

How Europe escaped Russia's gas grip and found new vulnerabilities

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Norwegian pipelines and American LNG have helped Europe break its reliance on Russian gas. But the new energy order that has emerged carries risks of its own - from global price shocks to the eventual limits of Norway's supply.

Our story begins in Norway: a country roughly a third larger than the UK, but home to just 5.6 million people. It is a place of deep fjords, remarkable longevity, abundant hydropower and electric cars - particularly Norwegian beloved Teslas- that have become an ordinary sight on its roads in the last decade.

But beneath the postcard image lies something Europe has come to depend on far more heavily since Russia invaded Ukraine in 2022: Gas.

Far offshore in the stormy North Sea, a web of platforms, processing plants and pipelines sends Norwegian gas towards Britain and continental Europe.

For the offshore workers maintaining that infrastructure, however, the geopolitics of European energy security can feel surprisingly distant from everyday life and conversations at work. "Most conversations are about work, family and when we're going home," says Edvinas Tiškus, an offshore insulator based in Stavanger, Rogaland - Norway's petroleum capital, where oil and gas revenues have flowed into the country's finances and its vast sovereign wealth fund.

However, it is not that offshore workers ignore the world events surrounding them. Rather, the ordinariness of their daily lives sits in sharp contrast with the strategic importance Europe now attaches to the infrastructure around them. "We all know Norwegian gas has become more important for Europe, but day to day that isn't what people focus on," Tiškus says. "Our job is to do the work safely and professionally, then get home to our families." When world events enter the conversation, he says, they are more likely to be discussed through their impact on families or the cost of living rather than through the language of energy security.

Edvinas's experience should not be mistaken for indifference to the world beyond the offshore platform. Norway itself has not been untouched by Europe's energy and security crisis. Households have faced higher power bills while Russia's war in Ukraine has made security a more immediate political concern.

