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Uncovering Uncomfortable Truths: the geopolitics of EU gas imports in the aftermath of the invasion of Ukraine

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With the conclusion of the winter season, it appears that the European Union (EU) has successfully avoided the anticipated gas shortages and blackouts. This outcome can be attributed to a mild winter, a decrease of 13% in gas consumption, and a substantial influx of LNG imports. While the EU can breathe a sigh of relief, there is no room for complacency. The unprecedented LNG imports and significant decline in Russian gas imports have altered the EU's gas import profile, and the potential security risks associated with these "new" gas suppliers have received little attention. This begs the question of whether this new natural gas import portfolio is truly advantageous and what alternatives the EU has.

PRIOR TO THE WAR

For decades, the EU has heavily relied on natural gas imports from Russia, which accounted for approximately 40% of imported gas. This high dependency has long been a concern for the EU. Supply disruptions in 2006, 2009, and 2014, caused by disputes between Russia and Ukraine, highlighted its vulnerability. To address this issue, the EU and individual Member States undertook measures such as the construction of the Southern Gas Corridor (from Azerbaijan to Greece) and the promotion of LNG terminals. However, these efforts proved insufficient, as dependence on Russia remained high due to a decline in domestic gas production caused by aging gas fields in Romania (e.g., Deleni and Filitelnic gas fields) and earthquakes near the Groningen gas field in the Netherlands. Meanwhile, Russia expanded its pipeline network to the EU through

projects like Nord Stream, Nord Stream 2, and TurkStream, increasing its gas exports while avoiding the politically unstable Ukrainian route.

In 2021, ahead of the invasion of Ukraine, Russia reduced its gas deliveries to the EU, citing the need to fill domestic storages. The Russian recognition of Donetsk and Luhansk as independent republics led to the breakdown of the German-Russian energy relationship and the cancellation of the controversial Nord Stream 2 pipeline. Two days later, Russia brutally invaded Ukraine. Following the invasion, the EU sanctioned Russian coal and oil imports. A gas embargo was not imposed, but the EU announced its RePowerEU strategy, which aims to eliminate Russian gas imports by 2030 and reduce them rapidly in 2022.

CHALLENGING DISENTANGLEMENT

Contrary to common perception, the EU has continued to import significant quantities of Russian gas through Ukraine and Turkey since the invasion. In 2022, for instance, 81.3 billion cubic meters of Russian gas were imported, compared to 161 billion, 149.5 billion, and 154 billion in 2019, 2020, and 2021, respectively. This raises both security concerns and moral objections. EU Member States have spent almost €60 billion on Russian gas since the invasion, despite the decreased volumes, due to the surging natural gas prices. With the sabotage of the Nord Stream and Nord Stream 2 pipelines, less gas is projected to flow through pipelines to Europe this year, as only the Ukrainian and Turkish routes are currently in use.

In the short term, continued imports of Russian gas are expected, as central European countries have no or limited access to alternative gas suppliers. For example, land-locked nations such as the Czech Republic and Slovakia are currently lacking other options. The current EU's gas infrastructure is designed to transport gas from east to west, necessitating bi-directional interconnectors and sufficient gas supply in the west, in order for these countries to receive non-Russian gas. Meeting these criteria requires both time and money. In the meantime, these countries are "forced" to purchase Russian gas and remain within range of the Russian gas weapon.

Russian LNG is another part of the problem. In 2022, the EU still imported 16.7 billion cubic meters (bcm) of Russian LNG. The dependency discourse that characterizes piped (Russian) gas is admittedly less prevalent in LNG, as LNG provides flexibility and normally there is excess supply available. Still, revenues from Russian LNG are linked to Russian war spending, which is deemed undesirable. The published reports of increased Russian LNG imports are not only painful from a moral perspective but contradict the EU's pledge to reduce Russian gas imports. For example, the Belgian Zeebrugge LNG terminal was singled out for its increased Russian gas imports. The terminal typically serves as a transfer hub for Russian LNG to the Chinese market. However, the COVID-19 lockdowns reduced gas demand in China while fear for gas shortages in the EU, especially in Germany, soared.

