Main importers of Russian gas in the EU: does reality match political stereotypes?

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Imports of Russian gas, whether via pipelines or in liquefied form, to the European market are not subject to the same sanctions as those for oil. However, Member States are encouraged to reduce these imports and face political pressure if they deviate from the EU's stance. The case of Hungary is emblematic in this regard, with Budapest constantly in the EU's sights. Nevertheless, criticism is also levelled at other states, mainly in Central and Eastern Europe. European energy policy is thus characterised by the stated aim of reducing dependence on Russia, which is seen as a threat to the EU's capacity for autonomous action, and the desire to deal Russia a financial blow by depriving it of revenue from its hydrocarbon exports. Yet, at the same time, a number of Member States are increasing their imports of liquefied natural gas (LNG) from Russia without eliciting the same negative reaction from Brussels as those importing Russian natural gas via pipelines. The increase in imports of Russian LNG in the context of the Russian-Ukrainian war raises even more questions about the coherence of the EU's energy policy, given that it is taking place at a time when European demand for gas and LNG are both declining.

I. The end of Russian gas in Europe?

In his September 9, 2024, letter to his European counterparts, Czech Trade and Industry Minister Jozef Sikela urged Berlin, Bratislava, Budapest and Vienna to intensify their efforts to achieve EU-Russia energy decoupling: "Russian gas should not be allowed to enter Europe through the back door after the expiry at the end of the year of a gas transit agreement between Kremlin-controlled Gazprom and Ukraine[1]."

This demand reflects long-standing strategic goals and political objectives, which have been on the table for more than a decade[2], and have gained even greater significance since the Russian invasion of Ukraine in February 2022. Moreover, there has been a sharp drop in Russian natural gas imports since February 2022 - Russian gas (pipeline and LNG) has fallen from a share of 45% of total EU gas imports in 2021 to 18% in the first half of 2024[3] . On the other hand, **there is currently no legal obligation for Member States to prohibit themselves from buying natural gas from Russian companies**, since gas from Russia is not subject to an embargo as is the case for coal and seaborne crude oil.

[1] https://www.mpo.gov.cz/en/guidepost/for-the-media/press-releases/minister-sikelas-letter-draws-attention-to-an-alternative-import-possibility-in-the-event-of-a-disruption-of-russian-gas-supply-via-ukraine--282876/

[2] In 2012, the EU launched a series of plans to coordinate energy policy, energy efficiency, technology and the fight against climate change. Then, in 2015, the EU set up an Energy Union with five main objectives, including reducing dependence on energy imports, which were then taken further by the Green Pact in 2019 and the RePowerEU plan, as well as the Fit 55 programme, which provides for the replacement of 25 to 35 billion cubic meters of Russian gas per year.

[3] https://commission.europa.eu/news/eu-makes-progress-ensuring-secure-and-affordable-energy-all-2024-09-11_en#:~:text=2%20min%20read-,EU%20makes%20progress%20in%20ensuring%20secure%20and%20affordable%20energy%20for,the%20transition%20towards%20climate%20neutrality.

However, the fourteenth package of EU sanctions[4], adopted on June 24, 2024, represents a first step towards restricting trade in Russian LNG, with a ban on transhipment in European ports coming into force in March 2025. This restriction therefore affects the re-export of Russian LNG outside the EU, rather than its import into the European market. This decision, made over two years after the start of the Russia-Ukraine war, was prompted by the significant role of **Russian LNG hubs in several European ports**, particularly Zeebrugge in Belgium. In the first half of 2024, **53% of the LNG arriving to this port came from Russia**, and 36% of this Russian LNG was sent directly to other destinations[5]. Only half of it was injected into the European network, often to Germany[6], with the remainder going to third countries.