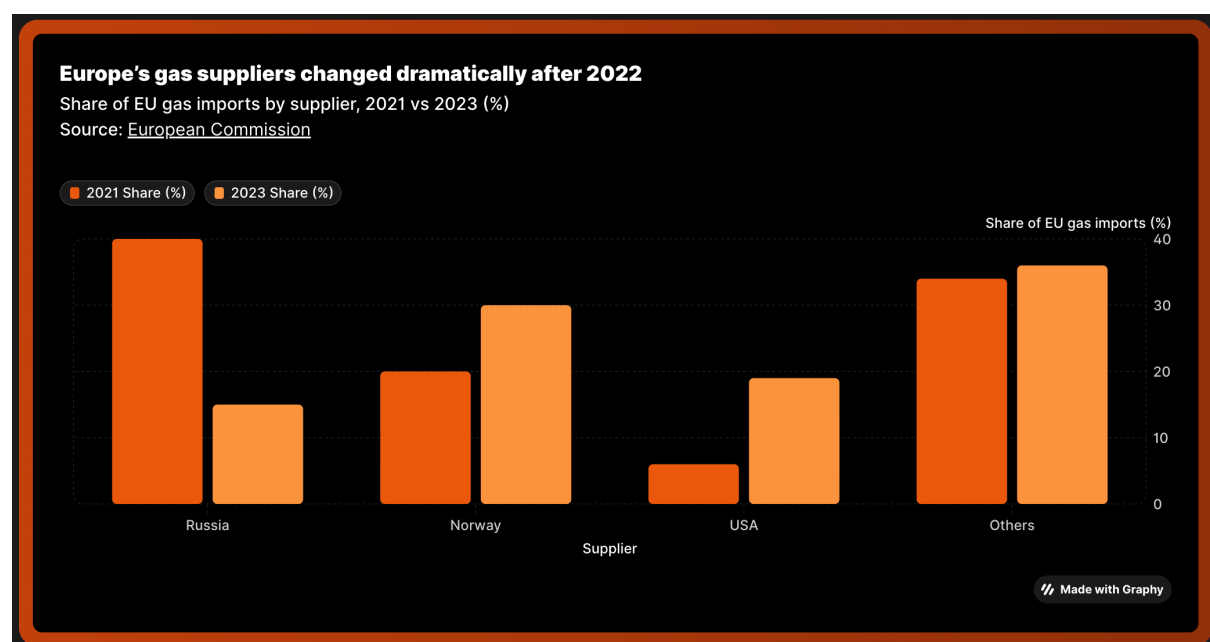
How Europe lost Russia

What Moscow portrayed as a "special military operation" in February 2022 has instead turned into a war lasting more than four years, with no clear end in sight. Despite increasingly stark warnings before the invasion, its scale shattered assumptions across much of Europe. Governments were suddenly forced to confront an uncomfortable dilemma: continue buying

relatively cheap Russian gas, sending billions of euros to Moscow, or rapidly dismantle an energy relationship that had taken decades to build. The invasion exposed just how deep and potentially dangerous Europe's dependence on Russian gas had become.

Looking back, Arne Eik, head of the electrical and energy sector at Norsk Industri and a former Equinor energy specialist, says Europe had been "a bit naive" in relying so heavily on Russian gas. Klaus Mohn, professor of economics and rector of the University of Stavanger and a former chief economist at Statoil, makes a more precise distinction. Europe had not underestimated the importance of energy security itself, he says, but "the risks implied by Putin's regime".

It is not hard to see why Europe developed such a close energy relationship with Russia. The economic logic was compelling: Russian gas was plentiful, relatively cheap and could reach European markets directly through an extensive network of pipeline, such as Nordstream 1. Meanwhile, Europe was producing less gas of its own. By the end of the 2010s, around 90 per cent of the EU's natural-gas needs were being met by imports. On the eve of Russia's full-scale invasion of Ukraine, Russia alone accounted for about 40 per cent of those imports. What looked economically advantageous had quietly concentrated a critical part of Europe's energy supply in the hands of a single supplier - Russia.



Norway becomes Europe's anchor

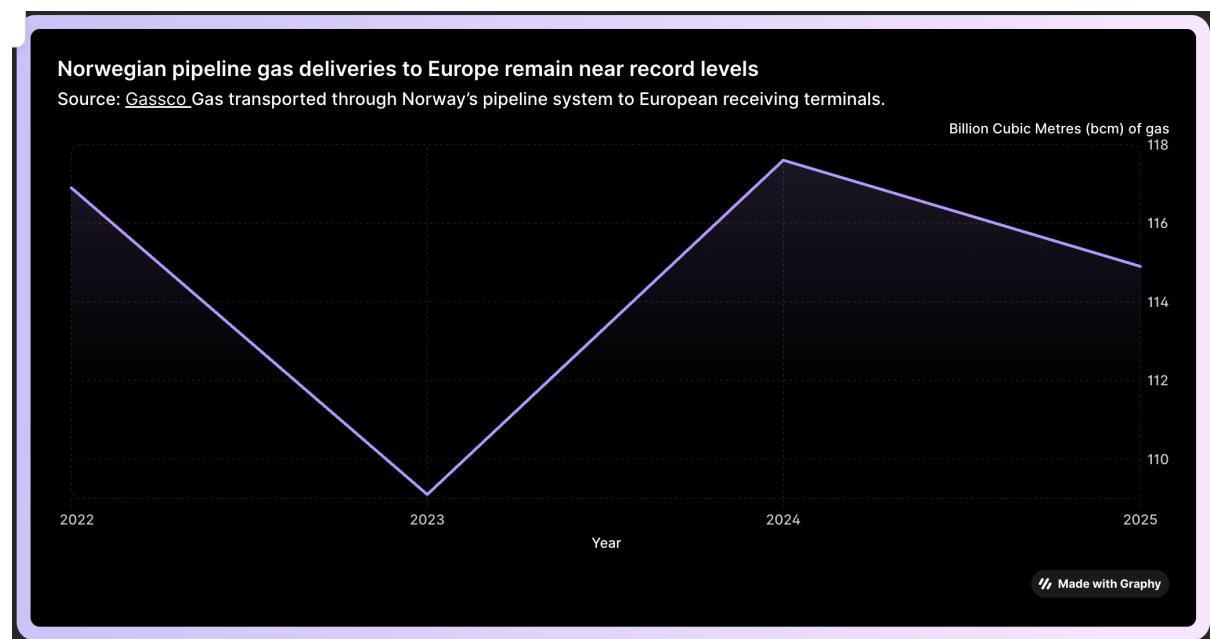
On February 24 2022, Russian military forces entered Ukraine from Belarus, Russia and occupied Crimea. Despite increasingly stark warnings from London and Washington, the scale of the full invasion still shocked much of Europe. Governments moved quickly to isolate Moscow financially and just as urgently to reduce one of their biggest economic vulnerabilities: Russian gas.

