

# Why does Putin want Crimea anyway?

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Russian President Vladimir Putin has already burnt the \$54 billion he spent on Russia's image in the Sochi Winter Olympics. His aggression has caused the Russian stock market and the ruble to nosedive, forcing his central bank to spend another \$12 billion to prop up the currency. The total cost for his Crimean adventure could end up being more than \$70 billion - way more if the West imposes tough sanctions.

If Putin is to be believed, his campaign in Crimea, and potentially other parts of Ukraine, is to protect ethnic Russians from far-right elements in the new government in Kiev.

It sounds laudable, until you look at how he treats Russian people at home. Russia has serious social problems - drug and alcohol abuse, HIV rates - but the state does almost nothing to help. Ethnic minorities are treated with disdain. Gay Russians are being forced underground. People close to Putin enjoy vast wealth, but 20 percent of the population lives below the poverty line.

Clearly, ordinary Russians are not his top priority. It is equally notable that Russia's far-right party, the LDPR, led by Vladimir Zhirinovksy, has more seats in the Russian parliament than there are far-right politicians in Ukraine's assembly.

So what is Putin's real interest in Crimea - a sort of island, part desert, part mountains, half the size of Belgium, known to some Europeans for its WWII history and sweet wines, but which many would struggle to place on the map?

What is his potential interest in south Ukraine, which appears to be mostly farmland? Or east Ukraine, which is home to former Soviet mining, coal, and steel industries, all of which need massive investment?

Putin has also spoken of Crimea's historic links to Russia and to Russia's Black Sea Fleet.

But propaganda aside, perhaps the answer is more simple: oil and gas. By annexing Ukrainian land on the Black Sea coast, Putin also annexes the rights to any hydrocarbons found in its maritime zones. There are signs the Black Sea contains a lot of wealth.

Energy firms such as ExxonMobil, Chevron, Shell, Repsol, and Petrochina have begun to show real interest in working with Kiev to explore the area. Energy companies have already found interesting deposits in Russia's Black Sea zone, near Novorossiysk, and in Romanian zones. Trans Euro Energy has even found commercially viable natural gas reserves under the Crimean mainland.

At the same time, the reserves of cheaply-accessible gas in Siberia are running low. But even if Putin never extracts a drop from his new territories, the land grab will ensure that Gazprom, his energy champion, will be in charge of how, when, and by whom this might be done.

It will mean that no matter who rules Ukraine, it can never challenge Putin's monopoly on energy exports from the region. Oil and gas also shed light on Putin's interest in the Crimean port of Sevastopol.

It is a good spot from which his Black Sea Fleet can set sail for the Mediterranean. But it is also a deep water port capable of servicing the kind of massive undersea drilling operation that is needed to explore Ukraine's offshore fields, just 100km away.

On top of this, Crimea hosts three huge solar power plants.

The shopping list in east and south Ukraine is even longer. These regions are said to contain 45 trillion cubic metres of gas out of Ukraine's estimated reserves of 49 trillion.

They also contain: export terminals in port of Odessa; military ship building yards in Nikolayev; a major oil refinery; massive chemical plants; grain export silos; hydro-electric plants; two of the largest nuclear power stations in Europe; extensive coal-bed methane gas fields; vast amounts of magnesium, coal, and iron ore.

We can add that Putin would save \$20 billion by building his South Stream gas pipeline overland through Crimea instead of under the Black Sea to Bulgaria.

According to some Kremlin insiders, the Crimea operation has been six years in the planning.

It is hard to put a dollar value on the existing and potential assets in Crimea, and in east and south Ukraine and their maritime zones. It is even harder to count their strategic and ideological value.

But perhaps a \$70 billion or a \$100 billion price tag is quite cheap, especially since America and Europe have such short memories.

When the dust settles, even if people on both sides get killed and some of Putin's friends end up on EU and US blacklists, he will have achieved his aims.

Then he can pull a few billion dollars out of the ground to spend on a new charm offensive to "reset" his relations with the West.

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