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# Russian Energy Week International Forum plenary session • President of Russia

71-90 minutes

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*Speech at the plenary session of the Russian Energy Week*

**President of Russia Vladimir Putin:** Friends,

Ladies and gentlemen,

I would like to welcome all participants and guests of the *Russian Energy Week*. Moscow is again hosting heads of the leading energy companies and corporations, authoritative experts and specialists, in order for them to jointly discuss the current state of and prospects for the global energy sector and its most important trends, and, of course, to suggest mechanisms for the long-term stabilisation of the energy market, which is of particular importance amid the current challenges that our moderator has just mentioned.

The energy sector has felt the full impact of the crisis caused by the COVID-19 pandemic, when forced restrictions, business slowdown, production stoppages and transport disruptions all over the world dramatically reduced the demand for energy resources. The people present in this room know this quite well because these problems have affected their companies.

Last year's results show that global primary energy consumption declined by 4.7 percent, which was the heaviest shock for the sector over the past 70 years. Prices have been adjusted to the falling demand. Last year, for example, the price of natural gas in Europe dropped by 60 percent to \$113 per thousand cubic metres against \$159 in 2019 and \$282 in 2018.

The situation in the oil sector was altogether unique. None of you or us could even believe it. Nobody could even imagine that last spring oil would record negative prices for the first time in history. It became more expensive to store oil than to purchase it. This situation is simply unique.

The OPEC+ agreements played a key role in stabilising the oil market at that time. The OPEC and non-OPEC countries managed to develop efficient cooperation, ensure the stability of the oil sector during the pandemic and, most importantly, create conditions for investment activity. If investment in new deposits and future oil production had been suspended, the market would have quickly faced a huge, critical shortage. We are seeing some of these things today.

Now at the stage of global economic recovery and growing oil demand, our countries are also stabilising the market and its price quotes. They are promptly increasing oil production and shipping.

Russia is a responsible OPEC+ member. We assume the agreement will remain valid until the end of next year, 2022.

At the same time, the current results show that cooperation between our countries has every opportunity for further expansion. It may embrace additional areas, including the development of new eco-friendly technology for producing and processing

hydrocarbons, and an exchange of the best practices for measuring and reducing the carbon footprint.

As distinct from oil, the situation in the gas market, primarily in Europe, does not yet look balanced and predictable. The main reason for this is that not everything in this market depends on producers: gas consumers are playing an equal and even bigger role.

I am going to say a few things that may sound like obvious and commonplace truths in this professional audience, but various persons in charge have lately chosen to forget about them or keep silent about them, replacing an analysis of the situation with empty political slogans.

Here is what I am talking about. Over the past 10 years, the share of renewable energy sources in the European energy balance has skyrocketed, which, on the face of it, appears to be a good thing – and they are now playing a significant and noticeable part. What can you say? It is a good thing any way you look at it.

However, this sector is notorious for erratic power generation. It requires large reserve capacities. In the event of major generation failures, primarily due to bad weather, this reserve is simply not large enough to cover the demand.

This is exactly what happened this year, when, due to a decrease in wind farm generation, there was a shortage of electricity on the European market. Prices soared, which triggered a spike in natural gas prices on the spot market.

Importantly, gas consumption is seasonal. Its reserves are traditionally replenished in the summer to meet the winter demand. However, this year, even after a cold winter in Europe, many

countries chose not to do so, relying on spot gas supplies and the “invisible hand” of the market, but a spike in demand has sent prices even higher.

To reiterate, the rise in natural gas prices in Europe stemmed from shortages of electricity, not the other way around. There is no need to lay the blame on other people, which is what some of our partners are trying to do. Occasionally, you get stunned by what is being said on this account, as if these people do not know the numbers – I will say more about this later – as if they do not see the reality and are just covering up their own mistakes. Systemic flaws have been gradually introduced in European energy over the past decade, which led to a major market crisis in Europe.

As a reminder, when nuclear and natural gas-based generation were the leading energy sources, there were no such crises, and there were no grounds for them.

Thankfully, problems of this kind have no place in Russia. A long-term approach to the fuel and energy complex allows us to set Europe’s lowest residential and industrial electricity rates. To put that into perspective, the average price of electricity in Russia is about 20 euros per megawatt-hour; in Lithuania it is 256 euros, 300 euros in Germany and France, and 320 euros in the UK.

The growth of rates in our country is limited and is strictly regulated, which is not the case in European countries, where, due to an increase in the cost of power generation, utilities bills have been climbing almost every month recently. I have these numbers on my fact sheet, but I am not going to bore you with the details now.

I would like to say a few more words about the gas market situation. You often hear that high listings are good for raw materials producers allowing them to see super-profits without making any visible effort.

However, those defending this position do not understand what they are talking about; they prefer not to look ahead, and are slow to take into consideration the long-term implications. But these implications are clear, including for the industry: the dramatic, repeated surge in energy prices influences business, the economy, and the utilities sector during periods of drastically increased costs; many businesses are forced to cut energy consumption and reduce production volumes. This means that high prices can ultimately have negative consequences for everyone, including producers. Russian producers, including those in this room, are well aware of this.

Stability and predictability are important in any market. Russia fulfils its contractual obligations to our partners in full, including its partners in Europe, ensuring guaranteed, uninterrupted gas supplies in this direction. We are seeing conditions that will result in record high volumes of gas distribution to the global market by year end. Moreover, we are always willing to meet our partners halfway and are ready to discuss additional actions.

We consistently work to strengthen the energy security of the entire European continent. Major infrastructural projects – *Turk Stream, Balkan Stream, Nord Stream 1 and Nord Stream 2* – are being implemented jointly with European companies, our partners and friends. Their task is to ensure, for years ahead, the stability and predictability of gas availability in the amounts needed by the European countries. I would like to add that

the implementation of these projects is leading to a considerable – by several orders of magnitude – reduction in greenhouse gas emission. Just for your information: the carbon intensity of Russian natural gas distribution along the *Nord Stream 1* pipeline is 66.7 percent lower than that of US LNG. I am saying this just to compare.

At the same time, we now need to come to terms regarding the global mechanisms to balance the energy market. We should launch a meaningful, substantive dialogue between energy producers and consumers on this issue, a dialogue free of political bias and imposed clichés. We are talking about extremely important matters, which directly influence the functioning of business and organizations, as well as the wellbeing of households and millions of people both in Russia and in our partner countries, including those in Europe. I am confident that this dialogue can help find solutions that take into account market trends and the interests of all sides.

Colleagues!

Of course, climate change is among the main factors determining the long-term development of the global energy industry.

Russia fully understands the serious nature of the challenges in this area. We see and understand the threats and risks for all people, the whole world, as was just said, and for this country. In Russia, the average annual temperatures are increasing more than 2.5 times faster than overall global temperatures. In the past ten years, they have increased by almost half a degree, and Arctic temperatures are rising even more rapidly.

Russia supports international initiatives to preserve the climate

and is fulfilling its obligations. In the next few decades, we are set to ensure that the accumulated volume of net greenhouse gas emissions will be even lower than in the European Union.

Colleagues, these are not empty words but a guide to action.

We are already implementing a number of projects that are yielding and will yield results for many years to come. Russian oil and gas companies are flaring less associated gas. I would like to repeat once again that I have recently discussed this matter at a meeting: we are showing better indicators than anywhere else in the world. We are launching projects to trap carbon dioxide, and we are converting to higher technical standards.