Purchasing Russian natural gas (in liquid or gaseous form) might grant legitimacy to Moscow, much-needed funds to the Kremlin, and raises moral objections and security risks for the EU. This issue should be addressed as soon as possible. Russia has been eager to redistribute its gas to China, but a recent Chinese-Russian meeting failed to produce a deal on a new Siberian pipeline. If the EU takes swift action, this will leave Russia without roubles and an excess of gas, serving as a harsh reminder of the consequences of employing its gas weapon. The EU proposal to establish legal mechanisms to restrict Russian LNG imports is a step in the right direction, but still leaves the opportunity to continue importing Russian LNG.

WHAT ABOUT NON-RUSSIAN GAS?

Due to reduced Russian gas supplies, the EU's gas importing portfolio has undergone a significant shift. Norway has now become the EU's top gas supplier, providing 93.4 bcm, followed by Russia in second place, and Algeria in third with 55.1 bcm. The US exported 37.4 bcm of its LNG to the EU. Additionally, the EU received gas from other suppliers such as Qatar (25.5 bcm), Nigeria (31.1 bcm), Azerbaijan (10.3 bcm), and Angola (3.1 bcm), with smaller volumes coming from countries like Trinidad and Tobago, Libya, Equatorial Guinea, Cameroon, Oman, Peru, Australia, Mozambique, and others. The EU has also signed new deals for gas deliveries from countries such as Egypt, Israel, Bahrain, Turkey, and Singapore.

In the panic of 2022, but also during earlier attempts to diversify, the EU and its Member States ignored obvious red flags when it comes to the geopolitical risks of gas imports or human rights concerns. Despite Azerbaijan's numerous human rights violations, for example, the EU welcomed gas flows from the country via the Southern Gas Corridor, and even signed a new deal last year to increase the volume of Caspian gas to the EU. In consequence, the EU's needs to tread lightly when it comes to Azerbaijan. The 2020 reignition of the Armenian-Azerbaijani conflict surrounding Nagorno Karabakh led the EU to take a neutral position. A 2022 EU monitoring mission to Armenia highlighted the sensitivity of the matter, as Azeri President Aliyev compared the EU's interference to a covert military-intelligence operation.

The Azerbaijani case is only one example of the EU's contentious gas partners. The worker's rights violations in the run up to the FIFA World Cup in Qatar highlighted the differences between the EU and the Middle Eastern country. Nigerian LNG is linked to displacement, increasing inequality, health problems, and corruption. Violence against civilians is committed by security forces and separatists in Cameroon in an area close to its LNG production, as described by Human Rights Watch. Qatar has threatened to cut LNG deliveries in response to investigations into Qatargate, and the UAE has blackmailed the EU for looser visa restrictions in exchange for more LNG supplies, in the EU's time of need.

Moreover, there are security risks and political instability in several EU partner countries. Peru, a smaller LNG supplier to the EU, has been shaken by political unrest since last year. Gas production has not (yet) been impacted by protests, but some mines have been blocked. In the closing months of 2022, the EU imported its first LNG from Mozambique. This historical moment was tainted by past terror attacks near the gas fields and protests against the lack of profits flowing back to the local communities. Furthermore, the high demand of LNG has pushed the development of a new LNG liquification terminal that was previously abandoned precisely because of security concerns. Algerian gas flows to Spain via the Maghreb pipeline were reduced because of an Algeria-Morocco dispute. Simply put, non-Russian gas suppliers may not be a better or more secure option for the EU due to geopolitical issues and the risk of blackmail, and domestic problems like human rights or civil unrest.

WANTED: RELIABLE GAS SUPPLIES

Thankfully, there are gas suppliers that have less contentious reputations when it comes to political stability and human rights, such as Norway, the US, and Australia. These countries are considered more reliable. Norway, in particular, is well-regarded for its political stability and human rights record, and is one of the most developed countries in the world. However, there are concerns about the long-term role of Norway in the EU's gas import portfolio, as its gas production is believed to have reached its peak. Additionally, in 2022, Norway considered blocking electricity trade with the EU due to high EU prices affecting its market. This minor dip in EU-Norwegian energy relations suggests that even stable countries are not guarantees for secure supplies.

