

Payment in Rubles for Gas: Towards a Full Blown Energy and Economic Crisis?

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European countries were stunned by Russia’s demand that gas be paid in rubles as they seemingly expected the Eurasian country to be sanctioned and locked out of Western financial mechanisms without retaliation. Russian President Vladimir Putin said on March 31 that he had signed a decree forcing buyers from “unfriendly countries” to pay for Russian gas in rubles from April 1, warning that contracts would be halted if these payments were not made.

Although the companies and governments of “unfriendly countries” have rejected the move as a breach of existing contracts, which are set in euros or dollars, French economy minister Bruno Le Maire said his country and Germany were preparing for a possible scenario that Russian gas flows are halted – something that would plunge Europe into a full-blown energy and economic crisis.

Although the halt of gas supplies to Europe could see Gazprom lose about half of its profits and reduce investment, it will have an even greater negative consequence on the European energy sector. Europe will not be able to quickly replace Russian gas with LNG supplies from the United States and Qatar, and as a result, European gas prices could rise to \$5,000 per 1,000 cubic meters or even higher, which will force a consumption reduction and hit the economy.

Charles Michel, head of the Council of Europe, presented the EU Programme on ensuring energy security. He stressed that eliminating dependence on Russian energy sources is at the heart of the program as, according to him, it is necessary to quickly get rid of Russian carbon hydrogen and then fossil fuels in general.

However, it is clear that even without the current global energy crisis caused by the lack of gas supplies, it would still be impossible to find a short to medium term solution to replace Russian sources. In this way, EU states, the UK, the US and other listed unfriendly countries

will have no choice but to engage in rubles trade if they want to continue receiving Russian energy and not let their economic situations worsen.

Speaking about changes in the global economic system following sanctions and Russia's responses to the financial hostilities, Serbian geopolitical analyst Borislav Korkodelovic said:

"IMF and World Bank data also show that it is becoming increasingly easy for the rest of the world to reject the demands of the West because it is no longer as economically omnipotent as it once was."

"Even when it comes to nominal GDP, the difference between the BRICS countries on the one hand, and the EU and the US on the other, is narrower (24% to 30% before the pandemic and now it is even smaller). When the GDP is calculated relative to the parity of purchasing power, the stakes have already been replaced: 45% to 44.1% in favor of BRICS."

For his part, Serbian lawyer Branko Pavlović said that Russia, China and India had a key part in building a new global economic system that is more equitable, as it should have been after the Second World War.

"This is a fight for a whole new international relationship and a return to multilateralism with respect to the sovereignty and equality of states, as envisioned after World War II, but now with incredible economic momentum to the general benefit. Everyone around the world understands that America and the West have been exploitative so far. We are now witnessing a new internationalism of liberation," said Pavlović.

This sentiment was shared by Russian Deputy Foreign Minister Sergei Ryabkov who said that BRICS nations (Brazil, Russia, India, China and South Africa) will be at the center of a new world order and stressed that the demand for rubles "is not a change in the terms of [energy] contracts," but rather "a protection of Russian interests."

It is this very drive to protect Russian interests that has forced Putin's hand to demand rubles for energy. In fact, sanctions against Russia have only forced an accelerated change to the global economic system as de-Dollarization is being explored by nearly every major non-Western country.

Alfredo Jalife-Rahme, a Mexican political scientist, said that London, Washington and Beijing agree that there is a weakening of globalization. He stressed that "Moscow's demand that your gas is paid in rubles" is an example of "the dismantling of the globalized model in the energy framework."

Jalife-Rahme also explained that "the financial globalization with the predominance of the dollar generated annual profits of 1 trillion dollars for the United States, about 10% of the global GDP. The change of this paradigm may be one of the most serious blows of the Ukrainian situation to American interests."

The West thought that it could economically collapse Russia, ignoring that sanctions failed to topple Saddam Hussein, Bashar al-Assad, Iran's Ayatollah's, Kim Jong-Un and Nicolás Maduro. Rather, sanctions have only forced an acceleration of the de-Dollarization of the global economy. In effect, the demand for rubles for gas is pushing forward a multipolar and more equitable global economic system.

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