Russia scraps plans to reopen major gas pipeline – deepening Europe’s difficulty in securing winter fuel

Russia has scrapped plans to reopen a major pipeline that sends natural gas to Europe.

The decision by Gazprom, a state-controlled firm, will make it more difficult for Europe to secure fuel ahead of the winter.

Gazprom said the Nord Stream 1 pipeline would remain closed because of a leak in the main gas turbine, although Siemens Energy – which usually services the turbines – said such a leak should not prevent operation.

Both Europe and the US National Security Council have accused Russia of using gas as a “weapon against consumers”.

But earlier, European Council President Charles Michel vowed: “Use of gas as a weapon will not change the resolve of the EU.”

Wholesale gas prices have climbed 400% since August last year – bringing misery to households and businesses in Europe, where dependence on Russian energy has historically been high.

Also on Friday, G7 finance ministers agreed to impose a price cap on Russian oil exports to make it harder for Vladimir Putin to fund his invasion of Ukraine.

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Despite selling less oil since the war began, Russia made £600m more from oil sales in June than it did in the previous month because of rocketing prices pushed up by the war.

British Chancellor Nadhim Zahawi said the price cap would also bring global price stability that would "protect our citizens from oil price shocks next year".

He added: "It will mean that Putin can't profiteer from excessively high oil prices and of course, protect all of us from oil price shocks next year and beyond."

Image:
The landfall facilities of the Nord Stream 1 gas pipeline in Lubmin, Germany
Ukrainian President Volodymyr Zelenskyy, who has consistently called for tougher sanctions on Russia, said the move "will not only limit the flow of petrodollars and gas euros to Moscow, but also, importantly, restore justice for all Europeans, whom Russia is trying to blackmail with artificially inflated prices on the energy market".

But former Russian president Dmitry Medvedev wrote on Telegram that Moscow would retaliate by turning off supplies to Europe completely, saying: “There will simply be no Russian gas in Europe.”

Germany, one of the most reliant on Russian energy, has been preparing for a cut to gas supplies and its network regulator has warned citizens and industry to cut consumption.

A heroic wish list that remains very short on detail

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G7 and EU nations have already vowed to reduce or cut imports of Russian oil and gas.

The “price cap” announced by G7 finance ministers today is an attempt to further choke Moscow’s fossil fuel revenue by targeting the service companies that provide the logistical and administrative architecture of the oil trade.

The G7 says services providers will be prohibited from “enabling maritime transport” of crude oil and petroleum products if they’re traded above a yet-to-be-determined cap.

The communique is not specific about which services, but we can assume shipping, transport, insurance, finance and trading companies, many of which are based in the EU, US, UK and Switzerland, are in the finance ministers’ sights.

The aim, according to Chancellor Nadhim Zahawi, is to cut Moscow’s oil revenues while also protecting low and middleincome countries still reliant on Russian imports, and to insulate British consumers from future price shocks.

That’s a heroic wish list but one that remains theoretical and very short on detail. This communique signals only an “intention to finalise and implement” a plan and it is unclear how it would be enforced.

What is clear is that existing measures to curb fossil fuel reliance are not hitting the Kremlin revenues as hard as hoped.

Even as Russian oil export volumes have fallen, higher global prices triggered by the war mean revenues are rising. Research by the Centre for Energy and Clean Air suggests revenue rose in July as exports fell 6%.

And while Western customers are turning their backs, India and China are picking up the slack, with Beijing now relying on Moscow for almost 25% of oil imports.

The G7’s move is an acknowledgement that so far, Russia’s strategic weaponising of fossil fuels has been a strategic win-win.

While European consumers are hit with higher bills, in turn perhaps weakening support for Ukraine, Moscow is still cashing in.