

## Reliance on Russia set to persist

*Ed Crooks*

*Europe's energy demands mean it will be many years before it can end its dependency*

The American and British governments have this week been holding out hopes of the European Union curbing its reliance on Russian gas.

Dick Cheney, the US vice-president, and Gordon Brown, Britain's prime minister, have stressed the importance of alternative energy supply routes following Russia's clash with Georgia last month.

Gas industry experts, however, believe hopes of making a significant difference to the EU's need for Russian gas are likely to be in vain.

As Simon Blakey of Cambridge Energy Research Associates (Cera), the research company, says: "The scale of the inter-dependence is so huge it is really not possible to make a major difference to it even over the space of two decades."

US concern about western Europe's dependence on Russia for energy supplies dates back to the cold war.

In 1982, following the crackdown on the Solidarity movement in Poland, Ronald Reagan's administration tried to stop the Soviet Union increasing its gas exports to Europe.

Worried that Europe's reliance on Russian energy would make it ever more susceptible to Soviet influence, the US blocked exports of equipment for gas production and transport to the Soviet Union and tried to limit west European countries' purchases of Russian gas to 30 per cent of their consumption.

Today, the European Union buys about a quarter of its gas from Russia, but that proportion is set to grow. It is likely that the old 30 per cent limit will be exceeded in the next decade.

Demand for gas in Europe is likely to rise for another decade, at least. Old nuclear and coal-fired power stations will be going out of use as they end their productive lives. Gas-fired plants are the quickest and cheapest ways to replace them.

The EU's emissions trading scheme, which will reward power generators that have lower carbon emissions, will also favour cleaner, gas-fired generation in the next decade.

EU countries have agreed demanding targets for increasing the proportion of their energy that is derived from renewable sources to 20 per cent by 2020.

But even if that policy succeeds, which many experts doubt, and there is substantial fresh investment in nuclear power, gas demand then will be about the same as it is now, according to Cera.

Europe's domestic gas production, meanwhile, is in steep decline. By 2020, it is likely to be only about half of 2006's output of 218bn cubic metres, Cera believes.

Russia, with the world's biggest gas reserves on the EU's doorstep, is the obvious place to look to fill that gap.

There are alternatives, but all of them have their difficulties. Several European countries have been building

new terminals for the import of liquefied natural gas: super-cooled gas carried in tankers. But strong Asian demand and delays in big LNG developments have created a very tight market and pushed up prices.

Frank Harris of Wood Mackenzie, another research company, said: "The ability of Europe to diversify away from Russian gas with LNG is strictly limited in the short to medium term."

Long term, after 2015 or so, there is potential for more imports of LNG to come from countries such as Nigeria, Egypt and Libya.

But in many countries with large gas reserves, their willingness or ability to export is curtailed by strong growth in their domestic demand. Nordine Cherouati, the director of Algeria's hydrocarbons agency, told a conference in Slovenia this week: "We cannot export gas while the needs of the domestic population are unmet."

Other countries supply the EU with gas through pipelines, most notably Norway and Algeria. The EU has high hopes for the proposed Nabucco pipeline to bring gas from the Caspian region to Austria and the rest of Europe. Algeria hopes to build a pipeline for gas from Nigeria. But all these countries are subject to the same problems of competing demand for limited resources.

As is widely appreciated in continental Europe, the EU cannot simply cut itself off from Russian gas, or even reduce demand.

At the same conference in Slovenia, Rüdiger Freiherr von Fritsch, the German foreign office's director-general of economic affairs, stressed the "mutual dependence" of Russia and the EU.

Geography and economics dictate that the EU is dependent on Russia for gas, whether politicians like it or not.

**Fonte: Financial Times, London, September 5 2008. Primeiro Caderno, p. 3.**

A utilização deste artigo é exclusivo para fins educacionais.