

NEW APPROACH TO EUROPE'S ENERGY SECURITY

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The first half of the 2009-2010 winter has shown that Europe has serious energy infrastructure and security problems and that shortages in gas supplies can be not necessarily related to disputes between Russia and Ukraine. In January 2009, gas supplies to the European market were interrupted as Russia halted gas flows to Europe via Ukraine. In late 2009 and early 2010 gas supplies from Norway faltered because of technical problems.

Snohvit, Europe's only LNG production facility launched in 2007 in the Barents Sea, has worked with disruptions most of the time and had downtime in the last few months of 2009. Operated for two years, the facility failed to reach its full capacity of 4.8 million tons of liquefied methane per year and has used only 80% of its production facilities.

In early January 2010, unusually cold weather with temperature dropping to 15°C below zero hit Norway's largest gas fields including Troll, Asgard and Ormen Lange affecting the Norwegian and North Sea gas flows from Norway. With Ormen Lange accounting for over 5% of gas consumption in Europe and around 20% of that in Norway, it is hard to overestimate all the seriousness of this kind of outages.

The recent gas shortfalls have shown that Europe is now in a far more difficult situation compared to early 2009 when Russia stopped pumping gas to the continent via Ukraine. Previously, much of the stress in the European gas supply system had been caused by potential import failures. This winter European gas processing and transmission facilities proved unprepared for the great freeze. Taking into account that Europe's power infrastructure creaked under the strain of cold spans and that climatic abnormalities are becoming increasingly frequent globally, the continent's energy security issues need more thoughtful consideration.

Europe should think how to build an energy security system that would rest upon proper diversification. In this respect, relations with Russia should not be viewed as 'dependency' on Russian gas.

With Gazprom having 25% of the European market, it is the Russian gas giant that can secure Norway or other suppliers against power infrastructure problems.

Provided import channels are properly diversified, European, Algerian and Middle East exporters would secure Gazprom in case of new gas transit crises.

If a system like this is built, European consumers can stop fearing gas supply shortages while unfair market players will not have reasons not to fulfill their obligations as their improper behavior will only damage their own reputation.



This winter's energy problems in Europe prompt Russia to count on an extra trump in bargaining over conditions for the construction of Nord Stream and South Stream gas pipelines. Once built, these pipelines will eliminate transit risks (leaving no chance for an early 2009-like situation) and secure quick deliveries of gas in case Norway's facilities falter.

All the rhetoric suggesting that poor diversification of gas suppliers is the only threat to Europe's energy security is absolutely unconvincing.