With domestic gas production already in decline, Europe had few immediate alternatives. It looked north, not to a new supplier, but to one Europe already knew well. Norway had spent decades developing oil and gas resources in the North Sea and an extensive pipeline network

connecting its offshore fields with Britain and continental Europe. As Russian gas flows fell, Norwegian producers increased deliveries where they could, while the pipelines carrying Norwegian gas became increasingly important to Europe's energy security.

Norway was well placed to answer Europe's call. Its offshore fields were already connected to mainland Europe through one of the world's largest subsea gas networks. It also allowed additional volumes to reach European markets without waiting for new terminals for fleets of LNG tankers.

By 2024, Norway's pipeline system delivered a record 117.6bn cubic metres of gas to Europe, around 30 per cent of the continent's natural-gas imports and roughly equivalent to its entire LNG imports that year.



Europe's scramble for alternative suppliers proved extraordinarily lucrative for Norway. Equinor, which is 67 per cent owned by the Norwegian state, saw operating income from its Norwegian exploration and production business jump from about \$30.5bn in 2021 to \$67.6bn in 2022 as European gas prices surged.

But Norway has limits

While Brussels turned its attention northward and Norway's energy sector enjoyed extraordinary gains, the strong headline figures obscured a tougher underlying truth: Norwegian gas output was already close to its ceiling. Klaus Mohn, professor of economics at the University of Stavanger and a former chief economist at Statoil, says Norway's growing share of the European gas market reflects less a dramatic increase in its own production than the disappearance of Russian supply. Even before the invasion, he says, Norway was already "extracting gas at full speed", leaving little room for further increases.

"You can't expect Norway to offer much more gas in the coming years," Mohn says. "We are passing a peak and Norwegian supplies are set to stagnate."

Equinor itself acknowledges the constraint. In July, the company said it was already producing gas for Europe at maximum capacity, leaving little scope for a significant short-term increase. Maintaining production later in the decade will increasingly depend on continued investment, exploration and new projects tied back to existing fields.

The outlook further ahead is also darkening. Figures from the Norwegian Offshore Directorate show that between 2016 and 2025, Norway added reserves equivalent to just 46 per cent of the gas it extracted over the same period. Put differently, gas has been produced considerably faster than new reserves have been added. None of this suggests Norway is running out of gas. Considerable resources remain, including substantial volumes that have yet to be discovered. Bringing more of them to market, however, will depend on continued exploration and investment, and increasingly on developing more challenging parts of the Norwegian continental shelf.

Transatlantic Help

“Norway can’t save the party,” Mohn says.

For the gas Norway could not provide, Europe increasingly had to look elsewhere. One answer lay across the Atlantic, in the form of liquefied natural gas (LNG) from the United States.

LNG offered Europe something pipeline gas could not: flexibility. Natural gas can be cooled into liquid form, loaded onto tankers and transported by sea, rather than being tied to a fixed pipeline route such as Nord Stream 1. That flexibility proved crucial after 2022, allowing Europe to draw cargoes from a global market as Russian pipeline supplies fell. But it came at a price. To pull flexible LNG cargoes towards European terminals, buyers often had to compete with customers elsewhere in the world, particularly in Asia, by paying more.

