

The politics of gas

Continental Europe is very short of gas. It now needs to secure more of it. It has decided that gas is after all a green fuel. Natural gas is for the transition to net zero, and hydrogen gas is to follow down the pipes in due course.

The UK relies heavily on natural gas for heating homes and buildings, for powering heat processes in factories and for electricity generation. Successive UK governments this century have accelerated the decline of the North Sea and declined to find ways to extract onshore gas, preferring to make us import dependent on Norway and Qatar. It is good they have not committed us to too much continental gas. The overriding priority now must be to increase domestic gas production and to steer clear of links to a gas starved continent becoming increasingly dependent on Mr Putin.

The instability of the continental position has just got worse. Hungary has signed a new contract with Russia to import large quantities of Russian gas which will now be delivered through a pipeline that does not cross Ukraine. This replaces use of the Ukraine pipe system. Mr Putin is keen to reduce his dependence on the Ukraine pipe for export to the EU, as he wants no hostage to his policy freedom over Ukraine. He is keen to sign a deal with Germany to use Nord Stream 2, a new pipe from Russia to Germany across the Baltic, to replace the current flows through the Ukraine pipe. If he could eliminate Russian exports via Ukraine he would weaken Ukraine which has been enjoying substantial transit revenues from the gas.

The USA under Mr Trump warned Germany not to sign up to more Russian gas and not sign up to NordStream2, seeing it as a substantial strategic weakness. Mr Biden cancelled the Trump proposals for sanctions were the piped gas to go ahead, but has now had second thoughts and is unhappy about the impact NordStream 2 gas will have on the strategic balance with Russia.

Yesterday we read that the UK as part of the NATO effort was flying defensive anti tank weapons to Ukraine but deviated away from Germany territory to do so. The UK needs to strengthen our home position and not get drawn into disputes on the far side of the EU's territory. The EU has to get smarter at handling Putin's gas based diplomacy. It needs a workable plan for Ukraine. 7 years after Russia took Crimea the EU still rules out a military solution, given the consequences of such an action. It needs a workable solution for the rest of Ukraine which also avoids a war.