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## Russia Is Becoming an Oil Ally

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**M**OSCOW, Oct. 18 — With the developed world nervously eyeing the security of oil supplies in the Middle East, Russia is stepping forward as a new friend in need. Alongside its support for the United States' military campaign in Afghanistan, Russia is offering its oil fields as a secure alternative to dependence on the turbulent Persian Gulf.

Russia and the countries of the former Soviet Union together produce about one-tenth of the world's oil and one-third of its natural gas. Russia's oil industry is booming, with exports up by 9 percent so far this year. Next week, production will begin at a northern gas field with reserves equal to two-thirds of all those in the rest of Europe.

Neighboring Kazakhstan is developing huge new fields and expects to more than double its output by 2010. Last month, speaking to businessmen in Germany, Russia's president, Vladimir V. Putin, offered to step up oil deliveries if supplies came under threat.

"Non-Middle East oil will be seen as being more desirable than ever," said Stephen O'Sullivan, head of research at the United Financial Group, a Moscow investment bank.

Most analysts say Russia is not now able to export enough oil to completely replace Middle Eastern sources in the event of a major disruption, in large part because of limited pipeline capacity. But construction of new pipelines is expected to gain greater urgency now.

Crucially, in the Caspian basin, where Kazakhstan, Azerbaijan and other states are developing immense reserves, a decade-long rivalry for influence between the United States and Russia could now turn into something more like cooperation. Instead of squabbling over the routes exports would take, the two sides now share a common interest in ramping up total pipeline capacity, the main constraint on growth in recent years.

The opening of a new pipeline from the Tengiz field in western Kazakhstan to a Russian port on the Black Sea is a major milestone for the region, where international oil companies like ChevronTexaco and British Petroleum have spent billions of dollars since the fall of the Soviet Union to explore and develop energy resources.

Throughout the 1990's, Russia and the United States backed competing pipeline routes out of the Caspian basin, a region that the United States Department of Energy estimates holds 110 billion barrels of oil — about triple the United States' own reserves. For political reasons, the main

American objective was to build export routes that avoided crossing either Russian or Iranian territory — to the irritation of Moscow, which sees the region as within its sphere of influence and pipelines as powerful levers for political control.

Russia prevailed in 1999, when an international consortium of oil companies led by Chevron began building the \$2.6 billion pipeline to Novorossiysk, which made its first commercial delivery of crude oil on Sunday. On top of the billions of dollars in royalties Russia expects to earn over its 40-year life, the pipeline maintains Moscow's direct control over oil flows from the region.

Analysts said that Russia's new alliance with the United States in the coalition against terrorism has accelerated the shift away from antagonism over the vast oil resources of the former Soviet Union.

"The trend was already towards a depoliticization of Caspian energy, and this definitely advances that," said Laurent Ruseckas of Cambridge Energy Research Associates, an energy consultancy in London. "This whole idea of the U.S. and Russia fighting over Caspian oil seems completely outdated. The West would like to see Russian and Caspian oil on stream as quickly as possible."

For its part, now that the Novorossiysk pipeline is open, the Russian government says it no longer objects to construction of a second pipeline on the Azerbaijan-to-Turkey route that the United States has favored.

"We will not hamper this project," said Russia's energy minister, Igor Yusufov, in an interview, adding that Russia believes it can hold its own in attracting foreign energy investment even if the second line is built. "Our close connections will allow us to bring to fruition more valuable long-term projects," he said.

Western diplomats doubt that Russia will give up trying to influence and profit from development of oil fields in the former Soviet republics to its south. Mr. Putin's decision to ally himself with the West in the war against terrorism may come at the cost of ceding some of Russia's historical political dominance in Central Asia. The diplomats said it was unlikely that he would surrender what he considers Russia's share of Caspian oil riches.

"The interesting geopolitical issue is whether the Russians will climb down from a zero-sum, even hostile, view of American commercial, political and military relations in the region," said Stephen Sestanovich, a former special adviser to the United States Secretary of State on matters concerning the former Soviet Union. "We are seeing some indications from Mr. Putin that he is telling his government to back off that kind of approach. Will he apply that less competitive outlook to energy issues as well? We'll have to see."

Russia is also extending its energy reach to other lucrative markets. It is pushing ahead with a planned new natural gas pipeline under the Black Sea to Turkey that would increase Turkey's dependence on Russian gas to 80 percent of its needs, from about two-thirds now.

Russia is even making progress with a proposal to build a pipeline to carry Russian crude to

eastern China. Though China is busily developing its domestic energy resources, economic growth has been far outrunning its efforts to step up production, and China has been a net oil importer since 1993.

Energy exports have become the lifeblood of Russia's economy, accounting for half its export earnings and one-third of the federal government's budget revenue. A sharp drop in oil prices could wreck its budget and complicate the repayment of the billions of dollars in foreign debt that fall due in the next two years.

Still, Russia's eagerness as a supplier has often put it at cross-purposes with the Organization of the Petroleum Exporting Countries, which even before Sept. 11 was straining to prop up world oil prices by restricting supply. Russia's steadily rising production undercuts those efforts, and though the country pledges to cooperate with OPEC, oil executives here say they have no plans to cut back.

Russian oil companies, flush with cash from several years of high prices, have been spending heavily on new equipment and technology to increase production. But foreign oil companies with interests here, like BP and Exxon Mobil, have had a harder time, with new production set back by legal and tax difficulties.