

BOOK REVIEW

Thane Gustafson (2020). *The Bridge – Natural Gas in a Redivided Europe*. Harvard University Press, Cambridge, USA. ISBN 9780674987951

Reviewed by *John Szabo**



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Fifty-three years ago a historic meeting took place in the secluded Schloss Hernstein Bergdorf that sits at the feet of the Alps in Lower Austria. Austrian business executives joined by representatives of key West German industrial players hosted a group of Soviet leaders that would go on to establish the ‘gas bridge’. They were aware that their endeavour to establish natural gas trade between the East and the West, if successful, could contribute to dampening the animosity of the Cold War. Little did they know that their actions would establish a bridge so robust and elemental to the operation of modern fossil fuel-dependent economies that its dismantling and reconfiguration would pose one of the greatest challenges for their successors in their effort to tackle climate change.

Thane Gustafson’s *The Bridge – Natural Gas in a Redivided Europe* provides a timely chronicle of European–Russian natural gas relations. It explicates a history of the fuel that provides nearly a quarter of European energy supply and generates a substantial portion of the Kremlin’s revenue; however, the European Union’s (EU) energy transition poses a threat to its future. Gustafson is arguably one of the best people to undertake this analysis as he has spent the majority of his career exploring the Soviet and Russian energy sector – writing classics of the field, such as *Crisis amid Plenty: The Politics of Soviet Energy under Brezhnev and Gorbachev* and *Wheel of Fortune: The Battle for Oil and Power in Russia*. Gustafson complements his strong suit of Soviet and Russian energy politics in *The Bridge* with the European side of the story, helping readers better understand how the gas bridge is constructed and the difficulties its dismantling may entail.

Gustafson takes a chronological approach to describe events in *The Bridge*, which can broadly be delineated into three epochs: (1) the origins of the Soviet and Russian gas industry, (2) the wave of neoliberal thinking and (3) the slow and reluctant adaptation of the Russians to the new business environment in the European gas market (p. 761).

The *gas bridge* was forged between the Eastern and the Western blocs in a historical setting characterised by high levels of mutual distrust. Natural gas brought the two sides together. The Soviet Union was in search of hard currency to finance its imports and technology – mostly pipelines and compressor stations – to facilitate domestic natural gas consumption. In turn, it promised the West seemingly unending quantities of natural gas. Simultaneously, European buyers sought to offset dwindling domestic energy production and reduce their reliance on

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Middle Eastern oil. Austria was the first Western European country that came to an agreement with the Soviets. It offered a small, but important first step in forging trade relations between the two blocs and its success set a positive precedent on the viability of relying on Soviet natural gas. West Germany soon followed suit and established the trade ties that continue to be the backbone of German–Russian cooperation.

Western European and Russian government leaders and business executives established the supply, demand, and the necessary infrastructure to enable the formation of a market. Mutual trust became crucial to enable the development of hydrocarbon fields and the construction of a cross-continental pipeline system. Parties involved took to long-term agreements assuring buyers that their volumes will be taken by consumers for years to come and the investment they ploughed into production and transport infrastructure will not go to waste. This system also ensured that buyers could rely on a stable flow of the energy resource that underpinned European economic growth.

Having introduced the formation of natural gas-based ties, Gustafson turns to how ideas reshaped the gas bridge. He traces how Thatcher's neoliberalism paired with the rising complexity of trade, new entrants, market integration, growing supply, information technology and the proliferation of non-contracted volumes drove the development of a free market by the 1990s. Gustafson shows that ideas matter, but they must be in a very specific historical setting to take effect. Liberalisation was met with fierce resistance from incumbents, which feared losing control over their markets and thereby profits. They also argued, to some extent justly, that they constituted a key component of European integration, which would be undone if market principles were instituted. In their view, the trust-based ties they had developed helped overcome geopolitical animosity and rivalry, establishing cooperation in the pursuit of profit.

