

The New Security Environment for European Gas: Worsening Geopolitics and Increasing Global Competition for LNG¹

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ABSTRACT

The combination of impending decline of indigenous production, political and institutional obstacles to gas export developments within gas supplying countries, and the worsening geopolitical environment between those countries and Europe, seems set to place longer term supply constraints on the expansion prospects for European gas markets. Concern about the reliability of Russian gas supplies is, in part, a symbol of worsening political relationships between Russia and Europe. Large scale diversification away from Russian gas supplies may not be possible and, given the political problems in the Middle East and Africa, may not lead to greater supply security. While Europe will achieve greater diversity of supply sources through LNG imports, it will increasingly compete for these supplies with buyers in both North America and the Pacific Basin. Unless this situation improves, worsening geopolitics will place limits on Russian gas supplies and create problems for the development of large scale alternative supplies, thereby threatening the future of natural gas in European energy balances.

¹ This paper will be available on the Oxford Institute website www.oxfordenergy.org a few weeks after the Conference.