

National Review.-24.01.2022

Andrew Stuttaford

## Ukraine, Europe, and Energy Dependence

### Україна, Європа та енергетична залежність

. В статті для видання редактор журналу *National Review* 's *Capital Matters* Е. Статтафорд розмірковує про наступний крок В. Путіна щодо України. Він вважає, що В. Путін може піти на щось скоріше важливе, ніж «незначне». Автор вважає, що навіть якщо у Німеччини є політична воля дати відсіч російському вторгненню в Україні, то вона серйозно обмежена залежністю від російського газу, яка з різних причин відкриття трубопроводу "Північний потік-2" зробить ситуацію в Європі ще небезпечнішою, ніж вже є.

<https://www.nationalreview.com/corner/ukraine-europe-and-energy-dependence/>

It's hardly a secret that, even if it has the political will (or inclination) to do so, Germany's willingness to push back against a Russian incursion ("minor" or otherwise) is severely constrained by its dependence on Russian gas (I included some statistics on this [here](#)), a dependence that, for various reasons, the opening of the Nord Stream 2 pipelines will (if it happens, and I think that it's highly likely that it will) make even more dangerous than it already is.

In an [article](#) for the *Daily Telegraph* that is gloomy even by his standards, Ambrose Evans-Pritchard contemplates Putin's next move with regard to Ukraine. He thinks that Putin might go for something rather more major than "minor." That's a [continuing debate](#), although Evans-Pritchard is probably right about stock markets being too insouciant about what might be coming next (the recent weakness has been unrelated to Ukraine), but it's worth taking a look at what he has to say about what would happen if Russia were to cut off its gas supplies to Europe: Energy dependence has turned core Europe into an accomplice by default. Russia is currently supplying roughly 120 billion cubic metres of gas through all pipelines or as liquefied natural gas (ICIS data). This accounts for half of German needs in industry, power, and home-heating, and even higher ratios in a string of EU countries. If this was cut off entirely – tricky for Russia without damaging its own gas fields – the gap could *in extremis* be plugged from global sources. "It would take 160 LNG cargoes a month, out of the global total of 400," said Thierry Bros, former head of energy security at France's economy ministry.

"It would be like the Berlin airlift. It is doable but I think it would prove much harder than it looks on paper," he said. US liquefaction export plants are already running at 95pc capacity. Much of the global LNG supply to Asia is on fixed contracts. You cannot reroute cargoes on a huge scale except by political *force majeure*. Prices would go through the roof and there would be industrial rationing in Europe and Asia, a violent shock for supply chains.

[In an earlier post](#), I doubted whether Germany would be prepared to risk having to face this. The same could be said for much of Europe. Evans-Pritchard concludes: Investors are struggling to

price this extraordinary showdown. Markets always have trouble adjusting to geopolitical convulsions. There is a reflexive assumption that talks will avert the unthinkable and that the status quo will reassert itself. The London and Paris bourses remained becalmed over the weeks leading up to the First World War in 1914, slow to grasp why Sarajevo was different and unique, a “gift from Mars”, as it was described by the German high command in documents that later came to light. There again, perhaps the collective intuition of the markets is that earnings will scarcely miss a beat even if there is an invasion. It is a fair bet that Europe will roll over as it did over Crimea. A despairing Washington might accept a *fait accompli* and cut its losses. Such a squalid outcome is all too plausible.

And then there's Taiwan.