

Risk Assessment of EU's Gas Security

Policy Brief by Anda Radu

The first major gas crisis of 2006 propelled gas security at the forefront of the EU energy agenda. Consequently, almost the entire body of concerned legislation and especially the policy of diversification have been framed in the context of the dependence on a single gas supplier, Russia. However, despite the legitimate political risks that accompany gas supplies from Russia, many other possible risks have been overlooked. Given also that the EU gas imports are on an ascending path partly due to decreased intra-EU production, it is timely to assess the big picture and to identify what are the realistic diversification options for the EU, the risks that accompany them, and how could the EU proceed forward.

Policy Issue

The political risks of an unexpected gas interruption from Russia or the political leverage over a country to which it is the majority or the only supplier are undoubtedly legitimate concerns. However, **equally important are risks related to technical interruptions, to domestic political instability, violence, and lack of security, to cyber security, and to diminished availability of reserves.** Here are the other short and medium term options that the EU has and their associated risks:

- **Norway** – the second largest gas supplier to the EU (37%, close to the 40% delivered by Russia). The states relying the most on Norwegian gas are Germany (30%), France (48%), the UK (60%), and the Netherlands (63%).
 - The essence of avoiding gas dependence is not relying on a major gas supplier because, should an interruption occur due to non-political reasons, the consumers and the economy would be severely affected. Large shares of gas from a single supplier are not easily replaceable.
 - Norway's major fields are depleting. At the same time, upstream investments in new reserves are increasingly located in the Arctic and this makes them expensive. Chances are that Norway will be able only to maintain its gas share, but not increase it.
- **North Africa – Algeria** – is the third largest EU gas supplier, but the imports witnessed an uninterrupted decline from 18% in 2006 to 12.3% in 2014.

- In the context of a lack of upstream investments, unfavorable conditions for investors, stagnating reserves, and increased internal gas demand, the share of gas to the EU is less likely to increase significantly in the near future.
- On top of that, there are higher security risks, which are even more prominent if the equation includes as well the other African exporters Nigeria and Libya.
- The 2011 eight-month long gas interruption from **Libya** proved that a properly interconnected gas network and enough diversity of sources foster significant resilience when faced with unexpected gas interruptions.
- **LNG** – provides less than 15% of gas imports, the main bulk coming from Qatar (6.9%).
 - The main risk is related to the dependence on market fluctuations. The increase of LNG imports in Europe in the past two years was partly correlated to global market conditions.

Policy Solution

The implications of the existing gas supply options presented above are interlinked, as follows:

- Until the Southern Corridor is built and actively brings resources from the Caspian basin, until the gas network of all the EU Member States (MS) is effectively interconnected so that LNG arriving at terminals in Western Europe can actually reach the countries in need, and perhaps even until resources from Iran reach the global market, the **EU still needs Russian gas reserves for the well-functioning of its economy or to cover disruptions from other suppliers** (e.g. Libya 2011).
- **Reframing the EU approach** with regard to gas security is a necessity for the short and medium-term. It is a reality that each of the EU MS has a different relation to Russia and that they assess their own gas security uniquely. Thus, **grounding gas security on a more comprehensive basis which takes into account multiple risks would reconcile the agendas of the MS and of the European Commission**. It could also lead to **better emergency prevention planning**.
- The EU MS that overcome a certain threshold of gas imports from a single supplier should continue being supported at EU level to diversify, irrespective of the nature of the risk.

To conclude, this policy solution does not mean a major change in the EU's energy security strategy, but rather a twist meant to foster a constructive attitude, to encourage a realistic assessment of the diversification options, and to reconcile the diverse needs and interests of the MS. At the same time, it would not mean that the EU loosens its stance towards the political actions of Russia that it does not agree with, such as the annexation of Crimea but, by not including it as the exclusive focus of its diversification policy, the EU would make a step forward towards a more sustainable energy relation with Russia.