Cheniere Energy, a major US LNG producer and exporter with terminals in Texas and Louisiana, illustrates how rapidly those trade flows changed. In the third quarter of 2021, less than 30 per cent of its LNG landed in Europe. Just a year later, that share had surged to around 70 per cent, highlighting the dramatic redirection of global gas trade after Russia’s invasion of Ukraine.

Cheniere is now expanding both of its US export hubs: Sabine Pass in Louisiana and Corpus Christi in Texas. The projects are set to add millions of tonnes of annual LNG production capacity as global demand continues to grow.

But replacing fixed Russian pipelines with globally traded LNG has not eliminated Europe’s vulnerabilities- it has changed their nature. Daniel Kral of Oxford Economics describes Europe’s gas market as more diversified but still “very delicate”. If supply is disrupted, he says, European buyers may have to outbid Asia for LNG cargoes, pushing gas prices sharply higher. “Nobody wants to run out,” Kral says, meaning even a relatively small expected shortfall can produce a disproportionate price reaction.

There is also a geopolitical question. Louise van Schaik, head of EU and global affairs at the Clingendael Institute, considers Norway Europe’s “most trusted supplier”, but sees greater uncertainty in growing reliance on American LNG. She warns that energy dependence could

become connected to disagreements elsewhere in the transatlantic relationship, creating a potential form of political leverage Europe had hoped to leave behind with Russian gas.

Not everyone views America's growing role in Europe's LNG supply as a serious geopolitical risk. Matthieu Favas, commodities editor at The Economist, argues the dangers are "relatively limited". "It's hard to see the US not wanting to sell us their gas," he says. "If anything they want to sell more." He expects a new wave of LNG projects, both in America and elsewhere, to increase competition and help keep prices down, leaving Europe less exposed to the kind of direct pressure Russia was able to exert.

As Favas sees it, Europe is genuinely in a stronger position on energy security than it was in 2022. Its dependence on Russian gas has largely receded, demand has fallen, and governments now respond faster to emerging threats. Going forward, he argues, Europeans are more likely to feel the impact of future shocks through price spikes than through "direct threats or blackmail" from any single supplier.

Yet reducing the risk of the taps running dry is only half the story. The crisis exposed another vulnerability that has proved harder to fix: the sheer cost of keeping the lights on.

"The acute crisis passed; the underlying cost gap with competitors didn't," Favas says. By his estimate, electricity prices for Europe's energy-intensive industries remain more than double those paid by manufacturers in the US and around 50 per cent higher than those faced by rivals in China. European Commission research reinforces the broader point: industrial gas and electricity prices remained two to four times higher than in the EU's main trading partners after the crisis. Threatening the long-term competitiveness of European industry.

Greater security, then, has not translated into greater affordability. Europe's energy system may be safer than it was, but safer is not the same as competitive.

For Arne Eik, the fallout is visible across European industry. Higher gas and power prices, he says, have piled further pressure on manufacturers already contending with fierce competition from China and elsewhere. What proved good news for gas-rich Norway has landed very differently on industries, such as steel and chemicals, where energy makes up a substantial share of production costs.

Looking forward

Finding safer suppliers, though, only gets Europe so far. Louise van Schaik argues that the deepest form of energy security lies not simply in diversifying where imports come from, but in needing fewer of them in the first place - through more home-grown power, electrification and greater efficiency. "The real solution," she says, is the energy transition itself; Norwegian oil and gas remain the "second best option" for as long as fossil fuels are still required

That shift will be difficult to deliver. Eik argues that Europe must move faster on building new renewable capacity and the grid infrastructure needed to support it, warning that planning and permitting can still take years. "You can't get cheap electricity without seeing the electricity," he says, pointing to resistance to new wind farms and transmission lines.

Four years on from the momentum Europe turned north for help, the pipelines that Edvinas and thousands like him keep running remain as vital as ever. Norway may be the continent's most trusted supplier, but 2022 taught a broader lesson - no single supplier, however reliable, should become a crucial point. Europe's energy system is safer today because it has more options. Its ultimate security may depend on needing less gas in the first place.