



## Germany Scrambles To Ration Gas After Refusing To Make Payments In Rubles

### Description

**Update (1140ET):** It looks like Moscow is making headway with its demands that “hostile states” (aka its European customers) start paying for their gas in rubles. According to [Bloomberg](#), Putin and German Chancellor Scholz have agreed to let ‘experts on both sides’ discuss the feasibility of Russia’s demand that Germany switches to rubles for its gas payments, according to an emailed statement from the Kremlin.

Both leaders have agreed that switching to ruble payments shouldn’t deteriorate contract terms for European importers of Russian gas (meaning that the price should remain stable regardless of which currency is used for payment and settlement). Putin also updated Scholz on the state of talks between Russia and Ukraine.

But Scholz isn’t the only European leader who appears to be seriously considering Putin’s demands. Italian leader Mario Draghi is also reportedly considering Putin’s demands.

The news has been broadly supportive of the ruble, which has erased all of its post-invasion losses.



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Now that Moscow has doubled down on its demands that its European “partners” pay for its oil and gas in rubles instead of euros (which, as the bloc already demonstrated, can be easily confiscated in the name of “sanctions”), **the German government is digging in its heels as the payment dispute threatens to precipitate problematic energy shortages in Europe’s largest economy.**



The [FT reported](#) Wednesday that German Energy Minister Robert Habeck has activated the “early warning phase” of Germany’s gas emergency law, which was adopted to help ration supplies in the face of a severe shortage. The decision will alert German consumers and businesses to do what they can to conserve energy.

Too bad President Biden and the US will take years to reroute their promised LNG exports ( [and even so, they will likely never be able to fully compensate for Russian supplies](#) )

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Habeck issued the warning for fear that Moscow would swiftly move to cut off energy exports to one of its biggest customers in Europe over its refusal to make payment in rubles, which Habeck has insisted would be a violation of the two sides' contract.

**The move was triggered by German concern that Russia might cut supplies to the country and its neighbors because they are rebuffing Moscow's efforts to force payment for gas imports in rubles.**

After demanding last week that "hostile states" [pay for its gas and oil in rubles](#) (although [it hinted that gold and cryptocurrency](#) might also be considered), Moscow said it wouldn't share its resources "for free" after the G-7 aggressively repudiated the Russians' request.

**"We will definitely not supply oil and gas for free, that's for sure. It's hardly possible and reasonable to engage in charity in our situation,"** Putin spokesman Dmitry Peskov said earlier this week.

As Germany scrambles to address a looming shortfall in energy supplies, analysts are warning that the government's refusal to meet Moscow's request for payment in rubles could create a "substantial" risk.

During the early warning phase – the first of three stages in Germany's emergency response – a crisis team from the economics ministry, the regulator and the private sector will monitor imports and storage.