Large projects are underway to modernise the power-generating industry and the housing and utilities sector. Of course, we will continue to support these initiatives in the future.

Russia's tremendous potential for boosting energy efficiency accounts for an estimated one-third of current energy consumption. In this respect, I have asked the Government of Russia to update the state programme on energy efficiency and energy saving; we recently discussed this matter at a government meeting. We need to extend this programme until 2035, and we will do so. We have to work more actively in all sectors of the national economy, including industry, agriculture, transport, and the housing and utilities sector, to achieve our ambitious goals and reduce the GDP's energy needs and intensity, as well as the negative environmental impact.

I would like to add that Russia will take practical action to ensure the carbon neutrality of its economy, and we have set a specific benchmark: no later than 2060.

I have said it before and I will say it again: climate conservation is a common goal for all humankind. Much work lies ahead of us. Undoubtedly, it is hard and demanding work involving a wide range of specialists, corporate executives, public associations and governments.

At the same time, the climate agenda must not be 'weaponised' to promote the economic or political interests of individual countries. We all need to work to put together common to all of us, clear, fair and transparent climate regulation rules to be applied globally. They must rely on a genuine concern for the climate and an understanding of each country's role and contribution based on mutually acceptable models for accounting and monitoring greenhouse gas emissions and greenhouse gas absorption.

It is critically important to stick to technological neutrality principles, that is, to take an impartial inventory of the carbon footprint created by different types of energy generation. Few people are aware of this, but the nuclear energy's carbon footprint is lower than that of solar energy. I think even the specialists here are, perhaps, hearing this for the first time.

Russia has unique practical expertise in the development and extended operation of nuclear technology, including fast neutron reactors, which will eventually make it possible to convert to a closed fuel cycle and to make wider use of small nuclear power plants and small reactors. By the way, a low-power floating nuclear power plant is already operating in Chukotka.

Building on the achievements in this area, we will continue to export nuclear technology and thereby contribute

to decarbonising the global energy sector.

Of course, climate projects, including the ones that use natural ecosystems, should play a key role in overcoming this global challenge in the form of accumulated greenhouse gases. Russia can offer truly unique solutions in this regard. The effectiveness of these projects in our country is significantly higher than the effectiveness of investing in the development of renewable energy in Europe.

In order to implement these initiatives and to create a better business environment, it is necessary to channel the investment flow into projects offering the highest return. Of course, when implementing climate projects, there can be no place for sanctions or other restrictive measures that are usually politically motivated.

Also, the international situation is telling us that climate issues must be tackled in close coordination with the plans for expanding economic sectors, primarily, the energy sector.

According to expert estimates, in the next 25 years, the share of hydrocarbons in the global energy balance may decline from the current 80–85 percent to 60–65 percent. Importantly, the role of oil and coal will go down – my Russian colleagues in this hall are well aware of this and proceed from this – whereas the role of natural gas as the cleanest “transitional” fuel will go up.

This applies to developing the production of liquefied natural gas (LNG). We plan to increase its production in Russia to 140 million tonnes a year by 2035. We also hope to strengthen our positions in this dynamic market and occupy about 20 percent of it owing to low production costs and competitive logistics. I would like to note that LNG is already the main cargo in the Northern Sea

Route.

In addition, by 2035, we expect to increase our share in global petrochemical supplies from the current 1 percent to 7 percent. I will add that in the next few decades, hydrogen and ammonia will strengthen their positions in the global power industry, as we also know well. They will be used as raw materials, fuel and energy sources.

Russia has scientific, resource and logistical opportunities to capture a substantial share in these promising markets. I already spoke about this at the recent economic forum in Vladivostok and urged our colleagues from the Asia-Pacific Region to cooperate in this area. I hope our partners from Europe, the United States and other countries will also respond to this proposal.

Friends,

The consequences of the pandemic and the shakeup of the regional energy markets have shown once again how important it is to ensure the stable, confident performance of the fuel-and-energy sector for the modern world and to supply consumers with affordable energy with minimal impact on the environment.

All participants in the market – both producers and consumers – must take balanced and responsible action to ensure the world's energy and environmental security. They should tailor these actions to the long-term perspective in the interests of the sustainable development of our countries and the prosperity of our people.

Russia is ready for such constructive, trustworthy and close

cooperation, including a direct dialogue with our partners in Europe and with the European Commission, with a view to searching for common solutions on stabilising the energy markets and countering climate change.

I am confident that we will definitely achieve results in resolving these difficult issues.

Thank you for your attention.

<...>

**Plenary session moderator Hadley Gamble:** Mr President, in your remarks, you just were mentioning about what is happening in the gas crisis. I think it would be really interesting to pick up on that. You mentioned blame-shifting; you talked about hollow political motives. So much has been said and so much has been written in recent weeks about what has been happening, and I want to ask you about it directly. Has Russia been using energy as a weapon?

**Vladimir Putin:** Russia is not using any weapons at all, if you have noticed. With regard to the economy, where would we be using weapons? What conflicts are we participating in? This is absolutely out of the question when it comes to the economy. Even during the most complicated Cold War periods, Russia fully complied with its contractual obligations and supplied gas to Europe. By the way, back then your compatriots in the United States were also opposed to a pipeline for this gas project. The leadership of the Federal Republic of Germany at that time was successful in having its own way and saw this project through to the end. It is still operating and is a part of Europe's energy balance.

The weaponising of energy is nothing but politically-driven and entirely groundless bloviation.

Take a look at current developments. Europe is producing about 54 billion cubic metres of gas a year. The output numbers are falling in the UK, the Netherlands and Norway and, in all likelihood, will continue to do so. Gazprom alone produces over 500 billion cubic metres of gas. Production is growing and will continue to grow, because Gazprom's reserves alone amount to over 35 trillion cubic metres of gas. If you look at it from a global perspective, Russia's reserves are unlimited and are of planetary size.

We are increasing supplies to Europe even amid today's conditions that are challenging for us. Gazprom has increased gas supplies to Europe by about 10 percent, and gas supplies to Europe have increased by about 15 percent including LNG, because LNG has increased to about 13–14 percent. We are ready to keep doing so. Importantly, our companies have never, not once, refused to meet our partners' requests to increase supplies. Even during the challenging autumn-winter periods in recent years, when our partners asked us to increase supplies even in excess of our contractual obligations, we have always done so and are doing so now. We supply as much gas as our partners ask for.

I would also like to draw your attention to another circumstance, where supplies of, say, US LNG went from Europe to Asia when prices changed accordingly. Of the total shortage of LNG supplies to the European market, which is over 14 billion cubic metres in terms of LNG, about half had been undersupplied by US companies.

So, who is weaponising energy? Is it us or someone else? We are increasing our supplies to Europe, and our partners from other countries, including the United States, are decreasing supplies to Europe. This is open information. All you need to do is go online and see for yourself, everything is there. And you are talking about Russia being accused of weaponising energy resources. This is complete nonsense and politically-driven chatter, which has no substance behind it. This is how things are in general.

**Hadley Gamble:** When the European benchmark, though, is up nearly 600 percent for the year... It has taken several months to get to this point, several weeks of a price surge globally. I mean, at the end of the day, I guess the question is how can you expect Europe to believe you are a reliable energy partner when you are not supplying that energy via the pipeline?

**Vladimir Putin:** A beautiful woman, pretty. I say one thing, and she responds with something entirely different. As if she did not hear what I said. I will tell you one more time now.

