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At a crux: As Europe rushes to reduce its Russian gas reliance, what can LNG do?

The European natural gas industry is facing the biggest crisis in its history. On the one hand, gas prices are at an all-time high; on the other, in the wake of Russia's ongoing invasion of Ukraine, is the looming prospect of an interruption or cessation of gas flows from the EU's biggest supplier, as Moscow threatens to cut off westbound volumes and the EU, for its part, formulates plans to stop buying Russian gas.

LNG has been brandished about as a cure-all for this situation, with European politicians swift to be seen to make attempts to "secure" LNG supplies. Several commentators have pointed out the problems with this: namely, that there is no spare LNG capacity that can be utilised to boost supply in the short term, while building any new capacity would have a lead time of several years. However, this does not mean that nothing can be done, and Europe's LNG imports are surging to record levels.

But with European LNG imports up by around 65% year on year in the first quarter of 2022, terminals in north-west Europe are already becoming congested, highlighting that the new import terminal projects that have been announced in the weeks since Russia invaded Ukraine are urgently needed. Of course, the question remains of how these terminals will be filled, and whether it is simply a matter of Europe outbidding Asia on price.

Looking beyond the short-term, there is the – perhaps more difficult – question of whether new liquefaction capacity will be constructed in order to supply Europe, or whether LNG from any new capacity would simply arrive too late, because Europe will have by then found a way to live without natural gas. In this case, Europe's demand for LNG in the longer term may be less because of the Ukraine crisis rather than more.



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