

How Europe Became So Dependent on Putin for Its Gas

Russian gas is attractive to Europe because it's usually cheap, easy to transport and almost always available. Some European Union countries depend on it because they are shutting coal plants, and Germany is even planning for the end of nuclear power. Russia's dominance has been enhanced by the depletion of North Sea fields controlled by the U.K. and the Netherlands. Gazprom PJSC supplies about a third of all gas consumed in Europe and, before the Russian invasion of Ukraine, was on track to become even more important as the continent shrinks its own production. In March, however, Russia threatened to cut supplies, and the European Union began mapping out a path to reduce its dependence.

1. How did Russia become so significant?

With its vast Siberian fields, Russia has the world's largest reserves of natural gas. It began exporting to Poland in the 1940s and laid pipelines in the 1960s to deliver fuel to and through satellite states of what was then the Soviet Union. Even at the height of the Cold War, deliveries were steady. But since the Soviet Union broke up, Russia and Ukraine have quarreled over pipelines through Ukrainian territory, prompting Russian authorities to find other routes.

2. How vulnerable is Europe?

A supply crunch in late 2021 provided a vivid insight into Europe's reliance on gas flows from Russia. Storage tanks in the EU fell to their lowest seasonal level in more than a decade after longer-than-usual maintenance at Norwegian fields and Russia rebuilding its own inventories. Benchmark gas prices more than tripled. The EU vowed a decade ago to reduce

its dependence on Russian energy, and continuing purchases by member nations have been a contentious issue within the economic bloc and caused rifts with the U.S.

3. What role does Ukraine play?

About a third of Russian gas flowing to Europe passes through Ukraine. Even as the crisis in the region escalated into war, analysts said Russia, with a history of supply disruptions over price disputes, probably would strive to be seen as a reliable supplier. Gazprom's shipments to Europe and Turkey were about 177 billion cubic meters in 2021, according to calculations by Bloomberg News and BCS Global Markets based on the company's data. When Ukraine and Russia reached a five-year gas transit deal in December 2019, assuring supplies until 2024, Ukrainian President Volodymyr Zelenskiy said the nation would earn at least \$7 billion from transit fees.

4. How has Russia disrupted the market before?

In 2006 and 2009, disputes with Ukraine over pricing and siphoning of gas led to cutoffs of Russian supplies transiting through the country. The second shutdown lasted almost two weeks in the dead of winter. Slovakia and some Balkan countries had to ration gas, shut factories and cut power supplies. Since then, the most vulnerable countries have raced to lay pipelines, connect grids and build terminals to import liquefied natural gas, a supercooled form of the fuel that can be shipped from as far as Qatar and the U.S.

5. What supply networks are there?

Outside supplies, mostly from Russia, Norway and Algeria, account for about 80% of the gas the EU consumes. Some of the biggest economies are among the most exposed, with Germany importing 90% of its needs – much of it via a pipeline under the Baltic Sea called Nord Stream, which has been fully operational since 2012. (This was the supply line Russia on March 7 suggested could be cut as part of its response to

sanctions imposed over the invasion of Ukraine.) Belgium, Spain and Portugal face the problem of low storage capacity, as does the U.K., which no longer is part of the bloc and closed its only big gas storage site. The continent has a mass of pipelines, including Yamal-Europe, which runs from Russia through Belarus and Poland before reaching Germany, and TAG, which takes Russian gas to Austria and Italy. Many cross several borders, creating plenty of possible choke points.

6. What about the Nord Stream 2 pipeline?

It was against this background that Nord Stream 2, a new Russian pipeline alongside the first, was completed in late 2021. But it has become entangled in politics and a lengthy regulatory process. There was strong opposition from the U.S., which imposed sanctions that delayed construction. Following the eruption of the war in Ukraine, Germany suspended its certification process for Nord Stream 2, and the EU's executive arm readied a revised energy strategy for the bloc to "substantially reduce our dependency on Russian gas this year."