**Hadley Gamble:** Mr President, I heard you.

**Vladimir Putin:** Listen, you just said: you are not supplying gas to Europe via gas pipelines. You are being misled. You and everyone else who uses information from such sources. We are increasing deliveries to Europe; Gazprom has upped supplies by 10 percent, and in general, Russia has increased supplies to Europe by 15 percent. Pipeline gas is up by 10 percent, and LNG, up to 13 percent. We are increasing, not reducing deliveries. But other suppliers have cut deliveries by 14 billion cubic metres. US suppliers account for half of the cuts.

Did I say something you did not catch? Did you hear me? We are

increasing deliveries. And if we are asked to increase further, we are ready to increase deliveries further. We are increasing by as much as our partners ask. We have not denied a single request, not a single one, and we are increasing supplies to Turkey, via *Blue Stream* and *TurkStream*; we are increasing supplies to the Balkans – they have been redirected through *TurkStream* now, but we are increasing deliveries via the existing routes as well. We have even increased supplies through the Ukrainian gas transportation system. This year's increase of supplies through the Ukrainian gas transportation system, in excess of our contractual obligations for transit, will be approximately 10 percent. We cannot increase it any more. Everyone is hinting we should increase supplies even more via Ukraine. But it is dangerous because the GTS has not been repaired for decades in Ukraine. It can burst if you increase the pressure, and Europe will lose this route completely. About 80 percent of the equipment is obsolete, over 80 percent. Nobody wants to listen or hear anything. Everyone is just determined to blame Russia.

**Hadley Gamble:** Who is they? European partners?

**Vladimir Putin:** Russia's ill-wishers. They can be in Europe, or in other countries anywhere in the world.

**Hadley Gamble:** Okay, walk me through this. Essentially, the markets are looking for some sense of stability here. Are you saying that in terms of increasing supplies to Europe that you would get the current capacity increased by as much as 15 percent? The IEA says that could calm the markets.

**Vladimir Putin:** I have already said that we increased it by 15

percent. Just now. In the first nine months of 2021 we increased gas deliveries to Europe by 15 percent.

You see, we are not the problem. It is the Europeans who caused this problem. They did not fill their storage facilities on time. First, the wind power generators did not work in the summer. Everyone knows this. You just cannot help this, because this is what the weather was like. They did not pump the amount of gas they needed into their underground storage facilities on time. They were filled only to 75 percent, which is very little. Everyone understands and sees this. Deliveries from other parts of Europe, and the United States, declined. We increased supplies, while the United States reduced them. Of course, all this caused a panic. This is what caused it.

Part of the energy resources, some of the gas is stored in Ukraine's underground storage facilities. I may not have the exact figures, since we do not have the precise data, but about 18 billion cubic metres of gas, maybe a little bit more, were pumped into Ukraine's underground storage facilities. A substantial portion of this volume belongs not to Ukrainian operators, but to European ones, to private entities, etc. We know, and our Western partners know what is going on in Ukraine's energy sector today.

In 2008, we were unable to recover gas from these storage facilities even though it belonged to Russia. Why has the energy crisis started with Ukraine in 2008? We wanted our gas back, but they refused, and started consuming it. Today, there are irresponsible politicians in Ukraine who are calling for this gas to be nationalised, I mean the gas in Ukraine's underground storage facilities that does not belong to Ukraine. And what can we

see now? We see private operators, including foreign ones, starting to pump out gas from Ukraine's underground storage facilities.

We are ready to deliver even more gas, but to do so these volumes have to be ordered. I am telling you: we increase deliveries to the extent that we are asked to do so. Today, we are up 15 percent, and if they ask for more, we will give them even more. This is within our contractual commitments. Not only do we fulfil all our obligations, but we are even ready to exceed them, but to do so, we need orders for additional volumes. After all, we cannot send out gas into nowhere. It has to have a destination. We deliver as much as we are asked. There has not been a single instance when we refused to deliver.

**Hadley Gamble:** These things will come at a cost. Can you assure us that there will be no price gouging?

**Vladimir Putin:** Let me explain this to you. This is the second very important question.

Our European partners have been insisting on setting up a European hub, an exchange, thinking that trading gas on a free market would balance out the energy market. As I have said recently, this primarily was the case for the former college of European Commissioners. We have always told them that long-term contracts must remain a priority. These approaches imply different price setting mechanisms. Under long-term contracts, prices are pegged to global prices of crude oil and some other petroleum products such as gas oil, etc. There is no secret about this. Still, it is the market that determines these prices. Let me emphasise that this pricing mechanism is pegged to the price of oil

on the market. Nobody imposes anything on anyone. Furthermore, there is a certain lag before gas prices are adjusted compared to oil, about six months, enabling operators and consumers to anticipate future developments and adjust their actions accordingly.

The spot market is different. Prices depend on supply and many circumstances that are hard to predict. There is too much uncertainty: whether the winter is cold and long, the underground gas storage facilities may or may not be filled, the wind turbines can stop working, prices can go up in Asia, and gas supplies can move there. The reasons that led to a spike in prices on the European market are obvious.

However, Gazprom will never see this money, be it \$2,000 per 1,000 cubic metres, or \$1,500, or \$1,225, which is the current price. Gazprom sells gas under long-term contracts that are tied to the price of oil. Some of our colleagues in this room are heads of Russian companies who know that oil, I mean Russia's Urals crude, is currently traded at \$81-\$82 per barrel. The prices Gazprom charges are tied to these oil prices. Gazprom does not get \$2,000 per 1,000 cubic metres. That is why we built the first gas pipeline, *Nord Stream 1*, to Germany along the Baltic Sea bed, and are about to complete the second one. Germany buys gas for \$250, \$230 or at the maximum price of \$300 per 1,000 cubic metres, not \$2,000 or \$1,500. This means that Gazprom actually loses money. On the spot market, it would have gotten \$1,200 per 1,000 cubic metres, but instead they get \$250 to \$300. However, Gazprom is interested in maintaining this stability. Why? Because they know that it will sell a certain amount of gas at a specific minimal price, which enables them to plan their investment policy.

This benefits both the supplier and the consumer.

**Hadley Gamble:** So what is a fair price for Russian gas then, when you have 800 million people who are facing a very-very cold winter? What is a fair price?

**Vladimir Putin:** I have already told you.

**Hadley Gamble:** The oil is sitting above 80.

**Vladimir Putin:** As I have said, this is a fair price, which is not regulated by the government; it is regulated by the oil market. Oil prices fell last year or in 2019, and gas prices immediately also fell as a result. And, of course, Gazprom also reduced production, and net earnings and profits, and everything else also went down. Oil prices started growing little by little, and its incomes also rose. But it does not profit from speculative spot prices in Europe. I want you to hear this, and I want those people who will be watching our meeting to hear this, as well. It profits from oil price quotations and long-term contracts. I repeat for the third time that it does not receive \$2,000, like at the London Exchange or somewhere else in Europe. And, of course, these countries, including Germany, are our main consumers. Such countries, our main consumers, such as Germany, should bow low to Gerhard Schroeder for the fact that Germany now receives gas at \$300, rather than \$1,000 or \$1,500. This is a positive factor for households, for the people of the Federal Republic of Germany, the industry and the European economy's global competitiveness.

**Hadley Gamble:** Mr Putin, at the end of the day, though, a big question has been surrounding, as you were mentioning, the blame game. One person who has not cast blame on Russia is, of course, the outgoing Chancellor of Germany, Angela Merkel.

