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# Why Europe Won't Exploit Its Huge Gas Reserves

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*As energy prices continue to soar across Europe, with gas prices surging 26% on Monday after Russia stopped pumping via Nord Stream 1, the highly contentious fracking debate is now re-emerging on the continent, led by a new British prime minister with fossil fuels on her mind. The European Union–which no longer includes the UK–plans to replace two-thirds of Russian gas imports by the end of the year, though analysts warn that the bloc's best shot at replacing Russian gas imports will fall well short of the target.*

In 2021, the EU imported ~155 billion cubic meters (bcm) of natural gas from Russia. Unfortunately, the bloc's proposed gas replacements by the end of 2022–which include LNG (liquefied natural gas) diversification, renewables, heating efficiency, pipeline diversification, biomethane, solar rooftops and heat pumps–only amount to around 102 bcm annually, according to data from the EU Commission's REPowerEU.

Proponents of fracking hold that Europe's shale gas potential is needed now more than ever, though Germany, France, the Netherlands, Scotland and Bulgaria have all previously banned fracking. Now, the debate is being revived by recent moves in the UK.

Britain's new **Prime Minister Liz Truss** has announced that the UK is lifting a 2019 moratorium on shale gas fracking as the country looks to ramp up domestic energy resources and help households and businesses struggling to pay soaring energy bills.

The lifting of the fracking ban comes just three years after the government ended its support for fracking after the authority supervising the oil and gas industry determined that "*it is not possible with current technology to accurately predict the probability of tremors associated with fracking*."

Britain owns just two shale gas wells in Lancashire operated by **Cuadrilla Resources.** Cuadrilla CEO Francis Egan has welcomed the lifting of the ban, saying:

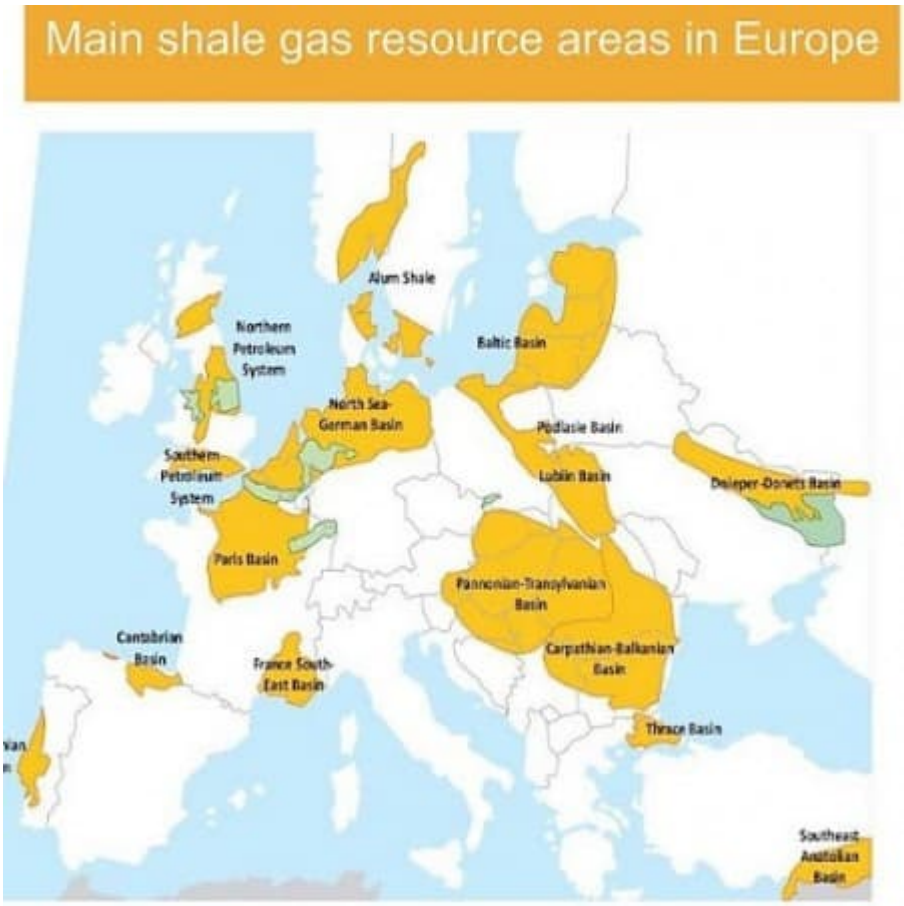
> "This is an entirely sensible decision and recognises that maximizing the UK's domestic energy supply is vital if we are going to overcome the ongoing energy crisis and reduce

