

**OIL DIPLOMACY IN THE INTERNATIONAL ECONOMY:
IMPACT OF RUSSIA – UKRAINE CONFLICT**

BY

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DECLARATION

I, OSASERI FRANCES ESEOSA, hereby declare that this thesis is a result of research that has been undertaken by me under the guidance of my supervisors and no part of it has been submitted previously, in whole for the award of any other academic degree elsewhere. Except from references to other works which have been duly cited, this thesis is original work.

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This work is dedicated to Almighty God.

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CHAPTER ONE

INTRODUCTION

1.8 Background of Study

To secure enough oil and gas for their rising energy needs, emerging consumer countries such as China increasingly enter into energy contracts using state diplomacy. Even producer countries like Russia have adopted a state-backed strategy to supplement their domestic energy sources. Both modalities have been labelled energy diplomacy. The term commonly connotes the way countries give their energy companies a competitive edge in bidding for resources by using the state's power: consumer countries strengthen their supply situation by diplomatically flanking energy contracts, whereas producer countries use diplomacy to enhance access to markets or reserves. To be sure, the phenomenon of energy diplomacy is nothing new. Oil and gas have always been politically charged commodities and, hence, have been subject to significant government intervention. China and Russia are simply following a path that the United States, Japan, and a number of European countries once took (Yergin, 1991). Yet the current trend toward energy diplomacy coincides with the general perception that global energy politics has become a zero-sum game, in which one country's energy security is another's lack thereof. Energy diplomacy has thus emerged as a powerful concept in public discourse. But are the common perceptions of energy diplomacy correct? Is energy diplomacy effective? And does it necessitate adjusting the rules to curb the use of political influence in the energy business?

Oil diplomacy, which can very much be related to energy diplomacy, comprises of a set of plans and policies of individual countries which they seek to achieve through international interaction with at least two main objectives. The first objective is to secure the goals of the energy sector as defined and articulated in the country's policy documents. The second objective is to advance the national and international security of the country through

securing a better place and playing a more influential role in the international arena. Oil as one of main energies powering the world has increasingly become a more complex issue in the course of the past decades. It has emerged as a challenging international concern, and has assumed more and more political dimensions. It is therefore reasonable to state that the complexity as well as the international and the political dimensions of energy all coalesce to shape the challenges of today's oil diplomacy (Adeli, 2010). Two sets of actors influence the dynamism of oil diplomacy; state/governmental actors and non-state/non-governmental actors. In this research, we will focus on the governmental actors.

Energy is one of the most important commodities on the planet today. Fossil fuels, particularly oil and gas, continue to dominate as global energy sources, making them a strategic advantage for exporting countries (Agba, E and Olufunmilade F, 2021). Even though this resource is limited, it can be used as a tool for foreign and security policy. Currently, and in the foreseeable future, oil and gas resources are critical to the global economy. One of the causes is that, because the globe is powered by energy, demand for global energy is ever rising. Similarly, an OPEC forecast from 2009 predicted a 42 percent increase in energy consumption by 2030 (OPEC Outlook, 2009). Despite the development of other energy sources, fossil fuels are likely to remain the primary energy source at least until 2050. According to OPEC, fossil fuels will account for more than 80% of global energy by 2030, with oil continuing to play a significant role. Oil's proportion in the energy mix will drop from 34% presently to 30% by 2030, but it will still account for the majority of all energy sources (OPEC Outlook for, 2009).

The International Energy Agency (IEA) estimates that current oil demand of 85 million barrels per day will rise to 105 million barrels per day by 2030. This means that global growth and development will remain heavily reliant on fossil fuels, with oil serving as the single most significant component (Ladoucet, 2007). Approximately two-thirds of global oil reserves have been consumed over the last century, with only one-third remaining,

according to available estimates. Additionally, the world's oil and gas supplies are rapidly diminishing (Agba, E & Olufunmilade F, 2021). While many countries presently have significant oil and/or gas reserves, the current and projected pace of consumption will limit future oil and gas supply to a far smaller number of countries. Major oil producers include Saudi Arabia, Iran, Iraq, Kuwait, the United Arab Emirates, and Russia.

In the global energy markets, Russia plays a major role. It is one of the top three crude producers in the world, fighting for first place with Saudi Arabia and the United States. Oil and natural gas revenues will make up 45 percent of Russia's government budget in 2021, according to the Russian government.

The on-going battle between Russia and Ukraine (along with pro-Russian rebel groups) is known as the Russo-Ukrainian War. Following the Soviet Union's breakup in the early 1990s, NATO expanded eastward, acquiring most former Soviet European countries. Besides Poland and Romania, Lithuania, Latvia, and Estonia joined NATO. In response, NATO moved hundreds of miles closer to Moscow, creating an open border with Russia. And in 2008, it stated its aim to enroll Ukraine, but it's a long shot (Bilefsky et al., 2022). Mr. Putin says Russia's status among the world's big powers was taken when the Soviet Union fell. In 22 years as president, he's restored Russia's military and strengthened the country's position internationally. Putin says NATO's growth is harmful and Ukraine's probable membership is frightening. His criticism of NATO has grown as Russia has grown militarily. He has warned about US missiles and personnel in Ukraine despite denials from the US, Ukraine, and NATO (Bilefsky et al., 2022).

Mr. Putin says Ukraine is culturally and historically part of Russia. Mass protests in Ukraine in 2014 led to the removal of a pro-Putin president, damaging East-West relations. Crimea was soon attacked and seized by Russia. More than 13,000 people have died in the conflict between Ukraine's government and separatists backed by Russia. Putin seems determined to go back more than 30 years, creating a big, Russian-dominated security zone

like the Soviet era. He may be nearing the end of his political career, but he still wants to reintegrate Ukraine's 44 million people into Russia's circle. In December, Russia gave NATO and the US a list of security requests. Mainly, they want Moscow and Kyiv to agree on a ceasefire definition and keep to it, as well as a pledge that Ukraine would never join NATO and a diminution in NATO's presence in Eastern European nations that have already joined. In the West, the most significant demands were quickly ignored. Ukrainian nationalism has been fanned by Moscow's belligerence, and local militias are preparing for a protracted guerrilla war in case of a Russian invasion. As he has before, Putin may try to unite Russian nationalists against a foreign foe. Since the invasion, hundreds of Russians have risked their lives to protest the war (Grajewski, 2022).

Following weeks of escalating tensions, Russian President Vladimir Putin ordered Russian forces to invade Ukraine, provoking international sanctions against Russia's economy but not its oil supply or energy payments. However, as sanctions on Russia became harsher and financial institutions began to fail, the country's economy began to suffer.

On March 2, 2014, Brent traded above \$110 for the first time since 2014 as banks refused to finance Russia-related activities such as establishing letters of credit or clearing payments, and as some corporations became cautious about buying Russian crude (Fattouh et al., 2022). The recent rise in oil prices reflects tighter market fundamentals, with OPEC+ returning fewer barrels than envisaged under their existing deal, and OECD crude and product stockpiles continuing to shrink. In a deteriorating geopolitical situation with a higher probability of output disruptions, rising oil prices, according to Fattouh (2022), reflect increased concerns about the extent of spare production capacity. The situation between Russia and Ukraine has added a new layer of geopolitical instability to the oil market. It has also had an effect on other energy markets, especially the gas market, where high gas prices have increased oil demand because people are switching from gas to oil.

On February 22nd, Germany revoked its approval for a newly constructed gas pipeline from Russia, deciding instead to purchase liquefied natural gas from Qatar and the United States. Belgium contemplated abandonment of nuclear power, while Italy, the Netherlands, and the United Kingdom are all increasing their wind-power deployment efforts (Jellofson, 2022). Fertilizer plants all around Europe announced production reductions, and 31 countries have agreed to release oil from strategic stockpiles. Russia's aggressive invasion of Ukraine has roiled energy markets and geopolitics, sending oil and gas prices to record highs and prompting several countries to reassess their energy supply (Jellofson, 2022).

According to the International Energy Agency, Russia's natural gas fuels the European economy. The United States, the European Union, and others have imposed economic sanctions on Russia and announced plans to phase out the use of fossil fuels in the country. However, despite Russia's shelling of Ukraine, the country's oil and gas continue to flow to Western countries who have condemned the invasion. This isn't the first time that Russian military activity has raised concerns about energy security among Western leaders. As previously stated, when Russia invaded Georgia in 2008 and later captured the Ukrainian peninsula of Crimea in 2014, similar fears arose. "In the past, the allure of cheap Russian energy proved too strong," says Veronika Grimm, an economist at Germany's Friedrich Alexander University Erlangen–Nuremberg (cited in Jellofson, 2022). She announced that "There's a war at our back door" and that "It's difficult to stay out of trouble." The conflict has prompted political leaders to rethink their energy strategies, which could have far-reaching implications for everything from a potential food crisis to global efforts to decrease greenhouse gas emissions. Nature examines some of the world's current actions as well as the long-term implications that could be felt for years or even decades.

1.9 Statement of problem

According to the IMF's Regional Economic Outlook for Europe, a disruption in Russian oil and gas imports could have a significant impact on activity in the second and first half of

2022 and 2023, because Europe could only offset 60–70 percent of Russian imports through alternative supply sources and some demand compression in response to high prices. The IMF's baseline scenario for the economic outlook in Europe does not include any disruptions in the supply of fossil fuels. However, the IMF thinks that a complete disruption of Russian oil and gas supply over the next six months could be handled, even though stockpiles reaching critical levels would put strong upward pressure on prices (European Parliament, 2022).

If a 12-month Russian supply disruption occurs during the summer and next winter, there will be a gas scarcity throughout the winter months. In these conditions, greater demand compression would be required, possibly as a result of policymakers' rationed choices to protect vulnerable individuals and essential firms, as well as excessively high pricing. As a result of such a scenario, the EU as a whole would lose around 3% of its GDP by 2023. A Russian fuel embargo would harm countries with higher gas usage and more reliance on Russian natural gas supplies disproportionately (Germany, Italy, Czech Republic, Hungary, Latvia and Slovak Republic). Countries that utilize less oil and gas, produce more natural gas, or have strained relations with Russia are less affected (France, Spain, the Netherlands).

Though most of the attention has been on European energy security and how the crisis may affect the region's decarbonisation goals. The impact of this struggle on the energy sector, on the other hand, will be felt around the world. The war between Russia and Ukraine is already affecting Africa's oil and gas industry. Although Africa does not import Russian oil, the continent is seeing huge price increases, as is the rest of the world. Higher gasoline price has been the result in the United States, but the price of oil has a substantial impact on energy generation in several African countries. In West Africa, diesel generators account for more than 40% of overall electricity usage; Senegal now generates half of its electricity from oil. Businesses in nations like Nigeria, where the cost of diesel has increased by more

than 200 percent, are struggling to stay afloat as fuel prices climb across the continent. The rising cost of natural gas has made utility-scale energy generation much more expensive in markets such as Ghana, Cote d'Ivoire, and Nigeria.

The economic challenges that this war presents to all countries are the same, and it has now become a global concern. The problem had been tolerable before the war. Since allies slapped sanctions on Russia, the situation has gotten worse. All countries are now seeking for ways to safeguard their economy from the crisis's more severe effects.

For the time being, the most important concern among world leaders is how to minimize their energy dependence on Russia. Despite being the first significant countries to prohibit Russian oil imports, the United States and the United Kingdom nevertheless rely heavily on it. Furthermore, such activities have a little influence because Russia has the capability to counteract them.

Reroute the oil to a worldwide market. Analysts believe that an embargo would only be effective if the EU joined in, as Russia would be unable to quickly find new buyers for the oil and gas it supplies to Europe. According to Jellofson (2022), Russia supplied the EU with over 40% of its natural gas, more than a quarter of its oil, and roughly half of its coal in 2019. Moreover, despite promises to terminate ties with Russia, European nations have opted for cheap energy so far: the volume of Russian oil and gas entering Europe has actually increased since the conflict in Ukraine began. According to Aisha Majid of The New Statement, Europe transferred around €22 billion (US\$24 billion) to Russia for oil and gas alone in March (Majid, 2022). This could change in the coming months as countries diversify their energy supply and reduce their reliance on Russian oil and gas. Poland, for example, has stated that by the end of the year, it will impose import restrictions on all Russian oil, gas, and coal, while Germany and Austria are building the groundwork for natural gas rationing (Jellofson, 2022).

Russia supplies about half of the country's natural gas and coal, as well as a third of its oil. Germany's immediate issue is to minimize its reliance on natural gas in the power generation sector, which is compounded by the country's nuclear power phase-out, with the country's final three nuclear power facilities slated to close this year. According to a report released last month by the German National Academy of Sciences, Germany could survive the coming winter without Russian energy if significant efforts were made to replace Russian oil and gas with imports while ramping up coal-fired power plants and encouraging large-scale conservation and energy efficiency. It is also reliant on rising prices, which have slowed the country's heavy industry. Although the next few years may be difficult, according to Grimm, a co-author of the Leopoldina study, the long-term impact on energy policy and greenhouse-gas emissions in Europe may be good. Because the European trading system covers the power sector and caps cumulative carbon emissions, a temporary increase in coal power, for example, should raise carbon credit prices and drive emissions reductions elsewhere. According to Grimm, the German government plans to increase the share of renewable energy sources in the electrical industry from around 40% now to 100% by 2035, five years sooner than previously planned. Grimm agrees, "That's a huge undertaking." A prolonged period of high energy prices might also spur big investments in energy efficiency, an area that holds enormous promise but receives considerably less attention than renewables. "This will help us get a lot of stuff done faster than we would have done anyhow." Grimm concludes (cited in Jellofson, 2022)

The global energy picture is extremely hazy, and the diplomatic ramifications of the war's oil-related concerns are yet unknown. When oil and gas prices have risen in the past, a series of events have occurred in opposite directions: individuals drove less and bought more fuel-efficient vehicles, while companies and nations invested in oil and gas infrastructure around the world to increase output. The current circumstance, on the other hand, may provoke a different response. Consumer preferences are changing as wealth

differences between the richest and poorest people in various countries expand. Although usage will undoubtedly decline in the short term as consumers react to rising prices, John DeCicco, an automotive engineer at the University of Michigan in Ann Arbor, does not expect a significant shift toward smaller or electric vehicles (cited in Jellofson, 2022). Because new automobile buyers are wealthier than earlier generations, they will be less affected by rising gasoline prices.

“This is not the same universe as previous oil shocks,” DeCicco explained. Big oil and gas firms, on the other hand, are yet to expand their investments in fossil-fuel production, according to economists. Global Leaders have been emphasizing the need for decarbonisation in recent years, according to Ricardo Hausmann, an economist at Harvard University in Cambridge, Massachusetts, and companies are now wary of sinking their own capital into assets that could become stranded as climate policies tighten in the future (cited in Jellofson, 2022). “The market is scared, Hausmann says, but global supply and demand have not altered much so far a dynamic that might change if prices stay high for a long time. According to Nikos Tsafos, a researcher at the Centre for Strategic and International Studies in Washington, DC, while the war in Ukraine is likely to speed up Europe's transition away from fossil fuels, it may slow the clean energy transition—and increase greenhouse-gas emissions in other parts of the world (cited in Jellofson, 2022). Southeast Asia, in particular, may return to coal, according to Tsafos, if Europe effectively controls the global liquefied natural gas market. Then there's Russia, which produced nearly 5% of global emissions in 2020 and is unlikely to embrace decarbonisation without international political and economic support.

