

“The future of US LNG in the European energy mix - how much is enough?”

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Abstract

I. Overview

For the European Union, diversifying external supplies and related infrastructure of energy resources is one of the key elements in its Energy Security Strategy. European Energy Policy is marked by the 2006 and 2009, disruptions of gas supplies that highlighted EU's vulnerability to Russian energy sources, in particular natural gas.

In two out of eight key pillars of the European Energy Security Strategy, the European Commission identifies the importance of LNG shipments for the successful diversification of EU's energy mix.¹ Imports of LNG have the potential to supply the European markets with a steady, diversified and reliable flow of natural gas, replacing to a certain degree the flow of natural gas through the traditional routes of transnational gas pipelines.

Since the breakthrough of the US shale gas revolution, the United States seem to take a leading role in global production of natural gas and consequently in LNG exports. It is therefore expected that EU's plans to increase the imports of LNG shipments into the European markets meet US ambition to expand its LNG exports in Europe. For the United States, replacing Russian natural gas with US LNG in Europe combines trade and strategic benefits since for the first time since the end of the Cold War, it offers Washington the opportunity to lower Russian influence over its NATO allies.

Under this framework, LNG seems to offer an ideal opportunity for cooperation between EU and the US. Still there seems to be a line of critical questions deriving from the possibility of such a cooperation: Are there conditions under which dependence on US LNG can be a problem for the EU? Can the EU afford being energy dependent by the US whilst being its biggest trade partner and competitor? How much US LNG is enough for Europe?

II. Methodological approach

In order to answer the core question of this paper, it is crucial to conduct a deductive analysis on the key elements of both EU and US energy balance, as well as the trade and political framework between them. Similarly, deductive reasoning will be applied to analyze the political framework that determines US-Russian relations as well as the trade framework that formulates EU-Russian relations. EU-US and Russian relations are going to be examined under the spectrum of Asymmetrical Interdependence as expressed by Robert Keohane and Joseph Nye.²

¹ <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52014DC0330&qid=1407855611566>

² Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*, (New York: Longman, 2001), 7-8

Trade figures between US and EU need to be analyzed in order to determine the degree of interdependence between the two trade partners. Accordingly, trade and FDI volumes between EU and Russia need to be presented and run against energy flow volumes in the EU, in order to test the conditions for the existence of asymmetries in the interdependence between EU-Russia and EU-USA trades.

Parallel to the trade and energy balance analysis, it is deemed crucial to conduct an analysis on the overall balance of power between the US, Russia and the EU in order to link power shifts linked to energy resources and to the alteration of the European Union's energy mix.

Political competition between USA, Russia and the EU will be analyzed through the framework of Kenneth Waltz's Balance of Power theory under which states seeking to establish their own survival in the international system, strive to achieve their goals through internal and external balancing.³ The role of energy resources and distribution of energy flows in the efforts for internal and external balancing between the US, Russia and the EU will thus be analyzed.

III. Discussion, Results and Conclusions

The aforementioned analysis is designed to produce the following results thus providing the framework for further discussion on EU's energy security:

- Identify the levels of US LNG exports necessary to significantly lower EU's dependence from Russia and estimate United States' ability to deliver the corresponding volumes for the task.
- Identify the key elements of EU-US trade relations that can prove vulnerable to increased EU dependency on US energy resources.
- Identify the geopolitical benefits for Europe deriving from extended imports of US LNG.
- Identify the impact to Russia's stability and the stability of the international system by extended US market shares in the European energy market.
- Identify the implications to MENA & the Persian Gulf from US gas exports to EU.
- Identify the changes in the framework of energy trading in the EU and the consequences in bilateral gas agreements arising from extended US LNG exports in the EU.

The share of LNG in the European energy mix has the potential to affect the future shape of energy networks in Europe, the development and distribution of infrastructure, the legal framework of energy trading, the cost of production and the cost of living in the EU, as well as European National Security and bilateral relations between member states. It is therefore crucial to research the impact of a shift towards increasing shares of US natural gas in the European energy mix, in order to contribute to the public dialogue on this essential issue.

³ Kenneth N. Waltz, *Theory of International Politics* (Boston: McGraw-Hill, 1979) 118