

IRELAND ENERGY UPDATE

*Update on
Russian gas
and gas supply
to Ireland*



Irish Offshore
Operators'
Association

Update on Russian gas and gas supply to Ireland

Since the last update (27th June), there have been a number of developments that are likely to impact on regional and potentially Irish gas deliveries. These are as follows:

Regional developments

- Russian gas supply to Greece was interrupted June 21-28 due to the annual scheduled maintenance of the TurkStream pipeline. However, supplies resumed as normal upon completion of the work.
- The Nord Stream 1 pipeline transports 55 billion cubic metres (bcm) a year of gas from Russia to Germany. In late June, Russia cut flows to 40% of the Nord Stream 1 pipeline's total capacity, citing the delayed return of equipment being serviced by Germany's Siemens Energy in Canada. However, it was reported yesterday (18th July) that Canada has sent a turbine for the pipeline to Germany after repair work had been completed.
- Gas deliveries from Russia to Germany dropped to zero on 11th July after the Nord Stream 1 pipeline was closed for planned maintenance expected to last for 10 days. The work is scheduled to be completed on Thursday (21st July). However, there is uncertainty as to whether supplies will restart on time. Alternative transport routes such as the Yamal pipeline and the Ukraine route are available but are not being used to make up for the volumes not flowing through Nord Stream 1. The Germany Economy Minister has said the country should confront the possibility that Russia will suspend gas flows through Nord Stream 1 beyond the scheduled maintenance period.
- Gas storage levels in EU countries are running at 55-65% capacity, well below the EU requirement of 80% for November in advance of the winter. Most western analysts believe that the Russian curtailment of gas flows of the past few weeks is aimed at curtailing the build-up of gas storage within the EU.
- All European countries are making contingency plans for gas supply interruptions. Twelve EU countries have had gas supplies from Russia cut off or reduced. Ten EU countries have already issued an 'early warning' on gas supply. The International Energy Agency (IEA) and senior EU sources have recently warned of the likelihood of further reduction of gas supplies in the coming months, and have urged planning for the possibility of the complete severance of Russian gas.

Potential impacts on Ireland

- Senior Irish government figures have recently begun to express concern about the risks to Ireland in the event of increasing Russian curtailment of gas supplies to the EU. Taoiseach Micheál Martin stated last month that the risk of Russia cutting off gas supplies to Europe had to be factored into plans to mitigate against high energy costs this winter. "In reality, it's already started, and so it would be naive in the extreme to suggest it couldn't happen," he said. He also said that he did not anticipate fuel rationing this winter but that "nothing could be ruled out" given the war. The Minister for Finance has stated within the past week that the withdrawal of gas supplies to mainland Europe poses a very real risk and that such an event would result in "major economic disruption in export markets" and would have a "severe" effect on Ireland.
- Ireland is reliant for its gas supply on Corrib and, increasingly, via the Moffat twin interconnector pipelines through the UK. The UK is itself a net gas importer, no longer bound by EU regulations and agreements on gas supply.
- A recent Financial Times article (29th June) discussed UK emergency plans that could involve suspending gas flows to the EU. While there was no explicit mention of gas supplies to Ireland, this draws into focus the extreme vulnerability of the Irish gas supply in the event of a gas supply emergency as Ireland imports 70% of our gas needs though the Moffat twin pipelines from Scotland. However, a spokesman for the UK National Grid said that Irish consumers would be treated "absolutely equally" to those in the British market in the event of a supply emergency. Under UK legislation, in the event of an emergency, a national emergency co-ordinator would be appointed who would operate independently without references to the business interests of the National Grid company. Current procedures between the UK National Grid and Gas Networks Ireland stipulate that in the event of any curtailment, supplies to Britain's distribution network and the Moffat Interconnector would be curtailed equally. This suggests that in the event of gas rationing in the UK, supplies to Ireland would suffer cuts in line with British industry.
- If significant Norwegian gas, on which the UK is heavily reliant, was diverted to EU countries in pursuance of the recent increased Norwegian-EU energy cooperation, this could put additional pressure on UK gas supplies.
- Ireland no longer has any gas storage facility (the gas storage facility at Southwest Kinsale offshore reservoir ceased operation in 2017) and therefore cannot avail of any EU-wide scheme for joint purchasing or storage of gas.
- Ireland is almost unique as a maritime European country with no LNG handling facility to import gas via tanker. LNG imports to European countries is now becoming the main source of replacement for the decreasing Russian gas supply.

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