If the conflict escalates, it will have major economic consequences, affecting Western countries' foreign policy strategies, particularly against totalitarian regimes like Russia's. It will, however, force the international community to regress to the Arab oil producers. Only Russia will be excluded, thus the impact on international oil diplomacy will be minimal.

The rising price will eventually reduce, while global demand and consumption will either stay the same or increase. This study will present a detailed picture of the possibilities that will dominate the global system in terms of oil consumption and diplomatic use of oil and related energy sources.

1.10 Research Questions

The following are the questions this project attempts to answer:

- (i) What is the impact of Russia Ukraine conflict on supply and demand in the international community?
- (ii) What is the nature of Russia-Ukraine Relations?
- (iii) What is oil diplomacy in the International system?
- (iv) How can oil diplomacy be improved upon in international economics relations?

1.11 Objectives of Study

The following are the targets of this study:

- (i) To assess the impact of the conflict on supply and demand of oil in the international community
- (ii) To analyse the relations between Russia and Ukraine
- (iii) To analyse the state of oil diplomacy in the international system
- (iv) To examine how oil diplomacy can be improved upon in international economic relations

1.12 Methodology

The research method used in this study is qualitative. We use non-numerical data to understand the concept of oil diplomacy and the ramifications of the Russia-Ukraine conflict. This method will be used to acquire a deeper knowledge of the energy-related issues that have arisen as a result of the rising tensions between Russia and Ukraine. This technique will help us come up with new study ideas and draw conclusions based on the experiences of oil users. Mostly, we use secondary data sources for the research, such as

books, academic journals, news articles, official documents, and so on. 90% of the information acquired for the study are sourced from the internet. Oil diplomacy is more than just an international issue; the approach chosen in this study is multidimensional, with oil diplomacy seen as a process of political and economic development that can aid in the expansion of bilateral contacts toward international norms. We focus on sub-topics of interest from their specific position in relation to the project issue, but we regard the subject on its own merits in liberal ways. With this study, we want to bridge disciplinary gaps as much as possible by making the entire project as accessible as possible to decision-makers and professionals from various professions. The overall perspective on oil diplomacy that arose from the study of multiple viewpoints on the Russia-Ukraine conflict is quite holistic and accessible to a wide audience.

1.13 The Scope of Study

This study looks at oil diplomacy from 2014, the time when Russia and Ukraine first experienced serious tensions in their relations, until the current year which has witnessed an onslaught. Since oil is not an independent energy commodity, we will also examine natural gas, which is tethered to oil, in the context of Russia and Ukraine. Although the main focus will be on oil, we will also cover natural gas. The scene is set on a global scale, yet we will focus a little more on Europe. Because the conflict between Russia and Ukraine is still occurring as of this writing, we will only give findings based on expert projections of how events will play out. We will go into further detail about what has already happened in the international arena as a result of the conflict and rising fuel prices.

1.14 Definition of Terms

Oil Diplomacy

Oil diplomacy, as applied to the rationale of this research, comprises of a set of plans and policies of individual countries that seek to achieve through international interaction at

least two main objectives. The first objective is to secure the goals of the energy sector as defined and articulated in the country's policy documents or national white papers on energy. The second objective is to advance the national and international security of the country concerned through securing a better place and playing a more influential role in the international arena.

International Economy

International Economy refers to the interconnected worldwide economic activities that take place between multiple countries. These economic activities can have either positive or negative impact on the countries involved. This concept comprises the following characteristics: globalization, international trade, international finance, and global investment.

Russia-Ukraine Conflict

This is Russo-Ukrainian war which is ongoing between Russia (together with pro-Russian separatist forces) and Ukraine. It applied to this study, the Russia-Ukraine Conflict began in February 2014 following the Ukrainian Revolution of Dignity, and initially focused on the status of Crimea and Donbas, internationally recognised as part of Ukraine.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.6 Oil and Oil diplomacy

Energy resources have been the cause or a stand-in for foreign policy and even military actions throughout history. At the beginning of the 20th century, there was a lot of competition between Britain and Russia over who would control the oil rich Arab regions. In 1935, Italy invaded Abyssinia, Ethiopian Empire. In response, the League of Nations put in place economic sanctions that made it hard for Italy to get oil and other energy resources from the region. Many people say that Japan went to war with the U.S. in 1941 because the U.S. put an oil embargo on her. The goal was to force Japan to pull its troops out of occupied China. Both Germany's reliance on foreign oil imports and the Soviet Union's reliance on Caspian oil reserves are thought to have played a big part in Berlin's decision to invade the Soviet Union in 1941 to take control of Caspian energy (Crane et al., 2009). Without Washington's strong and vocal diplomatic support, projects like the Baku-Tblisi-Ceyhan pipeline, which was built to give the West access to oil reserves in the Caspian Sea, would not have been built. So, Joffi (1999) says that the link between energy (including oil) and diplomacy or even military action is not a new one.

Low prices and a decade of too much oil and gas on the market made it hard for people to talk about the significance of oil diplomacy. Since the turn of the century, when the balance between supply and demand in global oil markets and regional gas markets tightened again, energy diplomacy has again become an important issue in power politics. Even though many people have linked the term "energy diplomacy" to the intersection of energy, foreign policy, and supply security, no one can agree on a precise definition that can be used as a foundation for the empirical analysis of oil diplomacy in the international economics relations.

Current debates about energy diplomacy assume that there is a strong link between issue like energy and development policy, bilateral trade, military aid, and foreign policy as a whole. Goldthau (2022) says that the term (energy diplomacy) refers to the strategic and instrumental use of foreign policy to secure a country's energy supplies. The term is most often used in discussions of resource access that take geopolitics into account. Alden (2007) and Konings (2009) give examples of China's oil diplomacy in Africa and the Kremlin's energy diplomacy in the Caspian region and Asia. Also, the rise of national oil companies (NOCs) and ongoing efforts to keep private international oil companies out of promising (foreign) development projects are often cited as signs of renewed state efforts to secure energy supplies or income from energy resource extraction (Champion & Chazan, 2006). Therefore, we can come to agree that energy diplomacy is the use of foreign policy to get access to energy supplies abroad and encourage (mostly bilateral) cooperation in the energy sector. Although there is no particular definition that everyone agrees on, but this seems to be a useful one in this study. This definition suggests that states or state actors are the main units of analysis, that the main reason oil and gas deals are made is not always to make the most money, but rather to protect national security, and that the cost-benefit calculations are based on a political rather than an economic logic (Goldthau, 2022).

2.2 Historical Review of Oil Diplomacy in the International System

As analysed by McFarland (2018), oil diplomacy, formally known as petroleum politics, has played a significant role in Middle Eastern geopolitics since the turn of the twentieth century. However, in the twenty-first century, the balance of powers in oil diplomacy is likely to shift due to the development of alternative fuel sources and concerns about climate change. The late stages of the Industrial Revolution, which occurred in the early 20th century, saw oil rise to prominence as a commodity. As a result of the increasing importance of petroleum in modern warfare, petroleum politics have become a crucial factor in international relations. Consequently, oil plays a crucial role in geopolitics, as

countries compete to secure oil supply through trade, diplomacy, armed conquest, and other means. Conventionally, the country with the most oil reserves has considerable leverage to set whatever terms it wants. It is possible for oil-rich countries to be the aggressor in international disputes; this is known as petro-aggression. Oil and other forms of energy have played a significant role in the history of international affairs (McFarland, 2018).

The Cold War and Petroleum Politic

Beginning in 1980, the Cold War escalated once again due to the Soviet invasion of Afghanistan, the NATO Double-Track Decision, and the subsequent crisis in Poland. We remember the American response, which included an embargo and a refusal to participate in the Olympics in Moscow. The biggest energy trade contract ever completed between a Western state and the Soviet Union was negotiated by German merchants only a few weeks after the Soviet invasion, as reported by Pautsch, Dorothee, and others (2011). Assuring the businesses that "the customary business with the Soviet Union needs to continue, but it should not be business as usual," Chancellor Helmut Schmidt expressed his support for the negotiations despite the uncertain political climate. This is a paraphrase of the work done by (Pautsch et al., 2011). As a result, Schmidt believed that it would be unfeasible for the Federal Republic of Germany (FRG) to abandon its Soviet energy sources and instead saw collaborative energy policymaking as a chance to rein in the Soviet Union. So Schmidt told Carter that "those involved in trade with each other do not shoot at one another" and that the US should help the Soviet Union "access the energy resources of their own territories, in order to curb their thirst for foreign ones" (Raithel et al., 2009).

Bosch (2014) highlights two notable features of mentioned constellation. In the first place, it is clear that the West German government prioritized energy trade over the resolution of the ongoing political struggle. Ultimately, the oil and gas issue was so compelling that West Germany decided to risk a major war with its most valuable partner, the United States. In the second place, the motives behind the oil trade appear to have been political,

with the end goal of enlisting the Soviet Union and Comecon States in the process and securing peace. The two factors give credence to the idea that the end of the Cold War and the evolution of ties between the East and the West are intertwined with the shift of energy supply.

Many people equate the Arab world's rise to prominence and OPEC's dominance in the oil industry with the decade of the oil crisis (Bosch, 2014). Their effects on the Western economy and politics have been the subject of numerous academic works, including as those by Venn (2002), Vernon (1972), and Yergin (1991). Efforts to cut oil consumption in Western countries, joint efforts to solve this problem, and the search for local energy supplies have all been the subject of other publications. Most of these books were written by Americans and Brits, thus they mostly talk about their countries and the countries they trade with in the energy market, but they rarely talk about countries like Germany (Bosch, 2014). Because oil traffic between the Communist East and the United States and Britain was so minimal, Gustafson's (1989) analysis of Eastern Europe from this historical perspective has been largely ignored.

Starting in the 1970s, however, the Soviet Union began supplying not just its Eastern allies but also an increasing number of countries in Central Europe with oil, gas, coal, and enriched uranium, making it the world's greatest energy producer. During the 1970s, when the world was gripped by energy difficulties, the Soviet Union established itself as a formidable contender in the race to secure the world's energy future (Perovic, 2013).

According to Frank Bosch (2014), the Soviet Union's economy did not collapse in 1973 but rather grew alongside its expanding trade with the West. Their political importance was greater than their energy exports, which were never on par with the Arab world. As could be expected, this resulted in increased dependence on one another throughout the Cold War, which in turn altered political and economic structures. According to Bosch (2014), the energy policy agreement between Eastern and Western Europe has far-reaching

consequences. Allies in NATO and the socialist Comecon states like the Soviet Union and the GDR got along better as a result of their energy diplomacy (e.g., between the United States and West Germany).

The oil crisis of 1973 solidified prior arrangements for cooperation with the USSR. OPEC's price hikes undoubtedly boosted the perceived value of Soviet resources, and declining Arab confidence in the Soviet Union's reliability as a trading partner further helped to cement that perception. On the other hand, Bosch (2014) argues that a more comprehensive view of cooperation efforts since 1973 reveals that many ambitious initiatives were conceived but never implemented. This failure had roots in both the economy and politics. As a result, 1973 was not the end of the utopian dream; rather, the advent of modern energy policies made it possible for these dreams to blossom (Bosch, 2014).

It is commonly known that a second large price spike occurred in 1979 after Iran cut off oil exports, which accounted for around 10% of the global market. Since Iran was West Germany's primary source, the country was impacted particularly heavily (Bosch, 2014). Countries like Japan, Italy, the Netherlands, and the USA, who were all significant purchasers, also felt the pinch. Even if the worldwide oil crisis of 1979 had just as far-reaching economic effects as the one in 1973, the latter event was mostly overshadowed by the former. Unfortunately, it has been largely ignored by Western European history books. Maybe it is because so many things were going wrong at once in 1979 that the year ended up feeling like a miracle. Invasion of Afghanistan by the Soviet Union, NATO's Double-Track Decision, the Iranian Revolution and hostage crisis, the Nicaraguan Revolution, the Winter of Discontent and Thatcher's election in the United Kingdom, and the accident at the Three Mile Island nuclear reactor outside of Harrisburg, Pennsylvania (Caryl, 2013). Since the Soviet Union was blamed for invading Afghanistan to get access to the Persian Gulf's oil reserves, the Cold War's focus shifted to the competition over the region's limited

energy resources. Potential responses to the second oil crisis were affected by a number of seemingly unrelated events. Still, the 1973 boycott could be written off as an isolated episode; however, the Iranian Revolution and the growth of Islamism made it evident that tensions between the Arab world and the West would render reliable oil supplies and allies, such as Iran, unattainable.

2.3 Oil Trade: A Diplomatic Strategy in International Economics Relations

There are many different ways to look at oil diplomacy in international economics, depending on point of view and the circumstances around it. Some authors, like Czech and Niftiyev (2021), talk about how important increase in trade can be to the economy. Other authors, like Goldthau (2010) and Bellelli (2013), talk about why increase in trade occurs and how they alter the narratives of international economics. The Robert Strauss Centre for International Security and Law says that an increase in oil trade can make diplomatic ties stronger, while a decrease in oil trade could hurt diplomatic or security ties between the countries involved. If less oil trade with one consumer country caused a producer country to look for new markets elsewhere, the research centre says that another consumer country might increase trade with the producer country, which would give it more power along with more oil imports. According to Bellelli (2013) the US Shale Revolution brought this issue to the forefront. When the US cut its oil imports because it was making more oil on its own, oil-producing countries started sending their oil exports to other large consumers, especially political rivals like China. Bellelli (2013) says that the American people were afraid that changing trade patterns would lead to less American influence abroad and more Chinese influence on the foreign affairs of other countries.

Al-Marri (2017) says that there is not enough evidence to support the idea that changes in the oil trade have a big effect on diplomatic or security ties. He also showed that many other factors, like shared interests and cultural and political ties, are much more important than energy exchange in forming these kinds of partnerships. Even though the US imports

of Trinidadian oil and natural gas have dropped sharply, Trinidad and Tobago has continued to work with the US on security measures in the Caribbean. In the early 2000s, when Angola cut off oil supplies to the US, China chose to buy more oil from Angola. This did not give China too much power over Angolan foreign policy that could hurt the US. Even though they are trading less oil, relations between Angola and the US have gotten better (Al-Marri, 2017). Penrose's 1976 study, though, says that this doesn't mean that no country is important to the US in terms of the energy market; they make a big difference in the amount of oil and gas in the world. The top guns in the energy markets are large contributors like Saudi Arabia. They are important to any international energy consumer because they can change prices around the world. If their production is cut off, prices would go up and there would change in demand and supply. To put it another way, big drops in oil prices around the world could greatly impact demand and supply of oil in the international market, and not even the US can escape (Macfarlane & Kvihaug, 2022).

2.4 Empirical Analysis of Russia-Ukraine Relations and Conflict (2014 – 2022)

Bigg (2022) says that armed conflict broke out in eastern Ukraine in early 2014 after Russia took over Crimea. The year before, when people in Kyiv, the capital of Ukraine, protested against President Viktor Yanukovich's decision to turn down a deal for closer economic ties with the European Union (EU), state security forces beat them up. The protests got bigger, making the conflict worse, and in February 2014, President Yanukovich left the country. In March 2014, one month after that, Russian troops took over the Crimea region of Ukraine. Vladimir Putin, the president of Russia, said that the rights of Russian citizens and Russian speakers in Crimea and southeast Ukraine must be protected. After the Crimeans voted to join the Russian Federation in a disputed local vote, Russia then officially took over the peninsula. Fitzgerald (2022) says that the crisis made ethnic differences worse, and that two months later, pro-Russian separatists in the Donetsk and Luhansk regions of eastern Ukraine held a referendum to declare independence from

Ukraine. Russian-backed forces and the Ukrainian military quickly went to war with each other in the area. Moscow denied military involvement, but both Ukraine and NATO said that Russian troops and military equipment were building up near Donetsk and that Russia was shelling across the border right after it took over Crimea. The conflict turned into an active stalemate, with shelling and skirmishes happening all the time along the front line that divided the border areas controlled by Russia and Ukraine in the east.

