

Kremlin Unfazed by Loss of G8 Membership

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U.S. President Barack Obama meeting with G7 leaders to discuss isolating Russia over the Crimea crisis.

Russian authorities on Tuesday appeared unmoved by the announcement that leading industrial nations put Russia's membership in the Group of Eight on hold.

Coming in response to Russia's annexation of Crimea from Ukraine, the expulsion is part of Western efforts to impose a cost on Moscow by isolating it internationally and hitting out at President Vladimir Putin's inner circle.

Foreign Minister Sergei Lavrov said Tuesday that Russia was rather indifferent to the announcement, made in a joint statement by the leaders of the other member nations.

"If our Western partners believe that this format has become obsolete, then so be it," Lavrov said at a news conference at the Nuclear Security Summit in The Hague. "We are not clinging to this format and we do not see big troubles if the group does not meet."

With Russia's temporary exclusion, the organization of the world's wealthiest nations is now effectively back to being called the Group of Seven. Russia formally joined the group in 1998.

Putin's press secretary, Dmitry Peskov, said that Russia sought to maintain its interactions with the G7 despite being put out of the coalition, Interfax reported.

"The Russian side continues to be ready to have such contacts at all levels, including the top level. We are interested in such contacts," he said, Interfax reported.

Russia chairs the G8 this year and was scheduled to host a summit of the group in Sochi in June, which the other member countries have now refused to attend. There is no need to halt infrastructure preparation work for the meeting because no such work was needed in the first place, Peskov said.

After hosting the Winter Olympic Games that ended in Sochi last month, the city was ready for another major international event without any additional efforts, he said.

The move by the G7 to suspend Russia did not come from left field because leaders of the member countries had raised the option several times following Russia's moves to take over Crimea.

G7 members the U.S., France, Canada, Britain, Germany, Italy and Japan announced Russia's suspension in a declaration they released Monday, where they also condemned Russia's violation of Ukrainian territorial sovereignty.

"This Group came together because of shared beliefs and shared responsibilities. Russia's actions in recent weeks are not consistent with them. Under these circumstances, we will not participate in the planned Sochi Summit," the joint statement read.

The statement also said that G7 leaders would instead convene in Brussels, and that the countries' foreign ministers would not attend a separate meeting in Moscow in April. G7 countries stated they "remain ready to intensify actions including coordinated sectoral sanctions that will have an increasingly significant impact on the Russian economy, if Russia continues to escalate this situation."

G7 energy ministers will also meet to discuss ways to bolster the countries' collective energy security, the statement said, apparently referring to the great dependence on Russian oil and gas supplies in some of the members of the coalition, like Germany and Italy.

The reiterated intention to reduce that dependency, if it is achieved, could have far-reaching effects on Russia's economic power, which rests largely on its energy exports. It might undermine the Russian government more drastically than all the sanctions levied so far by the West.

The key Russian energy companies, state-controlled Gazprom and Rosneft, on Tuesday declined to comment on the potential contraction of their market share in Europe. But the mainstream line of thought in Russian discussions of the issue has been that the country could reroute some of the supplies to Asia.

The jury is still out about how successful the European Union, which gets about a third of its

natural gas supplies from Russia, could be in finding alternatives to these deliveries, at least in the next five years.

Norway, the second-biggest supplier to the EU after Russia, "does not have a huge amount of additional gas," said Laurent Ruseckas, senior advisor for global gas at London-based consulting firm IHS.

One of North Africa's largest gas exporters, Algeria, has experienced a decline in investment into the industry because the conditions are "unfavorable," he said.

LNG from the U.S., Canadian and east Mediterranean projects will not start coming to market for another five years, Ruseckas said. And it could be more expensive than Europe is ready to stomach. Germany currently buys its gas at about \$11 per 1 million British thermal units, or Btu, from Russia, while LNG exporters can get a price in the range of \$15 to \$16 for the same amount, he said.

But although costs are important, it does not mean there is no tenable solution.

"People will be thinking very creatively what they might do," Ruseckas said.

In one sign that Europe might have to look hard for alternatives to Russia's gas, the chief of Australia's Woodside Petroleum said the market for LNG was tight as demand was rising, and the company had little room to boost its output of LNG to cover any sudden shortage of Russian gas in Europe, Reuters reported.

"The reality is we are already putting as much supply as we can to the market place," said the executive Peter Coleman.

An earlier version of this article said this year's G8 summit in Sochi was scheduled for August. In fact, it was scheduled for June.

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