She has advocated that you continue to use Ukraine to supply gas to Europe, beyond the commitments of 2024. Can you commit to that?

**Vladimir Putin:** It is a great exaggeration to say that she does not blame Russia for anything. We have very different approaches to many matters and problems. The claims ...

**Hadley Gamble:** But not on *Nord Stream 2*.

**Vladimir Putin:** Yes, speaking of *Nord Stream 2*, you are right, she has never blamed us because she and I have always assumed that this is a purely commercial project that is not politically motivated, as the project's opponents have always said. They said that it was economically unprofitable and politically motivated, and that Russia will only lose from this, but it is building *Nord Stream 1*, *Nord Stream 2*, *TurkStream*, etc., in order to bypass Ukraine, purely out of political considerations.

Look, this is just more nonsense, total gibberish. Let me explain this.

First, the Gas Transmission System of Ukraine was built under the assumption that only one territory of the Russian Federation, namely, the Urengoy field, produced gas. This deposit is being depleted little by little, and we have started producing gas in more northerly regions, including the Yamal Peninsula, and we have started building our new pipeline system from there. We have been persistently and gradually building pipeline offshoots all over the Russian Federation for over a decade now, proceeding from our capabilities. We also started building our export routes from there. This is how *Nord Stream 1* and *Nord Stream 2* came into being.

Now, let us move on to economic feasibility and political motivations. Everyone, please listen carefully to what I am saying. This route is 2,000 km shorter than the Ukrainian route; therefore, it links our main consumers in Europe more quickly and is cheaper. You see, this means shorter and cheaper transit, including for end consumers, because the transit price is part of the end price for consumers, including those in Europe and the Federal Republic of Germany. It is A – shorter; B – it is therefore cheaper; C – it uses cutting edge equipment, including pipes for pumping gas under high pressure and gas-pumping equipment.

What is a gas compressor station? It is a small plant that pumps gas along the pipeline, but in the process, it uses some of the gas and causes emissions.

What I wanted to say is that for *Nord Stream 1* and especially *Nord Stream 2*, CO<sub>2</sub> emissions are 5.6 times lower compared to Ukraine's gas transportation system. When some claim that there is a political agenda, they are simply ignoring obvious facts. They are the ones who are guided by political motives.

*Nord Stream 2*, just like *Nord Stream 1*, are purely economic projects. This is what the outgoing Chancellor has always said, and I fully agree with her.

**Hadley Gamble:** So will you extend your commitments to continue with the flow of gas through Ukraine, beyond 2024?

**Vladimir Putin:** This is also a purely economic project. I have already told you that the degree of wear and tear within Ukraine's gas transportation system stands in the range of 80 to 85 percent. Maintaining, let alone increasing volumes, is a challenge, and we

are now increasing them despite all odds, regardless of our political differences. I have already said that we will exceed our contractual obligations on gas transit by 10 percent this year. At the very least, they could have thanked us for this. Instead, all we hear are insults.

However, to pump gas, you need to make sure that, first, the system is up to standard. This applies to us, to European consumers, and to the Ukrainian operators. This is the first point.

Second, we need to understand how much we can sell. This is a very important question. I have raised this issue with Ms Merkel, and she has been asking us the same question all the time.

To answer your question, let me tell you that we are ready to retain this contract. Moreover, we can even increase supplies, if the necessary economic and technological conditions are met. But we need to understand how much we can sell.

There will probably be questions on the environment, the transition to a low-carbon economy, the carbon footprint, etc. But if Europe wants to move away from carbon fuel, including giving up on gas in the future, how can we undertake to increase transit through Ukraine, if Europe wants to stop buying our gas? Tell us how much you are planning to buy and sign a contract on these deliveries. This way we will know how much we can deliver along the northern route, how much will go into *TurkStream*, and how much will still go through Ukraine, and if we can increase this volume. We need to understand what the market volume will be. When Europe tells us, and everyone else, that we are scaling down the carbon footprint and moving away from carbon, but after 2024 you will have to pump gas through Ukraine for who knows

for how long, maybe 100 years, how does that make sense? Are you in your right mind? Let us sit down, put our cards on the table, open them and count everything. If the question is whether we are ready, the answer is positive. We are ready. We need to calculate everything.

**Hadley Gamble:** Alexander Novak, your Deputy Prime Minister, was suggesting last week that moving quickly with the regulatory hurdles, getting them out of the way before allowing gas to pass through Nord Stream 2, would actually, at least in the medium term, assuage the gas crisis that we are seeing in Europe. Have you had any indication from Europe that that is moving more quickly, that we could see Nord Stream 2 come online at a sooner date?

**Vladimir Putin:** No, on the contrary. We see that the administrative barriers are still there, and there are various questions related to the Third Energy Package in Europe, and this project is not an exception. There are a number of details, and I do not want to elaborate too much on this right now. These administrative barriers do exist and have yet to be removed. I know that *Nord Stream 2* is currently discussing this, with the German authorities among others. The German regulator must take the corresponding decision, but has not done so yet. Of course, if we could increase deliveries through this route, this would substantially ease tension on the European energy market. I am 100 percent sure about this. Of course, this would affect prices on the European gas market. This is obvious. However, we cannot do this so far because of the administrative barriers.

**Hadley Gamble:** President Putin, in the past you have said that China and Russia agree on a number of issues, you are very close

in terms of your priorities, both regionally and globally. I just want to get a sense of how you feel about what has been happening of late in terms of rising tensions in the South China Sea.

President Xi has reiterated that it is a historic task to complete the reunification of the motherland, that it must be fulfilled. And, of course, he is talking about Taiwan. When you think about this a bit more broadly, if China were to invade Taiwan, would you say there is a real risk of war?

**Vladimir Putin:** If you followed closely what the leaders of the People's Republic of China were saying, in one of his speeches at an international event that was held most recently, I believe, by the UN, which I attended, President Xi Jinping said that the People's Republic of China was not planning to use its armed forces to resolve any issues. He said something along these lines. This is my first point.

Second, as far as I understand the Chinese philosophy, including state building and governance, it does not include the use of force.

Third, I believe China does not need to use force. China is an enormous and powerful economy. It has become the world's number one economy in terms of purchasing power parity leaving the United States behind. China is capable of achieving its national goals by building up this capacity, and I see no threats here.

With regard to the South China Sea, indeed, mixed interests are at play, but the Russian Federation is operating on the premise that every country in that region should be given a chance to resolve all arising controversial issues without the intervention of non-regional powers in a calm manner relying on the fundamental norms of international law and by way

of negotiations. I believe the potential is there, and it is far from being fully tapped.

**Hadley Gamble:** In terms of that response, obviously \$3.5 trillion in global trade flows through the South China Sea every year, and almost as much in terms of oil as in terms of goods. So, it is considered an international waterway. When you talk about external powers, those that are not regional, are you referring to the United States?

**Vladimir Putin:** I am talking about the countries that are not part of that region.

**Hadley Gamble:** When you think about this a bit more broadly, President Xi has, of course, taken drastic measures to address this energy crisis. He has essentially said that they would buy gas at any price. Obviously, there are a lot of conversations being heard about whether or not China was going to be able to stick to their goals, in terms of the climate change agenda, in the face of this rising crisis. How damaging do you think it will be to the green energy agenda if China is forced by this crisis to move away from their goals?