With the Minsk Accords signed 2014 on 5th September, France, Germany, Russia, and Ukraine tried to start talks and prevent further tensions. The framework of the agreement called for a stop to the fighting, the removal of heavy weapons, and full control of the conflict zone by the Ukrainian government. Fitzgerald (2022), on the other hand, says that most attempts to reach a diplomatic settlement and a satisfactory solution failed. In April 2016, NATO said it would send four battalions to Eastern Europe. Troops would be moved through Estonia, Latvia, Lithuania, and Poland on a regular basis to stop any future Russian aggression in Europe, especially in the Baltics. That should not have been an issue for Russia since there was no official agreement against Nato expansion. According to Hall (2022), although NATO expansion has been a divisive topic, both within and beyond the organization since the 1990s, there was no official arrangement against Nato's expansion. When the current situation is viewed in the proper light, however, it is possible to claim that NATO is not an aggressive, expansionist alliance. Moreover, it appears that Russia gave at least implicit consent to the expansion, which included the former Soviet Baltic republics, and signaled its intention to be a partner in the European security architecture.

In September 2017, the U.S. also sent two tank brigades from the U.S. Army to Poland to strengthen NATO's presence in the area. In January 2018, the United States put new sanctions on twenty-one people and nine companies with ties to the conflict in eastern Ukraine. Among those people were a number of Russian officials. In March 2018, the State

Department agreed to sell anti-tank weapons to Ukraine. This was the first sale of deadly weapons since the conflict started. In western Ukraine in October 2018, the United States, Ukraine, and seven other NATO countries took part in a series of large-scale air exercises. After Russia's largest military drills since the fall of the Soviet Union in September 2018, which were held every year, these drills took place. There have been tens of thousands of cyber-attacks on Ukraine. In December 2015, an attack on a power company left more than 225,000 people in Ukraine without electricity. In December 2016, a similar attack on a Ukrainian utility company caused another power outage in parts of Kyiv. The Not Petya cyberattack, which was blamed on Russia, hit government and business computers in Ukraine in June 2017. The attack spread to computers all over the world and cost billions of dollars in damages. Along with the Russian invasion in February 2022, distributed-denial-of-service attacks were aimed at Ukrainian government websites, like those of the defense and interior ministries, banks, and other related organizations.

Since February 24, 2022, when Russia started a full-scale military invasion of Ukraine, fighting has killed nearly 3,000 civilians and forced more than seven million people to leave their homes. Five million more Ukrainians have fled to neighbouring countries because of the conflict. Most of them have gone to Poland, a NATO country where the U.S. and other allies are helping to house the refugees (Mankoff, 2022).

Near Kyiv and Chernihiv, Russia said at the end of March 2022 that it would "reduce military activity." (CNN News). As the initial Russian invasion slowed down, long-range missile strikes caused a lot of damage to Ukrainian military assets, urban neighbourhoods, and infrastructure for communication and transportation. Hospitals and places where people live were also shelled and bombed. By April 6, all Russian troops had left the area around Ukraine's capital. After the Russians left the areas around Kyiv, Ukrainian civilians talked about what seemed to be war crimes committed by Russian forces, such as summary executions, torture, and rape (Human Rights Watch, 2022).

People in Mariupol, a port city in the southeast of Ukraine, have been facing a humanitarian crisis for a long time because they don't have enough food, water, or heat. By the end of March, observers thought that more than 90% of Mariupol had been damaged or destroyed by the Russian bombing. Officials in Ukraine say that 20,000 civilians died during the Russian siege of Mariupol, and satellite images show that there is a mass grave near Mariupol. For weeks, Russian forces have been surrounding the city and killing hundreds of civilians with bombs dropped from the air. After failing to take over Kiev, Russia started a new major offensive in eastern Ukraine on April 18 (The Guardian, 2022). Mankoff (2022) says that Russia's policy toward Ukraine and Belarus during Putin's presidency was based on the idea that their national identities are fake and weak. Mankoff argues that Putin's claims that foreign enemies are promoting Ukrainian (and, to a lesser extent, Belarusian) identity as part of a geopolitical war against Russia are similar to how many of Putin's predecessors refused to recognize the agency of ordinary people trying to get away from tsarist or Soviet rule. Putin likes to talk about history, so he often brings up the ideas of people who emphasized the organic unity and people of the Russian Empire, especially its Slavic and Orthodox core. This is an example of what historian Timothy Snyder (2018) calls "politics of eternity," or the belief in a core of history that doesn't change.

Kirby (2022) says that the idea of unifying Russia, Ukraine, and Belarus is very important to Putin and other Russian elites. This helps explain why Russia was willing to risk a big war on its borders when neither Ukraine nor NATO were a military threat. It also shows that Moscow wants to control Ukraine in other ways than just by keeping it from joining NATO. Russia wants to be in charge of Ukraine's government, military, and economy. The military policy of Russia is also made clear. Due to their cultural, linguistic, religious, and other ties to Russia, Moscow seemed to think that a large number of Ukrainians, at least in the eastern part of the country, would accept reintegration into a Russian sphere of

influence (Kirby, 2022). Even though polls taken before the war showed that many Ukrainians were willing to take up arms to defend their country against a Russian invasion, Moscow's gamble was not completely irrational because the change was recent and people on both sides of the Russian-Ukrainian border still had family and other ties. Still, Russia's battle is at a standstill in part because of this false idea about who Ukrainians are (Synder, 2018).

Over the last ten years, Ukrainian civic identity has grown a lot. This is especially true after the "Revolution of Dignity" in 2014 and the subsequent Russian takeover of Crimea and invasion of Donbas. In this democratic country of Ukraine, there are more and more people who can speak both Russian and Ukrainian. This is especially true in the east. A generation has grown up in an independent Ukraine that, despite its flaws, has kept a strong democracy and is moving toward a more European outlook (thanks in part to Russia's forceful engagement), while Putin's Russia still wants to be a quasi-imperial great power. The current conflict has, if anything, brought Ukrainians of all regions, dialects, and religions closer together while showing how different they are from Russians. So, no matter what happens on the battlefield, the reason for the war is Russia's long-term plan to control its neighbour, which is almost certain to fail.

However, on Tuesday evening, September 20th, Russian officials claimed that a record majority of residents voted to join Russia in an Annexation Referendum. Within days, Moscow moved to formally claim 15% of Ukraine. According to Reuters, the Russian parliament's annexation vote was set for October 4. Western countries all called the elections, which Russian President Vladimir Putin declared last Wednesday 21st September, illegitimate. Volodymyr Zelenskyy, president of Ukraine, remarked via video to the UN Security Council in Kyiv, "There is nothing to talk about with this president of Russia (Vladimir Putin). Hastily arranged votes had taken place over five days. The four occupied regions -- some partially under Russian control -- make up about 15% of

Ukrainian territory." (Euro News, Sept. 28). The Ukrainian media has pointed out that the Russian-installed government's population estimates are erroneous because 80% of the pre-war population has fled as refugees or gone to other parts of Ukraine. Both the UN and EU have criticized the referendums as invalid, and the UN has demanded that Ukraine maintain territorial integrity within its internationally recognized borders.

Impact of the War on the Oil Sector Globally

According to Butler (2022), the cascading bad impacts of the Russia-Ukraine conflict have disrupted the global energy market, causing damage to a globe recuperating from the negative effects of COVID-19. This is in recognition of the fact that Russia is the greatest exporter of natural gas and the second-largest exporter of oil (by 10%) in the world (UN briefing, 2022). Given that oil and gas will account for roughly half of the world's energy supply in 2022, the supply gap poses a challenge to the international community.

According to the UN Briefing, the disruption of the energy supply caused by the war has led to an unprecedented surge in the prices of oil, gas, and other fossil resources (August 2022). As of July 5, 2022, the price of oil per barrel in the Organization of the Petroleum Exporting Countries (OPEC) has soared to US\$144,3 due to renewed EU efforts to restrict the majority of oil imports from Russia. In addition, global gasoline prices rose from US\$ 2.55 in January 2022 to US\$ 3.27 in July 2022 (UN Briefing, August).

The destruction of infrastructure in both Russia and Ukraine has immediately disrupted the logistical supply lines of oil and gas to Europe, with the impact in Ukraine being more significant than in Russia. The energy supply has been disrupted by Russia's siege of Ukraine's major cities, the bombing of a nuclear power facility in Zaporizhzhya, and the sabotage of vital infrastructure. In the aftermath of the conflict, the transit of commodities in the Black Sea region has become much more difficult and expensive, particularly due to

the closure of all Ukrainian ports. Russia and Ukraine are not members of the Organization of the Petroleum Exporting Countries (OPEC).

However, Butler (2022) says that Russia has an agreement in place with OPEC members to cooperate on oil pricing and production. Despite requests from the United States, the United Kingdom, and the European Union to reduce oil prices by raising oil production, OPEC has been hesitant to move for a number of reasons, including the restricted capacity of some member states and respect for Russia's partnership. As a result of the COVID-19 epidemic and the Russia-Ukraine conflict, world oil prices have risen tremendously. Nevertheless, OPEC is reluctant to raise production. Because Russia's output has gone down, OPEC is thinking about letting it out of new agreements. This gives people more hope that some member states will increase their output and stabilize prices.

2.5 Theoretical Framework

The theoretical underpinnings for this research are neo-mercantilism, the new version of longstanding mercantilism, and the Social Contract Theory. The rationale behind these theoretical frameworks is our need to understand the extent of the impacts of Russia-Ukraine tensions on oil trade and diplomacy in global system. As an international economics theory, neomercantile theory can explain how the war between Russia and Ukraine affects oil diplomacy around the world and how these effects can be managed by affected nations.

LaHaye (2008) says that mercantilism is economic nationalism that aims to build a strong and wealthy state. Gauci (2011) says that Adam Smith came up with the term "mercantile system" to describe a way of running a country's economy that aimed to help the country by limiting imports and increasing exports.

In this context, the term "neomercantilism" refers to a sort of economic nationalism. The market is not rejected. Instead, it attempts to change the national and international workings

of markets in order to defend state interests, particularly a country's political and military position. It seeks to manipulate markets to achieve national goals or, failing that, to reject market calculations based on efficiency and short-term profit in favor of those seen to increase national authority. To this purpose, as explained by Houser (2008), neomercantilist regimes favor policies that favor state-owned or otherwise state-supported businesses that exert influence over the economy's "commanding heights," or the largest and most strategic sectors. Recognizing the superior growth rates and efficiency experienced by publicly traded enterprises in the global market, states attempt to ensure the commercial objectives of significant firms align closely with official policy (Houser, 2008).

The government strengthens its grip on power, while businesses secure monopoly (or oligopoly) rights from the government, ensuring their continued access to rent-seeking opportunities. The foundations of neorealism and neomercantilism are identical (Haus, 1999; Gilpin, 1975; Gowa, 2004; Rodrik, 2010). The theory postulates that in an anarchic international order, states will compete with one another and seek to maximize their relative power in order to protect their own sovereignty and security while also pursuing the goals that naturally arise from their unique domestic and international environments. In addition, neomercantilism attempts to provide an explanation for how nations will design economic policies to maximize wealth in order to elevate their status in the international system. It is a central tenet of neomercantilism that governments would intervene in financial markets to protect domestic markets against foreign competition, even if doing so may not be optimal according to the rules of neoclassical economics.

While modern neomercantilism is very different from its classical predecessor, both seek to increase national wealth through the acquisition and exploitation of strategic raw commodities. In the early modern nation-state, gold and silver were the key commodities; now, oil and natural gas play same role. States benefit greatly from being able to provide for themselves in terms of oil and gas, but only Russia in Europe is capable of doing so

(Morgenthau, 1978). Control over transportation networks becomes very crucial for the security and prosperity of major powers that lack access to sufficient energy supply. The location of trade routes and natural resources in particular are taken into account in neomercantilist theory since they affect a country's assessments of economic competition (Grygiel, 2006).

Powerful nations that prioritize national security and economic growth cannot afford to neglect energy. The number of states that consume large amounts of energy has increased, and with that, the importance of securing supplies at stable prices. For their side, major oil exporters like Russia are very protective of their national sovereignty, therefore they either restrict international investment in the hydrocarbon sector or nationalize their petrochemical companies. They consider energy to be both a financial and strategic asset. As a result, even regimes that publicly declare their allegiance to free-market economic ideals routinely ignore market mechanisms in the name of national security. No nation rejects neomercantilist tactics; what sets them apart is the intensity and consistency with which they employ them, as well as the degree to which the philosophy of neomercantilism is central to their national identity.

A neomercantilist's focus is on the state's military or economic dominance in comparison to rivals, which necessitates government involvement in fostering trade, defining investment policy, and bolstering domestic enterprises. Of course, if every state acted in this manner, with no institutional arrangements in place to manage competition, states would pose a threat to one another's security by, for example, forming preferential trading blocs, manipulating currencies, discriminating against foreign companies, subsidizing national firms, and locking up sources of raw materials. As such a tactic spread throughout the international system, it would inevitably lead to further crises and possibly even wars (Mansfield, 1994). Assuming that powerful governments will capture such structures to

advance their relative position, neomercantilism is dubious of institutional procedures designed to foster collaboration.

Russia's neomercantilist goals are exemplified by its efforts to dominate Central Asian transit routes, consolidate political power in the region, maintain its dominant role as Europe's primary energy supplier, and increase state revenues. Because of geopolitical constraints to the south (economic sanctions on Iran) and outdated energy infrastructure from the Soviet era, Central Asians must rely heavily on their northern neighbor for energy exports. Russia's state-owned energy companies realize substantial revenues from transit fees and reselling gas in the European market (Goldman, 2008). Moscow has taken advantage of its position to extract rents from Central Asia, whether through reshipment of natural gas to Europe or oil piped through the Caspian Pipeline Consortium (CPC) or Atyrau-Samara-Novorossiisk lines. Until the mid-2000s, Gazprom had monopolized Turkmenistan's export options for natural gas because the firm owned the pipeline networks the Turkmen government relied on to export its gas.

Neomercantilism also shapes Russia's policies toward foreign investment in its energy sector. The need to secure capital and state-of-the-art technology should push Russia to open its hydrocarbon sector to Western and other international oil firms, not least because domestic oil and gas production have been stagnant for lack of investment and because existing oil sources ("old oil") are being depleted. Since oil prices skyrocketed in the 2000s, however, and the Kremlin decided to centralize oil and gas production within the country through state-controlled "national champions." In late 2006, it coerced Shell and its Japanese partners in the Sakhalin II venture into transferring controlling ownership to Gazprom under the prospect of hefty penalties for environmental infractions. A portion of the CPC Pipeline was purchased by Transneft. In 2007, BP further solidified its position as the dominant player in the Russian oil pipeline industry, and in 2013, after years of official

harassment over alleged environmental and tax difficulties, state-owned Rosneft acquired BP's part in TNK-BP (Gustafson, 2012).

