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To use gas or not to use gas?

Rising prices and the transition to green energy have made the EU weary of gas. But closing the taps on Russian gas pipelines might prove difficult

The unprecedented increase in the price of gas on the European market, with wholesale prices in the region of $1000 for a thousand cubic metres, several times higher than price indicators for last year, has apparently been perceived in Russia as confirmation that Europe's 'green agenda' and efforts to decarbonise its own energy production are, at best, an ill-considered whim.

The Russian president expressed this opinion during a speech at the Energy Week event on 13 October. Vladimir Putin declared that the crisis in the European energy sector has its origins in the unreliability of power stations harnessing renewable energy sources (RES), which have been unable to produce sufficient output this summer because of unfavourable weather conditions. He also emphasised that, 'when nuclear and gas were the leading sources of energy production, there were no such crises, there was simply no cause for them'.

Later in his speech, Putin noted that high prices for gas pose a risk to suppliers, also acknowledging the importance of global economies reducing greenhouse gas emissions.

A Russian point of view

Nevertheless, it would appear that the Russian president has taken the idea that Europe only has itself to blame for the current crisis, above all because of its over-reliance on renewable energy sources. To put that in context, at a cabinet meeting on 5 October, Putin also spoke about an 'imbalance in development and drastic ups and downs' which have driven Europe to 'hysterics' on the energy markets. He also championed a 'smooth' energy transition that takes into account the 'sustainable development of a combination of oil, gas and coal'.

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prompted Putin to stress the advantages of these three raw materials.

The president's rhetoric was swiftly echoed by state media, which also published reports with eye-catching headlines about the unreliability of green energy. Stories about Europe's 'recklessness' in rushing to reject dependable gas delivered according to long-term contracts appeared multiple times on TV channels run by the state.

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It is difficult to judge the extent to which such evaluations are the result of *schadenfreude*. A slightly patronising attitude towards efforts on the part of multiple countries to reduce their reliance on fossil fuels and develop renewable energy has, until recently, been fairly widespread among the Russian ruling elite.

The Russian gas-dream

This state of affairs has gradually begun to change, as it started to sink in that efforts being made worldwide in this sphere are in earnest. Russia is in the midst of intensive preparations for its Low-Carbon Development Strategy, which, according to the latest draft, proposes that the country achieve climate neutrality by 2060. All the same time Russia's position as a major supplier of gas on the European markets has likely motivated Putin, along with other representatives of the Russian authorities and the mining industry, to emphasise the advantages of this particular raw material.

It remains to be seen, however, whether this logic appears convincing to the other side. European countries that procure gas and are compiling development plans for their own energy systems in compliance with the European Union's shared strategic aims. In other words, to what extent are Europeans themselves prepared to agree that gas and nuclear energy, another source mentioned by Putin, should continue to underwrite the stability of the European energy system? For a whole host of reasons, it seems futile to speak of great hopes for finding common ground here.

The EU's strategic targets for decarbonising the economy were defined at a summit of member states in April 2021. They propose achieving climate neutrality by 2050. In the interim, it was announced that EU economies would reduce greenhouse gas emissions by 55 per cent in comparison with 1990. According to estimates cited on the website of the European Commission, emissions in 2019 were down by 24 per cent. Until very recently, the target of cutting emissions by 40 per cent till 2030 was the dominant strategy in the EU.

The sharp increase in this target percentage requires the introduction of various measures that would leave little room for the consistent, long-term use of natural gas. A European Parliament resolution taken in January 2020, during a discussion of new targets for cutting emissions, emphasised that natural gas usage should be viewed purely as a temporary, transitional solution.

However, according to expert opinion, gas will remain a highly sought-after resource in the years to come, and its price will continue to influence the net price of electricity, which is currently rising. On the one hand, this will stimulate the growth of renewable energy sources, where raw materials are technically free of charge. On the other hand, for the time being it is impossible to supply energy from RES to all consumers in the required quantities at the required time.

Will gas prevail?

Experts have not singled out one particular reason why the price of natural gas on the European markets is rising. Among the main reasons cited are insufficient reserves due to the cold winter last year, increased demand for energy from economies recovering from the impact of the pandemic, and the drop-off in development of wind- and solar-powered production plants at the end of this summer, which has led to a deficit in the usual supply.

Russia's behaviour is also being carefully analysed. Although the opinion that the Kremlin is using the current crisis to exert pressure on Europe has proved relatively popular, it is worth noting that Russia's behaviour has been officially acknowledged as reasonable, if not completely open to the possibility of resolving the difficulties that have emerged.

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The current situation and a whole range of decisions that have already been made are also determining the potential response of the EU and its individual member states to the emerging crisis. While the Russian government is convinced of its own point of view, according to which only long-term agreements on gas supply (ideally through pipelines) can save the EU from such rapid price hikes, the picture looks very different to many in Europe, who believe that ending reliance on natural gas supplied from outside the EU at unpredictable prices is the only reliable way of ensuring the stable development of European energy.

‘We can only avoid these kinds of situations if gas stops playing a role in determining the price of electricity,’ says Hanns Koenig, an expert working at the thinktank Aurora Energy Research. All the same, he recognises that, for the next 15 years at least, it will be impossible to break free from dependence on gas. Koenig hopes that this reliance will decrease at the same rate as the production of hydrogen manufactured from green sources (which could theoretically replace natural gas) develops. At the same time, the strategy adopted by the EU for developing hydrogen technologies does not provide for the emergence of significant quantities of hydrogen for energy purposes before 2030. It also demands that existing technologies be honed alongside supplementary infrastructure.

In summary, Europe does not want to place its stake on gas, and the current situation, with suddenly sky-rocketing prices, is persuading many decision-makers at the top levels of the EU and its member states to dispense with reliance on gas and to develop renewable energy systems further. However, the reliability of such systems continues to raise serious concerns.



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