II. Too much enthusiasm for LNG?

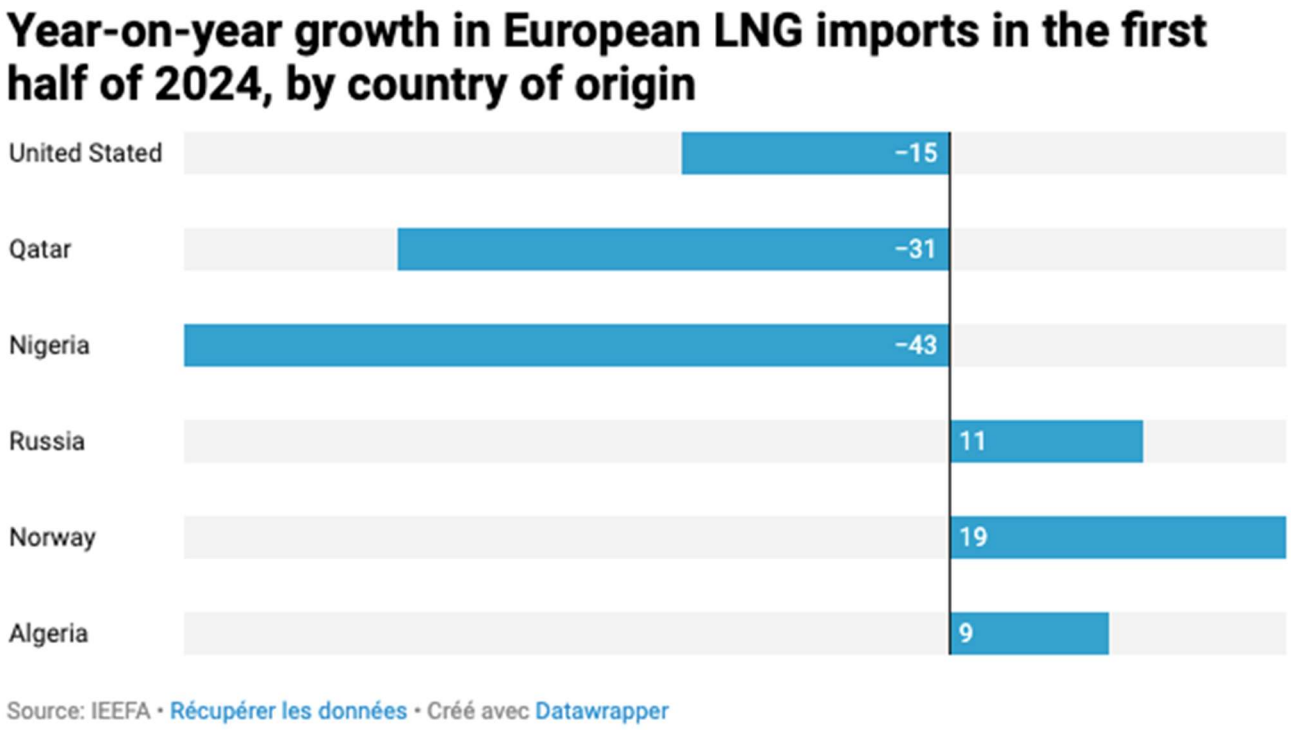
Since February 2022, several EU countries have expanded their LNG regasification capacity. In total, the EU now has 50.8 billion cubic metres (bcm) more capacity to receive LNG than it did before the Russian invasion of Ukraine. This rapid expansion has led to under-utilisation of many terminals, and it is becoming clear that some countries, once all projects are completed, will have LNG terminals that cannot operate at full capacity.

This is especially true given the current European context of declining gas demand, a shift to renewable energies, and the adoption of energy efficiency measures, along with weak economic and industrial activity. In 2023, for example, Europe's gas consumption reached its lowest level in 10 years. Then, in the first half of 2024, gas consumption in Europe[7] fell by 5.4% year-on-year to 232.1 bcm, while EU gas consumption specifically fell by 3.2% year-on-year in the same period[8] .

This downward trend is also having an impact on LNG imports. The Institute for Energy Economics and Financial Analysis (IEEFA) forecasts that European LNG demand will fall by 11.2% this year to 148 bcm, meaning that the continent is probably already past peak LNG consumption. According to these projections, LNG demand should fall to 93 bcm by 2030. Moreover, the average utilisation rate of EU terminals has fallen from 62.8% in the first half of 2023 to 47.2% in the first half of 2024. In Spain, the capacity utilisation rate shows a particularly low average, at 27% in the first half of 2024[9].

All this is reflected in import data from the United States and Qatar, which fell in the first half of this year. On the other hand, **imports from Russia, Norway and Algeria have increased**, despite the downturn and low-capacity utilisation in LNG infrastructure.

