

# What Ukraine's assault on Russia could mean for EU gas supplies

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Lorraine Mallinder



A Gazprom worker walks next to pipelines at a gas measuring station at the Russian-Ukrainian border in Sudzha [File: Denis Sinyakov/Reuters]

A Ukrainian incursion into Russia's Kursk region – the largest since the war began with about 1,000 soldiers and more than two dozen tanks and other armoured vehicles storming over the border this week – poses a threat to a major gas supply line from Russia to the European Union.

While it may come as a surprise to many given the war in Ukraine, European countries like Austria, Hungary and Slovakia still buy gas from Russia – all of it flowing through the town of Sudzha in Kursk.

Here's the lowdown on the stakes for Europe, why European Union members are still relying on Russian gas and how supplies could be affected by this latest twist in the war.

## Where has Ukraine launched its attack in Russia?

Kyiv dispatched hundreds of servicemen backed by armoured vehicles, artillery and drones over the Ukrainian border into the Kursk region on Tuesday. By Thursday, Ukrainian forces had penetrated as far as 35km (21 miles) into Russia, reaching

Kromskiye Byki and Molyutino, according to the Institute for the Study of War, a US think tank.

Caught on the hop, the Kremlin declared a state of emergency, evacuating thousands of residents and rushing reinforcements to the region as influential “milibloggers”, pro-Russian military bloggers, slammed military leaders for “strategic miscalculations” that they said had endangered the local population in western Russia.

On Friday, clashes were reported near a nuclear power plant located in the town of Kurchatov. The facility is strategically important because Ukrainian forces could use the plant as leverage or simply disable its operations, depriving Russia of a vital source of electricity.

But the energy implications of the raid go far beyond Russia. Just 70km (40 miles) away from Kurchatov, fighting was reported very close to Sudzha, near a pipeline that sends Russian natural gas to the EU.

## **Why is Sudzha so crucial for gas supplies to Europe?**

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Sudzha, located about 10km (6 miles) from the Ukrainian border, plays a key role in the transit of natural gas to the EU.

An average of 42 million cubic metres (1.5 billion cubic ft) of Russian gas flows into Ukraine every day, the town playing host to a gas metering system that measures supplies flowing into Europe.

Despite the war with Russia, Kyiv has allowed the gas to continue flowing through its Soviet-era gas pipeline unabated as part of a \$2bn-a-year contract between state-owned Naftogaz and Russia's Gazprom.

From Ukraine, the gas transits in the direction of Slovakia, where it forks off, one of the branches going to the Czech Republic, the other to Austria.

The transit deal expires in January. If flows are disrupted before then, gas prices could spike, hitting European consumers and industry hard.

## **What is the current state of play in Sudzha?**

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On Friday, pro-Russian military bloggers reported heavy fighting on the outskirts of Sudzha.



The town of Sudzha after an incursion of Ukrainian troops into the Kursk region of Russia on August 7, 2024 [MIC Izvestia/IZ.RU via Reuters]

The Center for Information Resilience (CIR), a nonprofit open-source analysis organisation, said it had verified footage showing several Russian soldiers surrendering to Ukrainian soldiers near the entrance of the gas metering plant in the town.

While it appeared “likely” that the plant had been affected by the incursion, the CIR said, it added that it was unable to verify the level of damage.

So far, hostilities do not appear to have damaged gas supplies to Europe.

Christoph Halser, an analyst with Oslo-based Rystad Energy, told Al Jazeera that flows dropped 5.8 percent to 37.25 million cubic metres (1.3 billion cubic ft) on Thursday, rising 3.2 percent to 38.5 million cubic metres (1.36 billion cubic ft) on Friday.

On Thursday, Ukrainian Energy Minister German Galushchenko announced that the transit route was still functioning. That day, Gazprom and Naftogaz both said operations would continue as normal.

## Why is Europe still importing Russian gas?

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“In the short term, it has limited other options,” said Mike Coffin, head of oil, gas and mining research at the London-based think tank Carbon Tracker.

“While Western Europe can look to LNG [liquefied natural gas] and the North Sea, those options are less open to parts of Central Europe,” he told Al Jazeera.

According to Halser, the share of Russian gas as part of total European imports has more than halved from 38 percent in 2021 to 15 percent in 2023.

But countries remain highly reliant on Russian gas funnelled via Ukraine “due to the historical development of pipeline infrastructures”, he said.

Austria's OMV signed a long-term supply contract with Gazprom in 2018 for a supply of more than 6 billion cubic metres (212 billion cubic ft) per year until 2040.

And Hungary's MVM has signed on for 4.5 billion cubic metres (160 billion cubic ft) per year until 2036, most of it delivered through the TurkStream pipeline via Turkey.

Jade McGlynn, a Ukraine expert and research fellow at King's College London, said: “Some European countries still import Russian gas because they want to have their cake and eat it. They are not willing to pay the political costs of transitioning more rapidly from Russian gas.”

Doing that could cause disruptions to energy markets, triggering price rises that would be deeply unpopular with voters.

These countries, she said, have so far refused to provide air defences to protect Ukraine's energy infrastructure and are, therefore, propping up a major revenue stream for Russian military spending.

In McGlynn's view, they will “only have themselves to blame” if supplies are disrupted at this point in the full-scale war.

## Could Russia turn off the taps?

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Analysts have pointed to risks that Gazprom could use the fighting as a pretext to cut gas flows.

However, it would lose about \$4.5bn annually if exports stop, based on expected average gas prices to Europe of \$320 per 1,000 cubic metres (35,300 cubic ft) in 2025.

Halser said “Russian commercial interest” makes it unlikely that flows will be stopped “unless physical damage occurs or conditions on the Ukrainian side change”.

In 2022, when Russian forces launched their full-scale invasion of Ukraine, Naftogaz stopped flows through an alternative branch line in Sokhranivka, close to the region of Luhansk in eastern Ukraine.

Ukraine said at the time that Russian forces had started diverting the gas to Luhansk and its fellow breakaway region Donetsk.

After the closure of Sokhranivka, transit volumes of Russian gas to the EU via Ukraine fell by a quarter.

## Will Europe need to find another way to source gas?

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Whatever the outcome of the current incursion, the contract between Naftogaz and Gazprom in its current form is set to expire at the end of the year.

Slovak gas supplier SPP said a consortium of European gas buyers could take over the gas at the Russia-Ukraine border once the contract expires, but it is unclear how this might work.

Another option is for Gazprom to supply some of the gas through another route, for example via TurkStream, Bulgaria, Serbia or Hungary. However, capacity via these routes is limited.

The EU has been trying to diversify its imports of gas and signed a deal to double imports of Azeri gas to at least 20 billion cubic metres (706 billion cubic ft) a year by 2027, but the infrastructure and financing are still not in place, according to an Azeri presidential adviser cited by the Reuters news agency.

It is also thought that with Azerbaijan's domestic consumption set to rise, there will be less spare capacity for Europe.

In any case, the long-term goal should be to move away from fossil fuels, Carbon Tracker's Coffin said.

"To reduce reliance on imported Russian gas, Europe must continue the diversification of power generation, [increasing] the share of nonfossil energy sources while simultaneously acting to reduce energy demand and upgrading grid networks," he said.

"Countries within Europe should work collaboratively on this to reduce overall demand rather than just focusing on [their] own ...needs."

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