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Russia cuts gas flows further as Europe makes savings plea



Reuters/Berlin/Frankfurt

Russia delivered less gas to Europe yesterday in a further escalation of an energy stand-off between Moscow and the European Union that will make it harder, and costlier, for the bloc to fill up storage ahead of the winter heating season.

The cut in supplies, flagged by Gazprom earlier this week, has reduced the capacity of Nord Stream 1 pipeline – the major delivery route to Europe for Russian gas – to a mere fifth of its total capacity.

Nord Stream 1 accounts for around a third of all Russian gas exports to Europe.

On Tuesday, EU countries approved a weakened emergency plan to curb gas demand after striking compromise deals to limit cuts for some countries, hoping lower consumption will ease the impact in case Moscow stops supplies altogether.

The plan highlights fears that countries will be unable to meet goals to refill storage and keep their citizens warm during the winter months and that Europe's fragile economic growth may take another hit if gas will have to be rationed.

Royal Bank of Canada analysts said the plan could help Europe get through the winter provided gas flows from Russia are at 20-50% capacity, but warned against "complacency in the market

European politicians have now solved the issue of Russian gas dependence.”

While Moscow has blamed various technical problems for the supply cuts, Brussels has accused Russia of using energy as a weapon to blackmail the bloc and retaliate for Western sanctions over its invasion of Ukraine.

Kremlin spokesman Dmitry Peskov said Gazprom was supplying as much gas to Europe as possible, adding that sanctions-driven technical issues with equipment were preventing it from exporting more.

Yesterday, physical flows via Nord Stream 1 tumbled to 14.4mn kilowatt hours per hour (kWh/h) between 1000-1100 GMT from around 28mn kWh/h a day earlier, already just 40% of normal capacity.

The drop comes less than a week after the pipeline restarted following a scheduled 10-day maintenance period.

European politicians have repeatedly warned Russia could stop gas flows completely this winter, which would thrust Germany into recession and send prices for consumers and industry soaring even further.

The Dutch wholesale gas price for August, the European benchmark, jumped 9% to 205 euros per megawatt hour yesterday, up around 412% from a year ago.

German finance minister Christian Lindner said he was open to the use of nuclear power to avoid an electricity shortage.

Germany has said it could extend the life of its three remaining nuclear power plants, accounting for 6% of the country's overall power mix, in the face of a possible cut-off of Russian gas.

Klaus Mueller, head of Germany's network regulator, said the country could still avoid a gas shortage that would prompt its rationing. Germany, Europe's top economy and its largest importer of Russian gas, has been particularly hit by supply cuts since mid-June, with its gas importer Uniper requiring a 15bn euro (\$15.21bn) state bailout as a result. Uniper and Italy's Eni both said they received less gas from Gazprom than in recent days.

Mueller issued another plea to households and industry to save gas and avoid rationing.

“The crucial thing is to save gas,” Mueller said. “I would like to hear less complaints but reports (from industries saying) we as a sector are contributing to this,” he told broadcaster Deutschlandfunk.

German industry groups, however, warned companies may have no choice but cut production to achieve bigger savings, pointing to slow approval for replacing natural gas with other, more polluting fuels.

Mercedes-Benz chief executive Ola Kaellenius said a mixture of efficiency measures, increased electricity consumption, lowering temperatures in production facilities and switching to oil could lower gas use by up to 50% within the year, if necessary.

Germany is currently at Phase 2 of a three-stage emergency gas plan, with the final phase to kick in once rationing can no longer be avoided.

Natural gas soars in Europe, becoming driving force in the new cold war



One morning in early June, a fire broke out at an obscure facility in Texas that takes natural gas from US shale basins, chills it into a liquid and ships it overseas. It was extinguished in 40 minutes or so. No one was injured.

It sounds like a story for the local press, at most – except that more than three weeks later, financial and political shockwaves are still reverberating across Europe, Asia and beyond.

