RUSSIA AND QATAR: LIQUEFIED NATURAL GAS SUPPLY ISSUES

Abstract

This article considers recent developments and prospects of the current Russian and Qatari energy supplies to Europe and describes the prevalent energy supply situation during unprecedented sanctions against the Russian Federation.

Keywords: Russia, Qatar, EU, liquefied natural gas, energy supply, import, sanctions.

Author

Dzerassa Makoeva (Eleeva)

Lecturer English Department of the International Economy Faculty Diplomatic Academy of the Russian Federation
(Moscow, Russia)

The Russian Federation possesses the largest natural gas reserves in the world and exports a more natural gas than any other country, shipping an estimated 238 billion cu. m. of gas in 2020. Natural gas the automotive use of production is highly encouraged in Russia. Machinery packages are sold by companies and some vehicles are manufactured to be fuelled by natural gas. Gazprom, the state controlled natural company, was projected to have 500 filling stations by the end of 2020.

Qatar holds approximately 13% of the total world natural gas reserves. Most of the country's proven reserves are located in the offshore North Field. To expand its natural gas export and reclaim its place as the world's top liquefied natural gas exporter, Qatar began drilling expansion in North Field and plans to increase output by 60%.

As explained Pierre Noël, global research scholar at the Center on Global Energy Policy at Columbia University [14], Russia's energy relationship with Europe traces back to the Cold War, natural gas from the Soviet Union helped Western Europe to move away from oil products after the oil shocks of the 1970s [4].

In 1981, then-U.S. President Ronald Reagan imposed sanctions effectively banning American companies from participating in the development of a gas pipeline from Siberia to Germany. But Reagan lifted the sanctions a year later following tough opposition from the gas and oil industry [10].

Years later, in the early 2000s, some European countries were growing increasingly wary of dependence on Russian energy as Putin first came to power and Europe's political relationship with the country changed.

However, Russia was always a very reliable supplier and adapted its commercial terms to the changing European market, ensuring the competitiveness of its gas [14].

Besides, some European powers like Germany and France wanted to maintain a relationship with Russia and deemed energy an area where cooperation had proven successful [14].

According to the London School of Economics [4], Germany, which is Europe's biggest economy and the world's fourth-largest, relies on Russia for more than half of its gas and a third of its oil. Refusing the

Top 10 Countries with the Largest Natural Gas Reserves (2020) [13]

Rank	Country	2020 Reserves (Cubic Meters)	2020 Reserves (Cubic Feet)	% of Global Reserves
1	Russia	37.4 trillion	1320.5 trillion	19.9%
2	Iran	32.1 trillion	1133.6 trillion	17.1%
3	Qatar	24.7 trillion	871.1 trillion	13.1%
4	Turkmenistan	13.6 trillion	480.3 trillion	7.2%
5	United States	12.6 trillion	445.6 trillion	6.7%
6	China	8.4 trillion	296.6 trillion	4.5%
7	Venezuela	6.3 trillion	221.1 trillion	3.3%
8	Saudi Arabia	6.0 trillion	212.6 trillion	3.2%
9	United Arab Emirates	5.9 trillion	209.7 trillion	3.2%
10	Nigeria	5.5 trillion	193.3 trillion	2.9%

Russian energy supply could prove risky. Economic damage would be considerable, as Moscow also provides 34% of German oil, predominantly along the Druzhba pipeline.

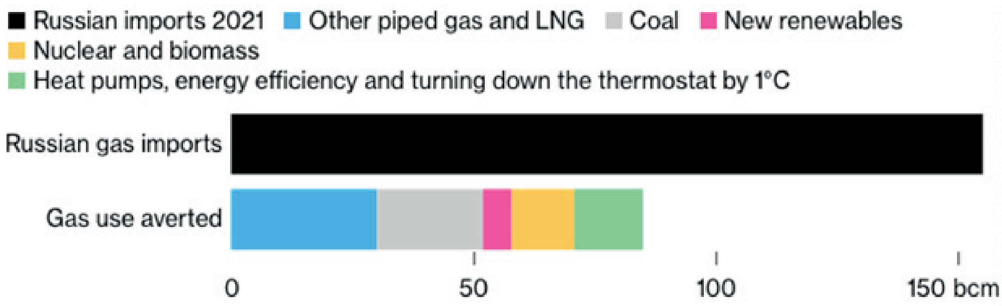
On March 23, 2022, Russian President Vladimir Putin gave the central bank and the Russian government a week to figure out how to switch payments for Russian gas exports to the national currency, the rouble [11].

