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Gilles LEPESANT

Between the Baltic and the Balkans, the New Geopolitics of Natural Gas

On December 31, 2024, the gas transit agreement signed in 2019 between the Ukrainian grid operator and Russia expired. As the Ukrainian government had refused to negotiate a renewal of the agreement in advance, gas flows to European markets were [suspended](#). Announced several months ago, Ukraine's opposition to extend its gas transit agreement with Russia (Kyiv is now self-sufficient in gas) marks a new stage in the reshaping of Central Europe's natural gas geography. This process was initiated in the early 1990s and gathered pace with the invasion of Ukraine in February 2022. Russia halted gas exports via the Nord Stream pipeline and via Belarus in the summer of 2022, and flows through Ukraine were significantly reduced before ceasing altogether. Since January 1st 2025, only the [Turk Stream](#) pipeline supplies European countries with Russian gas by land.

Central Europe has been particularly hard hit by the gas crisis that started in 2022. Gas plays an important role in this region, not least because of the need for heating and the importance of the manufacturing sector in the region's economies. Gas production is growing slightly in Hungary, Poland and, above all, Romania. But the volumes extracted make only a modest contribution to the region's energy security. Moreover, several central European countries have for several decades enjoyed transit fee revenues. Finally, most of them are landlocked or have short coastlines. All of these factors make Central Europe a unique region. Added to this is the legacy of the Communist period, when energy policies favoured coal, and for which gas is now a often seen as an alternative.

In this particular context, energy flows between the Baltic Sea, the Black Sea and the Mediterranean Sea are changing. This is reflected not only in a contraction of flows from Russia, but also in an intensification of north-south or south-north flows, and a growing interdependence between the states of the region, as well as with certain member states of the European Union.

A REDIRECTION OF FLOWS AWAY FROM RUSSIA

Since 2014, the LNG (liquefied natural gas) terminal at Klaipeda has been a key factor in Lithuania's emancipation from Russia: its capacity now contributes to the security of supply of the entire region. Several gas pipelines have been built since then, increasing interaction between the states in the region, such as the [Gas Interconnection Poland-Lithuania](#) (GIPL) between Lithuania and Poland since May 2022. Gas supplies are also possible from [Finland](#) via the Inkoo and Hamina terminals, which have been operational since 2023 and 2024 respectively. The region now has a network of terminals and connections that has increased the security of its gas supplies, and Russian deliveries have stopped.

A similar observation applies to the other countries in the region, particularly in the context of the growing importance of Germany and Poland as gateways for gas from the United States, the Middle East and Norway. [Germany](#) opened its first LNG terminals as a result of the 2022 energy crisis. Import capacity (37 mm³/year in 2024) is expected to [double](#) by 2028. The German authorities are counting on six terminals in the

long term, in addition to substantial storage capacity and connections with [LNG terminals](#) in Belgium and the Netherlands. Together, these facilities will significantly enhance Germany's role in the energy security of Central Europe.

Dependent in the 1990s on Russia for its gas, oil and coal supplies, and a transit country between the east and west of the continent, Poland is now independent of Russian supplies and has become a major hub for north-south flows. Since 2022, it has been linked to Norway by the [Baltic pipeline](#). From the Świnoujście LNG

terminal (opened in 2016), gas imported from various suppliers can be redistributed to other neighbouring countries, and the Polish and Lithuanian networks can supply each other through the GIPL. Plans for a new terminal in the Bay of Gdansk are currently under review. Such a facility would further strengthen the role of the Baltic coastline. Poland's role as a *hub* will eventually be enhanced by the interconnection with the Czech Republic established in the Ostrava region, a project suspended due to Polish-Czech diverging views over the Nord Stream 2 pipeline but which has been [rekindled](#) since the 2022 invasion of Ukraine.



Source: EntsoG

The Czech Republic reduced its gas supplies from Russia in the spring of 2022, with plans to end them by 2027 (the date is also recommended by the European Commission for the whole of the EU). The two main entry points for the country are now a terminal located in Germany (at Stade, near Hamburg), which will account for [a quarter of](#) Czech consumption by 2027, and a one located in Netherlands (Eemshaven).

Much less progress has been made regarding diversification of supplies in Austria, Hungary, Slovakia and Moldova. Although Russian gas transiting through Ukraine represented only 5% of the gas imported by the European Union at the end of 2024, it accounted for [the bulk of](#) imports for some of these countries. However, the risk of a shortage now seems to have been averted.

In Hungary, Turk Stream is the main supply route, and Hungary's policy of close ties with Russia has been matched by a diversification of supplies. The country has signed contracts with Turkey and Hungarian companies are involved in oil and gas exploration projects in Azerbaijan and Kazakhstan. In the case of Slovakia, interactions with the neighbourhood have been re-shaped in recent years, with bi-directional flows established with the Czech Republic (in 2010), Austria (in 2011), Hungary (in 2015) and Poland (in 2022). An agreement signed in [November 2024](#) between the Slovakian company SPP and the Azerbaijani company Socar also provides for supplies *via* Turkey and the Balkans. During a visit to Moscow at the end of December 2024, the Slovak prime minister dramatized the consequences of a halt to gas transit *via* Ukraine, hence blaming the latter for any hike in national energy prices.

