



SEND LAWYERS, (GAS) AND MONEY: EXECUTIVE SUMMARY FOR “STRATEGIC RESPONSE OPTIONS IF RUSSIA CUTS GAS SUPPLIES TO EUROPE”

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“Send Lawyers, (Gas) and Money: Executive Summary for ‘Strategic Response Options if Russia Cuts Gas Supplies to Europe’”

Russia has amassed the world's third-largest buildup of ground, air, and naval forces of the past 50 years to the north, east, and south of Ukraine. Simultaneously, Gazprom's deliveries of Europe-bound natural gas in January 2022 are the lowest since at least 2017, despite record-low European gas inventories and high prices and demand for gas. The risk to Europe of a total, or near total, cut-off of Russian gas supplies—whether from direct Russian action to pressure Europe or from sanctions imposed in connection with a Russian invasion of Ukraine—is and will remain serious and demands consideration of bold response options.

Today's situation in Europe on the energy front is a stark reminder of the risks associated with over-reliance on a single actor. Russia supplies over one-third of the natural gas consumed in Europe on an annual basis. Such heavy European reliance on a single supplier has been a recurring cause for concern dating back to the Russia-Ukraine gas price disputes that led to pressure reductions on pipelines that transit Ukraine in the winters of 2005/06 and 2008/09. In the current context, the stakes are higher with the potential for military



confrontation, but if Russian natural gas supplies are disrupted, multiple margins of response will be needed to fill the void. This is where the US has a major card to play: LNG.

Concerted US action in Europe to counter hegemonic intent of a foreign actor is not new. Recall the Berlin Airlift in 1948-1949 where intrepid action by the US and its allies dynamically reshaped the situation on the ground and turned tactical entrapment into a galvanizing strategic triumph. In June 1948, General Lucius Clay, the administrator of US-occupied Germany, messaged to Washington that “There is no practicability in maintaining our position in Berlin and it must not be evaluated on that basis . . . We are convinced that our remaining in Berlin is essential to our prestige in Germany and in Europe. Whether for good or bad, it has become a symbol of the American intent.”

Within two weeks, a US-led effort established an airbridge that ultimately saw a cargo plane landing every 45 seconds at Berlin's Tempelhof Airport and less than a year later, Moscow lifted the blockade. Present circumstances demand a similar show of American intent (we call it a “Berlin Gaslift”) and a readiness to support allies boldly and clearly. There is no guarantee of success, but no matter how the event is sliced, an unabated large-scale curtailment of Russian gas supplies to Europe would be regionally devastating and globally impactful.



Of course, natural gas cannot be reasonably supplied via airlift. But fortunately, LNG, bolstered by a growing liquid market with destination flexibility, offers a strategic option. In

this paper (<https://bit.ly/35BRcfp>) we discuss a range of options that could be taken to help Europe cope with a sudden disruption of gas supplies. As outlined in the report, these “stop-gap” steps include using available gas storage, increasing domestic supplies of natural gas and alternative fuels, and implementing demand-side responses. These steps are all limited, especially in the short-term, in their ability to offset a cut-off of Russian natural gas, and none is capable by itself of filling the void in the European energy portfolio. Yet given Europe imported 210 bcm of gas from Russia in 2019 (pre-COVID reference), if a complete cut-off of Russian natural gas occurs, all of these options combined are estimated to account for about one-third of the lost Russian volumes, meaning a redirection of natural gas from other locations in the global market is also needed.

Hence, a “Gaslift” will need to be orchestrated, incentivized, and carefully managed. We address three types of activities that could comprise such a Gaslift—Market Forces, Bully Pulpit, and ultimately, if necessary, Governmental Action. While LNG from the US (now the world’s largest producer), with its large volumes, geographic proximity to Europe, and contractual structures with destination flexibility, will be the cornerstone of such a Gaslift, it will be vital that the US, UK, and EU collectively encourage other suppliers such as Qatar, as well as other LNG customers, such as Japan and South Korea, to participate in the Gaslift.

Europe’s ability to import LNG presents some constraints and logistical challenges. To begin, as we lay out in the paper, on a nameplate capacity basis there is not enough unutilized capacity to fill the void left by a complete shut-off of Russian gas. Moreover, a large fraction of LNG imports to Europe are to southern regions and the Iberian Peninsula. These regions have limited connectivity to the rest of Europe. Accordingly, in examining available capacity in Europe, we focus on terminals in Northern and Western Europe (ex-Iberian Peninsula and ex-Turkey) where demand centers are located, and we consider the possibility of using short-term “surges” of LNG imports above stated “nameplate” to meet emergency needs, recognizing that each terminal will have its own unique capabilities and limitations.

Longer term, policy direction needs to be established now to abate similar crises in the future. For example, the management and regulation of capacity rights for natural gas storage should be redone to allow greater flexibility. Notably, this could allow LNG imports, which have been highly seasonal over the past few years, to maintain a steadier pace year-round with an aim to refill storage during low demand seasons. On the LNG front, new LNG receiving facilities should be given priority consideration in large demand centers, such as Germany, where no LNG receiving terminals currently exist.

To the extent that concerns exist about building long-term fossil-fuel infrastructure, Europe can also charter floating storage and regasification vessels that sit offshore and can be released when their charter is completed. The FSRU market can support flexible response mechanisms in the event of an outage. Altogether, the US, UK, EU, and our allies can implement a Berlin Gaslift that can see Europe through a cutoff of Russian natural gas supplies this winter. But the challenges for making Europe energy-secure will last longer and require thoughtful policy decisions that are just as bold.