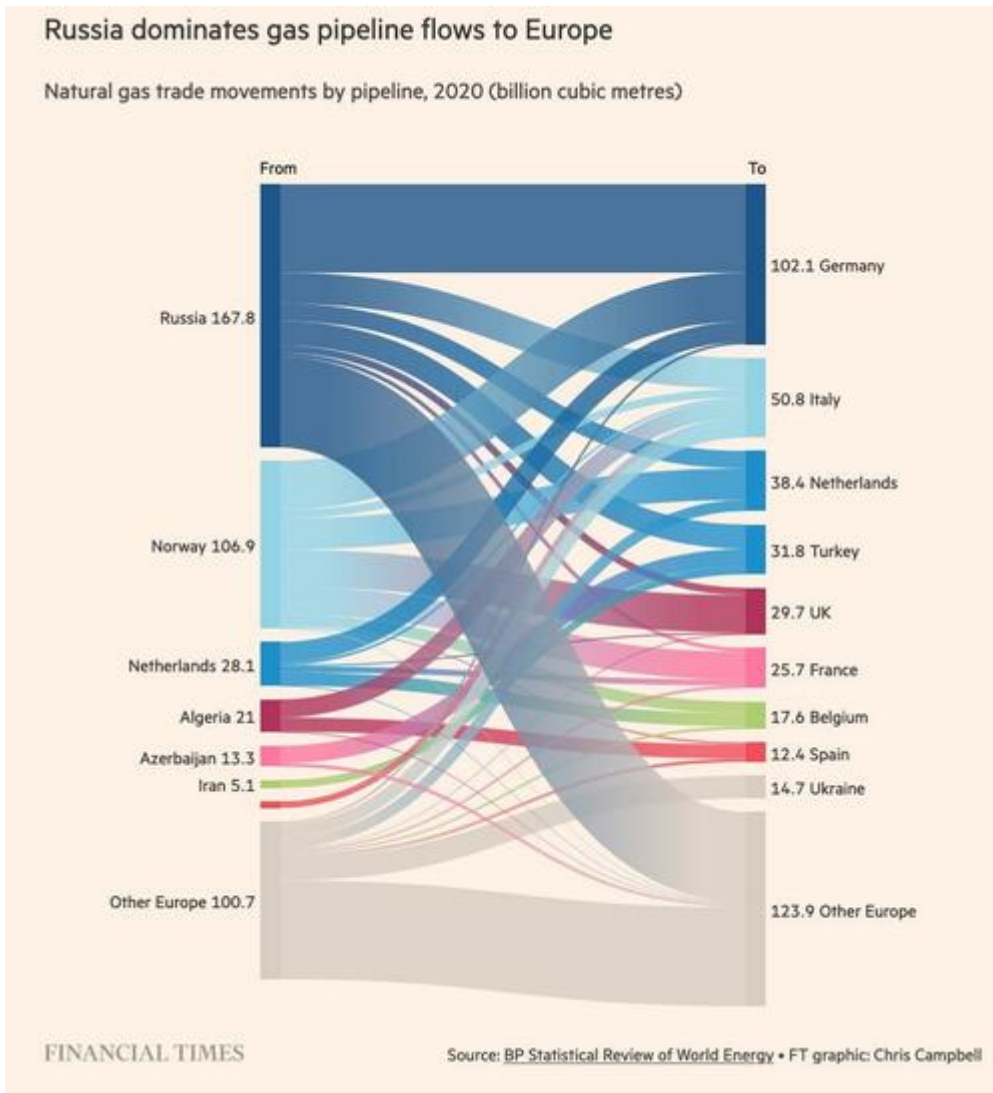
If supplies fall short, and less draconian attempts to lower consumption do not work, the government would cut off certain parts of German industry from the grid and give preferential treatment to households.

Volker Wieland, a professor of economics at Frankfurt University and a member of the German council of economic advisers, on Wednesday warned that a halt in Russian energy supplies would create a "substantial" risk of a recession and bring Europe's largest economy "close to double-digit rates of inflation."

**Already, the German economy is facing its most brutal inflation in decades**, with an annual headline inflation rate that could top 6% by the end of the year. The dire situation has already prompted the government to subsidize citizens' energy costs with [a round of energy stimmmies](#).

Further restrictions on Russian supply could have even more dire consequences.

**As a reminder, Russia dominates gas and oil exports to the EU:**



Source: [FT](#)

Of course, if Berlin doesn't play ball, gas won't be the only commodity in short supply. **The Kremlin said on Wednesday that demanding ruble payments for exports of oil, grain, fertilizers, coal, metals and other key commodities in addition to natural gas was a good idea**, Russia's top lawmaker Vyacheslav Volodin said on Wednesday, per [Reuters](#).

**"If you want gas, find rubles,"** Volodin, the speaker of the lower house of parliament, said in a post on Telegram.

Peskov, meanwhile, said the dollar's global reserve currency was already diminishing, and that pricing Russia's biggest exports in rubles would be "in our interests and the interests of our partners."

Now, if the leaders of Europe don't play ball, then President Biden's prediction of devastating food shortages [could become a self-fulfilling prophecy](#).

by Tyler Durden

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