

## Natural gas grid The Swedish-Soviet negotiations

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### ABSTRACT

Over the past 50 years, the European natural gas grid has slowly developed from smaller local grids to a large, almost all-encompassing technical infrastructure. This development can be seen as one of the prime examples of successful European technical integration across the Iron Curtain. However, in Northern Europe there is what may be seen as a gap in the European natural gas grid, and this entry discusses some of the unsuccessful attempts to bridge this gap.



The European natural gas grid.

Covering not only the territory of what is generally called Europe, but also branching out into the North Sea, Northern Africa, the Middle East, and Siberian Russia, thus constituting one of the largest connected infrastructures in the world, the European natural gas grid has slowly developed from smaller local grids to a large, almost all-

encompassing technical infrastructure. One especially interesting characteristic of this grid is the way it developed across the borders between Eastern and Western Europe in the midst of the Cold War. As such it can be seen as one of the prime examples of successful European technical integration across the Iron Curtain.

However, not all parts of this story were successful. For example, Northern Europe constitutes a gap in the natural gas grid. While pipelines and LNG (Liquid Natural Gas) harbours lead into Sweden, Norway, and Finland, they all form dead ends, without connecting to the other Scandinavian countries. Over the past 50 years, many attempts have been made to connect these dead ends over Sweden, which is well placed geographically for tying together the gas sources of the North Sea, Siberia and Western Europe. One example of negotiations that never led to a natural gas deal were those between Sweden and the Soviet Union which took place continuously over the 1970s and 1980s. These long negotiations show both how views on reliability, vulnerability and geopolitics change over time and how certain infrastructural connections never succeed, regardless of the will of the parties involved.

In 1968, the first connection between the Eastern and Western natural gas systems was built, between Austria and Czechoslovakia (the Bratstvo pipeline), and this sparked an interest in gas imports from the Soviet Union among other Western European countries, such as Sweden. As a long-term trade partner of the Soviet Union and previously Russia, Sweden imported oil and exported industrial equipment, such as wide steel pipes. To introduce natural gas into these exchanges was considered beneficial by both parties in order to handle trade imbalance, since Sweden exported more than it imported, and several actor groups in Sweden within the steel and energy industry supported what they saw as a good business opportunity. Natural gas was also seen as one of the most environmentally friendly resources at the time, due to its low sulphur emissions. The diversification of the energy system was an important motivation as well, and this became an even more prominent issue after the oil crises in the 1970s.

During the 1970s, the Soviet Union was expanding its gas industry, and thus needed new markets for its newly developed fields in Siberia. When Western countries seemed to warm to the idea of importing more gas, the Soviets offered their new discoveries for export. A third actor was Finland, since the pipeline from the Soviet Union to Sweden would most likely pass through Finland. The Finnish were especially interested in this after having concluded a natural gas deal with the Soviet Union in the early 1970s. They would be able to heighten their supply security by connecting with the Western market through Sweden.

Nevertheless, regardless of the motivations of actors on both sides to engage in a natural gas deal, nothing came of the Soviet-Swedish negotiations. Why?

In the early stages of the negotiations Sweden lacked the institutional structures to handle the construction of a natural gas infrastructure, and this institutional insufficiency had a detrimental effect on the outcomes. Different economic strategies and market situations also influenced the Swedish willingness to import gas. A natural gas grid was an expensive and technologically complex endeavour, and although the Swedish actors had a positive outlook towards gas, they also admitted to finding it difficult to fit it into the Swedish energy market where electricity was cheap and customers were not prepared to pay as much as customers on the continent. Natural gas did not have a clear place to fill, since oil, hydroelectric and later nuclear power already covered the market, making natural gas less of a priority.

At the end of the 1980s, the environmental debate intensified. Due to the focus on CO<sub>2</sub>, and despite the fact that natural gas had earlier been considered a way to counteract environmental problems, it now became lumped together with other fossil fuels and considered as an environmental problem in itself. In Sweden, this debate led to natural gas being seen both as a danger, and as a dangerous competitor to more environmentally friendly fuels and carriers. The natural gas debate was, for example, entangled in the nuclear debate, where nuclear-friendly groups argued against natural gas in favour of non-CO<sub>2</sub> emitting nuclear power. The agricultural lobby also lobbied against it, in favour of biofuels. The supply security of natural gas also started to be questioned by the groups which opposed the fuel and the idea started to develop of the Soviet Union as an unreliable supplier. While earlier Cold War tensions had not led to such a view, the fear of uncertainty after the fall of the Eastern Bloc did. Thus, at the end of the 1980s and in the early 1990s, natural gas ended up being a villain on the Swedish energy market.

The Soviets, on their side, were experiencing a huge expansion of the gas trade through the 1970s and 1980s, with new discoveries, exploitations and discussions regarding the place of natural gas as a domestic or as a trade

commodity. In the early stages, they were themselves unsure of how much gas they could sell, which led to offers being changed and insecurities during the negotiations. It was also a question of priorities. For the Soviet Union, trade relations with Sweden were certainly important, but exporting gas to Sweden was less important than delivering gas to already existing customers or starting to export to other bigger customers.

The complexity of constructing a transnational infrastructure can be seen in the number of different actors and contexts that had to come together for a successful natural gas pipeline to be achieved. Enough strong actors had to adhere to the same contexts and priorities at the same time, both nationally and transnationally. This never happened.

In 2011 the Nord Stream pipeline, running from Russian to German territory over the Baltic Sea, was inaugurated. This pipeline was allowed to cross the Swedish economic zone, but a connection to the Swedish pipeline grid was not seen as an option. One main concern regarding the Nord Stream pipeline in Sweden was the trustworthiness of Russia as a supplier and a geopolitical actor. As pointed out earlier, this issue was hardly mentioned in the Swedish context until the end of the 1980s and early 1990s. While a slight supply risk from the Soviet Union had been discussed earlier, the European gas actors agreed that this was due to operational problems because of too quick expansion, and these outages were generally announced in time. Overall, the Soviet Union proved to be a very reliable gas provider over time; it was often considered more reliable than Middle Eastern suppliers, and, at times, more reliable than those with North Sea deposits, first because their development seemed uncertain, and later because of strikes on the platforms. As one Swedish actor put it: 'In the Soviet Union, no one goes on strike'. Thus, the natural gas negotiations between Sweden and the Soviet Union can show how threats and vulnerabilities are reassessed over time according to the historical context.

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