



G7 and EU to ban restart of Russian gas pipelines

Description

The curbs would be the first to target Moscow's pipeline exports since invasion of Ukraine Gas prices surged more than 10 times their normal level after Russia cut supplies © Bloomberg Creative

The G7 and EU will ban Russian gas imports on routes where Moscow has cut supplies, according to officials involved in the negotiations, the first time pipeline gas trade has been blocked by western powers since the invasion of Ukraine. The decision, which is to be finalised by G7 leaders at a summit in Hiroshima this week, will prevent the resumption of Russian pipeline gas exports on routes to countries such as Poland and Germany, where Moscow cut off supplies last year and triggered an energy crisis across Europe. Western powers want to ensure that Russia does not receive a boost to its energy revenues as they attempt to raise economic pressure 15 months after Moscow's full-scale invasion of Ukraine. One of the officials, all of whom spoke on condition of anonymity, said the move was "to make sure that partners don't change their mind in a hypothetical future". A draft G7 statement seen by the Financial Times said that the group of leading economies would further reduce their use of Russian energy sources "including preventing the reopening of avenues previously shut down by Russia's weaponisation of energy" at least until "there is a resolution of the conflict". One European official from outside the G7 said he suspected the move was also partly aimed at giving confidence to investors to back LNG infrastructure projects, both in Europe and North America, by removing the concern that there could be a quick return of cheaper Russian gas. While the measures are unlikely to affect any immediate gas flows, it underscores a deep determination in Brussels to make permanent the rapid and painful pivot away from decades of reliance on Russian energy. The ban is highly symbolic because at the start of the war the EU had avoided targeting pipeline flows given their huge dependence on Moscow's gas. Russia went ahead and cut supplies anyway, sparking a surge in gas prices to more than 10 times their normal level. But in recent months prices have fallen substantially as Europe successfully cut demand over winter, accelerated the roll out of renewable energy and sourced alternative supplies such as seaborne cargoes of LNG. Moscow's share of the European gas imports has fallen from more than 40 per cent to less than 10 per cent, and a mild winter has boosted gas storage in the EU. Officials are confident that gas storage, which is already some 60 per cent full compared with roughly 30 per cent at the same time in 2022, will reach capacity long before the next winter arrives. "With European gas storage unusually high for the time of year and wholesale prices

inching back to what might just be considered their normal price-range, you can understand why Europe's leaders are confident this plan will not scupper security of supply any time soon," said Tom Marzec-Manser at energy consultancy ICIS. "It's important nevertheless not to become overly complacent regarding the European gas market outlook." Oil pipelines where Russia has cut supplies, including the northern leg of the Druzhba line that supplies refineries in Germany and Poland, could also be blocked under EU measures to prevent a resumption in flows.

The embargo is being discussed by diplomats as part of the EU's 11th sanctions package. The commission said it would not comment on sanctions discussions or leaks. One EU diplomat said that the proposal needed more clarification from Brussels to show how the "status quo" would change, particularly as some oil from Kazakhstan flows through Druzhba. "It has to be clear exactly how it would work," they said. Berlin and Warsaw, despite having an exemption from sanctions on Russian oil, said that they would voluntarily end deliveries of crude through Druzhba last year although Poland continued to receive supplies until Russia cut off flows in February. German refineries stopped ordering Russian crude from the beginning of this year. Some of Russia's main gas conduits to Europe — the Nord Stream 1 and 2 pipelines — were sabotaged last year and only one of their four strings remain. But other pipelines such as the Yamal line to Poland remain intact.

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