**Vladimir Putin:** You are asking me questions that I am in no position to answer, since I am not the leader of China, but the President of the Russian Federation. I do not know for certain what the Chinese leadership is planning. I only know what they are doing, including in cooperation with us.

First, China is our largest trade and economic partner. Despite a recession in the global economy, trade between Russia and China is on the rise and exceeded \$100 billion over the first nine months of this year which is a good figure for us. We may

even reach an all-time high this year. In this sense, China is a highly reliable partner of ours. I am not talking about any political component, although China is our strategic partner and ally in almost all major areas of cooperation.

China, our reliable partner and ally, fulfils all of its obligations too. If any questions arise, including, say, in the economy, we sit down and negotiate and look for solutions. We find solutions through mutual compromises. This also applies to energy cooperation.

Firstly, China is working with us on one of the largest LNG projects, which also involves Total, by the way, and our NOVATEK. The project is called Arctic LNG, and it is very successful. China will most likely participate in the next project as well.

We have agreed on the supply of pipeline gas to China, built a pipeline, and are planning to reach a total of 38 billion cubic metres.

China is a big market, a huge, growing economy, with growing consumption. We are now working out a second route across the territory of Mongolia, and I believe we have already agreed on it in general. I have already mentioned this.

Now take coal supplies, for example. Coal-based power generation is huge in China, and the country's government is making great efforts to reduce it. It is not so easy to do. China has a population of 1.5 billion. They have to ensure the interests of their people, they must think about them, which is what they are doing. They have built a well-routed policy to reduce hydrocarbon emissions, including the transition period when they rely heavily on natural gas. We will increase both through the existing systems as well as through forward-looking ones.

I am not sure if China can actually fulfil all the plans, because the volume is very large, but everything that has been done in China so far, in terms of achieving their goals, everything has been fulfilled. They have achieved everything in the economy, and this gives us hope and confidence that when it comes to reducing the anthropogenic load on the environment, China will achieve its goals planned until 2060, I think.

<...>

**Hadley Gamble:** That leads me to a question about the oil market. Mr Putin, do you believe that we are going to see oil at \$100 a barrel?

**Vladimir Putin:** This is quite possible. The price of oil is currently rising. We, I mean Russia and our partners within OPEC Plus, are doing everything we can to stabilise the oil market for good. We seek to prevent price swings because this does not serve our interests. We are committed to honouring our obligations on production cuts in full. These are very complex decisions for the Russian economy and our companies. You see, unlike other oil fields, in the Middle East for example, we pump oil in territories with a harsh climate. Cutting production requires us to take additional action, which leads to additional costs. Still, we agreed to go down this road and scaled down oil production, which stabilised the market.

By the way, the Crown Prince of Saudi Arabia, the King of Saudi Arabia and former US President Donald Trump all played a positive role in this process. This I can tell you in all responsibility because I took part in these trilateral talks. Trust me, this is not about politics. He championed the interests of American

companies and wanted these decisions. Even though the United States did not take part in the OPEC Plus format directly, the country still influenced this process because it touched upon the interests of American oil producers. Overall, we were able to stabilise the market and save jobs, including in the United States.

The market has stabilised. However, we have yet to recover to pre-crisis production levels of 11 million barrels per day. We believe that we need to expand production as demand for fuel grows on the market. I have my colleagues here in this room, heads of Russian companies. Of course, the budget is our priority, but we also cater to the interests of our major companies and coordinate our actions with them. The fact that we decided to cut production, in the end, benefited the global market. It stabilised, and prices went up to an acceptable level, creating a win-win situation for the Russian companies and for the budget in terms of higher revenue from a higher price of oil. Overall, the situation turned to our advantage.

We do not seek to restrain production in order to cause skyrocketing prices, as we are seeing on the gas market. We want any changes to be gradual and well-balanced.

**Hadley Gamble:** President Putin, I've heard that former President Donald Trump called you directly about prices and about the oil market, trying to get that OPEC Plus deal done. Do you have the same relationship with the White House today, with President Biden? Has he contacted you as a member of OPEC Plus?

**Vladimir Putin:** No, I did not discuss these issues with him but we are in contact with the administration and I believe, generally we

have established a working and sustainable relationship with President Biden. Now the Under Secretary of State is in Moscow. She is discussing with her Russian colleagues issues linked with our further contacts with President Biden. So, our relations with the current administration are constructive enough.

**Hadley Gamble:** The latest Pew Research poll says that 44 percent of American Republicans want President Trump to run again in 2024. Would another Trump presidency be good for the energy market?

**Vladimir Putin:** This has nothing to do with us. Do you understand? I do not want to make such assessments in this regard. I said earlier – before the elections in the US, before Mr Trump’s election, after it, and before the latest election – that we will work with the US leader who will be elected by the American voters, the American people. We do not give any assessments.

I believe our nations have fundamental interests in ensuring security, reducing strategic offensive arms, countering terrorism and money laundering, including tax havens, and stabilising energy markets. There is no doubt at all that these objective goals and mutual interests will lead to the improvement of our relations in one way or another and that the US political establishment will stop using Russian-US relations to the detriment of its own interests and its own businesses.

The Americans have introduced sanctions in the energy sector. What have they achieved? ExxonMobil has withdrawn from profitable contracts, stopped its participation in them with one exception for a contract in the Far East, which it has been part of for a very long time. So, who has gained anything? Nobody has

gained anything. Gas prices have skyrocketed and the Americans have to suffer from some events that took place in the oil market. The result is not just zero but negative for those who are doing this. I hope the realisation that this policy has no future will eventually prevail and we will be able to gradually restore our relations.

<...>

**Hadley Gamble:** President Putin, when you think about this with regard to Russia's commitments on the climate change agenda, are you planning to attend COP26?

**Vladimir Putin:** I have not made up my mind yet with the pandemic still going on. In any event, I will take part in this work. I am not sure yet if I will attend it in person, but I will certainly take part in it.

**Hadley Gamble:** Are you afraid of getting COVID?

**Vladimir Putin:** At one point, I could have become infected, with my closest employees, who, unfortunately, got sick, being around, but this did not happen because, as experts are now saying with complete certainty, I was protected by our Sputnik V vaccine.

However, it is not about me. The fact of the matter is that when I go somewhere, over a hundred people come along, including the press service, security guards, drivers, protocol staff, in a word, a large number of people who, in one way or another, could get exposed. This is something to ponder.

**Hadley Gamble:** I just spent two weeks in quarantine so I could be here.

Walk us through the climate change commitments that you can

make today for Russia. Because at the end of the day, many people say this is a country that is not doing enough, that they are not doing as much as Europe in terms of trying to get to net zero. In fact, Greta Thunberg recently put it as “blah, blah, blah, blah.” How do you respond to that?

**Vladimir Putin:** Let us look at what is going on without any political clichés. You mentioned Russia's willingness to increase energy supplies to Europe and the rest of the world. So, do you want us to increase them or not? If you do, then we need to produce it. Or do you not? Electricity does not come from a power outlet; we need a primary source of energy to produce it in order to meet the growing needs of Russia and the global energy market.

Now let us face reality. We have increased not only gas supplies, but we have also increased coal supplies to the global market by 8 percent in both directions – to the East and to the West – and to Europe as well. Production increased by about 8.5 percent, and our exports grew by 8 percent.