Alliance model of International Relations is another theoretical framework for this study. It comes from numerous questions about the need for relations between nations in the international framework. One of the most contentious questions in International Relations theory is where alliances come from, a topic explored by Walt (1987). As a matter of fact, the umbrella term "alliances" encompasses a wide range of research and contemplation devoted to answering questions like, "Why do states form alliances?" "When do states ally?" and "Which alliance can we expect to come about given these conditions?" The topic of why alliances are formed is the first one to examine in light of this conflict between Russia and Ukraine. The most common theories center on the topic of national security and the responsibility of all citizens to ensure its upkeep. That is to say, when nations feel threatened, they are more likely to form coalitions to counteract those threats. As a result of the external or internal nature of the danger, two main categories emerge, each of which takes a somewhat different tack when explaining why alliances arise. The former, concerned with international stability, is associated with realism that has tended to rely on connections among major powers; the latter, concerned with domestic safety, examines the establishment of alliances among smaller governments, especially those in development. Other interpretations, beyond these two dominant perspectives, emphasize the importance of social, cultural, and political commonalities or the function of alliances as tools restricting the conduct of states.

The realist and neorealist schools of thinking have historically held sway in the field of alliance theory. This ideology holds that alliance creation is inextricably linked to the systemic structure, and thus to structural polarity and systemic anarchy. In particular, states prioritize security because of the chaos in the international system. To "reinforce the security of the allies or to advance their interests in the external world," as Wight (1978)

puts it on page 122, is the purpose of an alliance. In order to feel more secure, states that realize they cannot defeat a more powerful enemy alone often form alliances with other powers in a similar position. As Liska (1962) points out, external threat is the "main cause of alliance," and he believes that "Alliances are against, and only derivatively for, someone or something" (p.12).

The most common explanation for the emergence of alliances is the "aggregate of power" model, which is essentially what alliance theory is according to Morgenthau (1985) and Waltz (1979). This model presumes that allies place a high value on one another due to the mutual military support they give in the face of a shared threat. What this means is that when states feel threatened from the outside, they seek alliances with the primary goal of strengthening their military might through combination with others. Therefore, governments' alliance behaviour is dictated not by internal variables but by military strength, security interests, and foreign threats.

What this Russia invasion of Ukraine has revealed most importantly for the business of international relations is the essence of alliance. Based on analysed facts, Russia, despite its highly revered military might and status quo as a leading political and economic power feels vulnerable standing alone. What the Soviet Union was is not what Russia can boast of today and that justifies Putin's desire for more alliance with immediate neighbours. Since Ukraine is unwilling to accept Russia's terms of partnership, the battle line remains bold. But, on the other hand, Ukraine sees NATO and Western powers as good alliance that may save it from Russia's totalitarian influence. Even when Russia has decided to go to war with Ukraine, the hope that Western alliances will come to their aid strengthens Ukrainians to denounce partnership with Russia. Russia is never going to take that kindly, hence the persistence of the conflict. However, it is all about alliance and the need to support in the face of existential threats.

CHAPTER THREE

METHODOLOGY

This chapter describes the methodology that was applied in conducting this research. It explains the research method and design that was used in the course of the study. It also describes the technique, data collection and the data analysis method that were used. Lastly, the consideration is stated.

3.6 Research Method and Design

According to Hamilton and Claire (2003), a "research technique" encompasses a study's methodology, its structure, and the steps taken to collect and analyze data. Exhibiting a complete, consistent, and appropriate research approach is crucial for providing readers and other researchers with useful information about the means by which data were collected, analyzed, and interpreted. The researchers typically include more information on the research setting (where it was conducted), the events that took place during the research, the participants, and the findings. According to Calabrese (2006), research methodology also includes a discussion of the methods or equipment used to collect and analyze data. He draws the conclusion that the study's methodology is crucial since it guarantees the study's validity and ensures the research issues are addressed head-on.

In order to answer the mentioned research objectives, I will be conducting a secondary data analysis, archival research, and mixed methods study. The approach will guarantee that the research objectives are accomplished and that the research achieves its final purpose, which is to provide sufficient insight into the world situation regarding oil diplomacy, taking into account the conflict between Russia and Ukraine.

The research design in this thesis is the strategy employed to gather and provide data pertinent to the study's aims and objectives. The research objectives and the literature

review informed the decision to choose a historical and document-based methodology and design.

I need to deliberately and thoroughly look into a few key questions. As part of my research, I have read several issues of the journal *Current Economic and Political Affairs* in depth (from 1949 - 2022). In this qualitative study, we will start with a strategy of inquiry by reading news articles, books, and scholarly articles, and then move on to the actual research design and data collection. Collecting and analyzing data is done in a methodical and planned fashion in accordance with a predetermined research strategy.

3.7 Data Collection

In the first place, there are two types of information, called primary and secondary. When a study's primary data are obtained, it adds to the existing body of social knowledge in its field because the data were collected specifically for the study's purpose utilizing procedures tailored to the research challenge (Hox & Boeije, 2005). The term "secondary data" is used to describe the study results and other materials that other scholars have produced and habitually shared with their peers (Hox & Boeije, 2005).

When conducting a study in the social sciences, researchers have the option of either conducting their own original data gathering (termed "primary data collection") or utilising existing data (termed "secondary data collection") that is relevant to the topic at hand. To address a particular research question, it is preferable to collect one's own data rather than relying on secondary data from other studies because it allows for more flexibility in study design, method of data collection, and operationalization of theoretical frameworks. In particular, it helps guarantee that the study is consistent and that the information gathered is indeed helpful in answering the research question (Hox and Boeije, 2005). Information was gathered through document analysis specifically for this study's intended benefit.

Due to the qualitative nature of the study, a first step involved analyzing public documents. Research is conducted using publicly available sources such as documentaries, scholarly journals, and news articles. To begin, a list of texts to be analyzed was compiled, with consideration given to linguistic barriers and required accesses. In the next step, we implemented an analytical approach that accounts for potential address biases while still guaranteeing sufficient analytical expertise.

3.8 Data Analysis

Content analysis, textual criticism, and historical description were all used to evaluate the collected data. The study was guided by a number of research questions and a realism outlook on the effects of the Russia-Ukraine Conflict on Oil Diplomacy. Content analysis, an analytical method used to subjectively evaluate text material by systematically classifying it and identifying the themes or trends, was used to the qualitative data that made up the bulk of the data. This qualitative data was categorized accordingly to the study's goals. The study also made use of archive resources such as government records, scholarly journals, newspapers, textbooks, conference papers, and reliable online resources for its analysis.

3.9 Considerations

All the external sources of information from which secondary data was obtained, were fully referenced as per the APA style (6th edition). Presentation of the findings begins in the next chapter. In the chapter, the findings on impacts of Russia-Ukraine conflict on supply and demand of oil in the international market as per the first objective of the study. In this regard, the findings on various issues assessed pertaining to the oil diplomacy, the conflicts and effects are presented and discussed. The findings are based on both secondary data analysis and primary data analysis

CHAPTER FOUR

IMPACT OF RUSSIA-UKRAINE CONFLICT ON SUPPLY AND DEMAND OF OIL IN THE INTERNATIONAL COMMUNITY

4.8 The Nature of Ukraine-Russia Relations: Historical Review

According to Lutsevych and Wallace (2022), when Ukraine declared its independence from the Soviet Union (USSR) in 1991, it emerged from 70 years of totalitarianism, having endured civil war during the Bolshevik revolution, famine in the 1930s, the brutal Nazi occupation, the Holocaust, and political purges and stagnation in more recent decades. Vladimir Putin's Russia governed the Soviet Union, with the Ukrainian communist party serving as a mere pawn of Moscow's central power. Russian, the language of science, politics, administration, and major cities, was seen as superior by many in Ukrainian society and culture. Its political and cultural leaders were either exterminated or sent to Moscow to assist the Soviet authorities. Pre-revolutionary Russia virtually colonized Ukraine, as it had done with many other Soviet republics, including the Baltic States and Moldova. Ruling class in Russia took advantage of the area's resources and people for their own purposes (Lutsevych & Wallace, 2022).

To begin with, Ukraine has no statecraft heritage from which to build its new, independent state because of its troubled history. Its energy, trade, and cultural ties with Russia persisted even after their legal union was broken. With Russia's efforts to stop Ukraine from achieving a new European identity, the modern history of Ukraine is dominated by these conflicts.

Crimea was annexed by Russia in March of that 2014 (Amadeo, 2020). War between the two countries was started as a result of a powerful political gesture. Conflicts over national identity and political power have been stirred up by the invasion, which itself has a complicated historical context. One of the most complex and tangled geopolitical situations in Europe is unfolding in Ukraine, a country that is split between the European Union and

Russia, which has a "nostalgic" perspective of Soviet Union history. This chapter will focus on the beginnings of the conflict in order to identify the main causes of the Ukrainian crisis. Key institutions, social groups and political figures will be examined in relation to their historical background. To help assess whether or not peace can be reached and sustained by the countries, a future perspective on the war will be studied.

4.9 A brief history of the conflict

After Vladimir Putin was elected president in 2000, Russia's long-held aim to rule its periphery was embodied in a series of actions that has resulted in the current war. According to Lutsevych and Wallace (2022), Putin hoped to secure Ukraine's economic and political integration with Russia. Coercion at first was light, but as time went on, he got more forceful and assertive. The current conflict has its origins in Russia's insatiable drive to exert control over its surroundings. Putin had to rethink his strategy following the Orange Revolution of 2004. Ukrainian voters ousted Viktor Yanukovich, his top choice for the country's top job, after allegations of widespread electoral fraud surfaced. Pro-Western Candidate Victor Yushchenko was elected president in his place. After being poisoned during an election, Yushchenko served as president of Ukraine from 2005 to 2010. In the wake of the poisonings, Russia was widely blamed (Lutsevych & Wallace, 2022).

In spite of this, Russia nevertheless had a strong grip on the country's most important sectors. With a gas contract struck in 2008 that committed Ukraine to becoming Russia's largest buyer at a price higher than the market price, the country was completely dependent on Russian gas supplies. Media and culture were dominated by Russia's products. Government efforts to promote Ukrainian language and culture were woefully inadequate. Russia's Black Sea Fleet were to remain based out of Crimea for decades to come after signing a 2010 agreement. Due to Russian pressure, Ukraine's constitution was amended to include a neutrality clause banning the country from joining NATO. To satisfy a growing public desire for closer relations with the European Union, each of Ukraine's presidents has

to address the issue. All Ukrainian presidents (including Yanukovich) were compelled by public desire for closer European Union integration to respond to this growing public need (EU). When opposed to preserving ties with Russia, the EU offers significantly better economic rewards and human rights protection. Russia has ratcheted up its rhetoric against NATO and the EU in order to prevent a democratic Ukraine from joining the European Union market.

Viktor Yanukovich's opposition to an EU association agreement in 2013 sparked the first conflict between Ukrainians and Russian political pressure (Higgins, 2014). In 2013 year's conflict, people and political groups in Ukraine had an overwhelming urge to resist Russian influence, which led to a period of protests against the government and eventually the ousting of Viktor, who had been in charge since 2010. It is antagonism between Ukrainian nationalists with a strong sense of nationalism and a pro-Russian movement erupted in the buffer zones between the two countries following the incident (Conant, 2014). The peninsula of Crimea was one of the main battlegrounds throughout the conflict. As a result of the invasion of Ukrainian land by pro-Russian soldiers, the entire country was cut off from all external connections and transportation (Bebler, 2015). Ukraine successfully countered Russian forces in Crimea, and Russia underestimated the military's ability to retaliate. When the pro-Russian leader was ousted in a revolution earlier 2013, it sparked a strong spirit of independence and nationalism that led to the dramatic response (Sherr, 2020). According to the terms of the referendum, Crimea became part of the Russian Federation after a campaign to demonize the Ukrainian government and manipulate the voting process (Bebler, 2015).

At the eastern-southern Ukrainian buffer zone, the battle intensified. Elections in Ukraine in 2010 revealed a divided nation, with Yanukovich receiving strong support in the country's south-east, close to the Russian border (Conant, 2014). As a result of Russia's invasion of Crimea, separatist movements arose in the Donbass region. More than half of

the surrounding regions were subjected to violent protests, the occupation of public buildings, and calls for ethnic segregation (Mitrokhin, 2015). “Hybrid warfare” (Delcour & Wolczuk, 2015) was employed by the Russian Federation and its forces to undermine the legitimacy of the Ukrainian government while avoiding international repercussions. As a result of the agreement of Minsk in September 2014, which declared the first of multiple shaky ceasefires, Ukraine, the Russian Federation, and the areas of Donbass demanding independence entered into a protracted process of peace-making with numerous requirements and compromises. At a meeting in Paris, progress toward a peace settlement was reached, but the armed struggle was not completely halted by agreements, which resulted in a “frozen conflict” (BBC, 2019).

4.10 Background of the use, demand and supply for oil in the international market

No matter how much we try to reduce the usage of oil and replace with more sustainable forms of energy, oil remains a vital part of the global economy. Previously, finding oil during a drill was viewed as an annoyance because the intended resources were typically water or salt. On Azerbaijan's Absheron Peninsula in 1847, the first commercial oil well was drilled (Kosakowski, 2022). 12 years later at Titusville, Pennsylvania, purposeful drilling began the American petroleum industry. Oil lamps and kerosene were the primary early uses for oil, but the first commercially viable oil well capable of large production wasn't dug until 1901 at Spindletop in southern Texas. More oil was produced in a single day by this facility than by all the other oil wells in the United States put together (American Oil & Gas Historical Society, n.d). Many believe that such a day in 1901 marked the beginning of the modern oil age, since oil would soon replace coal as the world's primary fuel source (Kosakowski, 2022).

There is still a considerable demand for oil because of its use as energy, which can have an impact on political relations between countries using energy to power their livelihood. An increase or decrease in the price of oil might have a significant economic impact because of

its global demand. Changes in demand and supply for oil are among the variables that influence oil price movements. Commodities markets have been rocked by the Ukraine conflict. The Russia-Ukraine War has disrupted the production and trading of many commodities, including energy, fertilizers, and grains, according to the annual Commodity Markets Outlook report from the World Bank. As a result of a substantial increase in demand following the pandemic, as well as various pandemic-related supply limits, commodity prices have risen sharply (Baffes & Nagle, 2022).

There are a number of countries that have either banned or announced a gradual phase-out of imports of Russian energy products. More and more businesses have decided to refrain from buying Russian oil due to the boycott by major oil companies. Due to the invasion of Ukraine by Russia, the Russian oil benchmark price, Urals, plummeted to more than \$30 below the Brent Oil price. There is a long-term negative impact on Russia's energy production due to oil businesses and consumers leaving the nation and the country's inability to obtain investment and technology (Baffes & Nagle, 2022). This is something of great concern for this study, because it emboldens the various impacts of the conflict between Ukraine and Russia on diplomatic use of oil and other energy resources in the international arena. The change in demand and the disruption in supply chains of oil in the international energy market show how countries in the world rely on oil and other energy resources to drive their nations and maintain their signature in global politics.

4.11 Russia's Invasion of Ukraine and Global Oil Market Possibilities

According to the OIES's comprehensive empirical assessment of the effects of the Ukraine war on oil prices and supply and demand dynamics, we can estimate how recent U.S. announcements of the release of SPR and other situations of uncertainty would affect oil prices and supply and demand dynamics. For the sake of this study, we will consider the following two possibilities: In the first scenario, Russia's crude output declines by 1.1 million barrels per day (mb/d) by May 2022 and remains stagnant throughout the forecast

period due to self-sanctioning measures and obstacles in redirecting crude flows due to financial and shipping constraints; in the second scenario, Russia's crude output declines by 3.9 mb/d (mb/d) throughout the forecast period due to a full curtailment case caused by an extension of direct sanctions against Russia or a (OIES, 2022).