The US and allies have imposed unprecedented sanctions against Russia, targeting the country's financial system. President Putin explained that illegitimate decisions by a number of Western nations to freeze Russia's assets destroyed all confidence in their currencies. Nearly all gas purchase contracts are denominated in euros or U.S. dollars, which makes them a potential target. But if Russia is paid in rubles, it could circumvent sanctions. The proposed move affects "*unfriendly countries*" which imposed economic restrictions against Russia. These include US, Canada, Australia, Japan, South Korea, and most EU states. In his ruble switch announcement, Putin hinted that natural gas is just the first Russian commodity to be sold in rubles. His choice of words raises the possibility that other Russian export commodities could follow, including oil, metals, and grain. This would further strengthen the ruble and weakened the dollar and euro. The U.S. and the European Union will push to boost supplies of liquefied natural gas to European countries by the end of 2022 in a bid to begin displacing some Russian gas, so that the companies will have to sort out the details [1]. Under the agreement, Europe will get at least 15 billion cu. m. of additional LNG supplies at the end of the year, though it's not still clear where it will come from. Member states will also work to ensure demand and facilities to take up to 50 billion cu. m. of American fuel until at least 2030. The aim is to work with international partners to help the continent wean itself off Russian gas, which accounts for about 40% of Europe's needs.

According to U.S. National Security Advisor Jake Sullivan, details of the 15 billion cu. m. are vague. Contracts have not been signed for the full volume. It will come from "various sources," and not just the U.S. [1].

In all these terms, Germany has agreed a contract with Qatar for the supply of liquefied natural gas (LNG) that will help

Russian gas imports to the EU in 2021[8]



the European country wean itself off its dependency on Russian energy[7].

But the contract is a long-term solution and will not slow the current flow of European money into Russia, which is estimated to be worth $285m (£217m) a day for oil alone [6].

Germany's economy minister, Robert Habeck, announced the deal after discussions in Doha, where he was accompanied by German business leaders. He gave no detailed figures on planned imports from Qatar.

Habeck, a Green party leader in the German coalition government, has faced sharp criticism in recent weeks for refusing to accept a complete energy embargo on Russia, as sought by the Ukrainian president Volodymyr Zelenskiy.

Habeck's visit to Qatar follows Boris Johnson's apparently fruitless trip to Saudi Arabia and the United Arab Emirates [5] in an attempt to persuade two traditional British allies in the Gulf to boost oil production.

Qatar is expected to almost double its production of LNG by 2025. Habeck promised that Europe was in the process of reducing its flow of energy from Russia to zero, but at present Germany has no LNG terminals. Two have just been given the go-ahead, at Brunsbüttel and Wilhelmshaven, but may take three years to build.

In 2020, Qatar exported 106bn cu. m., selling the bulk of the product to Asian markets. The EU's total gas imports from Russia are about 168bn cu. m.

As a result Germany has insisted the EU does not sanction two banks that service German purchases of Russian energy.

According to Qatari Energy Minister Saad al-Kaabi, replacing Russian natural gas on the European market is "*not practically possibe'*[3].

The official, who is also the president and CEO of state-owned QatarEnergy, noted that "*from 30 to 40% of the total volume of gas supplied to the world market comes from Russia.*"

Al-Kaabi said Qatar would not impose sanctions on the Russian oil and gas sector, stressing that "*energy should stay out of politics.*" According to the minister, Qatar will not take sides in the Ukraine crisis [12].

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