant price increase became credible, especially as the state had accumulated hard currency reserves. Many post-Soviet states— the near neighbourhood from a Russian perspective—paid prices lower than those prevalent on the world market. This enabled the government to use its oil wealth as a foreign policy tool more often.[60]

56 *Sagers et al.*, Rent, 414–418.
57 Including shares in the oil companies *Lukoil*, *Yukos*, *Surgutneftegas*, *Sidanko* and *Sibneft*.
58 *Newnham*, Oil, 136.
59 *Newnham*, Oil, 137.
60 *Newnham*, Oil, 137.

Table 1. Control over oil rents and the largest oil companies

	Late Soviet period (1980–1991)	**Russian Federation (1992–1999)**	**Russian Federation (2000–2008)**
Control over the oil rents	- centralised - the state absorbed the oil rent and redistributed it to the centralised government - hidden forms of oil rents include large price differences between crude oil and oil products sold to the Soviet consumer, and subsidies for Soviet industries in the form of cheap oil	- mixed - loss of state control over rents - oligarchs absorbed a large proportion of the rents - even at low prices, oil exports were needed to cover budget deficits - new taxes were introduced to regain some of the oil rent	- the state gained significantly more control over oil rents and pipeline infrastructure abroad - higher oil revenues helped to pay off Russia's foreign debt - the state also gained more leverage over foreign trading partners and was able to differentiate prices for them
Ownership of the biggest oil companies	- state-owned monopoly for exporting Soviet oil and oil products - the Soviet export company *Sojuznefteexport* was responsible for foreign oil trade - this monopoly association's balance sheets included assets abroad, such as shares in foreign oil companies and investments in ports	- reorganisation of oil enterprises into joint-stock companies from late 1992 onwards - privatisation of former state-owned companies, with some remaining state-owned - restrictions on foreign investment in the oil sector, but some tax benefits for joint ventures	- re-nationalisation of the oil sector - *Rosneft* acquired *Yukos*'s assets at a low price (its founder, Khordokovsky, was sent to prison and the company was declared bankrupt) - some restrictions on foreign involvement remain
Biggest oil companies	*Sojuznefteexport* (All-Union Association for the export of oil and oil products)	*Rosneft* (control of state-owned shares in companies) 1993: *Lukoil*, *Yukos*, *Surgutneftegas* 1994: *Sidanko* (Siberia Far East Oil Company), *VOC* (East Oil Company), *ONAKO* (Orenburg Oil Company) 1995: *Tyumen Oil Company*, Siberian Oil Company (*Sibneft*)	*Rosneft* *Lukoil* *Gazprom Neft* *Surgutneftegas*
Average annual world crude oil prices in USD (Brent)	sharp drop in oil prices 1980: 36.8/ barrel 1986: 14.4/ barrel 1990: 23.8/ barrel	continued low oil prices 1992: 19.4/ barrel 1995: 17.2/ barrel 1999: 17.9/ barrel	rising oil prices (until 2008) 2000: 28.4/ barrel 2005: 54.4/ barrel 2008: 97.0/ barrel

Source: Author's own research and a variety of other sources.[61]

61 *Sagers et al.*, Rent; Decree No. 72, 26.02.1931. Postanovlenie Soveta truda i oborony. Ob organizatsii v vedenii Narodnogo komissariata vneshnei torgovli Vsesoyuznogo ob'edineniya po eksportu nefti i nefteproduktov («Soyuznefteeksport»). In: Sobranie zakonov i rasporyazhenii Raboche-Krest'yanskogo Pravitel'stva SSSR za 1931 god, p.

Indications that the Russian government might use its oil rents to influence governmental decisions in other countries began to emerge in the 2000s. However, at the time, Western countries viewed this as more as a threat to former Socialist states and did not consider it to be a significant risk to themselves, particularly given the assumption of Russian dependence on hard currency revenues.[62] There had been numerous examples of Russia using oil or gas as a "threat" in the past. This option was not only used to change a "Russian-unfriendly" government (as with Ukraine after the Orange Revolution), but also used against its allied countries and close economic partners. One such case is Belarus, as we have seen above, where the same president, Aleksandr Lukashenko, has been in power since 1994. Belarus has close economic ties with Russia, has declared friendship and integration into a Union State,[63] and shows general political loyalty towards Russia on many issues, as well as engaging in military cooperation. Additionally, the overwhelming issue of EU sanctions[64] has made building relationships with alternative European partners difficult. Nevertheless, in Belarus there has also been a consistent desire for independence from Russian and other foreign powers, leading to conflicts of interest.[65] An example of conflicting energy interests occurred in December 2006, when the Russian government decided to abolish most export duty preferences in the oil trade with Belarus from January 2007.[66]

In general, international relations with Russia after the dissolution of the Soviet Union depended on the political changes in Russia under the country's first president, Boris Yeltsin. However, although at this point Russia seemed weak due to low oil rents and internal political conflicts, the precedent of using oil supplies for political leverage set during the Soviet era should have been taken into consideration. Following the crash in world oil prices in 1986, the Soviet Union favoured its Western European

231; the data for oil prices is taken from Statista. URL: https://www.statista.com/statistics/262860/uk-brent-crude-oil-price-changes-since-1976/ (Accessed November 11, 2025).