Because Russia's invasion of Ukraine disrupted supply and demand, both possibilities are set against a no-disruption baseline, which is the most current forecast made before Russia invaded Ukraine. Price pressure will remain until at least the second half of 2022 under both primary possibilities, with no immediate replacement barrels to fill any potential gap from Russia's disrupted supplies, but prices will fall to \$100/b by the end of 2023 as negative demand responses and broader macro disruptions impact on the outlook begin in the latter half of that year. Our worst-case scenario has oil prices briefly reaching \$160 per barrel, a significant increase of \$31/b above the \$125/b price peak. If Russian supplies are disrupted to a significant extent, the Brent price might range from \$95/b to \$140/b in 2022 and from \$73/b to \$123/b in 2023, depending on supply and demand responses (OIES, 2022).

There is a loss of between 1.1 mb/d and 2.5 mb/d of increase in global oil demand by 2023, with year-on-year growth of 2.6 mb/d under reference, and 1.5 mb/d under complete curtailment. The demand from countries in the OECD region is the most adversely affected. It has a higher influence on non-OECD demand when the restrictions are fully implemented. Sector-wise, it appears that industrial fuel demand will be the most adversely affected. An in-depth analysis of the impact on OECD products demand is now available thanks to the most current research. In the worst-case scenario, the demand for middle distillates and gasoline changes by 1.2 mb/d (Flowers, 2022).

While short-term pressures persist in all scenarios, Singh (2022) estimates that a collective supply response might contribute 3 mb/d of additional supplies by the end of 2022, demonstrating that the market can absorb a minor to medium interruption in Russian

supplies. If Russian supply is drastically reduced, however, prices would remain high until at least 2023, as replacement barrels will be unable to fill any shortfall more than 4 mb/d. There may be some relief in the short term from the SPR release, but the impact on pricing is likely to be short-lived and dependent on the extent of the Russian supply outage. The global supply and demand balance risks imply that the market will be tight in 2022, with the potential of a more balanced market and the reintroduction of excess in 2023. A 0.15 mb/d balance in 2022 and a 0.63 mb/d surplus in 2023 would provide some relief to OECD stockpiles that drew heavily for much of 2022, according to our best-case scenario under the reference. Curtailment to the full extent is more severe, resulting in market deficits persisting until 2022, when the market levels out at 0.05 mb/d. In this scenario, the OECD's stock levels fall to multi-year lows in this scenario (OIES, 2022).

4.12 Implications for Global Oil Markets

In the future, the market should focus not just on whether sanctions will directly target the oil industry, but also on the growing impact of self-sanctioning along the entire oil supply chain, from marketing and financing to shipping. Businesses have already stopped buying Russian barrels because of worries about energy restrictions and financial repercussions, raising prices to new multi-year highs and lowering shock mitigation techniques like the SRP release. It has also been found that in order to avoid growing differentials and shipping insurance premiums, oil dealers who have Russian crude on their books will be prevented from clearing cargo in 2022, according to research done by the Oxford Institute for Energy Studies (2022). At this point, we can only speculate about what the future of Russian crude supplies will hold. For instance, Changes in Russian oil supplies are causing significant changes in trade flows and fast price differentials. As a specific example, the flow of Urals from Europe to Asia may reverse, although there are limits to this phenomenon and not all Urals formerly bound for Europe would flow into Asia. There are two things I'd like to point out: In order to make their barrels more appealing, Russian oil

companies may offer buyers incentives, such as switching from FOB to CFR pricing. If self-sanctioning becomes more comprehensive, Urals and ESPO may provide discounts so large that cargoes will finally clear, either as disguised cargoes or through ship-to ship transfers. Due to the size of Russian exports and the growth of sanctions, this approach has a limit. As self-sanctioning escalates, Russian output will decline and supply disruptions will become more common in the coming weeks.

There is a real possibility that Russia's long-running conflict with the West could see a new chapter in the weaponization of energy as a result of the current uptick in tensions between the two countries. The possibility of a sudden interruption of Russian oil supply must also be considered, as it is still early in the game. During the remainder of 2022 and into the foreseeable future, this will have a significant impact on market equilibrium and prices. Supply-side actions are expected to relieve short-term pricing pressure. Supply gaps can be alleviated by OPEC's current plans to restore supplies; Iran's full return to the market; and increasing non-OPEC production growth in North America. No shortfall will be created by the scheduled SPR releases. There will be some demand reactions in a system like this, and they will become more obvious eventually. There appears to be a lack of market and refiner flexibility in the face of price and supply constraints. As a result, the current shock will have a long-term impact on the economy, not just on balances and prices. As a result of the current crisis, policymakers' attention will be drawn to energy security (particularly oil security), which will have long-term implications for countries' energy policies, particularly their energy transitions.

4.13 Ways the Russia and Ukraine Conflict is changing Oil Markets

Global oil and product markets have been affected by the conflict between Russia and Ukraine. Crude and product flows, as well as prices, can change at any time, thus producers, traders, shippers, refiners, and even consumers have to adapt to the changes. Flowers (2022) lists three refining analysts, Alan Gelder, Mark Williams, and Gerrit

Venter, as providing insight into the current condition and their future predictions. The first they note is that relatively little Russian crude oil and finished items have been withheld from the market. There are no limitations on imports of oil and other fossil fuels, but the United States and Japan have imposed import bans. Many countries and corporations plan to reduce their dependence on Russian crude and goods by the end of 2022. (Flowers, 2022).

A little more than a million barrels per day (b/d) of Russia's overall 4.6 million b/d oil exports are self-sanctioned at the moment. A majority of these barrels are destined for European refineries, according to Flowers (2022). An alternative feedstock for Total Energies' Leuna refinery in Germany that is now served by an exclusive pipeline from Russia will see volumes rise to 1.2 million bopd. An additional 500,000 barrels of diesel generated by Russian refineries and exported (again, mostly to European markets) are sanctioned by the Russian government on an annual basis. Additionally, some shipowners refuse to allow their vessels to dock in Russian ports, which further complicates matters for traders dealing with Russian trade volumes. There is still an abundance of crude oil and diesel on the market, according to waterborne data assessed by Flowers (2022). Contracts with self-sanctioned buyers are still binding, and some may not expire for months or even years. Contractual off take could be lowered to minimum levels and sold on a spot market during this time period on the spot market, the volume of Urals oil and Russian diesel sold will continue to climb, say Kilian and Plante (2022).

As refiners hunt for alternative feedstock, crude price differentials have fluctuated enormously during the past five weeks. Due to their similar grade, Urals and Dubai crudes are priced similarly in their respective regional markets. Oil benchmark Brent commands a \$2-\$3 per barrel premium over both as long as it has been around. Even a modest rise in the price of oil, as we have seen in the last few weeks, tends to widen the spread between Brent and Dubai's oil: The Urals' discount to Brent has risen to \$30/bbl. A substantial risk

premium is demanded by the market to deal with Russian shipments as evidenced by the opening of such a significant differential between Urals and Dubai crude (Kilian & Plante, 2022).

In addition to this, according to Flowers (2022), the current market conditions appear to be beneficial for refiners. Diesel exports from Russia intended for Europe were diverted to other regions as a result of self-sanctioning. As winter approached, Europe was challenged with a fuel shortage on the ARA (Amsterdam/Rotterdam/Antwerp) market, where stock was already low. As a result, the price of diesel went higher, which enhanced refining margins in Europe. This effect has expanded over the world, and most refiners are expected to profit from this development.

In March, the global composite refining margin averaged US\$15/bbl, which is five times greater than the annual average for 2021 and one of the highest monthly amounts ever recorded. Both Asian and American refining sectors are expanding their margins at an almost identical rate. The costs of natural gas and carbon emissions might eat into European business margins. Volatile and complex trading conditions might also limit profitability in all regions. A company's geographic location and individual refining assets have an impact on its indebtedness-to-profit ratio. If refining margins continue where they are, corporate downstream modelling shows that in the second quarter of 2022, the Supermajors might create more cash flow from refining than they have in an average year since 2016. In the near future, we expect upstream cash flow to reach historic levels. When both the upstream and downstream margins are at record levels at the same time, it is extremely unusual (Kilian & Plante, 2022).

These prices represent a greater risk to global oil demand the longer they remain elevated. It's clear that drivers worldwide are already feeling the pinch as the first signs of trouble appear at the gas pump. The distribution and industrial sectors account for the majority of diesel consumption, which is less price-sensitive.

Ukraine's independence will not be addressed before Russian oil and other products may be exported unrestrictedly again. A new equilibrium in the oil market will take several months because of the many barriers. Russian diesel exports could find a home in diesel-deficit markets in Africa or Latin America. Urals oil, which is currently unwanted in Europe, is already flowing to Asia. However, the global oil and product system has suddenly become more complicated, less efficient, and more expensive. Prices will reflect this new reality. New markets are opening up for Russian-origin freight. Prices for Russian goods, including diesel, are already being reported by the price reporting companies.

Lastly, what is expected to be the price of oil in the near future? During the last five weeks, Brent has fluctuated between US\$99/bbl and US\$139/bbl intraday, a dramatic change from the day before the invasion. A "Russian premium" of up to US\$20 per barrel is possible at the present price of US\$108/bbl for Brent crude oil, according to our estimates." There's a good chance that there will be a long period of uncertainty around the conflict and the responses of the various nations.

4.14 The political and cultural relation between Ukraine and Russia

The revolution in Ukraine in 2014 was not the first time the country has broken free of Russian political influence. When it comes to Soviet history, Ukraine has always been a major player with a crucial role. Russian authorities exerted a huge influence and sense of ownership on Ukraine's political issues in the previous years. Ukraine's cultural and political situation stems from the country's experience in the Soviet Union, when it was ruled both politically and militarily. Ukraine's independence from the USSR in 1991 was unable to obliterate the Russian culture and language throughout the country, notably in the south-east region. The roots of the war may be traced back to the country's internal division, which mirrors the position of many countries throughout the Cold War that were split between the Soviet and Western Blocs. The polarization that we studied in regard to the 2010 Ukrainian elections is a product of the long-lasting cultural and political influence

of Russia during one of the most delicate occasions in human history. According to Matthew Rojansky, as described by Krishnadev Calamur (2014), the two countries are "tied together at the hip." Ukraine's south-eastern region is largely Russian-speaking; Russian businesses have invested heavily in Ukraine; and millions of Ukrainians work in Russia, making it a cultural, economic, and social link. According to Western nations and because of its proximity to the Black Sea, Ukraine has long served as a strategic ally for Ukraine (Menkiszak, 2016). Ukraine was unable to build a strong sense of national identity and self-determination because of the numerous linkages that existed between the two countries.

As a result of the country's desire for independence and hatred toward Russia's history of oppression, the country demonstrated a lack of national character. However, when the connections deteriorated and Russia was obliged to lessen its control over Ukraine, the conditions were excellent for the emergence of an independent nation. After the collapse of Viktor Yanukovich's government, which Putin had been heavily influencing, two things happened in relation to Russia: Russia became aware that Ukraine would be more difficult, if not impossible, to control, and remedies were devised to prevent the loss of one of the links that benefited Russia and increased its international power (Calamur, 2014). There were many unanswered questions about national identity in places where the delicate coexistence between Russian and Ukrainian control was not yet contested. A "neither/or" question was not necessary in the previously indicated south-eastern regions, where things have stayed frozen since the end of the Cold War. It is critical to understand the country's history in order to understand its current situation. The 2014 crisis in Ukraine was a brutal response to the dissolution of a regime of stability that had remained unsolved since the collapse of the Soviet Union.

4.14.1 The role of the European Union

Not only was the opposition to President Yanukovich an expression of nationalist sentiment, but it also challenged the authority of Russia. The upheaval in Ukraine was prompted by a specific occurrence. European Union (EU) attention began to shift eastward in the early 2000s, and new alliances and agreements were formed with eastern countries. Direct 'assimilation' plans within the union were to be avoided in favour of developing strong relationships and deeper political ties instead (MacFarlane & Menon, 2014). Creating a Russian-led economic zone comprising nations that are physically and historically close to one another was incompatible with Ukraine joining the EU from the Eastern European standpoint. Despite the overwhelming support of western Ukraine for signing the EU's proposed Association Agreement in 2013, Ukraine refused to do so. This official declaration of Ukraine's position in relation to the EU and Russia was made in 2013 (Havlik, 2014). A reference to the importance of Europe in public discourse led to the subsequent civil disturbance being termed Euromaidan (Maidan is the central Kyiv square where protests began). To put it another way, the government's reluctance to open the towns of Kyiv and Lviv to western trade signalled that a nation independent of Russian influence was impossible (Diuk, 2014).

There was open discussion about Europe's participation in the crisis and the possibility of an intervention. A "biggest European security crisis since the collapse of the Soviet Union" can be summed up by combining the Ukraine conflict with Russia's 2008 engagement in Georgia (MacFarlane & Menon, 2014). The 2014 student protests in Kiev raised the expectations of a Union established on democracy, whose principles of freedom and self-determination were elevated by the events. US sanctions on Russia and Crimea, including the recognition of an illegal annexation and deliberate unrest, was the first response. Economic sanctions, limitations on cooperation, and Russia's temporary exclusion from the G8 conference were all part of the package deal (European Council, 2020). In the end, the sanctions against Russia didn't have the anticipated effect on Russia (Kruk, 2019). The

democratic structure and the complex decision-making process were unable to deal with the quick escalation of a lawless conflict between "hybrid regimes" (Monaghan, 2014), yet one may argue that a direct military intervention supported by the individual nations would have been more effective (Delcour & Wolczuk, 2015).

4.15 Neutral Analysis of Ukraine-Russia Conflict 2022

Earlier this year, on February 2022, Russia re-entered neighbouring Ukraine, igniting Europe's most bloody conflict in decades. Ground forces from multiple directions attacked Ukraine on February 24th 2022, after Russia had been steadily building up military forces across the country's borders since 2021. Only Ukrainians who ignored the warnings of the United States and other NATO allies were startled by Russia's invasion of Ukraine on February 24, 2022. As a response to both the Soviet Union's demise and the growth of China's economic might in the 1990s, the US and its allies reshaped the post-International War II global world order, reinforcing and strengthening it throughout this time. Throughout this conflict we have seen the deep cracks in the current system of global dominance that are necessary to maintain global peace and security. Aside from the UN system, it has also exposed the false standards used by powerful states to legitimize their dominance of the international order. Russia's president Vladimir Putin said that if NATO had honored its pledge from the 1990s not to extend to the Baltic states in Eastern Europe, a direct danger to Russia's sovereignty and security would not have been necessary for this military operation (he does not want to call it a war). Russian authorities consider the present Ukrainian government responsible for the 14,000 deaths in the Russian majority territories of Donetsk and Luhansk that declared independence from Kiev after Kiev's 2014 invasion of Crimea (Astrov et al, 2022).

Ukrainian soldiers in the Donbas breakaway territory were aided by Volodymyr Zelensky, according to Russian narrative. In addition, he committed to implement the Minsk Agreement of 2015 and respect the civil and political rights of the Russian-speaking people

in the east of the country. Since being elected, he's broken his promise to Russia, instead wooing the United States for NATO membership after breaking his word after the election in 2019. Aiming to gain the backing of the United States, Volodymyr Zelensky shut down Russian-language publications and television networks while also jailing his political opponents. Additionally, he sent thousands of Ukrainian army and Neo-Nazis to the Donbas region in order to destroy pro-Russia insurgents.

