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## Shale Gas and the Putin Puzzle

By HOLMAN W. JENKINS, JR | [BUSINESS WORLD](#) | June 22, 2011

Stalin died in bed at age 73 of a stroke, virtually untreated, as his aides stood around and debated the propriety of calling in a doctor without an instruction from their master. Given Vladimir Putin's age (58) and modern life expectancies, it could be decades before his henchmen might have a similar opportunity for inaction.

A moment of suspense came in 2008 when then-President Putin faced a constitutional prohibition on a third consecutive term. He solved his dilemma by turning himself into prime minister, arranging for one of his factotums to be elected as president, and carrying on as before. Now he can stay prime minister indefinitely, or can run in next year's presidential race.

Bottom line: The world, and Russia, may be living with Mr. Putin for a long time.

He rose by pushing an older mentor into invisible retirement; so did Saddam Hussein. Mr. Putin started a war in Chechnya. Saddam started a war with Iran. Each regime became known for the violence that befell critics and other inconvenient persons. Saddam had his way for so long, and was so surrounded by yes men, that his final miscalculation was almost inevitable. The precedent is not an entirely happy one. Saddam's downfall came at considerable cost.

Mr. Putin would have every excuse for one day committing a similar miscalculation. His seizure of Yukos and imprisonment of its boss, Mikhail Khodorkovsky, which incidentally wiped out Yukos's Western minority shareholders, went mostly unrebuked. His country's nearly unbroken record of double-crossing Western oil companies has gone pretty much unrebuked. The death of investigative journalists, the killings of nosy legislators, the polonium murder, on British soil, of critic Alexander Litvinenko, in an act of nuclear terrorism, have all gone pretty much unrebuked.

Western governments have not cut profiles of exceptional courage in dealing with Putin's Russia. Yet, beyond our merits, the Lord has recently smiled on us in the form of shale gas.

First, thanks to the unexpected shale gas boom in the U.S., liquefied natural gas cargoes once planned for the U.S. have gone looking for new buyers. Result: European customers have been able to shake off Russian long-term contracts linked to the price of oil.



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Russian Prime Minister Vladimir Putin, right, and Russian gas monopoly Gazprom chief Alexei Miller

Russia insists the gas glut is temporary. It has tried to fight back by pushing gas sales to China. But now those talks are stalled over price thanks to Beijing's discovery that—guess what?—China back home may have the biggest shale potential of all.

And the hits will keep on coming, upending a high-price dynamic and European dependency that have suited Russia very well (and, admittedly, also suited some of its customers, especially German utilities).

A "land grab" is under way in Europe, says a new study by the European Center for Energy and Resource Security. Having missed the shale boom in the U.S., ExxonMobil has been drilling in Germany since 2008. In France, Tereos Resources and its partner Hess Corp. are prepared to seek oil and gas under the Eiffel Tower. Poland—a country whose energy captivity to Russia is especially irksome—may be sitting on 300 years worth of shale energy. Chevron and ConocoPhillips are among the companies already drilling there.

Though none of this gas, produced by a method known as hydraulic fracturing, or fracking, will likely find its way to market before 2025, shale is already reshaping global energy politics.

But what the Lord giveth, European politics may fritter away. French campaigner Jose Bove, having failed to kick McDonald's out of Paris, is now jawboning Poland against developing its reserves, handing a Polish-subtitled copy of "Gasland," the U.S.-made antifracking documentary, recently to Poland's president.

France in May passed a ban on fracking. Poland is the anti-France, set to take the European Union's rotating presidency next month and determined to move ahead on fracking. A mystery wrapped in an enigma is Germany, with its precipitous decision to retire its nuclear plants, and its big, Russia-friendly investment in Nord Stream, a gas pipeline whose board is headed by former German Chancellor Gerhard Schroeder.

The obstacles, environmental and political, are perhaps overplayed, given the eye-popping wealth on offer. Polls show a solid majority of French voters in favor of development that will lower energy prices. In a Bloomberg interview, French legislator Isabelle Vasseur, who ardently backed the moratorium, was quick to add: "France could have phenomenal energy reserves so we must not close the door forever."

Back in Russia, meanwhile, a presidential race is supposedly shaping up between Mr. Putin and his iPad-toting protégé, President Dmitry Medvedev. Whereas Mr. Putin last week pooh-poohed what he called liberal experiments, Mr. Medvedev says Russia must not be so dependent on oil and gas exports. He says the country should modernize, liberalize—it should become more welcoming to foreign investment, establishing a rule of law, ending cronyism.

Don't bet on Mr. Medvedev. Bet on the crude logic of Russia's declining energy power, which Western policy should do everything possible to exploit, to deliver better behavior in Moscow.