62 *Balmaceda et al.*, Materialities, 4.

63 In December 1999, the Agreement on the Union State of Russia and Belarus was signed.

64 The first EU sanctions came into force in 1997 following the 1996 referendum. New sanctions were later imposed due to human rights violations.

65 Some of these declared aspirations for sovereignty may be more of a tactical instrument to gain support among the population and to remain in power, but this is outside the scope of this chapter and is not discussed here.

66 *Balmaceda*, Life, 133.

partners, reducing oil exports to the Socialist bloc at "diplomatic" (low) prices.[67] However, the shift towards Western oil interests could be seen as an economic survival strategy rather than as the Soviet Union prioritising West European partners for political reasons; oil is certainly a powerful instrument, but its exploration, extraction and transport require technological expertise, which in turn requires political and business contacts.

Economic Realities: Oil Consumption, Pricing and Pipelines

Despite overall awareness of climate change and the importance of alternatives to oil consumption, oil continued (and continues) to be a major energy source. During the Cold War, both parts of Germany needed oil, but its importance in primary energy consumption differed, as shown in Table 2. While the share of oil in total primary energy consumption in the GDR increased from a moderate 13.45 percent in 1970 to nearly a quarter (24.52 percent) in 1991, it was much higher in West Germany at 53.11 percent in 1970 (1991: 41.20 percent).

67 *Newnham*, Oil, 136. According to the Soviet statistical yearbook, in 1988, no crude oil was exported to the USA, only a small quantity of oil products (1,175 thousand tons), *Ministry of Foreign Trade of the USSR*, Relations in 1989, 284. For this reason, I am speaking here about Western European trade interests.

Table 2. Oil energy balance sheets in West and East Germany for selected years from 1970 to 1991[68]

	Share of oil in total primary energy consumption, percent		Oil used in primary energy consumption, millions tce*		Total primary energy consumption, millions tce	
	West Germany	East Germany	West Germany	East Germany	West Germany	East Germany
1970	53.11	13.45	178.86	14.00	336.76	104.07
1975	52.05	18.91	180.99	21.25	347.74	112.36
1980	47.60	17.27	185.71	21.01	390.18	121.68
1985	41.39	11.84	159.36	15.16	385.00	128.02
1990	40.96	16.08	160.63	18.11	392.21	112.64
1991	41.20	24.52	168.54	20.72	409.11	84.50

Source: Energy data, Freie Universität Berlin.[69]

*tce = tons of coal equivalent.

During the late Soviet era, oil was occasionally traded at prices higher than the global market prices, and sold to "enemies"[70] at lower prices than to "allied" Socialist countries.[71] Generally, larger quantities of Soviet crude oil were delivered to Socialist countries in exchange for transferable roubles, while a greater proportion of oil products were exported to capitalist countries.[72] The share of crude oil in the energy mix differed between the two parts of Germany, as did the prices for oil imports from the Soviet Union. Interestingly, as shown in Table 3 for the second half of the 1980s, East Germany had to pay more for oil than West Germany.[73] The data in Table 3 also shows that following German reunification in 1990, the oil price paid

68 Measurement of primary energy consumption in coal equivalent (*Steinkohleeinheit* in German) is more common in Central European countries. One kilogram of coal equivalent is the amount of energy that is generated by burning one kilogram of coal, or 0.7 oil equivalent (7000 kcal).

69 URL: https://userpage.fu-berlin.de/~rpodzuw/Energie/Rahmen/PEVOWSRF.HTM. (Accessed November 28, 2025); URL: https://userpage.fu-berlin.de/~rpodzuw/Energie/Rahmen/PEVOWSAF.HTM. (Accessed November 28, 2025).

70 The quoted author used the terms "enemies" and "allies" when talking about capitalist and socialist countries, respectively.

71 *Volkov*, Myth, 31.

72 *Volkov*, Myth, 26.

73 Although the Soviet data remains opaque and questionable in terms of the shipping costs, it may serve as an indication of the development of price differences.

by a united Germany fell below that which had previously been paid by West Germany (108.5 Soviet roubles per ton of oil in 1990 compared to 119.1 roubles in 1988). The other West European countries referenced in Table 3 did not benefit from lower oil prices in 1990. For example, the price of Soviet oil for Italy increased from 60.2 roubles to 85.8 roubles/ton.