[4] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401738
[5] https://www.vrt.be/vrtnws/fr/2024/06/24/nouvelles-sanctions-contre-la-russie-le-transit-du-gnl-via-le/
[6] https://www.lemonde.fr/economie/article/2024/08/27/apres-les-sanctions-moins-de-gaz-russe-a-zeebruges-et-dans-les-ports-europeens_6296766_3234.html#:~:text=De%202020%20%C3%A0%202023%2C%20le,en%20direction%20de%20l'Allemagne .
[7] Europe = EU, UK and Turkey in the method used by IEEFA, https://ieefa.org/european-lng-tracker-september-2024-update#figure11
[8] https://ieefa.org/european-lng-tracker-september-2024-update#figure11
[9] https://ieefa.org/european-lng-tracker-september-2024-update#figure11



III. Russian LNG imports flourishing

Trucking and regasification of Russian LNG to the European market is therefore still permitted, and this sector has grown due to the Russian-Ukrainian war. The end of deliveries from the Yamal-Europe pipeline, which supplied Germany via Poland, in May 2022, and the sabotage of Nord Stream 1 and 2 on September 26, 2022, forced the EU to reassess its gas supplies. With uncertainty surrounding the renewal of the contract for the transit of Russian gas through Ukraine, this problem is becoming ever more acute. As a result, LNG, including Russian LNG, is expected to play an increasing role in the years ahead, even if, as mentioned above, gas requirements are showing a downward trend.

80% of the LNG produced in Siberia's Yamal gas field is sent to Europe by sea, aboard LNG carriers[10]. France's TotalEnergies, which owns a 20% stake in this Siberian project, signed a long-term contract in 2018 with its Russian partner to sell 4 million tonnes of LNG annually from Yamal. Additionally, the French oil and gas giant holds a 10% stake in the Arctic LNG 2 liquefaction plant currently under construction in the Russian Arctic[11].

The figures for Russian LNG imports into Europe for the first half of 2024 are therefore not surprising. **From January to June 2024, TotalEnergies was the leading importer of Russian LNG**, according to a list of shipments studied by the US news agency AP. Forced to justify these figures, France's Ministry of Economy and Finance told AP that "attacks by Houthi rebels on ships using the Suez Canal have led to a reorganisation of LNG imports - Middle Eastern gas can no longer be transported easily to Europe, while

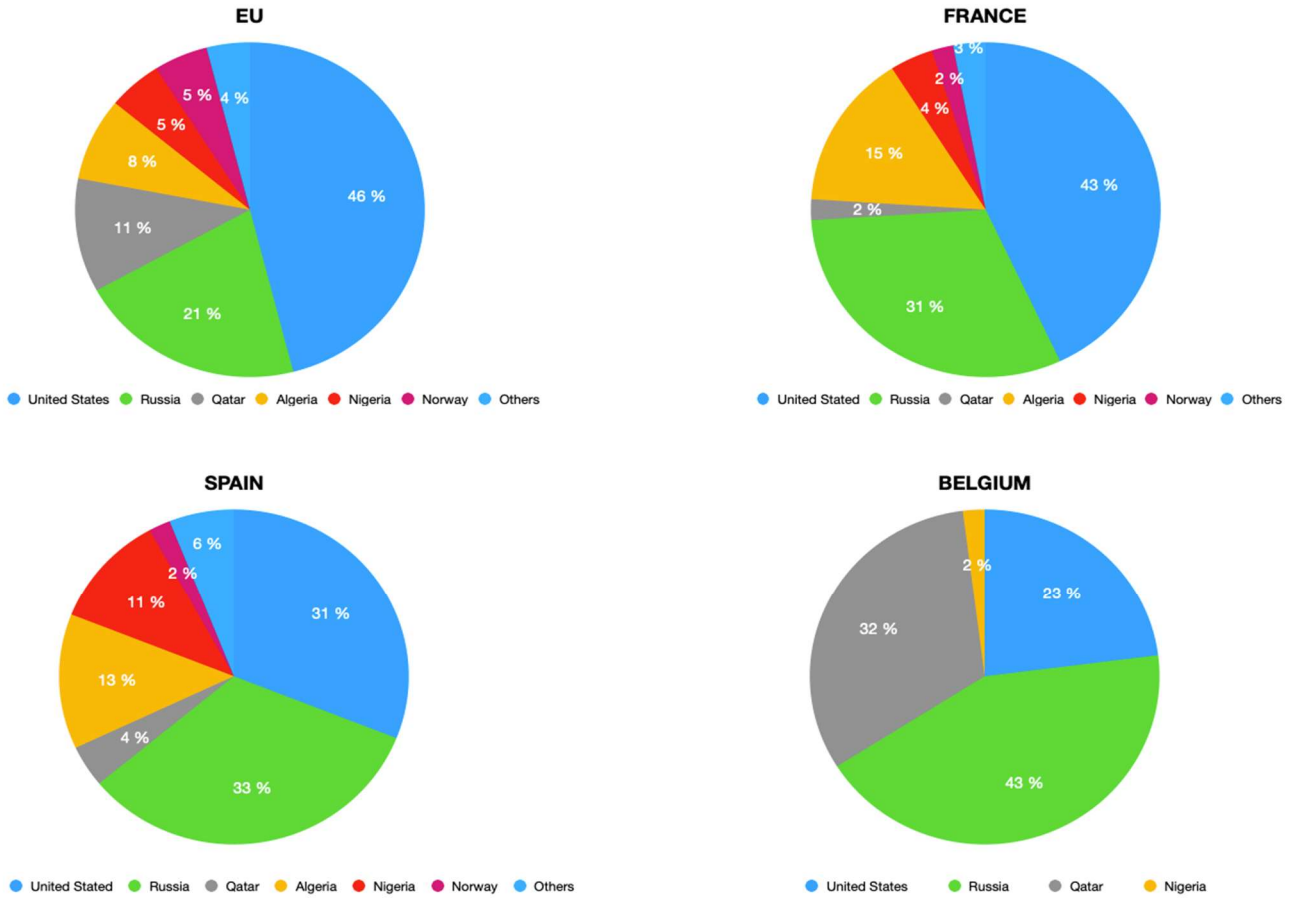
[10] https://www.publicsenat.fr/actualites/international/importations-de-gaz-russe-total-exploite-les-failles-des-sanctions-europeennes
[11] https://totalenergies.com/media/news/press-releases/russia-total-signs-definitive-agreements-entry-arctic-lng-2