That's because natural gas is the hottest commodity in the world right now. It's a key driver of global inflation, posting price jumps that are extreme even by the standards of today's turbulent markets – some 700% in Europe since the start of last year, pushing the continent to the brink of recession. It's at the heart of a dawning era of confrontation between the great powers, one so intense that in capitals across the West, plans to fight climate change are getting relegated to the back-burner.

In short, natural gas now rivals oil as the fuel that shapes geopolitics. And there isn't enough of it to go around.

It's the war in Ukraine that catalyzed the gas crisis to a new level, by taking out a crucial chunk of supply. Russia is cutting back on pipeline deliveries to Europe – which says it wants to stop buying from Moscow anyway, if not quite yet. The scramble to fill that gap is turning into a worldwide stampede, as countries race to secure scarce cargoes of liquefied natural gas ahead of the northern-hemisphere winter.

The New Oil?

Germany says gas shortfalls could trigger a Lehman Brothers-like collapse, as Europe's economic powerhouse faces the unprecedented prospect of businesses and consumers running out of power. The main Nord Stream pipeline that carries Russian gas to Germany is due to shut down on July 11 for ten days of maintenance, and there's growing fear that Moscow may not reopen it. Group of Seven leaders are seeking ways to curb Russia's gas earnings, which help finance the invasion of Ukraine – and backing new LNG investments. And poorer countries that built energy systems around cheap gas are now struggling to afford it.

“This is the 1970s for natural gas,” says Kevin Book, managing director at ClearView Energy Partners LLC, a Washington-based research firm. “The world is now thinking about gas as it once thought about oil, and the essential role that gas plays in modern economies and the need for secure and diverse supply have become very visible.”

Natural gas used to be a sleepy commodity that changed hands in fragmented regional markets. Now, even though globalization appears to be in retreat across much of the world economy, the gas trade is headed in the opposite direction. It's globalizing fast – but maybe not fast enough.

Many countries have turned to natural gas as part of a

transition to cleaner energy, as they seek to phase out use of dirtier fossil fuels like coal and in some cases nuclear power too. Major producers – like the US, which has quickly risen up the ranks of LNG exporters to rival Qatar as the world's biggest – are seeing surging demand for their output. Forty-four countries imported LNG last year, almost twice as many as a decade ago. But the fuel is much harder to shift around the planet than oil, because it has to be liquefied at places like the Freeport plant in Texas.

And that's why a minor explosion at a facility seen as nothing special by industry insiders – it's not the biggest or most sophisticated of the seven terminals that send LNG from American shores – had such an outsized impact.

'The Current Crisis'

Gas prices in Europe and Asia surged more than 60% in the weeks since Freeport was forced to temporarily shut down, a period that's also seen further supply cuts by Russia. In the US, by contrast, prices for the fuel plunged almost 40% – because the outage means more of the gas will remain available for domestic use.

There were already plenty of signs of extreme tightness in the market. War and Covid may be roiling every commodity from wheat to aluminum and zinc, but little compares to the stomach-churning volatility of global gas prices. In Asia, the fuel is now about three times as expensive as a year ago. In Europe, it's one of the main reasons why inflation just hit a fresh record.

Natural gas remains cheaper in the US – but even there, futures had more than doubled this year before the Freeport shutdown. With key political allies from Germany to Ukraine desperate to buy American gas, US manufacturers warn that more sales abroad will mean higher costs at home. The market reaction to the Freeport fire illustrates a “clear connection

between LNG exports and the inflationary impacts to domestic prices for natural gas and electricity,” says Paul Cicio, president of the Industrial Energy Consumers of America.

To meet all the new demand will require a massive wave of investment in supply. That’s already under way, and it got a boost at last week’s meeting of the Western world’s biggest economies, where G-7 leaders vowed to back public investments in gas projects – saying they’re “necessary in response to the current crisis.”