I interpret these developments as follows: The differences in oil pricing can be related to the varying degrees of supply dependence. Most Socialist countries were heavily dependent on Soviet oil. Western economies had more scope to turn to alternative energy sources, should the price of Soviet oil increase too much. Also, the Soviet government used oil rents as a foreign policy tool, meaning price discounts for particular countries were necessary to secure political support or concessions. As the amount of oil exported to Western Europe was much lower than that exported to the Socialist bloc, oil prices for Western Europe that were lower than the prices for Socialist countries were still seen as acceptable in the USSR, even though the Soviet Union needed hard currency revenues.

Table 3. Average Soviet oil export prices for 1986 -1990 (Soviet roubles per ton of oil)

	West Germany	East Germany	Finland	Italy	France	Poland	Austria	World oil price (Brent)
1986	132.3	160.3	73.2	56.1	59.0	166.0	64.0	72.0
1987	124.7	143.1	83.3	82.2	81.1	148.5	77.2	79.6
1988	119.1	122.6	62.6	60.2	61.3	128.6	61.1	66.5
1989	151.0 / 115.7 (before/ after re-unification)	107.4 / 115.7 (before/ after re-unification)	80.4	79.5	80.6	113.0	74.3	81.6
1990	108.5		89.5	85.8	87.3	101.5	93.0	98.5

Source: Calculated from Soviet statistical collections.[74] The export prices quoted are those that were current in the year referred to, as the reference is the non-adjusted annual world oil price. They can be understood as list prices. World market oil prices are recalculated in Soviet roubles (using the official USD exchange rate at the end of the

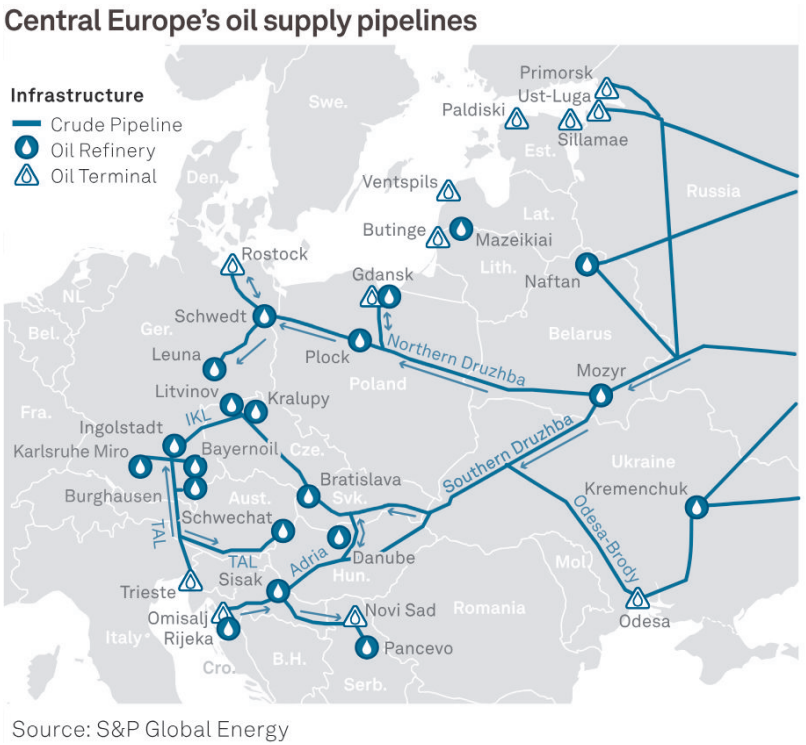
74 *Ministry of Foreign Trade of the USSR*, Trade in 1987, 100, 129, 145, 158, 171, 177, 181; *Ministry of Foreign Trade of the USSR*, Relations in 1989, 112, 141, 156, 169, 182, 188; *Ministry of Foreign Trade of the USSR*, Relations in 1990, 111, 140, 152, 165, 178, 182.

year) and in tons (assuming 1 bbl = 0.136 t).[75] *Note*: For 1989, the 1990 Soviet statistical collection provides an average for both parts of Germany (the respective recalculated average price is 115.7 roubles per ton), while the 1989 collection provides separate data (151.0 for West Germany and 107.4 for East Germany).

What made the oil question crucial to the GDR was the high volume of oil imported from the Soviet Union through the pipeline. The GDR government was heavily dependent on oil from the Druzhba[76] pipeline, which was built and extended between 1958 and 1981, reaching a total length of nine thousand kilometres.[77] As shown in Figure 1, the northern part of this pipeline network once carried oil through Belarus and Poland to Schwedt (with connections to Rostock and to Leuna) in the former GDR. There is also a southern stream that at time of writing still passes through Belarus and Ukraine to Slovakia, the Czech Republic, Hungary and Western Europe.[78] In 2021, approximately two-thirds of Germany's oil imports from Russia came through this pipeline.[79] Oil imports to Germany are also delivered by ship. However, the existence of pipeline infrastructure makes oil imports through these facilities more attractive and less expensive.

