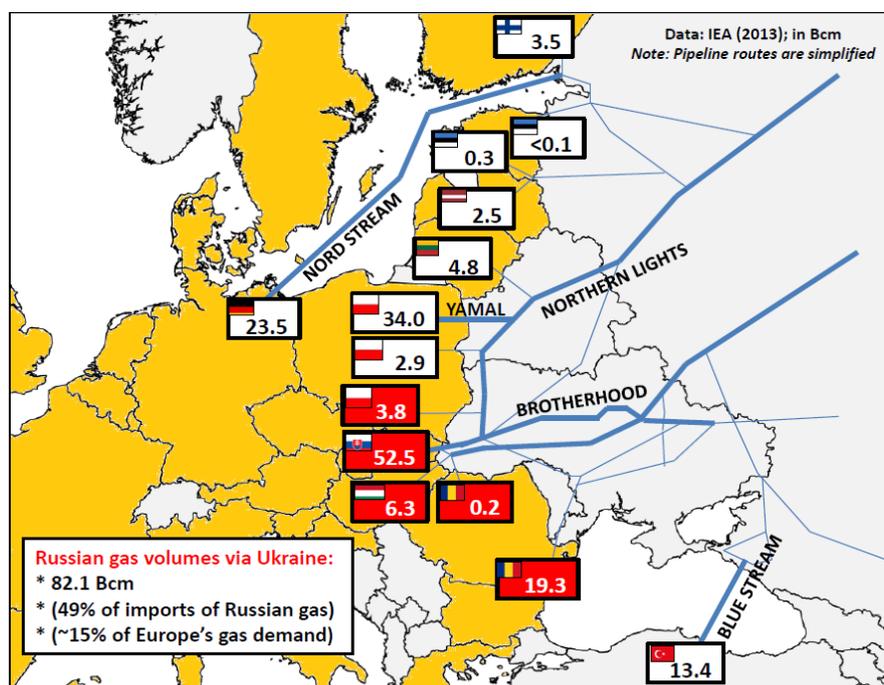


FACT SHEET

RUSSIAN GAS IMPORTS TO EUROPE AND SECURITY OF SUPPLY – FACTSHEET

Europe's gas consumption reached 541 Bcm in 2013, of which 161.5 Bcm, or 30%, were supplied by Gazprom¹. Russia's market share in Europe increased significantly from last year's 26%, due to a growth in exports (+23 Bcm, or +16%) and stagnating European demand².

Around half of the Russian gas imported in 2013 (~80 Bcm) crossed Ukraine, which amounts to approximately 15% of European consumption³. The most important entry point for Russian gas into the European Union is on the 'Brotherhood' pipeline and is located at Velké Kapušany on the Ukrainian-Slovak border (transit of 52.5 Bcm throughout 2013)⁴. However, the construction and the expansion of alternative pipelines in the last decade reduced Europe's dependence on Ukraine as a transit country for gas.



Map 1: Russian pipeline imports in 2013; actual flows per entry point (CIEP based on IEA data 2013)