Government policy has turned in favor of applying for NATO membership and forsaking Ukraine's policy of neutrality in any potential conflict between Russia and the United States, since the beginning of 2013. After failing to get assurances from NATO that it would not reject Ukraine membership in the defense alliance if it applied, President Putin ordered the Russian army to move into Ukraine before Ukraine's application for NATO membership was officially submitted and approved.

In its military campaign against Ukraine, Russia aims a neutral and non-nuclear Ukraine, the demilitarization of its Russian-speaking eastern regions, denazification (whatever that means), recognition of Russian Crimea and recognition of the independent states of Donetsk and Lugansk. They are non-negotiable, according to Russian officials. Compared to what the United States and NATO did in Iraq, Afghanistan, and Libya, Russia perceives NATO's response to its intervention as a stark contrast. (Citation from arynews.tv, 04/04/2022) Russia accuses the West of worsening the conflict by delivering weapons and mercenaries, as well as spreading false information about Russia.

4.8.1 NATO'S Official Stance

It is no secret that the United States and NATO don't trust Russian President Vladimir Putin. In order to recreate the former Soviet Union's authority, they believe he plans to keep neighboring countries within Russia's influence zone. The West doesn't see this conflict as a Russian war, but rather as a Putin-driven war of ambition. NATO has taken

the position that every nation has the sovereign right to select its own destiny and to join a defense alliance if it feels it necessary to safeguard its independence and sovereignty.

International law and the UN/OSCE-proscribed concept of respect for states' territorial integrity are violated, according to the West, because of Russia's invasion of Ukraine, which occurred in defiance of international law. A no-fly zone over Ukraine or NATO troops on the ground to stop the Russian advance have been rejected by the United States and its allies, who will instead supply Ukraine with lethal weapons and place economic sanctions on Russia that will have an enormous impact on Putin's regime and his supporters. All of these penalties are designed to punish Russia for its annexation of Crimea, as well as its annexation of Crimea's Crimean Peninsula and annexation of the Crimean Peninsula's Crimean Peninsula. There have been tens of thousands of Russian jobs lost as American and European food and consumer products corporations and vehicle manufacturers have ceased operations in the country (Astrov et al., 2022).

Along with the Ukrainian military and newly-trained personnel, international combatants have invaded Ukraine to fight against Russian forces. NATO's purpose is not to immediately confront Russia with NATO soldiers, but rather to impose overwhelming pressure on Vladimir Putin to isolate him from his own people or force him to withdraw from Ukraine in a humiliating reversal of his invasion order.

Since Ukraine is not Russia's end destination and neither do the United States nor its European allies, to achieve their goal of becoming the dominant power in Europe in Hitler's Germany, they link the current German government to the Nazi regime. The Baltic states of Lithuania, Latvia, and Estonia, as well as Finland, Hungary, and Poland, agree with this assessment and have demanded that NATO stand ready to trigger Article 5 of the NATO Charter in the event that Russia strikes a NATO member state. Russian President Vladimir Putin's desire to develop Russian-speaking enclaves in European countries could be spurred on by Ukraine's reconciliation with the Russian Federation. Russia and NATO are wary of

becoming involved in a military conflict for fears that it might quickly escalate into a nuclear war that no side is willing to fight since no one will be around when it ends.

NATO, on the other hand, is involved in various fronts of conflict with Russia. In addition to inflicting the most severe economic penalties, NATO is also engaged in a fight in cyberspace, the media, and public opinion. In the United States and Europe, the Russian perspective on the war is completely banned via television, newspapers, and social media. Russian artillery has perpetrated atrocities on civilians in various Ukrainian cities, even those under siege, and the Western public is outraged with Russia. That's why Russians only get information that the government-controlled media in Russia has allowed for publication. There are major differences between sanctions and dealing with Russia as a member of the NATO alliance. Ukraine's repeated pleas for NATO action went unanswered.

4.9.2 Impartial Position

The UN Security Council meeting on February 26, 2022, and the General Assembly meeting on March 2, 2022, to denounce the Russian invasion of Ukraine and call for an end to hostilities were very revealing of the projected perspectives of international power maintained by most nations. However, even though the resolution was passed by a landslide in the General Assembly with a majority of states voting yes, 35 states abstained and 12 states didn't vote. As well as other Asian and Gulf powers, China, India, and Pakistan all with nuclear weapons abstained from the vote. Ukraine's people are suffering a humanitarian crisis, but these countries have no desire to get engaged in the conflict between the two sides. To maintain excellent relations with all major countries, including the United States, Russia, China, Great Britain, and the European Union, these states have chosen to remain non-partisan in their foreign policy approach. When we tell them that the people who oppose us are enemies, they don't take it well. These countries' right to remain impartial in this conflict has been ignored by the West.

Monitors the voting habits of states at the United Nations and modifies the US foreign and security policy in response. If the West had not actively lobbied and put diplomatic pressure on economically vulnerable and foreign aid-dependent nations in Africa, Asia, the Caribbean, and South America to vote in favor of the UN resolution, the number of abstentions in the UN General Assembly vote would have been significantly higher.

Interesting to see the UAE change its mind over Ukraine and vote in support of a UN General Assembly resolution in March 2022 after voting against the UN Security Council resolution on February 26th, 2022. A similar fate overwhelmed South Africa. Prior to the UN vote on Ukraine, South Africa's Foreign Minister made a statement in support of NATO's position in favor of Ukraine's pro-Russian rebels. According to former ANC President Nelson Mandela's long-standing policy of staying out of major power conflicts, the ANC leadership later repudiated the statement.

4.10 Obtaining NATO Allegiance

Following its founding, NATO has expanded its reach throughout the continent of Europe to counter the perceived threat from Russia. Founded in 1949, NATO consists of 12 countries from Europe and North America: Belgium, Canada, Denmark, France, Italy, Luxembourg, the Netherlands, Norway, Portugal, the United Kingdom, and the United States. In the 1950s, Greece, Turkey, and Germany joined NATO. The NATO alliance was formed in 1999 after the collapse of the Soviet Union, when Poland, the Czech Republic, and Hungary joined. Five years later, in 2004, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia joined the NATO alliance as new members. Once Montenegro was admitted in 2017, as well as North Macedonia in 2020, NATO extended its membership. It was because of opposition from Germany and France that the United States did not issue an invitation for the Ukraine to join NATO in 2008. Because he believes the West is trying to encircle Russia from its western border to the Black Sea and beyond, Russian President Vladimir Putin is extremely concerned about NATO's expansion

into Europe. NATO's inability to make clear that Ukraine would not be a member of the alliance is a major factor in the on-going war in Ukraine. In conclusion, the conflict in Ukraine shows that the post-World War II political and economic order must be re-evaluated in light of the shifting power balance away from the world war II victors and toward new economic and geo-strategic state actors that either did not exist as independent states in 1945 or did not directly participate in the great war.

4.10 Oil Diplomacy

According to Venn (1986), the term "oil diplomacy" refers to the complex network of public and commercial entities responsible for shaping inter-state contacts. Since at least the 1970s, academics and politicians have debated whether oil conglomerates such as Exxon and Shell had disproportionate influence over world and national politics. Graf (2014) and others dispute the notion that oil companies exploited political power to get a foothold in the energy trade, but claim that the enterprises' participation in the energy trade led to the development of these interdependencies. Even prior to the 1973 oil crisis, and especially afterward, the energy supply was viewed as having economic, military, political, and social ramifications for security (Miller, 1977; Graf, 2012).

Moreover, it has been widely acknowledged that the energy crises accelerated and manifested processes of globalization, particularly in relation to industrialized Western countries and their interdependences with Arab and Latin American oil-producing nations, resulting in a marathon of energy diplomacy that has continued into the 21st century. In the 1970s, as the energy market accelerated, the Soviet Union emerged as an important trading partner who craved close ties with industrialized Western nations. Although this desire was economic in nature, building such relationships was always politically relevant and required governmental support. From this perspective, the 1973 oil crisis was scarcely a turning point. Instead, a rush of energy diplomacy activity between the East and West began in the late 1960s, with the introduction of a number of collaborative initiatives well

in advance of the 1973 oil crisis. We might assume that the booming economy of the Soviet Union and the brief oil embargo during the June War of 1967 played crucial roles in the background of these events. Undoubtedly, the diminishing political tensions between the blocs is a significant development. Nonetheless, energy diplomacy was essential, acting as the impetus for Brandt's Ostpolitik, which has been regularly referenced in the literature since 1970. The 1973 oil crisis reinforced East-West cooperation by inspiring ambitious plans to connect the two regions' energy transport infrastructures. In addition to the well-known gas pipeline constructed in the Federal Republic, these systems featured nuclear power and oil distribution networks. While cooperation arrangements formed previous to the oil crisis were pursued, those established during détente and notably during the period the CSCE was drafting the Helsinki Accords were eventually unsuccessful. These plans failed because of the grandiosity and inconsistency of the Soviet Union's investments (Graf, 2014).

"We are not short-distance sprinters," West German Foreign Minister Hans-Dietrich Genscher told his Soviet colleague Andrei Gromyko in 1981, as negotiations over the natural gas business neared completion despite ongoing political issues. This is a twenty-first century marathon." (Bosch, 2014).

In both time and space, energy diplomacy paved the way for long-term progress beginning in the late 1960s. As a result, the conception of time changed during the 1970s. On the one hand, the energy crisis accentuated a pre-existing sense of scarcity created by a shortage of available resources, which was in turn strongly tied to the resource might of the Soviet Union. However, it is essential for business partners to consider the big picture when working on massive projects. Specifically, the pipeline and the two countries' common aim to build nuclear power facilities needed decades of planning and coordination, demonstrating their trust and the endurance of their partnership. In other ways, however, while producing an atmosphere of long-lasting optimism, these massive investments also

deprived both sides of alternatives. The invasion of Afghanistan was motivated by these advantageous strategies. The documents demonstrate that concerns of cooperative energy and economic policy with the Soviet Union and the Comecon states were pursued with great thoughtfulness and persistence as early as the 1980s.

According to Bosch (2014), the second oil crisis and the parallel development of pipelines must have made cooperation appear to be the only viable choice. In this context, energy diplomacy was essential for maintaining and even fostering cooperation despite political divisions. Despite the numerous changes in the energy industry, these cooperative energy efforts continue to operate and have even expanded. Russia continues to be the world's leading producer of oil and natural gas, and its wealth and influence are largely dependent on these resources. Nonetheless, public criticism of Gazprom's market dominance has intensified (Rahr, 2008). Because it did not want to jeopardize its largest export market, the Soviet Union hardly took use of its position of power in its commerce with Western nations. However, its Eastern European neighbors, such as Ukraine, continue to suffer from their energy dependence on Russia.

The escalating crisis in Ukraine is putting even more pressure on traditional energy supply patterns. First and foremost, the Russian invasion of Ukraine is a human tragedy. On behalf of clients, investors must assess market repercussions. In this study, we look at how the ongoing conflict has affected the global oil market, but in order to get a clear picture of what's going on and the long-term consequences, we need to look at the oil market before the conflict started.

It is critical to first understand the situation in the markets prior to the conflict between Russia and Ukraine. Schroders' study (2022) found that global energy markets were already tight. As a result of years of underinvestment and abnormally high demand, oil and product supplies were reduced, with gas inventories severely depleted. No simple solution exists. 85 percent of the world's energy still comes from fossil fuels. Another 11% comes from

hydro and nuclear power, with only 4% coming from wind and solar. Because of recent increases in natural gas and oil prices, the main energy expenses as a percentage of GDP nearly doubled in February to nearly 8%. This is the highest monthly share of GDP in almost a decade. Monthly energy expenses were less than 2% of GDP in April 2020, a multi-decade low. The price of fossil fuels has risen at its fastest pace since the late 1970s. Energy price spikes like this have been known to induce recessions in the past.

4.11 Changing Oil Trade Flows

The European Union's external energy policy was mostly focused on natural gas prior to Russia's invasion of Ukraine in 2022, but its domestic energy policy is focused on decarbonization and renewables. Although these long-term energy policy approaches were acceptable, they obscured the role of oil in short- and medium-term energy objectives (Coby, 2018). Does EU oil diplomacy have a future, at least considering the turn of events in 2022?

The European Union has long been a significant player in international oil relations. France and the United Kingdom were key players in the political organization of the oil-rich North African and Middle Eastern regions. The EU's growing reliance on imports from the Middle East and North Africa prompted a flurry of oil diplomacy in the 1960s and early 1970s. The 1973 oil crisis accelerated oil diplomacy efforts. Most OECD member states came together to form the International Energy Agency (IEA) to improve oil diplomacy (Coby, 2018).

In the 1990s, the EU attempted to engage with energy producers through the Euro-Arab dialogue and the Energy Charter, but these efforts were rapidly stymied by US concerns. The EU was advised to stick to the IEA's consumer front instead of pursuing these additional bilateral collaborations (Fattouh & Coby, 2011). From the 1970s to the 1990s, OPEC and the OECD/IEA countries controlled the oil market around the world.

Oil flows have changed significantly since the turn of the century. Asia has become a major consumer of Middle Eastern crude, while the United States has established itself as a significant producer, reducing the need for imports. The EU's political and economic relevance in energy relations has diminished as a mature oil market. Although increased US oil production has depressed global oil prices, it has also resulted in the development of a new oil market coalition between OPEC and Russia to combat oversupply and low prices. Previously, Russia's independent oil strategy helped to balance market dominance. However, Russia has partnered with OPEC for economic reasons.

If this new collaboration continues, the EU's strategic dependency may worsen unless policy measures to address the problem are implemented. The EU's external energy policy emphasizes natural gas, while its internal energy policy emphasizes decarbonization and renewable energy. Although these are sound long-term energy policy ideas, they obscure short-and medium-term energy goals, in which oil continues to play a critical role.

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4.19 Declining Importance of Oil

After 1973, tensions between oil users and producers lingered for many years, and it wasn't until the early 1990s that the two parties were able to engage in formal negotiations according to Fattouh and Coby (2011). The International Energy Forum (IEF) formalised the producer-consumer dialogue in 2000, and its Secretariat has been based in Riyadh, Saudi Arabia, since 2003. Other producing and consuming nations were included from the start in the informal producer-consumer country meetings, proving that the IEF did more than just bring together IEA and OPEC members. Over two decades later, India and China

are already significant consumer nations that rely heavily on Middle Eastern commodities. They are prominent IEF members with strong ties to energy suppliers like Saudi Arabia.

The strength of oil links between Middle Eastern and Asian nations reflected the growing importance of oil trade between these regions and the relative fall in importance of oil trade with the European Union and the United States. Over a two-decade period, the OECD countries' share of global crude oil consumption fell from 55 percent in 1998 to 47.9 percent in 2016 (Coby, 2018).

Despite its seeming insignificance, it is substantial in terms of volume and reflects the rising role of emerging markets in the international oil market (BP Statistical Review of World Energy, 2017).

As of 2018, international oil production and consumption were roughly 99 million Mb/d (barrels per day), up from approximately 74 million Mb/d in 1998, as reported by Petroleum Intelligence Weekly (2018).

