

## Debating over the war and the future of the global energy

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Russia's war on Ukraine has dramatically **changed the geopolitical underpinnings** of Europe's – and indeed the world's – natural gas supply. A radical restructuring of cross-border flows of gas is already taking place, as Europe seeks to quickly diversify away from its heavy dependence on Russia. At the same time both Russia and Europe are trying to mobilize natural gas as a foreign policy tool in new ways.

Already during the latter half of 2021, Gazprom started reducing gas flows to the EU, in a move that with hindsight appears as a preparation for the February 2022 invasion of Ukraine. After the war broke out, the intra-European debate was initially dominated by popular dismay about the fact that the EU continued to import natural gas from Russia at a steady pace and at rising costs – in that way funding Russia's war machine. The EU had over a period of half a century gradually built up an intricate systemic dependence on Russian gas. The popular – and naïve – argument in many EU member states was that the EU in its entirety could and **should unilaterally and immediately dismantle this system** and cut gas imports from Russia. This would serve the double goal of protesting against Russian military aggression *and* disrupting Russian export revenues. **Russia**, for its part, embarked on a **“divide and rule”** campaign, refusing to sell gas to some countries (notably those who refused to pay for their gas in roubles) while promoting their regular gas business with others. Russia proved exceptionally successful in maximizing export revenues.

In the course of the summer the debate gradually changed to a focus on **the fear of Russian export cuts**, as opposed to the earlier insistence that Europe itself should cut the flows. Russia has unilaterally reduced the gas flows further, while not explicitly stating that it does so as part of a geopolitical strategy. The goal, in addition to the continuing “divide and rule” campaign, has been to maximize uncertainty about future deliveries and in that way make it as difficult as possible for the European gas industry to plan ahead.

The **coming winter** is likely to stage the **biggest European energy drama ever**. There is great **uncertainty** not only about how much gas there will be, but also about to what extent EU countries will manage to cooperate in a fruitful way to handle the looming crisis. The big question is not if there will be an energy **crisis** or not (it is already here), but rather if it will **managed in a chaotic or an ordered way**. The crisis may strike very unevenly. Overall, we are going to witness changing geopolitical relations not only with respect to EU-Russia ties, but also in terms of intra-EU cooperation and conflict.

In addition, there are domestic uncertainties in many countries that are likely to spill over into the international arena. Most countries are now making internal plans for how to distribute scarce gas resources if there is not enough for everyone. But no one knows if such plans can work out in practice, and what the risks are that gas rationing and further radical price hikes will generate public turmoil and political chaos. Historically we know that high energy and food prices have triggered radical political events such as the violent peasant uprisings in 16<sup>th</sup> century Europe, the 1789 French Revolution and indeed the 1917 Bolshevik seizure of power in Russia. We know that these formally internal political developments had enormous geopolitical implications.

Another question is what will happen on the long term. Some EU member states, notably the Baltic countries, have already declared that their gas relations with Russia have come to a definite end. An extreme scenario would be that gas flows from Russia to Europe as a whole **are terminated permanently and forever**. This is, indeed, a key EU aim (although some member states disagree). The problem with such an aim is that it contradicts geological and technological realities: Russia remains a country with huge gas resources and there is an excellent export infrastructure in place. Against this background it will be greatly tempting for industry actors to find ways around the geopolitical obstacles, so as to be able to continue making use of the existing system in a rational way. The only thing that can conceivably change this techno-economic logic are **the long-term European efforts to phase out fossil fuels** – including natural gas – on environmental grounds. But then we are talking about change over decades rather than months and years. For the time being, we are more likely to witness the opposite development: further investments in fossil fuel infrastructures so as to be able to cope with the current, acute crisis.