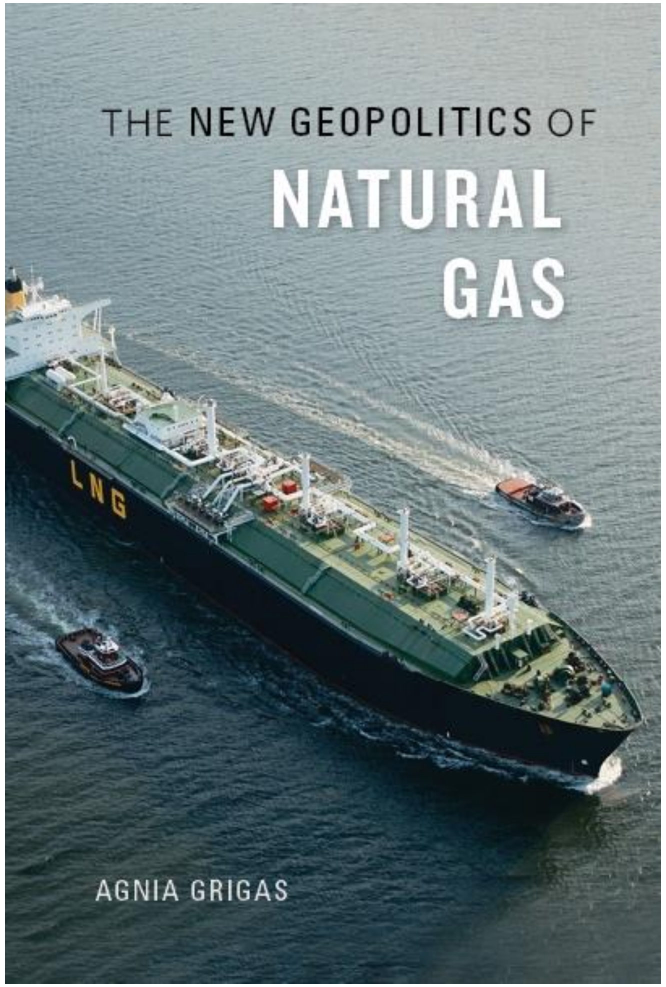
Geopolitics & European Gas Markets

DR. AGNIA GRIGAS

November 16, 2021

The New Geopolitics of Natural Gas



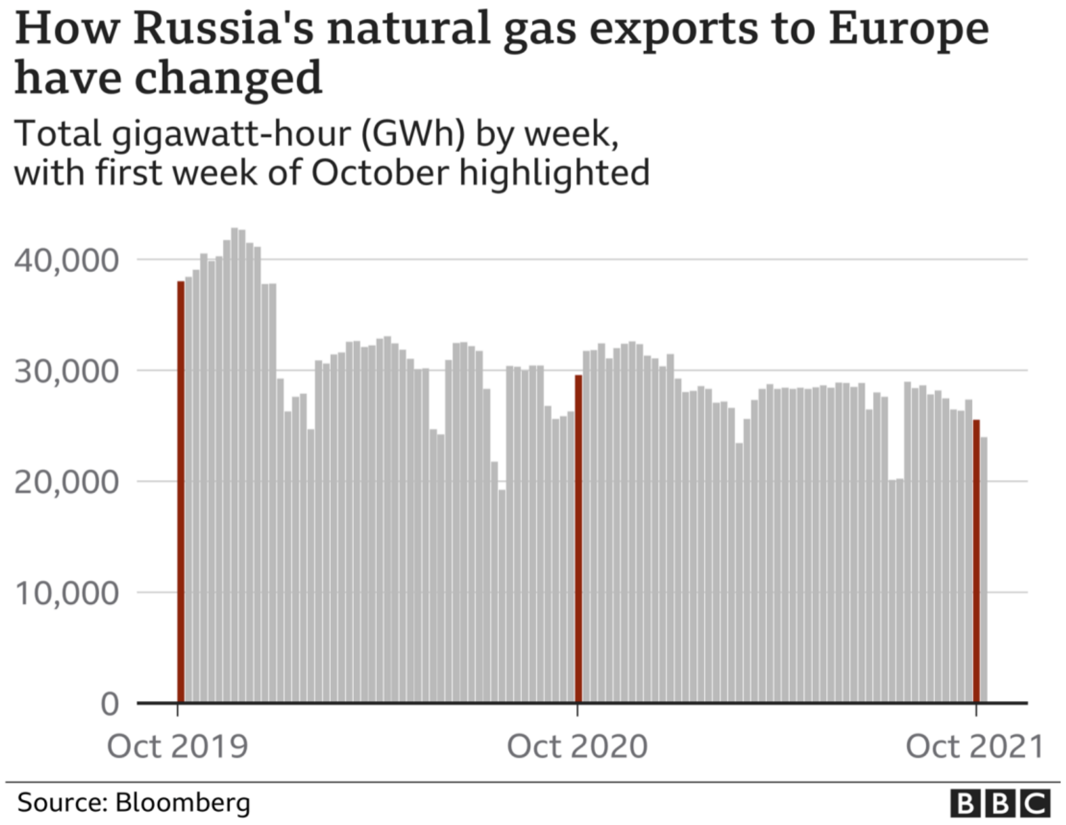
The Transformation of Natural Gas Markets