75 *En2x*, Mineralöl, 75; Central Bank of Russia, Exchange rates until 01.07.1992. URL: https://www.cbr.ru/currency_base/OldVal/. (Accessed November 8, 2025).
76 Druzhba is translated as "friendship".
77 *Puls*, "Freundschaft", 1.
78 As of writing this paper, the northern part of the pipeline is not in use, but the southern part still delivers oil to Hungary and Slovakia.
79 *Puls*, "Freundschaft", 2.

Figure 1. Druzhba pipeline in Europe



Source: S&P Global Commodity Insights, ©2025 by S&P Global Inc

Analysing the industrial energy demand in the 1990s requires a perspective from the new *Bundesländer*, formerly the GDR. At first glance, the need for solidarity from the western part of reunified Germany could not be ignored. However, discussions were different before reunification. Gerhard Schröder, who later became Germany's federal chancellor (1998–2005), was initially not in favour of spending large amounts of money on reintegrating East Germany and improving its standard of living. In particular, prior to reunification, he opposed high expenditure on East Germany that would disadvantage the social security system in West Germany, and he argued that migration from the GDR to West Germany should be stopped.[80] How-

80 *Bingener/Wehner*, Moskau-Connection, 18.

ever, the economic problems arising from reunification were not simply a matter of demanding more money from the West. The issue was the economic system and the potential for economic modernisation. Like other countries in the Socialist bloc, the GDR's economy received significant resources from the Soviet Union. The second five-year plan (1956–1960) is an example of an economic strategy in the GDR that emphasised developing raw materials and energy production, as well as heavy engineering and the chemical industry.[81] For example, in 1988, the GDR imported 19.7 million tons of crude oil from the Soviet Union – a high figure compared to West Germany (5.9 million), Italy (9.1 million) and Finland (8.5 million).[82] Under Erich Honecker, more investments (which were mainly centrally controlled) were directed towards improving the production of consumer goods and housing conditions, as well as the chemical, mechanical engineering and microelectronics industries (which are energy-intensive).[83]

Both business representatives and politicians were interested in technological cooperation. West Germany shared its technological achievements in the oil sector with the Soviet Union. For example, the Soviet Union imported large-diameter oil pipes from West Germany. In 1958, the Soviet Central Committee approved 150 tons of gold for this deal; in 1960, it approved 56.5 tons; and in 1961, it approved 90 tons.[84] The West German government prioritised technological cooperation as part of its *Ostpolitik* of rapprochement with the Soviet Union. Meanwhile, the Soviet Union was developing its own oil research and occasionally sharing its expertise with allied countries.[85]

81 Gesetzblatt der Deutschen Demokratischen Republik: Teil 1. Jahr 1958. Gesetz über den 2. Fünfjahrplan zur Entwicklung der Volkswirtschaft in der Deutschen Demokratischen Republik für die Jahre 1956–1960, 9. Januar 1958. URL: https://zs.thulb.uni-jena.de/rsc/viewer/jportal_derivate_00332662/DDR_GB_I_129542822_1958_0115.tif (Accessed November 28, 2025), 42.

82 *Ministry of Foreign Trade of the USSR*, Relations in 1989, 141, 156, 182, 188.

83 *Hipp et al.*, Innovation, 190.

84 *Pivovarov/Dzhalilov*, Strategy, 65.

85 For example, in 1957, the head of Egypt's national research centre officially requested, via the Soviet embassy in Cairo, that Soviet researchers be invited to exchange ideas with Egyptian scientists and deliver lectures on mineral oil, particularly gasoline production, with travel and appropriate local salaries covered by the Egyptian authorities. See Note from the Presidium of the USSR Academy of Sciences on sending Soviet scientists for lectures and consultations at the National Research Centre of Egypt, 15.03.1957. Russian State Archive of Contemporary History (RGANI, fond 4, opis' 16, delo 241, listov 78–79).
In the Soviet Union, researchers required an official approval for foreign scientific exchanges. Three researchers from the USSR Academy of Sciences' Institute of Oil were

Following German reunification, technological cooperation became less important in terms of political rapprochement. Business representatives, however, needed stable and reliable access to affordable oil, and Russian demand for these technologies ensured employment in the oil technology-related industries. In the 1990s, differences between low domestic (and state-regulated) and much higher international prices, the absence of a domestic trader market, the availability of oil refineries and existing export destinations attracted foreign traders and investors and outweighed the anticipated risks.[86] In addition, the lifting of restrictions on acquiring oil technology from the West led to new investments from the West in the oil sector and the creation of joint ventures.[87] Joint research projects, as well as exchanges in energy efficiency and green energy—especially hydrogen energy—were launched, although from 2022 these initiatives ceased.[88] This suggests that we should consider energy cooperation more broadly, as it encompasses not only oil imports, but also technological and scientific exchange. Despite the fact that Russian oil and gas companies were working to serve the Kremlin's interests, their involvement in politics and culture made German-Russian energy relations appear even more beneficial for both countries.[89] However, political realities turned out to be different.