Among the urgent infrastructure needs:

Export facilities: The rush for LNG is accelerating projects in North America and beyond. Last month, Cheniere Energy Inc. greenlighted a terminal expansion in Texas. In April, a Canadian LNG project backed by Indonesian tycoon Sukanto Tanoto got the go-ahead to begin construction. In Qatar, Exxon Mobil Corp. and Shell Plc are among energy giants with stakes in a \$29 billion project to boost LNG exports.

“You have global gas prices so high that they incentivize the signing of new long-term contracts,” says Samantha Dart, head of natural gas research at Goldman Sachs. “We are seeing those announcements coming left and right, with a lot of US proposed liquefaction facilities.”

Import terminals: In Europe, plans for about 20 terminals have been announced or sped up since the Ukraine war began. Germany, which has no LNG terminals, has allocated about \$3 billion to charter four floating ones and connect them to the country’s network. The first one is supposed to go online around the end of this year. Emphasizing the need for speed, Vice-Chancellor Robert Habeck pointed out that Tesla Inc. managed to build a factory near Berlin in just two years, and said it’s time to cut through German red tape. “First, dig the trench where the pipe is to go in,” he said. “Then, the permit

comes.”

China, the world’s top LNG buyer last year, is in the midst of one of the largest buildouts the industry has ever witnessed. Ten new import terminals are slated to come online in 2023 alone, and capacity will roughly double in the five years through 2025, according to BloombergNEF.

Pipelines: Even with more capacity to receive shipments of LNG and turn it back into gas form – a process known as regasification – Europe lacks infrastructure to move it where it might be needed. Spain, for example, has Europe’s biggest regasification facilities – but it only has two pipeline connections to France via the Pyrenees, capable of carrying little more than one-tenth of those volumes, according to Bloomberg Intelligence.

Tankers: Shipyards in South Korea, where most of the world’s LNG tankers are built, are seeing a surge in orders that’s leaving them short of skilled labor. They’ve been forced to look outside the country to places like Thailand for welders, electricians and painters, raising their quotas for migrant workers.

In some cases all of this means a U-turn away from policies aimed at combating climate change -- especially in Europe. Government-backed lenders like the European Investment Bank and the European Bank for Reconstruction and Development, which had been focused on financing renewable energy, have signaled a shift and said they’re now more willing to back gas projects.

But Europe’s breakneck efforts won’t be enough, according to Bloomberg Intelligence, which calculates that LNG imports could meet 40% of the region’s gas needs by 2026 – double last year’s figure, but still far short of the volumes that Russia has been supplying.

‘Never More Evident’

That's why warnings of a gas-driven slump in Europe's economies are escalating.

Last week, Germany's government said it's in talks to bail out utility Uniper SE, which is losing some 30 million euros (\$31 million) a day because it has to cover the missing Russian gas at soaring spot-market prices. Companies like chemicals giant BASF SE say they may have to cut output. Deutsche Bank cited growing risks of an "imminent German recession on the back of energy rationing," and pointed to soaring power prices in Italy and France too. Morgan Stanley predicted the whole euro area will be in a downturn by year-end.

For some emerging economies – which increasingly have to compete with rich countries like Germany in bidding for LNG cargoes, as gas goes global – the consequences have already been disastrous.

In Pakistan, which built its energy system on cheap LNG, planned blackouts are plunging regions into darkness during the sweltering summer months. Shopping malls and factories in major cities have been ordered to shut early, and government officials are working shorter hours.

Thailand is curbing LNG imports due to surging prices, potentially putting the country at risk of fuel shortages. Myanmar, which is grappling with political instability, stopped all LNG purchases late last year when prices started to rally. India and China have also cut back imports.

"Where once natural gas markets were largely regionally siloed, we now have a globalized spot market that has connected the world's exposure to the fuel that has become critical to many economies," said James Whistler, Singapore-based managing director at Vanir Global Markets, an energy and environmental brokerage. "This has never been more evident than in the past few months."