> the risk of it recurring in the future. Without the strong measures set out today, the UK was set to import over two thirds of its gas by the end of the decade, exposing the British public and businesses to further risk of supply shortage and price hikes down the line."

Despite its desperation, the rest of Europe is unlikely to follow–even if the revival of the debate has reignited talk of just how much shale potential Europe has, and why it's not being tapped into.

## Shale Gas In Europe

Europe has more recoverable shale gas than the U.S., according to estimates. However, the only major fracking activity is in Ukraine, which managed to wean itself off of Russian gas years ago.




Fracking in Europe has long been a contentious issue because of population density, in large part. This isn't North America.

In 2016, Cuadrilla Resources won permission to frack as many as four wells in the UK, putting an end to years' long battles with local authorities. Five years prior, the company had been forced to cease drilling after the government placed a one-year moratorium on fracking due to tremors caused by an exploratory Cuadrilla rig in northwestern England. In 2013, the company's drilling activity was disrupted again after hundreds of protesters camped in a tiny village south of London and forced it to abandon its wells.

Meanwhile, in 2012, protesters in Zurawlow, a town in eastern Poland, successfully blockaded a fracking site while Greenpeace activists occupied a shale gas rig in Denmark.

Strong public opposition–along with tax concerns, regulatory delays, and poor output from a handful of test wells–drove away investors. **Exxon Mobil** (NYSE: XOM), **Chevron** (NYSE: CVX) and **TotalEnergies** (NYSE: TTE) were forced to abandon projects in Poland after exploration proved disappointing. Poor gas flows also halted progress in Denmark, with Total ditching shale gas drilling there.

The big problem with fracking in Europe is that some of the conditions that fueled the U.S. shale boom don't exist in Europe. In most countries, it's the state, and not private landowners, that owns the mineral rights to oil and gas in the ground. Contrast that with the U.S. where landowner's cut can be as much as an eighth of production revenue. This in effect means that fracking does not yield big financial rewards for European landowners.

To garner more public support for the technology, the British government and some companies have previously proposed direct payments to people affected by fracking. However, environmental groups have strongly opposed the move, terming such payments as bribes. The situation is not helped by the fact that the population density in Europe is more than 3x that in the United States, fueling not-in-my-backyard protests. For instance, many rural projects have in the past been rejected because they would bring trucks and equipment used for fracking onto picturesque roads dating back to Roman times. Indeed, Gazprom has previously said that the difficulty in finding unpopulated land in Europe and enough water to exploit shale wells will help Russian gas stay competitive. Even better for Russia: it can produce gas for about a sixth of the break-even cost for U.K. shale.

Even after decades of fracking in the U.S. many Europeans still view the technique as untested.

It's going to be interesting to see whether record high energy prices will finally convince Europeans to change their minds about shale gas fracking. Several European nations have already backed down and returned to burning coal at record levels to keep their power grids alive thus reneging on their climate goals.

But here's why the environmentalists might still carry the day: studies have shown that although natural gas burns cleaner than coal and has reduced greenhouse gas emissions, the fracking process can negate these benefits. Fracking is dirtier than burning coal mainly due to the direct emission of harmful carbon dioxide and methane, both potent greenhouse gasses.

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