Discussion: Oil Dependence or Finlandisation

The scientific advancement in oil production and refinery in Europe, driven by increasing consumption of oil and oil products, would not have happened without US involvement after the Second World War. The attractiveness of cheap, efficient oil lamps alone did not pave the way for increased oil production. The "Americanisation of European energy systems" was related to

considered for this task, but the Soviet Ministry of Higher Education refused, as detailed in the reference dated 02.04.1957. Some of the related notes on this Egyptian request were classified as secret documents. See Reference from S.G. Korneev, Head of the Foreign Department of the USSR Academy of Sciences, on sending Soviet specialists to Egypt, 02.04.1957. Russian State Archive of Contemporary History (RGANI, fond 4, opis' 16, delo 241, listov 80–81).

86 *Imsirovic/Bryce*, Rivers, 211–213.

87 *Perović*, Fuel, 184.

88 *Belov*, Paradigm, S513–S514.

89 *Applebaum*, Autocracy, 169–170. For instance, as part of the Nord Stream project for the gas pipeline, the former chancellor Gerhard Schröder received generous payments; *Gazprom* took on the sponsorship of the Schalke football club and an historical exhibition in Berlin. *Applebaum*, Autocracy, 169.

adopting an American lifestyle, including greater mobility with personal vehicles; and the idea of increased oil consumption in the Marshall Plan seemed to guarantee a market for US oil companies.[90] The plan to enhance oil consumption in Western Europe was successful. However, the Soviets later sought to exploit the American reconstruction of Europe and gain a share of the increased Western European oil market.

Soviet politicians observed the economic and political changes taking place in Europe. Following the Second World War, Sergey Kavtaradze, the Deputy People's Commissar of Foreign Affairs of the USSR, expressed security concerns about the expansion of US-American power in a note to the People's Commissar of Foreign Affairs, Vyacheslav Molotov.[91] He spoke about the Americans' desire to gain more influence in Europe, suggesting that Germany could be used as a "base" for greater control. According to Kavtaradze, the only thing that could disrupt this plan was the Soviet influence and military presence in Germany. This attitude towards US foreign policy may explain the Soviet desire to involve West Germany more in the oil trade and expand the Soviet sphere of influence in Western Europe by increasing dependence on fossil fuels.

Increasing oil trade and exchange in related industries involves more than just economic dependence on the oil supply system. In the literature on Cold War diplomacy, the term Finlandisation refers to a foreign policy and diplomatic practice that prioritises energy dependence on one supplier country over other national policy interests.[92] This analytical concept relies on the historical context of the Cold War era, when Finland relied almost entirely on the USSR for its oil supply, while also maintaining neutrality and avoiding policy decisions that would be unfavourable to the Soviet government. Focusing the oil supply on a single source with an energy-intensive economy means that any supply disruption could cause difficulties. Oil stocks could compensate for short-term disruptions (and Finland had such buffers), but these would not be sufficient in the event of substantial political disagreements with the Soviet Union and the threat of a supply cutoff. In the German case, whether we can speak of a development from increasing oil dependence towards a substantial change in political culture (in terms of the diplomatic subordination of security interests) depends initially on the relative impor-

90 *Madureira*, Transitions, 20.

91 Note from Deputy People's Commissar of Foreign Affairs of the USSR S.I Kavtaradze to V.M. Molotov, 09.09.1946. Archive of Foreign Policy of the Russian Federation. (AVP RF, fond 0431, opis' 2, papka 11, delo 48, listov 73–74).

92 *Matala*, Security, 552.

tance of crude oil supplies from different country groups. Table 4 shows the proportion of German oil imports from different regions.

Table 4. Crude oil imports for Germany for selected years from 1980–2018, share as percentage of total oil imports

	Middle East	Africa	European Union and Norway	Soviet Union/ Commonwealth of Independent States	Other
1980	35.9	28.6	14.7	19.4	1.4
1985	9.3	31.3	25.0	27.8	6.6
1986	12.9	26.0	27.3	27.0	6.7
1987	10.8	23.8	29.9	29.4	6.1
1988	13.1	26.2	27.0	28.1	5.5
1989	17.4	23.8	23.1	30.0	5.7
1990	19.1	26.1	24.6	24.2	6.0
1991	20.5	30.5	26.3	15.8	7.0
1992	17.7	28.6	29.5	16.9	7.2
1993	17.6	28.2	31.2	17.4	5.6
1994	14.6	25.7	34.6	21.5	3.7
1995	12.8	23.5	39.3	20.5	3.9
1996	11.1	21.8	39.0	25.4	2.7
1997	12.0	20.9	38.9	25.7	2.5
1998	12.4	21.2	38.2	26.0	2.2
1999	12.5	20.8	33.9	30.7	2.0
2000	13.1	20.6	31.5	33.0	1.8
2001	11.2	17.3	35.7	34.1	1.7
2002	10.7	17.2	34.4	36.8	0.9
2003	9.6	15.8	34.3	39.0	1.2
2004	7.8	15.4	33.9	41.8	1.1
2005	7.1	18.6	31.0	41.5	1.7
2010	5.7	16.5	26.3	49.2	2.2
2015	4.2	18.9	26.5	48.5	1.9
2018	6.0	18.9	21.3	47.9	5.9

