European Gas Market & Security

Pierre Noël (IISS)

Columbia SIPA Center on Global Energy Policy
New York, 6 October 2016
RUSSIAN GAS IN EUROPE

- Decades of diversification

- Most Russian gas consumed in competitive, diversified markets

- ‘Dependence’ in Central & Eastern Europe

P. Noel, Beyond Dependence (ECFR, 2008)
GAS SECURITY IN CENTRAL & EASTERN EU

- Policy options are available
- It’s like buying insurance
- It’s cheap
- Just do it…


UKRAINE: ENDING THE TRANSIT RISK

P. Noel & CK Chyong, Ukraine: an Energy Tragedy (presentation, 2014)

Ukraine leveraged its transit position

to get cheap gas

...but is being bypassed by Nord Stream and [???]

Crisis

Crisis

Cumulative implicit subsidy
German border (netback)
Ukraine import price

Transit through Ukraine
Non UA transit
Transit Dependence on Ukraine (%,
right axis)
GAS vs OTHER FUELS IN EUROPE

Old world
• oil-indexed gas vs oil products vs coal

New world
• [gas + carbon] vs [coal + carbon]
• Renewables depress power prices

Data source: US EIA, BP
CONCLUSIONS

• Europe does not ‘depend’ on Russian gas

• Eastern European countries can buy insurance

• Removal of Ukraine transit is in Europe’s interest

• Cheaper gas will help, but no golden age