Absorbing energy transition shock



By Owen Gaffney/ Stockholm

The challenge for politicians is to devise fair policies that protect people from the inevitable shocks

Russia's war on Ukraine has sent shockwaves around the world. Oil prices have skyrocketed and food prices have soared, causing political instability. The last time food prices were this volatile, riots erupted across the Arab world and from Burkina Faso to Bangladesh. This time, the energy and food shock is happening against the backdrop of the Covid-19 pandemic. When will the shocks end?

They won't. So, we can choose either resignation and despair, or a policy agenda to build social and political resilience against future shocks. Those are our options, and we had better start taking them seriously, because the shocks are

likely to get worse. On top of geopolitical crises, the climate emergency will bring even greater disruptions, including ferocious floods, mega-droughts, and possibly even a simultaneous crop failure in key grain-producing regions worldwide. It is worth noting that India, the world's second-largest wheat producer, recently banned exports as part of its response to a devastating heatwave this spring.

But here's the thing: reducing vulnerability to shocks, for example, by embarking on energy and food revolutions, will also be disruptive. The energy system is the foundation of industrialised economies, and it needs to be overhauled to phase out fossil fuels within a few decades. Huge industries like coal and oil will have to contract, and then disappear. And agriculture, transportation, and other sectors will need to change radically to become more sustainable and resilient. The challenge for politicians, then, is clear: to devise fair policies that protect people from the inevitable shocks.

One idea with significant potential is a Citizen's Fund, which would follow a straightforward fee-and-dividend equation. Companies that emit greenhouse-gas emissions or extract natural resources would pay fees into the fund, which would then distribute equal payments to all citizens, creating an economic cushion during a period of transformation and beyond. This is not just an idea. In 1976, the Republican governor of Alaska, Jay Hammond, established the Alaska Permanent Fund, which charges companies a fee to extract oil and then disburses the proceeds equally to all the state's citizens. In 2021, each eligible Alaskan received \$1,114 – not as a “welfare payment” but as a dividend from a state commons (in this case, a finite supply of oil). The largest dividend ever paid was during Republican Sarah Palin's governorship in 2008, when every Alaskan enjoyed a windfall of \$3,269.

In 2017, James Baker and George Shultz, two former Republican secretaries of state, proposed a similar plan for the whole United States, estimating that fees on carbon emissions would yield a dividend of \$2,000 per year to every US household. With backing from 3,500 economists, their scheme has broad

appeal not just among companies and environmental-advocacy groups but also (and more incredibly) across the political aisle.

The economics is simple. A fee on carbon drives down emissions by driving up the price of polluting. And though companies would pass on these costs to consumers, the wealthiest would be the hardest hit, because they are by far the biggest, fastest-growing source of emissions. The poorest, meanwhile, would gain the most from the dividend, because \$2,000 means a lot more to a low-income household than it does to a high-income household. In the end, most people would come out ahead.

But given that food- and energy-price shocks tend to hit low-income cohorts the hardest, why make the dividend universal? The reason is that a policy of this scale needs both broad-based and lasting support, and people are far more likely to support a programme or policy if there is at least something in it for them.

Moreover, a Citizen's Fund is not just a way to drive down emissions and provide an economic safety net for the clean-energy transition. It would also foster innovation and creativity, by providing a floor of support for the entrepreneurs and risk-takers we will need to transform our energy and food systems.

A Citizen's Fund could also be expanded to include other global commons, including mining and other extractive industries, plastics, the ocean's resources, and even knowledge, data, and networks. All involve shared commons – owned by all – that are exploited by businesses that should be required to pay for the negative externalities they create.

Of course, a universal basic dividend is not a panacea. It must be part of larger plan to build societies that are more resilient to shocks, including through greater efforts to redistribute wealth by means of progressive taxation and empowerment of workers. To that end, Earth4All, an initiative I co-lead, is developing a suite of novel proposals that we see as the most promising pathways to build cohesive societies

that are better able to make long-term decisions for the benefit of the majority.