Transformed Relations between Russia, U.S., Europe, China, India

Europe: A Gas Squeeze Despite a Global Gas Market

A global gas shortfall felt in Europe

- In September & October, Russian state-owned gas company Gazprom put a squeeze European energy markets.
  - Decreased gas transit to Europe (esp. through Ukraine, Poland (Yamal))
  - Gazprom raised gas prices up
  - EU countries had to draw down their gas reserves (down to 84bcm of gas stored)
- Perceived as a tactic to underscore the importance of Nord Stream 2

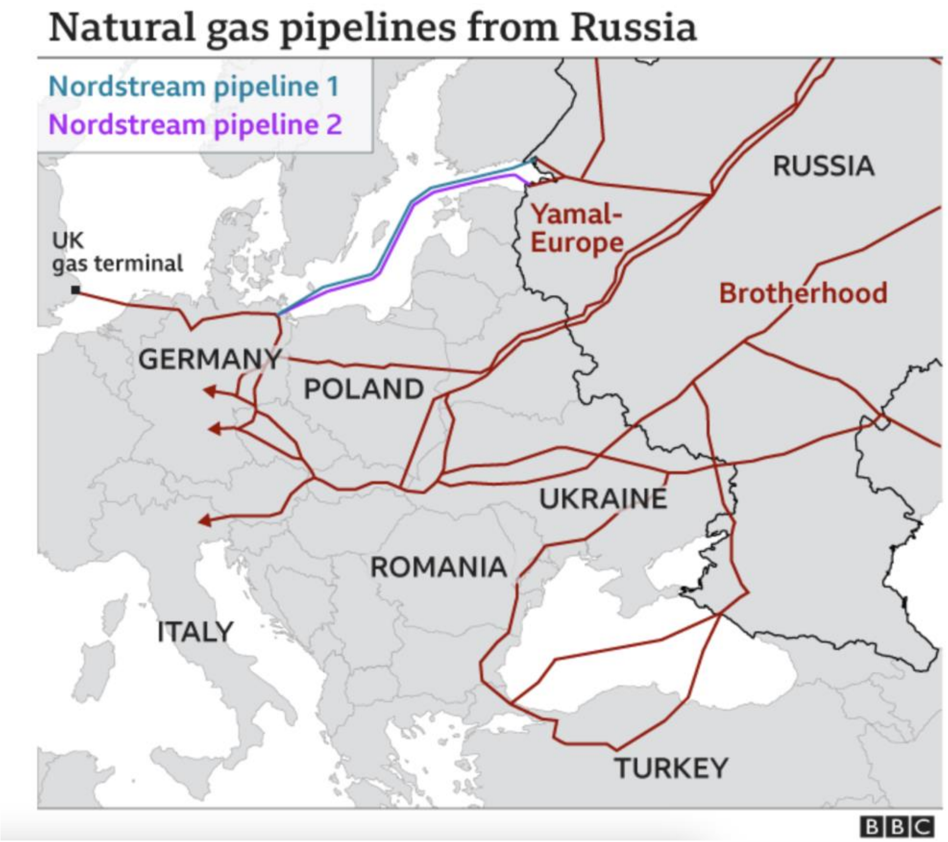


Europe: A Gas Squeeze Despite a Global Gas Market

- In November, Gazprom made effort to stabilize the market
  - Prices started dropping
  - Supplies increased but shipments still small
  - Belarus threatened to cut off gas transit to EU

Russia-EU: Natural Gas & Influence

- Russia supplies 50% of EU’s natural gas imports (followed by Norway, Algeria)
- Gas exports boost Russian influence in Europe
- Russian Novatek growing player in European LNG market



Russia's Fight for European Markets: Nord Stream 2

Nord Stream II (Germany)

- Against EU energy security policy
- Concentration of supplies via a single route
- Baltic Sea security
- Competes against LNG

Competition in Southeast Europe: Turk Stream

Europe’s LNG Import Capacity

By 2025, Europe is projected to account for nearly 15% of global LNG demand.

Collectively, Europe’s LNG receiving terminals’ overall **capacity** is 237 bcm, or 40% of Europe’s gas demand.