Australia is a stable country with substantial liquefaction capacity, but it primarily services the Asian market due to its geographical proximity. Shipping LNG to the EU is a time-consuming process that requires additional boil-off gas and energy to propel LNG tankers. Therefore, importing significant volumes of Australian LNG does not make sense from a commercial or environmental perspective, despite its substantial gas reserves and stable political qualities.

The US is considered a close ally of the EU and US LNG, from its shale revolution, reached record-breaking volumes in 2022. During the Trump Administration, the US promoted its LNG capabilities as "freedom" gas, but at that time Trump's salesmanship fell on deaf ears in Berlin, as it staunchly resisted the construction of LNG terminals. Currently, questions arise about the stability of the political climate in the US. The events of 6 January 2021 exposed the deep political divide in the country, which continues to shape the US' political landscape today.

Additionally, the Inflation Reduction Act has raised concerns in European capitals that the US is taking advantage of the EU's moment of weakness by luring profitable European businesses to the US. The once strong transatlantic relationship has become more and more strained in recent years. The US' extraterritorial sanctions that have affected the EU's ability to conduct independent relations with Iran, among others. These developments have made it unclear how the EU should assess the US LNG deliveries.

In addition, gas imports are exposed to transit risks. The conflicts between Russia-Ukraine and Algeria-Morocco have already demonstrated the vulnerability of gas import through transit countries. Concerns about gas transit through Turkey have been extensively discussed in the run-up to the construction of the Southern Gas Corridor. However, even without transit countries' involvement, several issues can arise. LNG is shipped through narrow straits and canals like the Strait of Hormuz and Gibraltar Strait, which have been a cause for concern for European capitals and Washington for decades. The accidental blocking of the Suez Canal in 2021 is an example of how vulnerable shipping routes are. Subsea pipelines from Norway, Algeria, and Libya have become a serious supply risk since the sabotage of Nord Stream and Nord Stream 2.

In summary, stable suppliers, Norway, the US, and Australia, are a minority and come with their own set of challenges. Gas transport (piped or LNG) comes with risks, irrespective of origin.



WHAT THEN SHOULD THE EU DO?

Europe must face the uncomfortable truth that its gas supply entails geopolitical risks. However, there are steps that the EU can take to reduce its exposure to these risks. First, the EU should strive to eliminate all remaining Russian gas imports, for both moral and security reasons, and help central European countries transition to non-Russian gas, in combination with sustainable alternatives and gas-saving measures such as insulation.

Second, the EU should coordinate its gas purchases and aim to diversify its suppliers as much as possible. Still, the EU should keep in mind that some suppliers have more favourable characteristics when it comes to human rights, political stability, stability of bilateral relations, geographical proximity, and existing infrastructure in its decision on sign new contracts. It is however crucial to recognize that stable countries may become unstable, and vice versa. These factors should thus be reviewed yearly or biennial. To minimize environmental consequences, the EU should avoid building new gas infrastructure, such as pipelines or LNG terminals. New infrastructure can result in stranded assets, if the EU is to adhere to the Paris Agreement goals. Additionally, EU countries should refrain from solo LNG pursuits, which is currently the norm.

Finally, the best protection against the geopolitics of gas is the energy transition. It is unlikely that the EU will discover large domestic gas fields that will make it self-sufficient. The EU should increase its renewable energy capacity, enhance energy efficiency, and prioritize electrification. Measures focused on improving energy efficiency have little to no negative impact and require no new energy generation. In addition, they create new jobs for the EU labour force. While renewables have their challenges, including geopolitical concerns over critical minerals to produce wind turbines, solar panels, and batteries and China's role in production, the green transition is still the most effective means of reducing dependence on authoritarian regimes while, and even more important, addressing the climate crisis.

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