China's share of global oil consumption climbed from around 6 percent in 1998 to 12.8 percent in 2016, equating to the EU's 13.4 percent share. It demonstrated the fast growth of China's energy industry over the past two decades. In the two decades preceding the conflict between Russia and Ukraine, China expanded to become a major consumer of oil and pushed the global oil market's expansion. Over the past two decades, established oil markets such as the European Union (EU) have remained steady. Despite a fall in domestic supply, the EU's oil imports remained marginally lower in 2018 than they were in 2000. The drop happened because of the economic crisis in 2008, and it showed that the economy had slowed down and become more efficient before the Ukraine-Russia conflict.

4.20 Shifts in Oil Relations

The EU's decreased oil imports in 2015 relative to 2000 may conceal a shift in the relative importance of the EU's primary suppliers. Russia's proportion of the EU's total oil imports increased from 35 percent in 2010 and 2011 to 29 percent in 2015, after reaching a peak of

35 percent in 2010 and 2011. In 2000, Norway sent almost as much oil to the EU as Russia did. By 2015, however, Norway's share had dropped by half (Coby, 2018).

This change in the relative amount of oil imported has obvious political repercussions. Norway is a member of the European Economic Space (EES) and, thus, a family member of the EU, whereas Russia is an external supplier with imperfect relations. Russian oil supplies have been exceptionally stable for decades, but geopolitical ambitions on both the part of Russia and the EU threaten to destabilize their economic partnership. The flexibility of EU refineries to accept a wide range of crudes and oil products, as well as their ability to blend crudes to attain the required Brent benchmark quality, reduced strategic reliance on a single supply. This capability was lacking in Eastern European refineries with less flexibility or pipeline connections to an oil source (Nivard & Kreijkjes, 2017).

Beginning in the 1990s, Russia's oil exports to Europe and Asia increased dramatically. This was welcomed by the European Union, which had some concerns about its reliance on oil imports from the politically unstable Middle East. Due to the EU's reliance on imports from the Middle East and the disruption in oil flows from Kuwait and Iraq in the lead-up to and during the First Gulf War, oil imports from Russia increased. With the increasing supply of oil from Russia, import reliance on Middle Eastern suppliers has drastically reduced, while reliance on Russia has increased. So, the already strong energy link with Russia was made even stronger by importing gas (McGovern et al., 2020).

The oil relationship with Russia has always been of strategic importance, and given that transportation and industry will continue to rely on oil as a fuel and feedstock for an extended period of time, it was expected that the significance of relations with Russia would persist for a considerable time. But Coby (2018) says that the EU oil partnership does not pay much attention to this important economic connection from a strategic point of view.

Due to shifts in oil demand and supply around the world, the global oil trade has become much more geographically focused during the past two decades. It is possible that the emphasis on energy transition and the rise of new producers and net importers in the world have contributed to this new reality in which European and Asian oil diplomacy garner substantially fewer headlines than in past decades. This is unexpected given that the share of oil in the EU-28's energy mix has not changed considerably since 1990, with 39 percent in 2015 and 38 percent in both 1990 and 2000 (Eurostat, 2020).

Much of the energy debate and diplomacy focuses on natural gas, but oil accounts for a larger share of total energy demand. Despite the apparent diversity of import patterns, the reliance on imports from Russia was substantial. In addition, the diversity of flows masks the relative inflexibility of specific EU refineries, which were designed for specific crude blends and the concentration of imports from only one or two sources when seen at the level of individual Member States as opposed to the EU.

4.21 The United States: From Importer to Exporter of Oil

Another significant shift in international oil markets happened in the late 2000s, having a significant impact on global oil flows and the balance of power between major oil consumers and producers. American Light Tight Oil (LTO) output has increased considerably since 2009. (US EIA, 2015). Prior to the economic and technical viability of shale gas and light tight oil, the United States was on track to become a significant net importer of oil and gas. As a result, oil was always an important aspect of its foreign policy, and its reliance on imports meant that it shared international oil policy interests with the EU.

The shale revolution, on the other hand, reduced the United States' dependency on foreign oil. Despite the fact that US oil production has nearly doubled in the last seven years, oil prices temporarily hindered the growth in US oil production between 2015 and mid-2016. In December 2017, the United States broke the previous record of 9.6 Mb/d set in 1970

(Petroleum Intelligence Weekly, 2018). The United States has quickly become a major oil consumer and producer. However, because its oil refineries do not reflect the rising domestic availability of lighter crude, the United States continues to import substantial amounts of oil. Instead, it buys heavier crudes for domestic processing and sells excess lighter crude. The US crude oil export embargo was removed in late 2015, making the latter possibility feasible. The United States competes directly with African light oil producers by exporting light crude. Light crudes from the United States are already competing for markets in Europe, where lighter crudes are blended with heavier crudes to fit the composition of EU refineries (McGovern et al., 2020).

The United States' shale revolution has had a considerable impact on international oil (and natural gas) markets. Its rapid expansion contributed to worldwide market oversupply from 2014 to 2018, as well as a sharp drop in oil prices in 2014. Prices are currently recovering as a result of increased global demand and supply curbs by OPEC and Russia. However, the recent expansion of American shale output demonstrates the adaptability and feasibility of shale production at substantially lower oil price levels than in the past. Canada's continuous output growth is another development in the North American oil market. Canada's oil production grew to 3.4 million barrels per day in 2016. In terms of supply security, things have gotten a lot better in North America over the past ten years (Mbah & Wasum, 2022).

North America's improved oil trade balance compared with the EU's stable negative oil trade balance and Asia's expanding deficit. Before the 2022 war, it was less clear that the OECD/IEA countries shared a common interest in oil diplomacy, even though they still did share an interest in open international markets.

4.22 European Union Oil Trade before the War

Insufficient crude supply and increased demand for oil products have resulted in a rise in the trading of some oil products. Road transportation consumes 47.5 percent of Europe's

oil, while rail, water, and air transportation consume nearly 64 percent (Eurostat, 2017). Diesel demand is a distinguishing feature of European oil product demand (in part stimulated by government policies). This was unusually high in comparison to other markets. Before the war, as the demand for diesel went up, the demand for gasoline went down.

According to Nivard and Kreijkjes (2018), prior to the conflict, Europe exported significant amounts of gasoline to foreign markets and imported diesel to meet demand and supply for oil products. The demand for petroleum products in the EU was insufficient to meet the output of European refineries. As a result, to meet demand and supply for oil products, Europe exported significant amounts of gasoline to worldwide markets and imported diesel. The construction of refining facilities in several oil-producing countries, including India and China, boosted worldwide traffic in oil products. It also increased the competitiveness of EU coastal refineries, which rely on international sales in addition to home ones (Nivard & kreijkjes, 2018).

International trade flows were used to address the imbalance between demand and supply of oil products in the EU. With rising competition from electric drivetrains and biofuels, the gap between EU oil product demand and supply was expected to expand. While facing fierce competition from very big, export-oriented refineries in the Middle East, Russia, and Asia, refineries were obliged to rely more on outside markets for a percentage of their output. The previous market for European gasoline refiners was the United States, but as a result of the shale revolution, they now face growing competition from American refiners. The EU's refining capacity continued to drop in the years preceding up to Russia's invasion of Ukraine, either to refinery closures or conversions into storage facilities or biorefineries. This process did not conclude until Russia invaded Ukraine (Robbert et al., 2016).

The EU profited from relatively flexible markets and low demand as a result of the economic crisis. However, with the crisis nearing its end and very little new investment in oil production in recent years, it was expected that EU oil diplomacy would benefit when markets tightened in the early 2020s. However, the current situation has changed. The Pandemic caused a catastrophic downturn, and while recovery preparations were being prepared, Russia's invasion of Ukraine caused massive shocks to the global economic and political systems. The leaders of the United States, the European Union, Asia, and Africa have all expressed concern about the impact of rising energy prices on commodity production and supply networks. The war's economic consequences are currently too severe for any nation to ignore.

Crude oil prices have changed globally as a result of the invasion, and this has a direct impact on fuel costs. Gas prices are anticipated to rise in tandem with the price of crude oil. The Russia-Ukraine conflict, in accordance with Ajala (2022), is responsible for increasing energy costs and subsidies in Nigeria. The nation was projected as the world's seventh-biggest oil exporter in 2020 and Africa's largest producer of crude oil still, according to Twin et al. (2022). Also, Nigeria has the second-highest proven oil reserves on the continent (Twin et al., 2022). 4.68% of the world's oil exports, or \$30 billion, came from Nigeria. Nigeria's top crude oil export customers are in Asia and Europe. But

Due to the fact that the two countries that supply Nigeria with the majority of its refined oil purchase a significant portion of their crude from Russia, much like much of Europe, Nigeria's supplies of refined petroleum are disrupted. President Muhammadu Buhari recently issued a warning that the country would require more money than originally anticipated—up to N4 trillion—to pay the subsidy in 2022. Due to the Russia-Ukraine war, he attributed this to rising oil prices and growing global demand (Busari, 2022).

The National Bureau of Statistics (NBS) reports that in April, Nigeria's inflation rate increased by the most in eight months to 16.82 percent. Due to increasing prices for food

and energy, the consumer price index—which measures the rate of increase in the cost of goods and services—rose (Ajala, 2022).

Nigerians experienced supply disruptions from late January to early April as a result of long lines at gas stations and a shortage of commodities, which are primarily imported due to the deplorable condition of the local refineries. Diesel prices in Nigeria are now rising as a result, and the gasoline supply is also inconsistent. Due to its inability to refine crude oil for domestic use, Nigeria's position as an oil-producing nation has gradually come under threat. The nation intends to cut greenhouse gas emissions by 47% by 2030. One of the country's nationally determined commitments (NDCs) under the Paris Agreement is to reduce fugitive emissions from oil and gas production by 60% by 2031.

Nigeria's goals for combating climate change, however, will have an impact on manufacturing methods. Stakeholders have pushed for environmentally friendly transitional routes and meticulous oversight of climate commitments in order to achieve these goals. Energy specialists talked about the impact on Nigeria's production plans and energy cost of switching to Russian fossil fuels in an interview with EnergyTransition. They also emphasized the significance of Nigeria setting up a reliable system to transfer gas to Europe on a continental scale (Twins et al., 2022).

The UK-based DRNL Consult Limited, Ronke Onadeko, spoke about how Nigeria's production plans and energy pricing are impacted by the increase in crude oil prices. In her words, "Evidently, prices have increased since petroleum products from the refinery also increase in price in response to rising crude prices. Because of our total reliance on petroleum, Nigeria generates more money exporting crude than we do by importing and often even more. The government may therefore concentrate on developing a strong refinery capacity once things have calmed down. I'm not referring to the refinery run by Dangote, though. It's almost as if the Dangote refinery were overseas. Despite their interest, other local businesses lack the necessary conditions to move further with the establishment

of refineries. For countries like Nigeria, where there is a lot of corruption, waste, and unpredictable product pricing, there is a shortage of infrastructure financing as well. The energy expert explained that no bank would be willing to invest in such a product without assurances that the proceeds from refining will cover the costs of their facilities (Ajala, 2022).

Due to its continued reliance on imported fossil fuels, Nigeria, according to Chigozie Nweke-Eze, CEO of Integrated Africa Power (IAP), is a victim of the continuing conflict between Russia and Ukraine. Furthermore, he said that Nigeria might be able to provide a solution to the shortage of fossil fuels in Europe by operating a refinery. Nigeria might increase its gas exports to Europe in an effort to capture some of the market share that Russia is forfeiting as a result of the sanctions. Consequently, Nigeria would have had the chance. "The refinery capacity, however, isn't yet there, as you are aware. The Dangote refinery is another facility that we are aware of and are hopeful will join. So, he argued, such programs raise the possibility that Nigeria would start to export gas on a net basis (Ajala, 2022).

4.23 Impact of Russia-Ukraine War on Nigeria's Economy

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4.24 Energy Crises in Europe and Predictions for Winter

Europe is being squeezed by rising energy prices, prompting governments to consider rescue plans and emergency measures to prevent economic misery for consumers this winter. Rising natural gas prices have wreaked havoc across the continent, accelerating inflation, stifling industry, and causing individuals to quake when they get their electricity bills. European natural gas prices are 10 times more expensive than they were a decade ago and 10 times more expensive than in the United States. Alex Munton, an analyst of global gas markets at Rapidan Energy Group, stated that European natural gas is as expensive as oil. Munton noted, "It's an emergency. Gas prices are exorbitant, and winter demand is still several months away." However, Lu (2022) believes that it is uncertain whether there will be sufficient gasoline this winter.

Russia's war in Ukraine has halted gas delivery to Europe and caused global price increases. Alternative gas supplies are expensive, climate change has drained rivers to such an extent that many of Europe's nuclear plants are offline, and European policymakers are unsure of how to implement shock absorbers. In the ending week of August, Germany and France reached (again) record electricity prices, underlining the continent's power crisis. As economies falter, desperate times call for desperate solutions. Britain increased the cap on energy prices for families by 80%, while Germany increased bills by around €500.

The alternative, according to German Economy Minister Robert Habeck, is the collapse of the German and European energy markets. Europe may replenish its gas stocks during the summer and coast during the winter. Now, with colder months approaching and Russia's stranglehold on natural gas exports tightening, Europe is in a race to fill its tanks, paying eye-popping prices to do so. European nations have largely followed their plans thus far, but it does not guarantee that they will be in good shape by winter. According to Lu (2022) Europe uses a lot of its stored gas and imports a lot from other sources during Winter. Lu

(2022) believes that there is a significant likelihood that there will be no Russian gas this winter. During normal times, 40% of European gas imports come from Russia.

Without Russia's supplies in the winter, European nations will rely more on U.S. LNG imports, according to Munton as cited in Lu (2022). Asia, a larger LNG market, also desires the same supplies; hence, prices will always be higher than for traditional piped gas originating from the East. This is the dilemma facing Europe and the rest of the globe.

Numerous governments have tried to seek alternatives as Europe abandons Moscow's energy sources. Italy received more natural gas from Algeria, while other nations shifted to Azerbaijan, Norway, and Qatar. Germany desires a new LNG contract with Canada, which has a less positive outlook. Germany is constructing five floating LNG plants, while the Netherlands, Finland, and Italy aim to import more gas in the future. Governments can only do so much to increase energy supplies in the near future, according to energy experts. According to Jason Bordoff, founding head of Columbia University's Center for Global Energy Policy and former Obama aide, there is only so much LNG in the world (Lu, 2022).

The European Union is enacting energy-saving measures to minimize electricity use. Recently, Spain enacted a new energy-saving strategy that restricts the use of air conditioning and heating. Previously, Spain advised workers to forgo wearing neckties to conserve electricity. France threatens to penalise establishments that do not turn off their air conditioning, and Germany has turned off monument lamps in Berlin. Some Germans stockpile wood for the winter. Due to the issue, Germany is considering delaying the phase-out of its final nuclear facilities. Bordoff stated that it is foolish to retire more nuclear facilities during Europe's worst energy crisis in decades. Alternative energy sources, such as natural gas, must be discovered to replace lost nuclear energy and maintain power. Munton, an expert on the global gas market for Rapidan Energy Group, stated that managing the facilities is difficult. "Once corporations, the operators of these factories,

have a plan to cease operations at a given time, such as the end of this year, they are already managing the facility accordingly," he explained. Saying 'we want them to continue' complicates the situation.

4.25 Improving Oil Diplomacy through Policy Irrespective of the War

As a result of the ongoing conflict in Ukraine, Europe has suffered its first economic shock in decades. Direct budgetary consequences of caring for migrants, increasing military spending and strengthening energy independence are low; yet the impact on national income and distribution of rising energy prices could be large. It will rise if European sanctions in the future affect the global oil market or the supply of gas to the EU market. This raises three macroeconomic concerns for policymakers.

