

Gas Prices to Remain High in Europe While LNG Imports Reached Their Upper Limit

By [Uriel Araujo](#)

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Since January 1, the UK has banned Russian LNG imports and is looking to other producers such as the US to meet demand. On January 9 the UK government announced it is extending the support it provides to companies regarding their energy bills for another year - which will cost around £ 5. bn. However, this is not enough and business representatives have warned that they cannot help but pass on extra costs to customers, thus contributing to an increase in inflation, according to Irish macroeconomist Philip Pilkington. These two pieces of news are not unrelated.

The British economy has been collapsing, largely due to high energy costs, as I've [written](#), and those, in turn, have everything to do with the Western economic warfare against Russia which has [backfired](#). For the same reason, a [new depression](#) also haunts Europe. Moreover, the German-Russian Nord Stream 2 project (now gone) , against which Washington [campaigned](#) so heavily, could have [avoided the current energy crisis](#) in Europe. This is a geoeconomic and geopolitical crisis which [serves American interests](#) quite well. In today's plight, [energy](#), economy, geopolitics and [industry](#) issues are all intertwined.

The economics and energy crises and the European deindustrialization they may bring about cannot be understood without taking into consideration the crisis in Ukraine and the geoeconomics of European reliance on Russian gas.

Russia is the world's second-largest natural gas producer, and, in 2021, Germany, Turkey, and Italy were the world's main importers of Russian gas. In 2021, Europe imported 2.4 million barrels per day (bpd) from the Eurasian power. Russia natural gas in fact accounted for almost 40% of EU gas imports in 2021 (160 bcm). In 2021, as a response to Moscow's military campaign in Ukraine, EU state members committed to reducing gas imports from Russia and in fact overachieved their own goals: imports have fallen from 40% to about 4%, thus apparently ending what could be described as a half-century long mutually beneficial relationship.

As a result, gas prices have risen, which makes European industry [uncompetitive](#) and, in the post-Nord Stream world, this reality has come to stay [for a very long time](#).

As a response, EU regulators will start publishing a daily liquified natural gas (LNG) price assessment on January 13, as part of the bloc's plans to make pricing more transparent and to form a continental benchmark price – to avoid European countries bidding against each other for supplies (thus risking driving up prices even more).

Even though European gas prices have now fallen, their future remains uncertain due to weather shifts and storage issues. According to Ashley Kelty, a Panmure Gordon's oil and gas director, the forecast is for Europe to exit the winter season with less than 15% in storage, which is much lower than the historic average of 30-35% – and this will result in prices remaining high, with the higher demand to refill. Kelty believes that, due to the absence of Russian supplies, among other factors, prices should remain high for the foreseeable future.

Moreover, as the global competition for fuel is heating up, once China emerges out of COVID, for instance, it will once again be a huge demand player, thereby potentially leaving Europe to compete for what remains available with one of the biggest buyers in the market, warns Toby Copson, Trident LNG's global head.

Pilkington in turn [argues](#) that European gas imports are at their lowest in recent history because LNG imports have simply reached their upper limit. The 2400mcm per week or so seems to be a hard limit that won't be crossed anytime soon. Thus, according to Pilkington, we can expect a huge energy crisis in Europe in 2023, which will collapse European economies and the UK.

Although warmer than usual temperatures this winter have held the demand for heating back, thus prompting a fall in natural gas prices and an increase in gas storage, this good performance, the economist warns, is “not game-changing”. Some experts estimate the EU could face a 30 Bcm deficit for 2023-24.

European economies might endure this winter, the prospect is not good. At this point one can only speculate, but one can expect an European economic collapse and the resulting deindustrialization and social unrest to strengthen the so-called populist camp in Europe, with a possible impact on elections, and on foreign policy. Even an European leader such as French President Emmanuel Macron himself has been talking about the possibility of the political West becoming [divided](#) over US policies and industry and [subsidies wars](#).

Since the aftermath of WWII, Europe has relied on the US for security, while relying up until 2022 on Russia for gas. This has been the latent geoeconomic-geostrategic contradiction within the bloc which seems to be short-circuiting now. With regards to oil and gas, trading links are largely dictated by geography, regardless of the political will. This being so, Russian-EU cooperation on energy has always been a strategic matter for both concerned parties, while the US agenda has been one of trying to disrupt any such Eurasian cooperation.

To sum it up, the current US-backed conflict in Ukraine and its economic and energy outcomes has proved itself disastrous not only to Kiev and to Ukrainians, but also to the EU and the UK, as well as the West itself. Europe cannot afford to decouple from Russia energetically and cannot easily separate from the US-led NATO's structure, even when

American geopolitical goals collide with the continent's interests. This is Europe's main [sovereignty](#) contradiction and its great drama today.

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Uriel Araujo is a researcher with a focus on international and ethnic conflicts.

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Articles by: **Uriel Araujo**

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