Belgium (1 terminal), France (4 terminals),

Greece (1 terminal), Italy (3 terminals), Malta (1 terminal)

Lithuania (1 terminal), Poland (1 terminal),

The Netherlands (1 terminal),

Portugal (1 terminal), Spain (7 terminals – six operational

Turkey (4 terminals)

The UK (3 terminals)

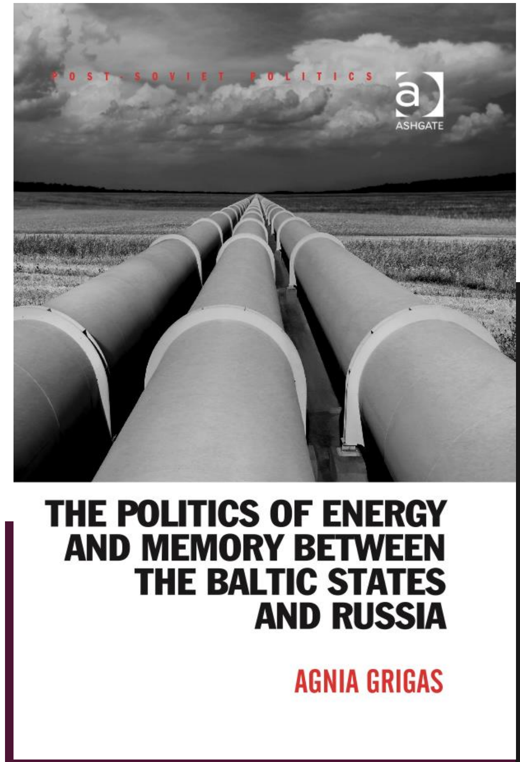
The share of LNG was 19.6% in the total EU gas imports in Q1 2021.

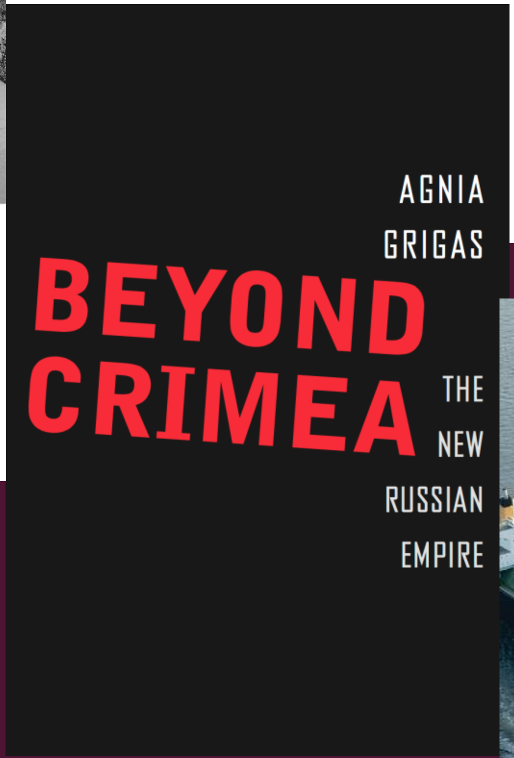
American LNG in Europe

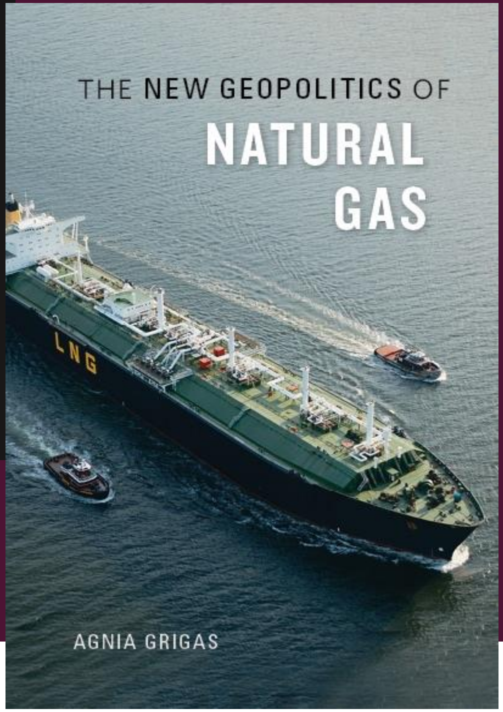
- The US was Europe's top supplier of LNG in Q1 2021, after Qatar (#2) and Russia (#3)
- US global exports have surged by 42% in H1 2021 in comparison to 2020 (EIA), with Europe accounting for 37% of exports in the period.
- Continued outages amongst key LNG producers mean that the US is likely to retain its market share in Europe in the short-term.

Thank you!

agnia@grigas.net







@AgniaGrigas