

The battles over gas

Russia plans to play China and Europe off together over the supply of gas. They are in discussion over selling more of their gas to China via a new pipe still to be built at the same time as they are seeking to close the deal on further supply of gas to Germany via the new Nord Stream 2 pipe now completed. Hungary has signed up to fifteen more years of Russian gas with supply via a southern pipeline that avoids Ukraine, the source of transit capacity under the prior agreement.

Now the EU has confirmed the important role of gas today and going forward in the EU energy mix this strengthens Russia's bargaining position as a big supplier of a crucial source of energy for much of the continent. Hydrogen is some way off as an alternative gas to meet emissions targets next decade and beyond. The USA can only complain that her European allies have weakened the western position. The current US/Russia disagreements about Ukraine are complicated by the gas route to western Europe across that country, with Russia clearly keen to cut off Ukraine's revenues from this source.

The UK currently is not reliant on Russian gas. We depend on Norway and Qatar primarily. It makes producing more of our own gas even more important to our national security and reliability of supply. We should reduce our import dependence on the continent for both electricity and gas, as the two are interlinked with gas still an important fuel for power generation as well as for the direct heating of factories and homes. With Germany closing all her nuclear power stations and pledging to run down her large coal generation sector, and with Poland also under pressure to cut out the coal, the continent will have an even tougher energy position to negotiate. That is why the UK needs to concentrate on self sufficiency, and on ensuring a margin of capacity over demand even when the wind does not blow. The EU has ambitions over Ukraine which are no longer partly our responsibility.