Now let us take a look at our energy balance: nuclear power accounts for 26 percent, hydropower 20 percent, and gas 40 percent. The hydrocarbon balance at 86 percent is a very low number. The United States, with its 77 percent, is the second best in this regard. Germany's net energy balance runs at 64 percent. It is even lower in other countries. We have the world's cleanest hydrocarbon energy balance today, one of the cleanest. And we continue to work to make it zero, as I said, by 2060. Just like some other countries have set themselves the same goal. And we are ready to do so. We have drafted corresponding plans and provided tax breaks for the companies and industries that will engage

in emission cuts, including under the renewable sources and hydrogen energy programme. We have an entire programme covering tax incentives.

I believe that Russia has not only proclaimed it, but, I want to emphasise this, is following this path. We understand that disregard for the preservation of the environment can be disastrous not only for all humankind and for the entire world. This is what we started our discussion with today. As I said, warming is happening at a faster pace in Russia and even faster in the Arctic region, where we have entire cities built on the permafrost. This represents a real danger for us, and we are thinking about it and working on it.

**Hadley Gamble:** You mentioned nuclear several times today, just now and in your remarks earlier. Do you believe it is a mistake for governments, for example, for Germany, for other countries, to move away from nuclear energy?

**Vladimir Putin:** I do not want to speak in such terms or accuse anyone like others accuse us – groundlessly and using any pretext, or even without one.

Whether it is a mistake or not, is up to the people of Germany to decide. As I have already said, nuclear generation accounts for 21 percent in Russia's energy mix. If I said otherwise, I was wrong. Nuclear accounts for 21 percent, and hydropower for 26 percent. Germany decided to move away from nuclear energy.

If you want to know my opinion on this matter, whether this is a mistake, in my opinion, it does not make any sense, because nuclear power accounts for over 80 percent of energy balance in France, Germany's neighbour. Does it make any sense to close

down nuclear generation in one place while on the other side of the fence, on the neighbouring territory, nuclear is flourishing?

I can understand that in a country as big as Russia, with its immense territory – the biggest country in the world – you could say that we will develop nuclear in one part of the country, but there are reasons not to do so in other parts. However, in Europe with its density where everything is crammed together, does this make any sense? Either they have to agree on this policy on a pan-European level, or it will not make any sense. That said, nuclear power accounts for a substantial portion of Germany's energy mix. I do not remember the exact number. I think it was over 30 percent...

*(Addressing Director General of State Atomic Energy Corporation Rosatom Alexei Likhachev.)* How much did you say? Nuclear accounts for 11 percent in Germany's energy mix you say? We are talking about nuclear, right? They used to have over 30 percent, but now they have only 11 percent. This is a huge loss in power generating capacity. Of course, they must replace this resource with something. But what? Wind turbines? That is tricky. It is how you get price hikes. You see, everything must be done softly, calmly, in a balanced and calibrated manner. This is what matters. In addition, professionals must be the ones to take these decisions, not someone else.

I have learned recently that there was a ruling by a court in the Netherlands on Shell. Quite a curious ruling at that. Let us see. The court ruled that Shell must reduce CO2 emissions by 45 percent. This sets a precedent. If people who lack any professional insight take these decisions, you inevitably get price swings on the global market.

In the Middle Ages, when the weather was colder and the climate was harsher, I think it was the Dutch who used frozen rivers and channels to skate from one place to another, and to this day they are quite good at skating. If this carries on, people in Holland will return to this means of transportation, and will put on their skates to visit one another, because it will be too expensive to drive cars, including electric vehicles. People will skate not only to get from point A to point B, but also to warm themselves.

The market is telling us that this danger exists. The decisions in this sphere must be made by professionals, of course, in close contact with non-governmental organisations and the public, who must carefully monitor the developments in this area and set the government and energy companies' mind on taking the right steps in this regard, because the future of humankind depends on whether the planet gets overheated or not. We must act professionally.

Many decisions come at random today based on the current political situation. I believe many participants in this process are taking advantage of people's fears about climate change to achieve domestic political goals or, perhaps, to derive certain economic benefits, because low-carbon energy also involves the production of equipment and the creation of infrastructure, and much more. It is necessary for the public and public organisations, including environmental organisations, to be aware of these problems and to be clear-eyed when making final decisions.

**Hadley Gamble:** Speaking about that smooth transition, I want to ask you about this proposed legislation by the EU that would basically ban drilling in the Arctic, oil and gas. Is that in your view

a mistake? Because that would certainly hit the Russian economy pretty hard.

**Vladimir Putin:** You see, if such decisions lead to some price spikes, it will not affect us that much, because we will cut production and recoup everything we anticipated through higher prices.

To reiterate, there is no need to bring politics into decisions of this nature. These decisions must be made in close cooperation with professionals and experts in this area if we want to strike the right balance between green energy and conventional energy without hurting consumers and people.

We have spent a full hour discussing international developments. Who gets hurt by these prices? Ultimately, consumers. Domestic gas prices for residential consumers in Russia, I believe, is \$64, in dollar terms, per 1,000 cubic metres, and \$64 for industrial consumers. Look, this is a far cry from \$1,200 on the European spot market, but the entire economy is in a good rhythm.

By the end of this year, we may achieve major GDP growth, in fact, record-breaking. There are issues, to be sure, but the necessary conditions for stable growth and the necessary environment for people to plan their lives are being created.

Look at what is happening in Eastern Europe and Western Europe. As I said, rates go up every month there. The situation in Ukraine is the same and gas prices for households have already reached \$281 per 1,000 cubic metres at a time where average income is \$230 in dollar terms. I may be a little off with my numbers, but things are like that more or less. Are the consumers managing? There is a gap between prices and incomes. In the end, they will

ruin the utilities sector and so on. A number of regions in Ukraine have already refused to conclude energy contracts, because they do not have the money to pay for it. You see, if we approach these decisions in an unbalanced manner, we will only create more problems, not resolve them.

<...>

**Hadley Gamble:** President Putin, you have said that you are not sure yet whether you will attend COP26. But I want to get a sense from you of how you see the structure for climate change, in terms of policy. Should this be a UN of climate, in terms of all of these nations coming together and setting global policies? Should this be done at a regional level? How should this look in the future, in your view?

**Vladimir Putin:** What is the question about? What international legal mechanisms are functioning and would it be possible to create them?

**Hadley Gamble:** Correct.

**Vladimir Putin:** First, as I have already said, I believe we have very constructive relations with the OPEC countries in oil production and operations in world markets. I think the mechanism that has been created, OPEC Plus, is working very well in the interests of the entire industry and the global energy system.

I believe that when output reaches the pre-crisis level, we will be able to continue this work, which includes the green agenda, and we have laid some groundwork in this respect. I mean that we will discuss modern production technology, the use of hydrocarbons, and transitioning to hydrogen and other energy sources, including renewable ones.

Second, we have a corresponding association of gas producers. This is the international community of producers. We could also work well in this area. It is the same as the G20. Naturally, this must also become one of the main items for discussion on the UN agenda, especially at those venues that are dealing with climate issues. We should not just say: Oh, we feel so bad. We should also decide what we should do all together to meet the interests of the economy and people and to create the necessary conditions for developing green energy.

You know that, say, car producers are being compelled to switch to electric vehicles. Well, this is because automobile transport is a major polluter. We know this. It is common knowledge. But what is the primary source? As I have already said, electricity does not just come out of the socket. In the Federal Republic of Germany, for one, coal generation amounts to 35 percent in the energy balance; 30, 33, 35 percent is coal generation that releases the most CO2 emissions in the air. Make all the electric vehicles you want, but coal generation at power plants will contribute to higher emissions. Meanwhile, the effects of gas are not as bad. But understand, you have to look professionally at all these issues.