Despite the natural gas industry's resistance to liberalisation, it succumbed to change in the early-2000s. These were pivotal moments in the history of European natural gas affairs, as they brought the demise of long-term bilateral contracts popular during the preceding three decades, making way for the 'unbundling' of supplying the fuel and providing the capacities necessary to transport it – both becoming increasingly competitive and flexible markets. The European Commission provided a testament to its rising power by enforcing its will through key energy market directives and bending entrenched stakeholders to accept a competitive market, while its actions also reflected the growing Europeanisation of formerly national energy markets. Gustafson argues that the Commission's ability to disrupt was pivotal in subsequent attempts by EU and national bodies to shape how European energy markets operate: 'marketization[']s' breakthrough was to weaken permanently the traditional political power of the German utility sector. This in turn may have made the sector less able to resist the increasingly radical consequences of the *Energiewende*' (p. 434) and thereby reconfiguring the power relations of the European energy scape as it looks to decarbonise.

Gazprom, the EU's largest natural gas supplier, reluctantly, but adapted to the changing environment. It adhered to the EU's competition laws, but in spirit – like most companies in capitalism – it never deviated from its strive for monopoly. Gustafson makes the argument that '[d]espite the fears of many in the West [especially the USA], the gas bridge was not viewed in the Soviet Union as an instrument of geopolitical leverage over the West, although it definitely played that role in the Soviet Union's relations with its Eastern European satellites' (p. 19). He argues that in Western Europe, Gazprom is simply out to rake in profits and dominate its market on economic grounds. However, the case is very different in Central and Eastern Europe



(CEE). Here, the Soviet Union and, later, Russia has sought to exert political control by providing them with inexpensive access to energy carriers. In some cases, Gazprom leveraged its position and abused its market power, which was frequently linked to the strategic objectives of the Kremlin. Seeing these risks, many of these countries have since developed alternative import routes; although, Russian natural gas continues to play a substantial role in most cases.

The sturdy gas bridge is increasingly threatened: '[u]nlike the situation in the Cold War, when the gas bridge served a stabilizing and confidence-building function based on mutual economic interest and long acquaintance, today's gas relationships, despite the gas trade's present prosperity, are vulnerable to growing East–West tensions' (p. 768). Its role as a stabiliser in geopolitical relations has been curbed as ties based on mutual trust have been substituted for trade on a faceless market, while tensions between the EU and Russia are reminiscent of those during the Cold War. In addition, the role of natural gas is increasingly pressured by the EU's climate policies. Until recently, policy-makers and the industry understood natural gas as a *transition fuel* that would help the EU shift from more polluting coal to renewables. However, European policy-makers have begun to question the risks associated with a continued or expanded reliance on the fuel, and phasing it out has become a topic of policy discussion. Gustafson's rich account of natural gas history in the European–Russian context underpins the elemental role it plays in stabilising political economic relations, indicating how delicate an endeavour the disassembling of the gas bridge may be.

Dismantling the gas bridge goes well-beyond the socio-technical change that experts tend to emphasise in the energy transition, and will carry critical geopolitical implications as well. Its key role in supporting EU–Russia cooperation and dialogue will be suspended, which, in a context of already souring political relations between the two parties, can lead to further deterioration. However, eliminating the gas bridge is likely to take decades at the least, if it were to happen at all. Let us not forget, that one of the most often recited mantras of European policy-makers is that the EU should reduce its reliance on Russian natural gas imports – nothing of this sort has happened yet. Moreover, the limitations of renewables and electrification show that the EU will continue to need a gaseous source of energy. As a fix, the European Commission and the German government have indicated their support for hydrogen – producible from both renewables or methane, if the latter is favoured (and it seems to be the case), it may extend the lifetime of the gas bridge.

Gustafson's *The Bridge* is a pertinent account of European–Russian natural gas relations that dives into the complexity of regional natural gas-based ties. It is an excellent starting point to understanding this complex history and shows just how deeply these trade relations run. It also points to the need for a certain caution when dismantling the gas bridge to avoid international political economic instability. However, this is not to say that the bridge should be left in-tact. It must be dismantled without ado, but done in a manner that is accompanied by carefully designed diplomacy and countermeasures that dampen its void.

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