The first is to figure out how to utilize sanctions to deter Russia while also limiting the harm they cause to the economy of the European Union. Here, it is critical to distinguish between oil and gas. For oil, Russia may look to markets other than the European Union and, despite the sanctions, act as a price taker on the worldwide market. This suggests that EU sanctions have global consequences and that EU oil embargoes or tariffs may have little impact on consumer oil prices. Russia's dependency on the pipeline infrastructure that connects it to the European market provides the European Union significant power over Russia's other energy resources, such as oil and coal. The Russian demand curve, on the other hand, is steeply downward sloping since supply from other sources is highly inelastic. This strategic game makes it impossible to place a ban on alternate energy sources because of technical constraints. Even if gas prices are likely to rise, tariffs are possible, useful, and should be considered, despite the chance that they would.

Secondly, we must figure out how to deal with the drop in real income that has been brought on by the increased cost of energy imports. Policy clarity is needed on two issues here. To begin, governments can use a variety of tools to protect buyers – both consumers

and businesses – from the price increase. These tools include direct subsidies, narrowly focused transfers, and price controls. Subsidies – notably general tax cuts – may partially offset the effect of sanctions on gas and oil, and are therefore undesirable. In the case of low-income and other disadvantaged households, it is preferable to use lump-sum payments that have no impact on marginal price and, as a result, do not lower incentives to reduce demand. Second, governments must figure out how to pay for the higher expenses. Fiscal support and so additional deficit financing may be necessary because to ephemeral expenditure and uncertainty, loss of real income, and decreased exports to Russia, all of which contribute to low aggregate demand. Given the high inflation and low nominal interest rates, debt ratios are expected to drop over the next year or two, and debt will be manageable. The third macroeconomic issue is how to deal with rising inflation due to rising energy costs. Two opposing forces are at work. The first is that inflation expectations must be kept anchored, which is more difficult than usual because inflation had already risen dramatically before the conflict. To avoid this danger, monetary policy would have to be tightened. First and foremost, there is the fact that the decrease in real income is likely to lower aggregate demand, which means that policy must be eased. Policymakers face a challenge in balancing these competing objectives. This predicament necessitates the use of many policy tools. Fiscal aid for households combined with tripartite wage negotiations and well-designed fiscal assistance programs may help the central bank to lessen the trade-offs it is facing. These three dimensions have a significant degree of ambiguity. Energy prices could rise substantially farther than they have so far, or they could drop down to pre-war levels. Inferentially, the drop in real income and inflationary pressure may be significantly bigger or less of a worry than currently predicted.

4.25.1 Policy Recommendations

- i. In developed countries, move renewable energy projects out of the planning phase.

- ii. Though there are some short-term efficiency fixes that can be implemented, the majority of them require more long-term modal adjustments, such as new public transportation and low-carbon, resilient infrastructure. Immediate and large-scale investments must be undertaken to protect the economy from future energy shocks.
- iii. It is possible to create a "green hydrogen highway" by working with champion countries that are investing in green hydrogen and establishing a high-level implementation task force, which includes funding, installation and policy replication.
- iv. A green ammonia working group could coordinate, set goals and assess supply chain developments for the fertilizer supply chain, with a focus on south-south lending and the development of green ammonia production centers in developing nations.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

Despite the issues surrounding oil supply and the oil market, oil demand continues to increase. This is due to the fact that oil has supplanted coal as the principal source of fuel. The current disruption in oil supply chains on the international energy market is evidence that all nations, especially industrialized nations, continue to rely on oil and other petroleum resources as primary economic drivers. Oil prices are anticipated to remain under pressure through the second half of 2022 as a result of conflict-related sanctions on Russia. The release of the SPR is anticipated to provide temporary relief, but its effect on oil prices is anticipated to be short-lived and dependent on the severity of Russia's supply disruption. Even while crude oil and diesel continue to be abundant on the energy market, Europe continues to struggle to obtain sufficient energy supplies for local usage. As a result of self-sanctioning, energy exports from Russia destined for Europe were diverted to other regions. Indirectly affecting the global energy market, price increases in Europe caused by a lack of supply are likely to be profitable for refiners in other parts of the world.

Venn (1986) defines oil diplomacy as the complex network of governmental and private institutions responsible for molding interstate contacts through oil deals. Energy crises directly caused by the emergence of petroleum products as oil can be recognized as the driving force behind globalization, particularly in relation to industrialized Western nations and their interdependence on Arab and Latin American oil producing nations, which has resulted in the marathon of oil diplomacy that has persisted into the 21st century. Prior to Russia's invasion of Ukraine, the external energy strategies of European nations were mostly focused on natural gas, while their internal energy plans are centered on decarbonization and renewables. Since the start of the 21st century, the political and

economic significance of Europe in oil relations has dropped significantly, as it has become heavily dependent on large-scale producers like as Russia. If the new coordination between Russia and OPEC continues, it is possible that the EU's energy requirements will grow increasingly dependent. That will necessitate policies to prevent Europe dependence on Russian energy.

In the early 1990s, Ukraine declared independence from the Soviet Union after deciding to end more than seven decades of dictatorship. Due to civil war, Nazi occupation, the Holocaust, political repression, and stagnation, Ukraine endured a great deal of suffering. The history of Ukraine and Russia's relations has few intriguing aspects. It is always favorable to Russia. The current president, Vladimir Putin, has performed as poorly as the former Soviet Union leader. However, Ukraine maintained faith in Russia, if only for the small economic and security gains Russia provided. Although many Ukrainian nationalists have previously expressed their desire for independence from the Soviet Union. Despite being denied certain rights, Ukraine continued to play a significant role in the history of the Soviet Union. Due to Russia's status as the political owner of Ukraine, which was no longer acceptable to the majority of Ukrainians, ties between Russia and Ukraine lacked a smooth edge. Europe had an important influence in Ukraine's independence from Russia. Ukrainians want an association with Europe, which did not play well with Russians who viewed Ukraine as their property. Russia appeared to be exceptionally tolerant. It all came to an end this year, as Russia engaged in armed conflict with Ukrainians. It was perceived as an invasion by the rest of the world, which resulted in the imposition of economic sanctions against Russia.

Policy-wise, what must be done to strengthen oil diplomacy regardless of the crisis between Ukraine and Russia? Similar to the rest of the world, Europe has experienced an economic shock due to changes in the supply chain and an increase in energy prices. Europe must enact policies that will eventually remove its reliance on large-scale

manufacturers like as Russia. The international community must act fast to aid nations impacted by supply chain disruptions and price increases.

5.5 Conclusion

Russia's annexation of Crimea was a dramatic political move that exacerbated tensions between Russia and Ukraine following the 2014 revolution. Due to their similar historical and political foundations, Ukraine and Russia's relations have been fraught with conflict and defeat since their independence. Vladimir Putin took a stronger interest in the political control of Russia's peripheries, which were formerly part of the Soviet Union after the end of the Cold War, when he became president in 2000. The invasion distorts the historical record by stoking tensions around national identity and political authority. Current geopolitical conditions in Ukraine are among the most complex and tangled in European history. Our research revealed that Ukraine is divided between the European Union and Russia, which has a "nostalgic" view of the Soviet Union's past. In contrast, the conflict between these two countries demonstrates that the post-World War II political and economic order must be reevaluated in light of the shifting power balance away from the World War II winners and toward new economic and geostrategic state actors that either did not exist as independent states in 1945 or did not directly participate in the great war. Together, the West and Europe must prevent Russia from obtaining political dominance over the members of the former Soviet Union. According to the research findings, the West, and particularly the United States, which is viewed as a possible foe of Russia's authoritarian leadership, must take various steps. In addition to Russia's political gestures, Ukraine must safeguard its own political goals, which are molded by an autonomous attitude.

Moreover, in light of the Russia-Ukraine situation, our analysis of oil diplomacy reveals that both producing and importing countries face constraints when it comes to increasing their position in terms of supply, access, or both. Historically, growing commodity prices

have been correlated with the employment of diplomatic measures, such as the strategic use of development assistance and military cooperation. During periods of low oil prices, the global energy industry shifts from a producer to a consumer market, facilitating oil access and making foreign investment more alluring. Because of the current state of conflict, there is no need, contrary to popular assumption, to radically reconsider the rules of the game in global energy. Instead, stronger government measures are required to accompany energy deals. If oil diplomacy stifles investment and hinders market competitiveness, international energy trade could be imperiled. If oil diplomacy has significant policy implications in this circumstance, we may be compelled to act.

According to one of the four major theories of international economic relations, mercantilism, we were able to forecast how the war between Russia and Ukraine will impact oil diplomacy worldwide. Using a mercantilist economic system, a nation attempts to build a self-sufficient and independent state that is less dependent on other nations for the growth and development of its primary economic sectors. Adam Smith initially introduced mercantilism to explain how countries' economies might be regulated by increasing export and decreasing import. If a nation's ruling power wishes to shield regional powers from external influence, a mercantile economic system would come from developing commerce and business within the nation. Regarding Russia's economic growth and political ties with other nations, sufficient data suggests that Russia's economic orientation is commercial in character. Russia's economy has been able to weather the heavy economic sanctions imposed on it, despite the fact that it is unwilling to withdraw its armed forces from Ukraine and that other countries are outraged. Due to the multiple sanctions imposed on Russia's critical commodities and banking system, the global oil supply chain has been seriously affected. According to the findings of the study, there has been a discernible increase in the quantity of oil and other energy resources used

diplomatically by significant producers on the global market to influence public opinion on sensitive international issues.

As a result of sanctions designed to dissuade Russia from conducting further military operations in the Ukraine, the EU has been pushed to reduce its reliance on Russian energy supplies. Concurrently, larger energy agreements are being negotiated, and economic relations between Russia and the EU are at their most profitable. EU and Western nations cannot ignore or take for granted Russia's preparedness to conduct a military strike against Ukraine. The alleged criminal operations of Russia in Ukraine have been attributed to the EU and its Western allies, despite the fact that the EU and other nations have borne the whole expense of these sanctions.

To mitigate the conflict's economic implications, we need more effective measures in the energy industry in particular. It is essential that, once the war is over, the EU does not intend to remain a customer of Russia's energy resources indefinitely, but rather to move permanently away from them. The EU should look beyond Russia for an answer to its energy supply problems. Finally, the analysis found that the economic repercussions of the invasion following the imposition of sanctions will not be static, as the battle scenario varies everyday. Even though Russia is currently everyone's enemy, the country's energy production capacity and its ability to destabilize the Western-supported liberal order make it unlikely that Russia will be completely shut off from the international system.

5.6 Recommendation

5.6.1 Recommendations for first finding

Price hikes have the potential to have knock on effects across the global market as they displace other consumers. In the short-term, governments can manage price hikes to protect local consumers. Developed countries' coordination measures: These volatile markets cannot be made even more volatile by activities of major energy users. Countries must not hoard oil, and the IEA's approach of making strategic petroleum reserves available for

global markets must be maintained in order to counteract this. Second, if possible, decrease or eliminate the use of wheat for biofuels.

Efforts to help the most vulnerable populations and states: The United Nations' list of the world's most vulnerable countries should be supported by the international community. A country's poor citizens must be able to afford the fuel they need. As a result, aid should be tailored to people in need, such as through targeted cash transfers and social assistance programs, rather than being disbursed universally. As a result of the nature of increasingly frequent global shocks, countries cannot be held individually accountable; hence, solutions must be based on global risk, not simply country risk

5.6.2 Recommendations for Second Finding

Governments must speed up a just transition to renewable energy while stressing the significance of adequate energy supply for sustainable development. Poor countries should get financial and technical support from their development partners and donors to help them develop and implement their transition plans in order to meet SDG7 by 2030 and net-zero in a way that increases productivity.

It will be very useful if governments around the world work to remove barriers to solar supply chain investment by organizing task forces to propose policies specific to certain countries and regions. Local and regional manufacturing and assembly, credit development and the installation of renewable energy sources in developing countries would be accelerated by these incentives. Loans should be made available in order to increase renewables investment. This will further the decline the importance of oil as major energy commodity.

5.6.3 Recommendation for third finding

There are four factors to a solution for the current war between Ukraine and Russia. The first concerns military actions near the border between NATO and Russia. Second, a halt to NATO's eastward expansion. Third, the resolution of active and stalled conflicts in the

former Soviet space and the Balkans. Fourth, the modernization of the Helsinki Accords of 1975, which established a pan-European forum and outlined agreed-upon norms of interstate relations to underpin East-West detente. These four aspects must be negotiated as a bundle, although development is likely to occur at different rates along the four tracks, because the United States and Russia need to assess where they are headed before engaging in substantial discussions regarding Ukraine.

To reinstate military limits along the Russia/NATO border, the two nations can begin by reviving Cold War accords that have lapsed in recent years because one or both parties have lost interest in adhering to them. Currently, the two parties must repeat agreements in order to prevent dangerous situations on the water or in the air. Taking into mind the current state of affairs, they must negotiate an agreement similar to the Conventional Forces in Europe Treaty, which restricted military actions in border regions in a nonthreatening manner.

Since NATO's eastward expansion lies at the heart of the current disagreement, a freeze on NATO expansion is required. Even if a moratorium cannot be agreed upon, it should be possible to find a mutually acceptable means to make it apparent that Ukraine will not join NATO for years, if not decades - this is exactly what American and NATO officials will admit in private.

In addition, I propose for this third conclusion that all of the ongoing frozen conflicts in the former Soviet area and the Balkans, including Crimea, Kosovo, and Donbas, involve some type of separatist. All should be resolved based on some form of local democracy, i.e., a vote to ascertain the will of the people in separatist regions should be the starting point, followed by a series of technical agreements to regulate issues that would inevitably arise from the peaceful secession of a territory from a larger state.

5.6.4 Recommendation for the fourth finding

The international community must act rapidly to assist the conflict-affected nations. In light of the requirement for a phased response, the proposed solutions initially focus on areas of action based on existing policies and instruments that can be implemented immediately if the required adjustments and flexibilities are accomplished. In light of this dispute, immediate and intermediate-term policy measures will be necessary. All nations should continue to participate in multilateral forums that address pressing energy and financial concerns on a global scale. The global economy is already in a precarious position due to the apathy of the international community. As illustrated in the analysis, utilize all available channels to address Ukraine and its neighbors, as well as the global ramifications of this conflict on developing nations. Be proactive in seeking coordinated solutions by enlisting not only governments but also the commercial, civil society, and charity sectors to aid those in need across the globe. Disjointed interventions will not yield the best outcomes.

5.7 Why Is My Research Unique?

Two points make this research uniquely significant to my academic pursuit, to my institution and to the general public.

i. This study addresses a new and persistent issue. The Russia–Ukraine conflict is not unprecedented in historical terms, but statistical analysis and current conditions indicate that this war is unprecedented in recent decades. Russia has always been seen as Ukraine's enemy, dating back to when Vladimir took power, but there has not been an open and prolonged confrontation since February. After more than seven months, the war's events are still developing, the entire extent of its ramifications have not been determined, and everything is still in the works. This study addresses the most pressing concern regarding the conflict's actual effects. Because of this, I believe this study to be not only significant but also original. This research provides insights into the situation and proffers solutions that may save the day if implemented.

ii. The findings of this study are extremely important and sensitive since they provide light on the origins and repercussions of the current war. That's useful information for avoiding or preparing for such disputes in the future. It can also aid in the development of a workable strategy to stop the conflict before it develops into a full-fledged Third World War.

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