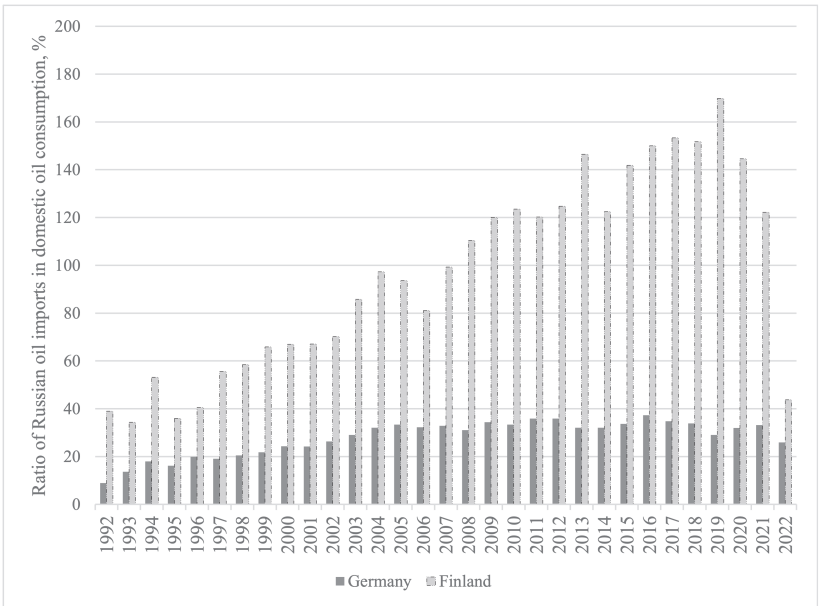
Source: En2x.[93]

93 *En2x*, Mineralöl, 34.

Despite the regional distribution of oil suppliers and their share in total oil imports, Russian oil accounts for a significant proportion of domestic oil consumption. This alternative indicator of oil dependence is shown in Figure 2. The graph illustrates the variation in oil import trends from Russia for domestic consumption in Germany and Finland respectively. Before 2022, Finland increased its share of Russian oil significantly. Germany experienced a more moderate, yet still significant, increase, reaching almost one third in 2021. Oil made up 34.1 percent of total energy supplies in Germany and 21.7 percent in Finland in 2023.[94] Germany had the highest total oil supply in Europe in 2023 (3.5 million terajoules (TJ) compared to 0.3 million TJ in Finland).[95] Both countries have large oil refineries, but while Finland exports much of its oil products, Germany imports more oil products than it exports. Despite having the largest oil refinery output in Europe (4.2 million TJ; Finland: 0.5 million TJ in 2023), Germany is a net importer of oil products.[96] The need for large quantities of oil made Germany more price-sensitive and interested in Russian oil. Cross-border import prices for crude oil from Russia were lower for Germany than from other major suppliers. In January 2014, for example, the main crude oil suppliers (listed in descending order of export volumes) were Russia (565.09 Euros/ton), Norway (€614.17), Great Britain (€601.89), Nigeria (€622.31), Kazakhstan (€637.08) and Azerbaijan (€621.39).[97] Similarly, official data for January 2020, again in descending order of export volumes, shows Russia as Germany's main crude oil supplier at a significantly lower price: Russia (381.07 Euros/ton), Great Britain (€431.64), Nigeria (€461.55), Kazakhstan (€502.66), the USA (€449.46) and Libya (€502.27).[98] Interestingly, oil-rich Azerbaijan stopped being a major supplier to Germany, leaving the floor to Russia and Kazakhstan as the main post-Soviet suppliers. Prices for Russian oil and gas varied considerably among trading partners, and not all countries enjoyed the same preferential treatment as Germany.

94 *IEA*, Finland & Germany.
95 *IEA*, Finland & Germany.
96 *IEA*, Finland & Germany.
97 Bundesamt für Wirtschaft und Ausfuhrkontrolle: Amtliche Mineralöldaten für die Bundesrepublik Deutschland. January 2014.
98 Bundesamt für Wirtschaft und Ausfuhrkontrolle: Amtliche Mineralöldaten für die Bundesrepublik Deutschland. January 2020.