the Russian route from the Arctic has not been affected[12]." In fact, other LNG suppliers, including the United States, Angola, Cameroon, Egypt and Nigeria, which delivered less to France while it increased its improts from Russia, were not affected by the attacks in the Red Sea.

In addition to the data published by the AP agency, IEEFA used data from Kpler, a shipping tracking company, and ICIS, a commodity data provider, to establish that **in the first half of 2024, France imported almost 4.4 bcm of Russian LNG, compared with 2 bcm in 2023 over the same period – an increase of 120%**. Behind France in terms of volumes imported are Spain and Belgium, the former having increased its imports of Russian LNG by 1% and the latter having reduced them by 16%. **France and Spain are also the two Member States with the largest LNG entry points in Europe, each operating seven terminals**. In 2023, Spain was ahead of France and Belgium, but has now fallen to second place behind France, despite having continued increasing its imports in the first part of 2024, while **Europe increased its imports of Russian LNG by 11% year-on-year in the first half of 2024[13]**.

France, Belgium and Spain account for 87% of Russian LNG imports into Europe. In the first half of 2024, Spain and Belgium imported more Russian LNG in volume terms than the United States. According to the latest IEEFA data available, Russian

Composition of European LNG imports in the first half of 2024 (Source: Kpler, IEEFA)



[12] https://fr.euronews.com/business/2024/08/06/forte-hausse-des-importations-francaises-de-gnl-russe
[13] https://ieefa.org/european-lng-tracker-september-2024-update#figure11

LNG imports account for 21% of LNG imports in the EU-27, compared with 46% for US LNG[14].

Russian oil imports into Europe: the case of Poland

Poland is the Member State most openly in favour of ending Russian hydrocarbon imports into Europe. However, at the beginning of September 2024, data revealed practices that ran counter to the energy policy advocated both in Warsaw and in Brussels. These revelations came in the wake of tensions between Slovakia and Hungary on the one hand, and Ukraine on the other, following Kiev's ban on Lukoil transiting oil through Ukraine.

This year, the Czech Republic imported the highest proportion of Russian oil in over a decade. In the first half of the year, Russian oil delievered via the Druzhba pipeline accounted for 65% of the country's oil supplies, according to a spokeswoman for Mero, the national oil transport company. This is the highest figure since 2012, and up from 56% in the same period last year. The increase sparked protests outside the Ministry of Industry and Trade in Prague. However, the Czech government has stressed that it is in fact the Polish state company Orlen - which owns the only two Czech oil refineries - that is responsible for these imports.