¹ <http://www.gazpromexport.ru/en/statistics/>

² <http://www.gazpromexport.ru/en/statistics/>

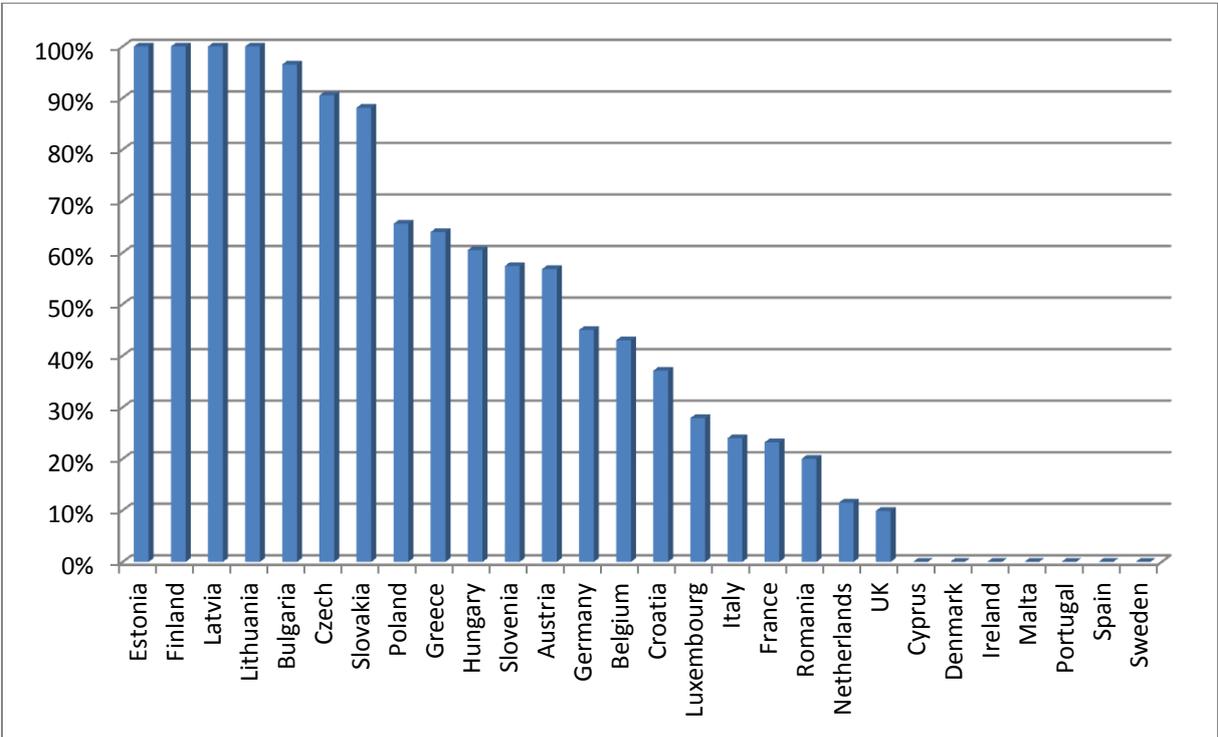
³ IEA GTF

⁴ IEA GTF

Even if absolute imports via Ukraine changed little in the last year, the share of Russian gas reaching Europe through Ukraine declined. As a matter of fact, most of Russia’s additional exports in 2013 were shipped directly to Germany through the recently expanded Nord Stream pipeline. In 2013, the throughput of this infrastructure reached 23.5 Bcm, compared to 11.3 Bcm in 2012.

To the south, the Blue Stream pipeline connects Russia and Turkey since 2003 and allowed the two countries to soften their transit dependence on Ukraine in the last decade. In 2011, Turkey cancelled a long-term contract with Gazprom for supplies via the ‘Western Pipeline’, which runs through Ukraine, Romania and Bulgaria⁵. Unlike Turkey, Romania and Bulgaria still largely depend on Ukraine as a transit country.

This is in line with the observation that Eastern EU Member States are the most exposed to Ukrainian transit issues and to security of supply risks in general. This is primarily due to their overdependence on one single supplier and the relatively weak integration of their transmission systems with the rest of Europe.