Our most important finding is perhaps the most obvious, but it is also easy to overlook. Whether we do the bare minimum to address the grand challenges or everything we can to build resilient societies, disruption and shocks are part of our future. Embracing disruption is thus the only option and a Citizen's Fund becomes an obvious shock absorber. – Project Syndicate

- Owen Gaffney is an analyst at the Stockholm Resilience Centre and the Potsdam Institute for Climate Impact Research.

على خط الترسيم.. 500 mtv مليار دولار ثروات لبنان النفطية



على وقع إشتداد المعارك العسكرية في اوكرانيا والعقوبات الدولية بحق روسيا التي تهدد صادراتها من النفط والغاز، ما يوجب المخاوف حيال شتاء قارس في اوروبا، دخلت الدول الاوروبية معركة عنوانها "تأمين البدائل عن الطاقة الروسية" من مصادر أخرى وفي صلبها دول شرق المتوسط، فهل يمكن للبنان أن يشكل يوما ما مصدرا للغاز والنفط نحو القارة الاوروبية؟

فقد نظمت إدارة الـmtv لقاءً حوارياً بين الخبير الدولي في شؤون النفط والغاز د. رودي بارودي وعدد من الاعلاميين والمراسلين في المحطة تركز حول ثروات المتوسط وترسيم الحدود والامكانيات المتاحة امام لب

https://euromenaenergy.com/wp-content/uploads/2022/07/2022-07-15_10-48-21_1.mp4

نان على وقع إستمرار المفاوضات لترسيم الحدود.

North Field expansion to see world's 'most responsibly produced LNG,' says Shell CEO



The North Field expansion that will include carbon capture and storage is expected to see the “most responsibly produced LNG” in the world, noted Shell CEO Ben van Beurden.

Speaking in Doha Tuesday, van Beurden said, “This expansion is good news for Qatar... for the world... and for Shell.

“Because this responsibly produced gas is consistent with Qatar’s energy sustainability strategy, and also for Shell’s strategy to become a net zero emission energy business by 2050.”

He said “natural gas plays a role an important role in world wide transition to net zero emissions energy system.”

“If we switch from coal to gas for production of iron or steel, that can result in a reduction of CO2 equivalent, saving 38%. And that is very significant.”

van Beurden said, “I thank His Highness for taking the decision to end the moratorium of the development of NF in 2017. It was a crucial step forward towards realising Qatar’s National Vision for 2030.”

“I am honoured that Shell has been selected by QatarEnergy as a partner in the NFE project. Through its pioneering integration with carbon capture and storage, this landmark project will help provide LNG the world urgently needs at a lower carbon footprint. This agreement deepens our strategic partnership with QatarEnergy which includes multiple international partnerships such as the world-class Pearl GTL asset.”

“We are committed to maximise the value of the LNG expansion for the State of Qatar and continue to be a trusted, reliable and long-term partner in Qatar’s continued progress,” van Beurden noted.

QatarEnergy Tuesday announced the selection of Shell as partner in the North Field East (NFE) expansion project, the single largest project in the history of the LNG industry.

The partnership agreement was signed at a ceremony in QatarEnergy’s headquarters by HE the Minister of State for Energy Affairs Saad Sherida al-Kaabi, also the President and CEO of QatarEnergy, and Ben van Beurden, in the presence of

senior executives from both companies.

Pursuant to the agreement, QatarEnergy and Shell will become partners in a new joint venture company (JV), in which QatarEnergy will hold a 75% interest while Shell will hold the remaining 25% interest.

In turn, the JV will own 25% of the entire NFE project, which includes 4 mega LNG trains with a combined nameplate LNG capacity of 32mn tonnes per year.

