The future of gas in the EU: the Russia-Ukraine gas issue matters

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EU S gas demand seen steady until 2026 around 2016 levels following the partial coal/nuclear exits in DE, before declining progressively as the transition deepens. Gas import levels increase yet at moderate pace.
Ukraine transit: fall to 0 in all scenarios, but with variations

Evolution of gas transit via Ukraine in different scenarios, 2020-2030 (bcm)

- Orange: Transport UA route: Scenario NS corridor @ 102 bcm/y by 2021, Yamal @ 25 bcm/y
- Gray: Transport UA route: Scenario NS corridor @ 90 bcm/y by 2021 and Yamal @ 20 bcm/y and TS to EU @ 13 bcm/y (2023)
- Yellow: Transport UA route: Scenario NS corridor @ 102 bcm/y by 2021 and Yamal @ 25 bcm/y and TS to EU @ 30 bcm/y (2024)
- Blue: Transport UA route: Scenario NS corridor @ 102 bcm/y by 2021, Yamal LNG @ 5 bcm/y, Baltic LNG @ 5 bcm/y (2022), Yamal @ 25 bcm/y until 2022 and 10 bcm/y after and TS to EU @ 13 bcm/y (2023)

Source: Ifri
Strategic issues for the December 2019 gas negotiations:
avoiding miscalculations

- Enforcement guarantees
- External pressures or facilitations
- Arbitration proceedings
- Politics in UA and EU and geopolitics between RU/UA/USA-EU
- NS2/Turk-Stream
- Assessment of respective gains and losses in a crisis scenario
- RU-UA S&P agreement (duration, take or pay, price, currency, payment conditions)
- Transport tariffs, ship or pay level, flexibility, duration

Source: Ifri
Several outcomes possible, crisis can be avoided

- 30 bcm/year average capacity reservation, 10 years, yearly and seasonal variations + flexibility at 10%, technical gas price reflective of market adjustments
- Ship or pay based on 2/3 of volumes in first five years, 1/3 on second half
- Transportation tariff adjusted, similar level as today
- S&P agreement signed with Gazprom on 5 years basis, 3-5 bcm/y, take or pay clauses, German hub price without transportation at the UA-RU border, flexibility provided in line with ship or pay contract
- EU funding for soft modernization of UPU corridor
- European credits for Gazprom’s modernization of its own system to Ukraine
- EU-Russia intergovernmental agreement offering guarantees
- Naftogaz halts latest Stockholm arbitrations on accelerated amortization
- Parties commit to obeying to arbitrage rulings – Gazprom must pay if Svea appeal lost