Figure 2. The ratio of Russian oil and oil product imports to domestic oil consumption 1992–2022[99]



Source: IEA.[100]

The Russian policy of lower oil prices for Germany seemed to be motivated by political reasons, in order to ensure a very important strategic and trading partner in the EU. For a small economy like Finland's, Finlandisation as a diplomatic approach made sense during the Cold War because the threat of deteriorating relations was a realistic possibility for Helsinki, even though Finland was a capitalist country. Finland also shares a border with Russia. Between 1809 and 1917, the Grand Duchy of Finland was part of the Russian Empire, albeit with autonomous status. This experience has certainly influenced the Finnish sensibility to Russian foreign policy. Similarly, the experience of imposed Soviet rule in the GDR was meaningful

99 Values above 100 % are possible because some of the oil is imported to replenish stocks (rather than being consumed within the year), and because oil products (or just crude oil) are exported again without being consumed within the country after being refined.

100 *IEA*, Reliance.

in terms of foreign policy. The primacy of foreign policy seemed to be reinterpreted in favour of economic interests for the new *Bundesländer* and the German industrial lobby, which was aiming for cheaper energy through the old pipeline system.

Conclusion

During the oil crisis in the 1970s the West sought to reduce its dependence on oil supplies from the Middle East. In fact, dependence on Middle Eastern oil supplies was reduced. However, by the beginning of the new millennium, the proportion of oil imports from CIS countries was similar to that from Middle Eastern countries in 1970 (34.2 percent) and in 1980 (35.9 percent) after the oil crisis. By 2010, oil imports from CIS countries accounted for almost half of the total amount of imported crude oil, as shown in Table 4. However, the issue of dependence is not limited to the diversification of oil suppliers. The increasing competitiveness of the West German economy and its integration within Western Europe after the Second World War demanded higher energy consumption (see Table 2). Despite efforts to become "greener", the demand for oil remained high. Oil is used not only for heating and transportation, but also in the chemical industry. A turning point in terms of energy security was German reunification, which saw the former West Germany incorporated into the energy network and pipeline system of the Socialist bloc, as well as the energy-intensive and chemical industries of the former GDR.

In general, the German economy is characterised by high labour costs, including high contributions to unemployment insurance, pensions and medical insurance. Following reunification, the new *Bundesländer* "imported" the high social contributions on salaries, although the average salary remained lower than in the old *Bundesländer*. The GDR was even described as a "paradise for energy-wasters"[101] due to its energy-intensive industries and old, energy-inefficient equipment. During the period of cheap oil in the 1990s (see Table 1 for average world oil prices), the German industrial lobby was unwilling to support an eco-tax on energy consumption that could limit oil production. In order to remain internationally competitive, German industry opted for cheap energy to offset high labour costs. With-

101 *Vorholz*, Development, 20.

out an eco-tax, the oil price was not expected to increase in the short term, so cheap oil imported from Russia through the old pipeline network was welcomed. Despite many political considerations, relations with Germany were important for Russia due to the need for technological cooperation. This, in turn, ensured demand for oil-related industries and employment in Germany. Since the 1990s, energy cooperation has been expanded through the creation of joint ventures. As oil prices rose, Russian oil companies became more profitable. *Rosneft* acquired assets in German oil refineries, including a 54.2 percent stake in *Raffinerie PCK Schwedt*, which received oil via the Druzhba pipeline from Russia.[102] *Rosneft* also acquired shares in *MiRo* and *Bayernoil*.

Both the German government and industry have accepted their growing dependence on Russian oil. However, when we consider the economic factors of this dependence, we cannot speak of a German "Finlandisation". Unlike in Finland during the Cold War, the Soviet Union and later Russia were never the sole supplier. However, West Germany was also connected to the Druzhba pipeline from Eastern Europe following German reunification. Finland received its oil imports from Russia by ship; there is no direct pipeline connection from Russia to Finland. Although the Soviet oil shipments were occasionally unreliable, US advisers strongly discouraged the construction of an oil pipeline that would "cement" Finland's dependence on Soviet oil.[103] Finnish oil imports from the Soviet Union were not cheaper than the world average price.[104] However, Finnish political subordination to Soviet security interests and diplomatic efforts to allay Soviet political concerns aimed to ensure an uninterrupted oil supply. In contrast, the growth of German oil imports from Russia was supported by Russian pricing policies that permitted imports at significantly lower prices. Another difference relates to the disclosure of information. Both during and after the Cold War, Finnish politicians avoided disclosing prices for Soviet oil to both the population and foreign agencies,[105] whereas German media extensively informed the population about foreign relations with Russia and energy politics, as well as on potential threats from Putin's strategy.[106]

102 *Belov*, Paradigm, S514.
103 *Matala*, Security, 556.
104 *Matala*, Security, 559–560.
105 *Matala*, Security, 559.
106 *Bingener/Wehner*, Moskau-Connection, 9.