Other buyers could join North Field expansion 'if they add value': Al-Kaabi

HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi said other buyers could join the \$29bn North Field expansion "if they add value".

Speaking to reporters in Doha Tuesday al-Kaabi, also the President and CEO of QatarEnergy said, "We had been in discussions with several buyers – or value added partners as well call it, around the world who have shown interest... and very eager interest I would say.

"It depends on the value they add...if they add value they would come in. We are proceeding with the project, regardless. There could be some, if we find good opportunities and a win-win situation. We really are not in a rush to do that...there is no big need to do that."

On the "value added partners", the minister noted, "Basically, they need to be a buyer of LNG... so they need to demonstrate that they can give us a price that is above the market price. This is because they will be coming into the best project that exists in the LNG business from a cost perspective and from a

return perspective (in the world) and the largest ever built.” Al-Kaabi said QatarEnergy has very capable marketing organisations that are working on marketing these volumes – and the likes of Shell only add to additional marketing capability.

The minister said QatarEnergy had finalised the selection of IOCs in the North Field East (NFE) Expansion project following its selection of Shell as a partner.

QatarEnergy and Shell will become partners in a new joint venture company (JV), in which QatarEnergy will hold a 75% interest while Shell will hold the remaining 25% interest.

This agreement is the fifth and last in a series of partnership announcements in the multi-billion dollar NFE project, which will raise Qatar’s LNG export capacity from the current 77mn tonnes per year (mtpy) to 110 mtpy.

The North Field East (NFE) expansion project is the single largest project in the history of the global LNG industry.

Scholz hints at Lufthansa-like bailout for gas giant Uniper



German Chancellor Olaf Scholz on Sunday hinted that a Lufthansa-like bailout was on the table to rescue gas giant Uniper.

Referring to the €9 billion package to save the German airline, Scholz said that his government was looking into options to help Uniper, Germany's largest gas importer.

"During the last crisis, we developed very precise instruments – and I drove this forward as finance minister – in order to support companies that have come under pressure from circumstances for which they are not responsible," Scholz said on Sunday in an interview with public broadcaster ARD.

The German government is considering presenting next week an emergency law to share rising gas costs between customers and companies amid fears of a Russian gas cutoff.

Only certain importers, like Düsseldorf-based Uniper, depend strongly on Russian gas and now face a sharp increase in costs as they need to compensate for reduced deliveries with expensive last-minute purchases on the global market.

Hans von der Burchard contributed reporting.

European gas extends blistering rally as supply woes deepen



Bloomberg/Brussels

Natural gas in Europe rose to the highest level in almost four months as planned strikes in Norway threaten to further tighten a market that's already reeling from Russia's supply cuts.

Benchmark futures, which have more than doubled this year, surged as much as 10% yesterday. About 13% of Norway's daily gas exports are at risk amid plans to escalate an impending strike by managers, the nation's oil and gas lobby warned over the weekend. Three fields are set to be shut by the strike starting today, while planned action the following day would take out another three projects.

Norwegian supply is becoming increasingly important for the

continent after shipments from biggest provider Russia slumped amid the invasion of Ukraine and subsequent sanctions on Moscow. That coincided with a prolonged outage at a key export facility in the US, another major source of gas for Europe. The impact is spreading through the continent's economy, hurting industries that cannot pass on increased costs of the fuel to end-users.

"Supply concerns are extremely high and the market continues to add risk premium," analysts at trading firm Energi Danmark said in a note. "The situation will remain tense this week and we expect further increases if flows remain low."

Dutch front-month gas futures, the European benchmark, hit the highest intraday level since March 9 and were 8.3% higher at €160 per megawatt-hour in Amsterdam. The UK equivalent surged as much as 16%.

Russia's exports dropped to multiyear lows earlier after a number of European buyers refused to comply with the Kremlin's demand to be paid in roubles for pipeline gas supplies. On top of that, state-run exporter Gazprom PJSC slashed shipments through its biggest Nord Stream pipeline by 60% last month, citing international sanctions that disrupted maintenance of crucial equipment.

