

The EU's Southern Gas Corridor Strategy and the Eastern Mediterranean after the Second Russian-Ukrainian War: Pipelines and LNG

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Overview

The political commitment of the EU to eliminate its dependency on Russian gas exports by 2027, as expressed in its RepowerEU Strategy, is a monumental task that requires the maximization of alternative import sources and routes. In this context the EU's Southern Gas Corridor (SGC) connecting non-Russian resources from the East (currently limited to the Caspian Sea) with EU markets in Italy, Central and Southeastern Europe could constitute a significant part of the answer to a question that has eluded Europe for over twenty years: how to reduce and eventually terminate its geopolitically detrimental dependency on Russian gas.

The SGC has not yet reached its full potential. It is actually far below its initially expected potential. Although in 2011 European Commission planners overoptimistically expected SGC volumes to cover “roughly 10-20 per cent of EU estimated gas demand by 2020” the actual availability of SGC supplies, limited to 10 bcm/y by 2022, correspond to just a fraction of the 380 bcm the EU-27 block consumed in 2020 (or 452,5 bcm if the UK is added). Expanding the SGC with additional pipeline gas from the Eastern Med and the Caspian Sea as well as complementing it with new LNG regasification capacity in Greece, would make a major supply side contribution to the efforts of Southeast EU countries to eliminate their dependency on Russian gas supplies and to further reduce their transit dependence on Turkey.

Methods

Comparative analysis of primary and secondary sources regarding existing natural gas demand projections in Southeast Europe, regional natural gas dependency on Gazprom deliveries, availability of alternative supplies to Southeast Europe from the Caspian Sea and the Eastern Mediterranean and new infrastructure projects (risk assessment, costs, timetables)

Results

Despite an abundance of theoretical gas supplies from the Caspian Sea and the Middle East the paper concludes that there will be limited supply additions to the SGC via TANAP and TAP from any other potential pipeline exporter (Iran, Turkmenistan, Iraq) other than Azerbaijan before 2030. Even the doubling of TAP's transit capacity by 12 bcm/y will not suffice to meet the need to replace Russian gas exports to Southeast EU if one includes to the regional calculus Italy. Additional supplies to Italy may come through the TAP pipeline via regasified LNG from additional LNG import infrastructure to be constructed in Greece by 2025. These regasified LNG volumes could enter TAP for transit to Italy, facilitate swap arrangements via TAP or be exported at limited volumes to other Balkan states via Greece. A complete substitution of regional dependency on Russian gas though, that could even satisfy part of Ukrainian needs, would require a dedicated pipeline from the Eastern Mediterranean and the internal restructuring of the Greek Natural Gas Transmission System

Conclusions

If Southeast EU states, including Italy, want to eliminate their dependence on Russian gas import within this decade then the expansion of TAP's capacity by 10 bcm/y will not suffice. Even if Azerbaijan is able to supply these additional 10 bcm/y by 2030, quicker and "smarter" diversification options can be realized by 2025 through the expansion of Greek LNG regasification capacity and the completion of additional pipeline infrastructure including IGB and IGNM. Still, the full "emancipation" of the region from Russian gas that could allow both Italy and part of Ukraine to rid themselves from Gazprom by 2030, would require a dedicated pipeline from the Eastern Mediterranean and significant upgrades of the Greek natural gas grid.

References (indicative)

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