As Finlandisation is considered as a set of diplomatic practices, we need to take a closer look at the political dependence resulting from oil trade. Looking back at the political relationship with Russia in the 1990s, the outlook for good relations between Russia and Germany was very promising. The Soviet government did not impede German reunification. Soviet politicians considered it an internal matter for the former GDR.[107] Following this, Russia was no longer seen as a major threat. As mentioned earlier, the dissolution of the Soviet Union brought many changes to the Russian economic system, including the establishment of new oil companies. The new ownership structure ended *Soyuznefteexport*'s monopoly and made oil trade-related risks seem less political. Russia's weak economic recovery and high budget deficits (initially financed by central bank loans) during a period of low world oil prices led to the widespread assumption of interdependence between Russia and the West in terms of energy trade. However, this oil interdependence could now be reconsidered in light of the assumed Russian dependence on an extensive pipeline network to Europe, as well as the Cold War history that implied a desire for closer trading relations with the EU to avoid permanent isolation. Conversely, price discounts on oil for Germany and Russia's oil wealth made trade with Russia seem difficult to replace. The assumption of interdependence was often interpreted as meaning that Russia was more dependent on oil revenues than Western countries were on Russian oil. However, Russia has demonstrated its ability to diversify its export destinations in response to recent fossil fuel sanctions. This policy typically necessitates substantial price discounts.

Nevertheless, with world oil prices higher than in the 1990s, these alternative export routes, despite the more expensive and unreliable shipping, still generate significant revenues for the state budget. The reverse of privatisation and increasing political interference in the oil sector have ensured these revenues. This should not have come as a complete surprise. As oil prices grew, the proportion of oil and gas revenues in Russia's federal budget reached 47.3 percent in 2008 (10.6 percent of GDP).[108] During periods of high oil prices, the state absorbed some of the resource rent in

107 *Akhtamzian*, Ob'edinenie Germanii, 65.

108 Russian Ministry of Finance: Osnovnye napravleniya byudzhetnoi politiki na 2013 god i planovyi period 2014 i 2015 godov.

the form of export duty rates and mineral extraction taxes.[109] This absorbed resource rent was accumulated in the National Wealth Fund[110] and partly deposited at the Central Bank of Russia. Given the high degree of political influence over the oil industry and foreign trade in both the Russian Empire and the Soviet Union, it was only a matter of time before a return to the geopolitical dominance of oil politics occurred.

In this investigation, I have contrasted the development of the oil trade in the political and economic context of the Cold War era with the subsequent changes following the dissolution of the Soviet Union. The network of oil pipelines that provided access to the former GDR formed the basis for the development of an oil-intensive industry that remained important after German reunification. The replacement of old East German equipment was slow, and the industry in the new *Bundesländer* continued to consume a lot of energy. During the 1990s, German society and politicians recognised the importance of shifting towards a more sustainable, green economy. However, industry had different priorities, particularly given low oil prices and the political failure to address this issue through appropriate taxation. Klaus P. Masuhr, a researcher from the Prognos Institute in Switzerland, estimated this reluctance to avoid emissions and negative climatic consequences as a "continuation of enormous economic mismanagement".[111] Much later, after the outbreak of the Russian-Ukrainian war in 2022, the EU's dependence on Russian energy sources was also heavily criticised.

For future research, closer examination of Soviet and Russian gas exports in relation to German energy security should be considered. European gas prices skyrocketed after the Russian invasion in 2022, and finding alternative supplies was difficult. Much of the gas supplied was transferred through the existing pipeline network connected to Russia. Agreed EU sanctions, including an import embargo, significantly reduced official imports from Russia (not considering circumvention of sanctions through third-party imports). Official coal imports from Russia ceased, and crude oil supplies dropped from 27 percent of total EU oil imports in 2021 to 3 percent in

109 This custom export duty decreased over the period from 2019 to 2024 and is zero from 2024 onwards. Simultaneously, the mineral extraction tax is increasing to make up for the loss of income. Additionally, the introduction of a new reverse excise tax aims to subsidise refining companies and maintain domestic prices at their current level.

110 In 2004, the Stabilisation Fund was created; since 2018 the National Wealth Fund accumulates the production taxes and export customs on gas, oil and oil products.

111 Cited in *Vorholz*, Development, 6.

2024, but the share of Russian gas still remained at 19 percent in 2024 (down from 45 percent in 2021).[112] It seems that there is an interdependence between the different energy sources. The composition of the energy mix is certainly important, as is the number of different energy sources imported from one supplier. Before the war, Russia supplied the EU with large quantities of oil, gas, coal and uranium (the latter of which is still being supplied). The interrelation of these supply chains warrants further investigation.

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