The pipeline is scheduled for a full shutdown next week for annual works, and Germany has raised doubts that it will resume supply following the maintenance.

In a separate development, a Gazprom official said yesterday that the company is proposing expanding the rouble-payment demand to liquefied natural gas supplies from Russia. It's unclear if the Kremlin is considering such a plan, but it could be another blow to Europe's supplies – and could further intensify competition for the fuel between the region and Asia.

Major industries in Europe's powerhouse, Germany, could face collapse because of gas-supply cuts, the country's top union official warned before crisis talks with Chancellor Olaf Scholz starting Monday. The energy crunch is already driving inflation to record highs, and could lead to social and labour

unrest, Yasmin Fahimi, the head of the German Federation of Trade Unions, said in an interview with the newspaper Bild am Sonntag.

With prices at these levels, “there is no doubt we have entered demand destruction territory, which eventually may help stabilise the market,” said Ole Hansen, head of commodity strategy at Saxo Bank A/S. “In the short term, and with battered and bruised traders increasingly turning off their screens to go on holiday, we may see lower activity with the news flows dictating the level of volatility.”

Germany’s industrial sector, with a 35-40% share of gas demand, appears particularly vulnerable to the potential risk of Russia halting flows as stockpiles for winter household and district heating are set to be prioritised, analysts at Bloomberg Intelligence said in a note.

While power stations have some flexibility to switch to other fuels, a full cut in Russian supply to Germany in August would see a demand destruction of 20-25bn cubic meters, or 27% compared to 2021, they said.

Germany: “A Whole Prosperity Built On Low-Cost Energy Is Going Up In Smoke”



The tocsin is sounding at full speed in the German cities and countryside at the start of summer. A whole prosperity built on low-cost energy is going up in smoke. For the first time since 1991, the country's trade balance, a national pride, plunged into the red in May, and the government is expected to submit a law to parliament this week authorizing it to come to the aid of the country's energy companies. At the forefront of which is the company Uniper, one of the main importers of gas across the Rhine. The state could advance him nearly 9 billion euros and enter his capital, as he did with Lufthansa at the height of the health crisis.

Read also: Article reserved for our subscribers Germany ill-prepared for life without Russian gas and oil

Make no mistake, as the Minister of the Economy, environmentalist Robert Habeck, said this Sunday: *"We are not facing erratic decisions but facing a completely rational and very clear economic war."* » Faced with rising prices and falling deliveries, he openly talks about rationing energy. Unheard of since World War II.

With its trade deficit of nearly 85 billion euros (excluding services), France is obviously in no position to give any advice, and even less to be happy about the situation, Germany

being its first partner. Over the last twelve months, Berlin still records a surplus of more than 170 billion, but the trend is not good. In May, sales abroad fell by 0.5% while imports increased by 2.7%. The main culprit is of course inflation, with import prices up 30% in May year on year, while export prices rose only 16%.

Achilles' heel

Vibrant heart of happy globalization with its extremely sophisticated logistics chains, Germany appears to be the first victim of the current new situation. His model was based on cheap Russian gas, tight industrial organization and unlimited Chinese outlets. These three well-oiled machines suddenly seize up with the war in Ukraine, the logistical chaos and the confinements in China.

First short-term observation: European sanctions have not only not brought Russia to its knees, but have had the opposite effect. By announcing restrictions that will only come later, the West has caused an immediate surge in gas prices which fully benefits Russia. Its currency has stabilized and its budget has even gone into surplus. It might have been necessary, as the economist Philippe Martin suggests, to immediately impose customs duties or a ceiling price. Not easy. Second observation, that of the extreme dependence of our economies, and especially of Germany, on imported gas. Unlike the United States, energy sovereignty is Europe's Achilles' heel, and its reconquest will be long and painful.