

ENERGY IRELAND UPDATE

*Update on
Russian gas
supply
situation*



Irish Offshore
Operators'
Association

Update on Russian gas supplies

In June there were several significant developments in the Russian gas supply situation. These included:

Regional developments

- Europe imported about 40% of its natural gas from Russia before the invasion of Ukraine but that figure has now fallen to about 20%.
- As part of its strategy to move away from dependency on Russian gas, the EU signed a Memorandum of Understanding on gas exports with Israel and Egypt on 15th June. It states that the three sides “will endeavour to work collectively towards enabling a stable delivery of natural gas to the EU that is consistent with long-term decarbonisation objectives and is based on the principle of market-oriented pricing”. It also states that Israeli gas “may be shipped” via LNG infrastructure in Egypt.
- The EU and Norway agreed, 23rd June, **to further strengthen the close co-operation between the European Union (EU) and Norway in the field of energy**, with a view to deepen their long-term energy partnership, noting that Norway provides 25% of EU countries’ gas consumption. The joint EU-Norway statement notes that the EU supports Norway’s continued exploration and investments to bring oil and gas to the European market and acknowledges the role of the existing EU-Norway Energy Dialogue, and Norway being a part of the internal market through the EEA agreement. The two sides agreed to step up co-operation in order to ensure additional short-term and long-term gas supplies from Norway.
- Twelve EU countries have had gas supplies from Russia cut off or reduced. Gas supplies have been cut off to Poland, Bulgaria, Denmark, Finland, France and the Netherlands, with supplies reduced to Germany, Italy and a number of other EU states.
- Russian supplier Gazprom cut gas flows via the Nord Stream 1 pipeline to Germany to 40% of capacity last week, blaming technical issues with equipment that could not be sent abroad for servicing/repairs or returned because of sanctions. However, most western analysts believe the real reason for the reduction in supply is to hinder EU countries from refilling gas storage facilities in preparation for next winter. Current estimates are that EU storage is about 55% of capacity, with requirements by EU countries to reach at least 80% of their storage capacity by November.
- Russian gas supply to Greece is interrupted June 21-28 due to the annual scheduled maintenance of the TurkStream pipeline but is expected to resume as normal upon completion of the work. Nord Stream 1 is expected to be taken offline for annual maintenance in early July, resulting in a further reduction in Russian gas flow to Germany for a 10-day period.
- Ten EU countries have now issued an ‘early warning’ on gas supply. The EU sets out three levels of crisis: an early warning, alert and emergency. Member states are required to have plans in place for how they would manage the impact of a supply disruption at the three crisis levels. Last week Germany recently raised its warning to the second level, with the country’s Economy Minister Robert Habeck stating that “Gas is now a scarce commodity in Germany”.
- The Executive Director of the International Energy Agency, Fatih Birol, warned last week that Europe must prepare immediately for the complete severance of Russian gas exports this winter. He said that Russia’s decision to reduce gas supplies to European countries in the past week may be a precursor to further cuts.
- European Commissioner Mairead McGuinness warned last week that energy rationing “could be a reality” across the European Union this winter stating that member states would be “rather naive not to plan for the worst” this winter.

Potential impacts on Ireland

- Ireland has no gas storage facility and therefore cannot avail of any EU-wide scheme for joint purchasing or storage of gas.
- Ireland has no LNG handling facility to import gas via tanker. LNG imports to EU and other European countries is fast becoming the main source of replacement of the decreasing Russian gas supply.
- 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. If, for example, 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 pressure on UK gas supplies. In such circumstances it is difficult to see how security of gas supply to Ireland through the UK can be guaranteed with any confidence.
- Mairead McGuinness, EU Commissioner stated that Ireland had “particular issues to address” and there was “a concern” about Ireland’s energy security because of tight supply. She stated that “Ireland doesn’t rely on gas from Russia but relies on gas from other places. But if the overall market is disturbed, which it is, both by Russia’s own actions and indeed by our sanctions, then there are consequences around availability”.
- Taoiseach Micheál Martin stated last week 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.

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