In Poland, however, Orlen and the government have taken a firm stance on cutting off Russian energy supplies, and Warsaw has repeatedly criticised countries that have not taken steps in this direction. In a statement issued following the revelation of these figures, Orlen stressed that it was continuing to import Russian oil into the Czech Republic under the terms of a contract signed in 2013[15].

IV. Russia, the EU's second-largest gas supplier

The Bruegel Institute also looked at Russian LNG imports, comparing them with LNG imports from countries other than Russia, while also considering pipeline imports: **between April and June 2024, for example, the EU imported more gas from Russia than from the United States**. As Ben McWilliams, a researcher affiliated to this think tank, points out, "in the second quarter of 2024, the EU imported 12.8 billion cubic metres of natural gas from Russia compared with 12.2 billion cubic metres from the United States". Two-thirds of these Russian gas imports, which for the first time in two years have exceeded the volume of gas imported from the United States, pass through Ukraine and the Turkstream, with the remaining third arriving in European ports in the form of LNG.[16]

This was confirmed on September 11, 2024, by Energy Commissioner Kadri Simson who, presenting the new report on the state of the Energy Union in the EU, said that **Russia remains the EU's second largest gas supplier after Norway**. Furthermore, the IEEFA estimates that EU countries' spending on LNG imports fell by 41% year-on-year to €21 billion. In the first half of 2024, EU member countries paid around €10.5 billion for LNG from the United States, **€3.5 billion from Russia**, €2.1 billion from Qatar, €2.1 billion from Algeria, €870 million from Nigeria and the rest from countries such as Norway, Trinidad and Tobago and Egypt.

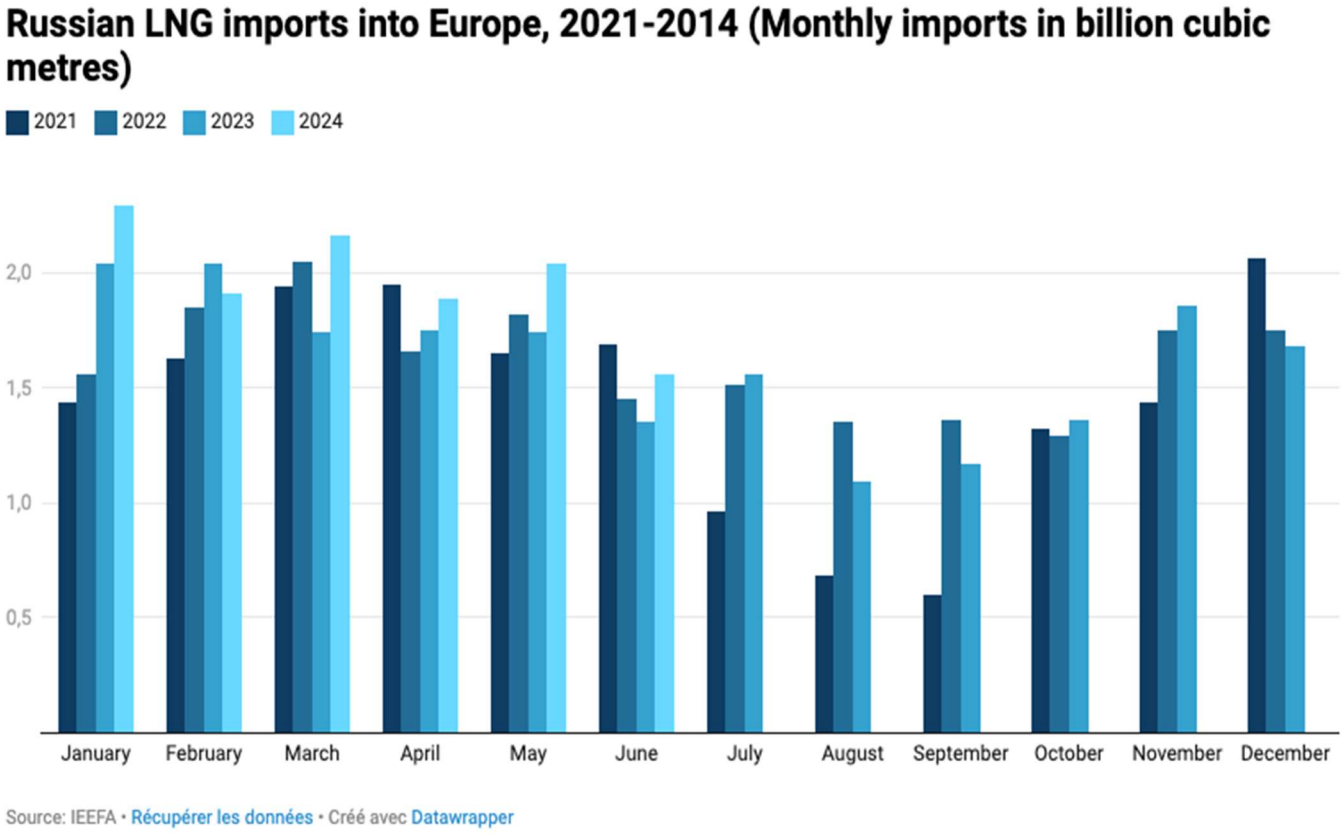
In fact, no Member State has taken any measures to restrict imports of Russian LNG. However, a regulation adopted by the European Parliament and the Council on