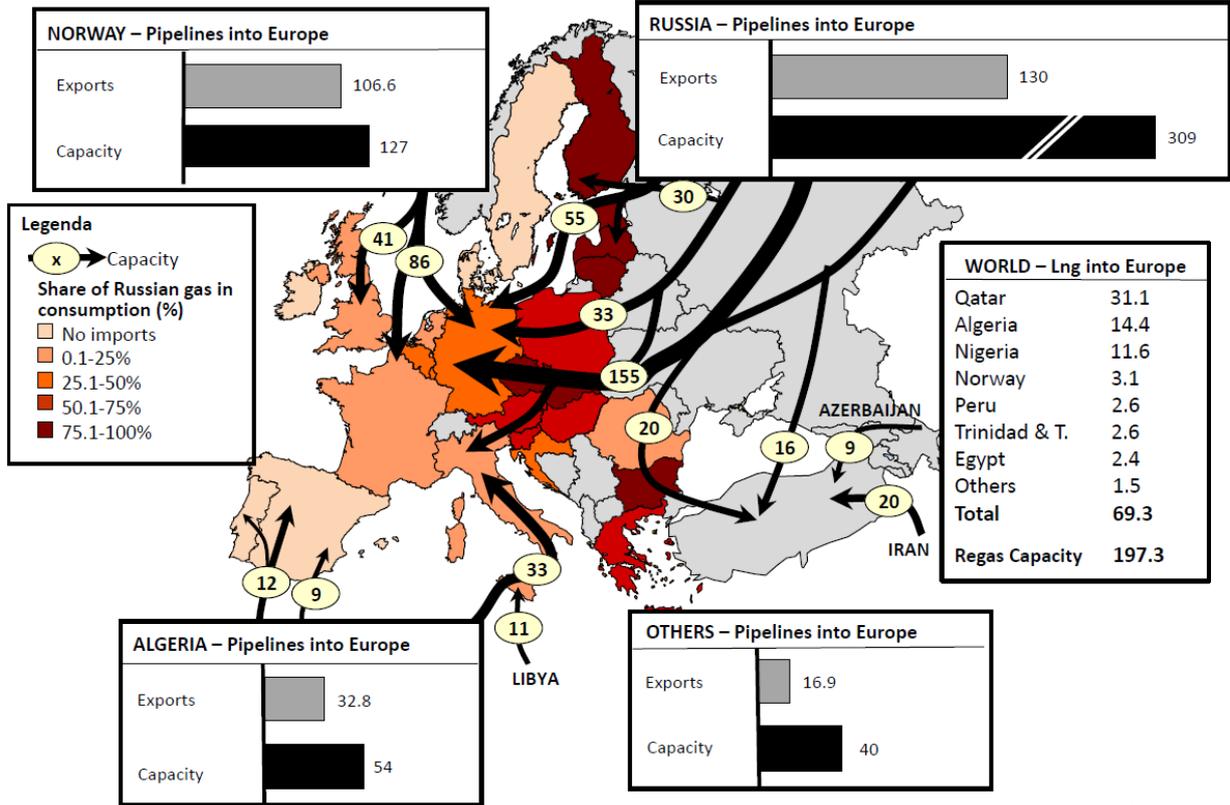
Graph 1: Share of Russian gas in consumption, EU-28 (%), 2012 data (Gazprom and BP Statistical Review 2013)

The European Commission has identified a number of lessons to be drawn from the 2009 Ukraine gas crisis⁶. One of the most important lessons is that the adequacy of internal

⁵ <http://www.petroleum-economist.com/Article/2911920/Turkey-turns-off-expensive-Russian-gas.html>
⁶ These include the need to improve early warning mechanisms and the coordination of emergency measures among EU regions; the awareness that demand-side measures could play a larger role (energy saving and switching should be part of prevention strategies); the need for a political framework providing guidance to wholesalers and TSOs that are willing to cooperate and better coordination of access to the pipelines, see: http://ec.europa.eu/energy/strategies/2009/doc/sec_2009_0977.pdf

infrastructure (transmission and distribution networks, especially interconnectors) is as important as the infrastructure connecting Europe with its suppliers. Storage withdrawals, in spite of being an integral part of emergency responses to supply disruptions, cannot sustainably be regarded as the primary sources of security of supply in the longer term.

Today, Europe seems better prepared to face a possible supply crisis. Thanks to mild temperatures, storage levels are much higher than in 2009. As a long-term trend, European gas markets are very well supplied due to sluggish gas demand and ample LNG and pipeline supply availability. This largely compensates the continuing decrease in EU's domestic production. The diversification of pipeline routes pursued in the last decade (Nord Stream, Blue Stream) softens the risk of transit-related supply disruptions. The increased availability of spot LNG to draw on in case of sudden disruptions is also a positive development for security of supply – even though Eastern Europe lags behind in this area as well. The map below shows the composition of Europe's gas imports in 2012, highlighting spare transportation and regasification capacity.



Sources: GasTerra; OME; BP; Gazprom; Eurostat; Eurogas; Wood Mackenzie; CIEP Analysis – All data refer to 2012 and are expressed in Bcm

Map 2: Europe gas imports in 2012; actual flows and capacity (CIEP based on sources quoted in the map)