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EU ENERGY POLICY AFTER THE RUSSIAN INVASION OF UKRAINE

Abstract

The European Union faces significant challenges regarding natural resources and raw materials that are vital for its industry and infrastructure. For decades, the EU has imported natural gas from Russia. In 2022, Russia's attack on Ukraine highlighted the EU's dependence on Russian natural gas. Following the start of the war, an energy crisis began in Europe. Russia used gas as a tool to pursue its geopolitical interests. The EU's response to this emergency was quite swift: to compensate for the gas shortage, it became a priority for the EU to add facilities to import liquefied natural gas by sea from other countries. However, despite these steps, challenges remain in diversifying natural gas supplies and developing an energy sustainability policy.

Keywords: European Union, natural gas, energy crisis, pipelines, diversification.

Since the second half of the twentieth century, the role of natural gas in European politics has significantly increased. Starting in the 1980s, European countries actively began importing natural gas from the Soviet Union, which culminated in the creation of several pipelines (Stern, 2004). After the dissolution of the Soviet Union, Russia became the main supplier of natural gas to Europe. Despite the growing importance of natural gas, Europe's dependence on Russia was seen as a strategic weakness, and starting from 1995, active efforts were made to develop a coordinated energy policy. Most European countries wanted to have autonomy over their own energy policies, and as a result, many countries rejected the idea of a common EU energy policy.

Measures Taken after the Start of the War

The start of the Russia-Ukraine war was a decisive event for the European Union's energy policy. The United States and the European Union imposed comprehensive sanctions on Russia (S&P Global Market IntelligenceS&P Global Commodity Insights, 2024), in response, the Russian company Gazprom halted natural gas supplies to Poland and Bulgaria. Natural gas supply became a priority on the European Union's political agenda. The conclusions of the European Council of March 24-25, 2022, mandated the Commission to reduce dependence on Russian fossil fuels and strengthen solidarity mechanisms among member states. The disruption in gas supplies led to price increases, affected consumer and industrial costs, and posed a threat to economic stability. In response, the European Commission introduced the 'RepowerEU' package, which focuses on energy resource savings, diversification, and eliminating dependence on Russian energy sources (European Commission, 2022).

Among the measures of 'RepowerEU' is the reduction of domestic gas demand to exert influence on the global market (The IEA, 2022). It is noteworthy that these large-scale measures have faced criticism from both states and private entities, who argue that there was insufficient legal basis for some of the actions taken.

The regulation of June 2022 (Regulation 2022/1032) required member states to fill underground natural gas storage to at least 80% by November 2022 and to 90% annually by 2025 (Council of the European Union, European Parliament, 2022). This regulation aims to ensure that natural gas storage capacities in the EU are not left unused, facilitating the sharing of storage across the EU. The mandatory minimum level of natural gas in storage facilities is intended to enhance supply security in the short term.

The subsequent regulation, 2022/1369, amended the natural gas security directive with the aim of reducing natural gas demand by 15% for the winter of 2022 (Council of the European Union, European Parliament, 2022) . This regulation was supported by all member states except Hungary.

To address the issue of rising prices, the European Commission proposed a comprehensive regulation with strategies such as resource pooling for price transparency, sharing of natural gas during emergencies, and a 'market correction mechanism' to impose a maximum price for natural gas if needed (Vecchio, 2024).

Current Challenges

The sharp decline in natural gas supplies in Europe forced Gazprom to reduce its production by 20% in 2022. Despite numerous efforts by the European Union, European countries continue to import Russian natural gas. According to EU data, the share of natural gas imported from Russia via pipelines was 40% in 2021 and decreased to 8% in 2023 (Sullivan, 2024). However, if liquefied natural gas (LNG) is also considered, the total share of Russian gas in the EU reaches 15%.

One of the main ways the European Union has reduced its dependence on Russian natural gas is by increasing the import of liquefied natural gas (LNG) from countries such as the United States or Qatar. This, in turn, has led to a decrease in the price of Russian LNG and subsequently increased import into European countries. According to European Commission data, Russia is the second-largest supplier of LNG to the EU. In 2023, 16% of the imported LNG was Russian, which represents a 40% increase compared to the data from 2021.

Consequently, several European countries, such as Sweden, Finland, and the Baltic states, are urging the EU to impose a complete ban on Russian liquefied natural gas. However, such a step requires the agreement of all member states. Currently, the ongoing discussion in the EU is primarily focused on banning the re-export of Russian LNG from European ports (Jucca, 2024). Along with liquefied gas, a significant amount of Russian natural gas continues to enter EU countries via pipelines. In February 2024, Austria confirmed that 98% of its total imported natural gas in December 2023 came from Russia (Kurmayer, 2024). Like Austria, Hungary also continues to import large quantities of Russian natural gas via pipelines. The primary reason why EU countries continue to use Russian natural gas is its low price (Gavin, 2023).

Conclusion

Although natural gas is still being imported from Russia into the EU, the total amount of Russian natural gas imported has sharply decreased compared to the figures from 2021. The EU has announced that it must completely phase out Russian natural gas by 2027. However, given the current situation, it is challenging to determine how realistic this goal is. One of the most significant steps towards diversifying natural gas sources is the active shift to using liquefied natural gas (LNG), as other countries besides Russia are also capable of supplying it in large quantities to the EU.

The events that have unfolded following Russia's aggression in Ukraine highlight the necessity of cooperation among member states. The regulatory mechanisms introduced by the EU underscore its strategy to secure its energy future within the context of significant geopolitical changes, with an increasingly crucial role assigned to coordinated actions and collaboration among member states.

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