**Hadley Gamble:** But in terms of accountability, how do we hold these various governments accountable in terms of that accountability? You have said China fulfils their commitments; you have said you are on track to fulfil yours. How do we hold various governments accountable? Because that is what people want.

**Vladimir Putin:** Governments must be accountable both in their own countries as well as in developing common standards of conduct. But this cannot be achieved unless the decisions are fair, unless no one exploits the common human concerns

of climate change for narrow and selfish purposes or seeks competitive advantages under the banner of nature conservation.

If we find that kind of platform and develop such transparent approaches to making final decisions, then we will be moving in the right direction on the environmental conservation agenda. If not, then there will be imbalances, as is the case with the European gas market today, and ultimately, the chances of improving the climate will not go up.

**Hadley Gamble:** In your view then, have uneven climate change policies, whether it be in Europe or the United States, given the West less leverage in these kinds of conversations, particularly when it comes to OPEC/OPEC Plus decisions?

**Vladimir Putin:** We do have certain concerns about what we are now seeing and hearing in the European Union, about the carbon tax, because if any decisions are taken unilaterally, if we see that they are a tool of unfair competition, I think in that case, the result will be similar to what we have now. Prices will go up, and that will be it. What did the Americans do? They left the European market or cut their sales by half and reduced gas supplies by 14 billion cubic metres, if you calculate in cubic metres. The same will happen again. If ill-conceived decisions are made, we will also react accordingly.

You must realise that Russia has competitive advantages due to its large supplies of various hydrocarbons. Yes, we have them. But these are our so-called natural competitive advantages, something to be accepted as a fact. There is nothing you can do about it. It is not a good idea to invent schemes to affect these natural competitive advantages and try to limit them. Better

to have an honest, open dialogue. We are ready for this.

**Hadley Gamble:** President Putin, I can't help but sense a bit of animosity when it comes to your European partners. What could Europe do to fix that situation?

**Vladimir Putin:** We are not displeased at all. We are simply seeing how the discussion is going and where it is leading. I think I have shown convincingly enough that what is happening today in the European energy markets is a man-made result to some extent, a result of short-sighted policy. But these are their problems. Let me repeat once again that we need an honest and sincere dialogue. We meet and work permanently with our partners in Europe, and I have the impression that there is an understanding of the need to develop such a sincere, transparent dialogue. But let us see how this will happen in practice.

**Hadley Gamble:** The Europeans have a trust deficit with Russia, and it is not just because of this current crisis in the gas market. It is also, of course, the massing of 80,000–100,000 Russian troops on the Ukrainian border.

At what point do you believe that you will solve these issues with your European partners? Because it requires dialogue. Would you be willing to talk to NATO directly?

**Vladimir Putin:** Yes, we are ready to deal with NATO directly as well.

As for our troops, they are on Russian territory. We held the Zapad 2021 military exercises quite recently. This is true. These are large exercises and we conducted them on our territory.

Our so-called partners from America also hold such large-scale exercises but they do it thousands of kilometres away from their national territory. After all, we did not come to the suburbs of Washington or New York to conduct drills. They came to us and conducted them at our borders. How should we react to this? Let me repeat that we hold exercises on our national territory. There is nothing surprising in this and we are not going to explain ourselves to anyone over it.

In effect, our partners are themselves destroying all prior agreements, including those on confidence-building measures in Europe. This concerns the eastward expansion, as I have already said many times. This also concerns the extreme imbalances in the Baltic states, whose armed forces are not counted anywhere, and so on and so forth.

We are not violating anything, not a thing. We did not withdraw from the ABM Treaty or the INF Treaty. We did not walk away from the Open Skies Treaty. It was not us who did it – this was done by our American partners. But to avoid responsibility, they lay the blame on us, while the media blows up the story in the interests of whoever is paying. That is all. Nothing surprising is happening in the world. However, we will do what we deem necessary while protecting our interests and ensuring our security.

I assume that...

**Hadley Gamble:** Is that why you have developed a hypersonic missile that flies at Mach 3 and is precision guided?

**Vladimir Putin:** No, Mach 3 or even greater is being developed in the United States. Our system travels at a speed of over Mach 20. These are not just hypersonic, but intercontinental missiles.

This is a much more serious weapon than you just said. They have been put on combat duty in Russia. Other countries are developing similar systems. There is nothing unusual about it, and high-tech armies around the world will have such systems soon. There is nothing unusual about it.

Please note that, while having such systems and having for the first time in history outperformed our main competitors in high-tech weapons systems, in this case, the United States, we are not abusing this advantage and are not threatening anyone. Furthermore, we are willing to talk about the reduction of offensive arms. And based on the assumption that our US partners are interested, we are willing to keep in mind that we have such systems and, one way or another, take this circumstance into account during the negotiating process.

There is no need to build up pressure. All we need to do is stop the idle chatter and sit down for a substantive discussion on this subject. As we can see, the current administration is gradually embarking on this path, and our contacts to this end have been expanding, by the way, since I met with President Biden in Geneva.

**Hadley Gamble:** This isn't the beginning of an arms race?

**Vladimir Putin:** I must admit that the arms race is already underway, unfortunately. It began after the United States withdrew from the ABM Treaty. Please note what I said to our partners back in 2003: do not do this, please do not withdraw from the ABM Treaty. It is a fundamental thing, a cornerstone of international security.

What is missile defence about? It is not just defence, but

an attempt to gain strategic advantages by neutralising the nuclear capacity of a potential adversary, that is, us. How are we supposed to respond? I have said it many times before and, if you are interested, I can say it again: we either need to create a similar system with unknown effectiveness which will cost us a fortune or create a different system which will certainly be able to overwhelm missile defence. I said back then that we would create it. Our US partners had the following to say back then: our missile defence system is not directed against you, so you do whatever you want, and we will operate on the assumption that it is not directed against us. That is what we did, so what now? Now, they do not like it. Now they say: oh, now you have this hypersonic weapon. Well, you do not like it, but we did not like it when you withdrew from the ABM Treaty, either. We are not the ones who started this, but we are now ready to keep in mind the objective circumstances and to conduct a constructive dialogue to this end.

**Hadley Gamble:** President Putin, before I let you go, I just want to ask you to walk us through what is happening in Russia today, because at the end of the day, you do have a problem, because you have real incomes that have fallen for five of the last seven years; the average Russian has 11 percent less to spend in terms of their buying power than they did in 2013; and you have got a declining population. Also, of course, 10 percent of your GDP is made up of what is extracted from the Arctic, and, of course, the permafrost is melting. So you do have some serious economic issues and challenges. You also have the structural issues to the economy related to oil and gas, to petrols, that you have talked about so many times in the past.

Ronald Reagan said that freedom is prosperity. When you think

about that with regards to modern democracy in Russia – in the past you’ve made comments to the effect that Russia was not ready for full democracy – where are we today, in your view, in Russia?

**Vladimir Putin:** To begin with, I do not recall myself ever saying that Russia is not ready for full democracy. It is just that democracy is understood in different ways: freedom of speech, freedom of religion, freedom of organisation, holding mass rallies in the streets, and so on. When various rallies in Europe or the United States are dispersed with rubber bullets and tear gas – is it freedom or not? You made the right gesture now [with your head], it does not look very much like freedom.