[14]https://ieefa.org/european-lng-tracker-september-2024-update#figure11

[15]https://notesfrompoland.com/2023/09/13/polish-state-energy-firm-orlen-overseeing-czech-republics-highest-russian-oil-imports-since-2012/

[16]Information revealed by the German daily *Die Welt* and quoted in https://www.euractiv.fr/section/energie-climat/news/lue-a-importe-plus-de-gaz-russe-que-de-gaz-des-etats-unis-au-second-trimestre-2024/

April 11, 2024, authorises Member States to take measures to do so[17]. While Hungary and Slovakia claim to have a policy of economic neutrality and have not shown any willingness to restrict their imports of Russian gas, other Western European governments, described as being more in tune with the European Commission's energetic policy, have not taken any concrete action to reduce imports of Russian gas either.



[17]https://www.europarl.europa.eu/doceo/document/TA-9-2024-0282_EN.html

Conclusions and outlook

- The Russian-Ukrainian war has not had a negative impact on European imports of Russian LNG. On the contrary, they have risen considerably, thanks in particular to three countries that have no problem depending on Russia: France, Spain and Belgium, which continue to buy Russian LNG on a massive scale in order to inject some of it into the European market.

- This increase in Russian LNG imports is taking place against a backdrop of falling LNG imports from the United States and Qatar, which have been presented as alternatives to the threat posed by too high a share of Russian gas in the European energy mix.

- Countries that have no access to the sea and are dependent on Russian gas, notably Austria, Slovakia and Hungary, are being urged to find alternatives to Russian supplies, while France, Spain and Belgium are not subject to the same level of criticism from the European Commission and the European Parliament, revealing a double standard that calls into question the coherence of the EU's energy policy.

- A potential halt to the transit of Russian gas through Ukraine at the end of the year would be fatal for Slovakia, which has said it is prepared, in agreement with the EU, to push for gas from Azerbaijan to be delivered via the Ukrainian route. Slovakia, like Hungary, and the countries of Central and Eastern Europe and the Balkans, have always aimed to diversify their gas supplies. Hence their interest in the Southern Gas Corridor, an EU-backed project which, from 2020, will enable gas from the Caspian Sea to be delivered to the European market.

- Taking all these factors into account, Russia is developing its LNG export capacity. Moscow is certainly targeting the Asian market, but the construction of a terminal in the area from which the Nord Stream 1 and 2 pipelines used to run shows that Russia still has its sights set on the European market in the future. Germany, which buys Russian gas from France and Belgium, is the EU country that has developed the most LNG terminal capacity since 2022. It is therefore possible that gas trade, this time in the form of LNG, will resume between Russia and Germany.

- The current European context is one of falling demand for gas and weak economic activity, but this has nevertheless led to an increase in imports of Russian LNG. If upward trends return, Russian LNG could be called upon to play an even more important role, especially if the US administration decides to pursue a policy of moratorium on the construction of LNG export terminals for climatic reasons.

- Figures for the first half of 2025 will show what impact the ban on transhipment of Russian LNG in European ports, which comes into force in March next year, will have had on EU-Russia LNG trade. There are fears of the creation of a Russian "ghost fleet", a method of circumventing sanctions that Moscow already uses for its oil.

- Directly sanctioning imports of Russian LNG into Europe remains an option, but this would require attacking the interests of a company like TotalEnergies. Doubts may be raised about this option, especially as the choice has so far been made not to sanction gas pipeline imports. On the whole, gas sanctions are a trickier business than oil sanctions. Once in the European network, it is no longer possible to know the origin of imported gas, unlike oil, which is traceable.