Freedom and democracy cannot but rely on the culture and traditions of a particular nation. The United States went to Afghanistan ignoring the traditions, culture and history of the Afghan people. What did they get as a result? A tragedy. The danger of terrorism growing and spreading across the region and around the world is enormous and has increased. It is the result of ignoring the realities of that country.

This applies to any country, including Russia. If we are talking about the development of democracy in Russia, we must be mindful of its culture and traditions, including the traditions of parliamentarism. Parliamentarism in Russia goes back over 100 years. We now have a new party in the parliament. Same as in the energy sector – and especially here – things should be evolving steadily, calmly and without negative outbursts. You see? Everything must guarantee the interests of the people, and Russia’s political system is also evolving steadily so as to prevent any revolutions. We have reached our limit

on revolutions. We need a stable and calm environment that guarantees the rights and interests of the Russian people and stable development of the economy and social sphere. Thankfully, we are on this path today and I hope that we will continue that way. The worries about the death of democracy in Russia have been greatly exaggerated, as Mark Twain famously said in response to rumours about his death. Do not worry about us and better think about yourself and what is going on at your home.

I think parliamentarism in Europe has big problems. Look at the traditional parliamentary countries, what is going on there, how power is being formed there, and how many corruption-related issues are haunting them. Take lobbying in the United States. What is lobbying about? What is official lobbying in the United States about? It is legalised corruption, that is what it is, it is clear as day. It is clear to everyone. Everyone keeps quiet. And why are presidents elected indirectly in the United States, which brings to power candidates who received fewer votes – this happened three times, I think, in the history of the United States. I am not going to bring up other comparable things. Do we have flaws? We do, but that does not mean that we have more of them than you do. I think even fewer.

Now, about the economy. Yes, we have problems in the economy. Yes, of course, incomes in our country have fallen just like in the rest of the world. We are very worried about this state of affairs and are working to make sure that economic growth and the quality of this growth translate into higher wages. It is a complex process that needs time, a lot of focus, and administrative and financial resources. We have not achieved

results for everyone, but we know what is happening and where, where people particularly need state support, so we are doing it in a targeted manner and providing additional income for families with children and for senior citizens. We are targeting the needy cases quite effectively.

Indeed, unfortunately, inflation is up at over 7 percent, or even 7.5 percent, I think. This is way above our expectations. But someone among you, one of the participants, said that banks around the world print money like candy wrappers. Our Central Bank does not. I met with the Central Bank Governor yesterday to discuss our financial policy. Our bank does not do so, but we are part of the global system. Food prices have grown by even more than 7.5 percent in our country, but we are aware of that. How much have food prices grown around the world? For various reasons, including in the wake of developments on the global energy markets. Indeed, we are part of a system. We have our share of problems, and we are working on them. I am confident that, given the support of the Russian people, we will certainly overcome these challenges.

**Hadley Gamble:** Mr President, at the same time, corruption is still a big problem in Russia. You sit at 129 out of 180 nations in terms of the corruption index. When you came to the presidency, you made a massive clean-up of the Yeltsin-era oligarchs, if you will, of those who took advantage of the breakup of the Soviet Union for ill-gotten gains. But corruption flourishes where there is a disregard for human rights.

In your view, with regards to human rights in Russia, is it normal that you have the kind of abuses that we see today, that journalists are labelled as “foreign agents”? Your Nobel Prize winner is

worried that he is going to be labelled as a foreign agent. Is that normal to you?

**Vladimir Putin:** I think it is abnormal to persecute journalists. Incidentally, if we take the number of journalists killed, the number of journalists who were affected in the world – look at what is happening in the world and where. Unfortunately, Russia is not the only country where this is happening. Of course, this is a result of the country's internal development and its democratic processes. This is perfectly obvious. But, you know, it will be difficult for me to find countries where mass media are actually funded from government sources but occupy such an implacable position towards the authorities as in our country... It is even hard for me to imagine... Gazprom funds one of our radio stations: it occupies extreme positions on every issue, and its every other employee has a foreign passport or a permanent residence permit. It is still open, nothing is done, everything is all right.

Of course, when journalists cross certain lines they are, of course, entering risky territory and our job is to protect them. Unfortunately, we do not always manage. That is true.

**Hadley Gamble:** Can you assure us that Mr Muratov, your Nobel Prize winner, will not be labelled as a foreign agent?

**Vladimir Putin:** Look, if he does not violate Russian law and there is no cause to designate him as a foreign agent, this is not going to happen. However, if he uses the Nobel prize as a shield to do something that violates Russian law, he would be doing so deliberately to attract attention or out of some other considerations. Regardless of what you may have achieved, everyone must clearly understand: it is necessary to abide

by Russian laws.

As for foreign agents, I have said this many times and can repeat it: We did not invent this law. The United States adopted this law in the 1930s and has been using it up to now, in part, as regards Russian media. What is this? It appears that it is possible to do this in the United States but impossible in Russia? In both countries this is done with the sole purpose of protecting the internal political processes from external influence. There is no ban on political or any other professional activities of foreign agents. They must simply register themselves as such and that is it. Meanwhile, in the United States, this is punishable almost by criminal prosecution. Therefore, we know what we are doing, and we will do what is in the interests of the Russian Federation.

**Hadley Gamble:** Final question, Mr President, with regards to this specifically. I mean, you are ex-KGB.

Is there really a fifth column in Russia led by the likes of Alexei Navalny that you are so worried about? What is it? What is it that worries you so much about those in the opposition that you have to jail them?

**Vladimir Putin:** If you look at street protests, you will see that far from all of their participants are in prison. People are working – those who do not violate applicable laws.

As for the defendants you mentioned, they are in detention facilities not for their political activities but for criminal offences, in part, against foreign entrepreneurs operating in Russia. These were repeat offences. Moreover, they were actually forgiven for these violations more than once. But there must be some consequences for those who commit them. There is no reason

to abuse the trust of society to achieve economic or other advantages, using political activities for protection. This is what I think happened with the defendant you mentioned.

As for the opposition in general, it is out there working. It is alive and well and continues criticising the authorities. Moreover, its criticism, let me repeat, is probably tougher than in other countries. Switch on some Russian media and you will understand everything. They are working; nobody is doing anything to them, everything is all right. Moreover, they are even getting money from Gazprom. Gazprom sells gas to Europe and funds opposition media. If you do not know anything about this, I am asking you to look into it more carefully. Many things will become clear.

**Hadley Gamble:** Well, that certainly has not kept some of our panellists from investing in Russia.

Folks, unfortunately I am getting the wrap sign, so I am going to have to leave it there. Twentieth anniversary of Russian Energy Week.

Mr President, thank you so much for joining us, panellists as well. Everybody have a great day and enjoy the conference.

**Vladimir Putin:** I would like to thank our moderator who, I believe, has created a certain atmosphere and our colleagues and friends from energy companies for taking part in our work. They did this despite their very busy schedules. They work not only in their own countries but also all over the world, since these are global companies and they have schedules for travelling around the world.

I am hoping that those who are with us via videoconference and those in this hall will continue working productively

as in previous years despite all the difficulties that we are facing today in the global energy industry.

I would like to assure you that on our part, the Government of the Russian Federation and yours truly will do all we can to create for you the necessary conditions to work in Russia. This work will conform to the highest environmental standards while also yielding maximum economic benefits for your companies. We have already done much in previous years. I am confident that we will soon do even more in the interests of the global energy industry and the countries where we work.

Thank you for taking part in our work today. Thank you very much.