In the case of Austria, the contract between Austrian energy company OMV and Gazprom was *de facto* [suspended](#) following a court ruling in November 2024. The project to build a forty-kilometre long gas pipeline with Germany, which has been on hold for several years for financial reasons, is gaining [attraction](#) again and would have a capacity equivalent to a third of the country's annual consumption. Although the government was reluctant to suspend supplies from Russia for a long time, the courts and the subsequent suspension of gas

flows *via* Ukraine have left it with no choice but to opt for alternative suppliers, notably [Norway](#).

Moldova was particularly affected by the halt to gas transit *via* Ukraine. The Ukrainian decision was compounded by Gazprom's refusal to continue deliveries by any route whatsoever because of a commercial dispute. A [state of emergency](#), was enacted in mid-December 2024 implying a significant reduction in consumption. The situation appeared critical in the separatist region of Transnistria, where rationing had to be introduced in the middle of winter in the absence of an alternative supplier. There is less risk of shortages on the right bank of the Dniestr (Nistru), as supplies from neighbouring countries are possible for both gas and electricity. These alternatives do, however, entail significant price increases. With 80% of the right bank's electricity coming from the gas-fired power station at Cuciurgan (in separatist territory), the end of Gazprom's supplies to the latter has forced Moldova to resort to costly imports from Romania. As an illustration of Moldova's gradual integration into the European networks, the Romanian gas network operator (Transgaz) took over the Moldovan network in September 2023 (replacing [Moldovagaz](#), which was 50% owned by Gazprom). Like Ukraine, Moldova's grid has been [synchronised](#) with the European system in the aftermath of Russia's invasion of Ukraine. The main high-voltage line supplying electricity from Romania passes through the separatist territory of Transnistria. A first direct link (between Chisinau and Vulcanesti) is planned for the end of 2025, and support from the European Bank for Reconstruction and Development (EBRD) has been secured for the construction of another direct high-voltage [line](#) (Bălți-Suceava).

Like Hungary, Romania has signed a gas contract with Turkey, which is at the same time increasing its supplies from Russia. As the only country in Central Europe with significant gas fields, Romania is relying on the [Neptune](#) project to become the European Union's leading gas producer (it already supplies Hungary *via* the [BRUA](#) pipeline). It could serve as a hub between Azerbaijan and the Greek terminals on one hand and Moldova and Ukraine on the other (*via* the [Trans-Balkan](#) pipeline).

Implemented during the Soviet period, the Trans-Balkan pipeline was designed to supply south-east Europe with Russian gas. It can now operate in the opposite direction, supplying Bulgaria and Ukraine, who are requesting European support to modernise this route using the Turkish network. In December 2024, Ukraine already received its first delivery of American gas, which had previously been delivered to the Greek coast. Turkey is competing here with Greece, which is positioning itself as a gateway for Bulgaria, Romania and the Balkan countries. Its role as a *hub* has grown since the construction of the South European gas pipeline and its connection to Central Europe via the [IGB](#) pipeline. In 2024, the Alexandroupoli floating terminal was added to the Revithoussa terminal (commissioned in 1999).

All of these initiatives are part of the ([Vertical Gas Corridor](#)) supported by Greece, Bulgaria, Romania, Hungary, Slovakia, Moldova and Ukraine. The aim is to [supply](#) a large part of Central Europe from Greek terminals and the Southern European gas pipeline. Regional integration has also been strengthened through the [STRING](#) (*Solidarity Ring*) agreement, which has brought together several operators in the region since 2023 to facilitate the transport of gas from Azerbaijan.

In the absence of sanctions against Russian gas, the Balkans remain a significant market for Gazprom. By the end of 2022, Russia was supplying 95% of Serbia's gas demand (and 25% of its oil requirements). Serbia is however departing from its dependence on Russia. Despite its pro-Russian rhetoric, it is pursuing a diversification policy through several [projects](#) with its neighbours to offset its lack of coastline on which to build an LNG terminal. With only one major storage site (Banatski Dvor), whose main shareholder is Gazprom, the country reached an agreement with Hungary and Bulgaria to use their storage capacities. A joint venture ([Serbhungas](#)) was set up with Hungary in 2023, active in gas trading. The Niš-Dimitrovgrad interconnector with Bulgaria has been operational since then too. The Serbian national company (Srbijagas) has secured supplies from the Alexandroupoli LNG terminal, which has been in operation since October 2024. Ties with

Montenegro could also be strengthened with the floating LNG terminal planned with the support of American capital in the port of Bar in 2025. In Croatia, the Krk terminal has benefited indirectly from reductions in Russian supplies after being underused until 2022, and its capacity has now been [increased](#). A connection to the Southern European gas pipeline is planned with the construction of the [Ionian Adriatic Pipeline](#) (IAP) between Fier (Albania) and [Split](#) (Croatia).

All of these initiatives consolidate the role of the Mediterranean coastline as a gateway for gas destined for the Balkans and southern Central Europe and are a counterpart to similar operations along the Baltic coastline. The investments made to develop LNG terminals and expand the gas pipeline network in Central Europe have strengthened interdependence between Central European countries and increased the role of players from outside the region, starting with the United States and Azerbaijan.

EUROPEAN AND NON-EUROPEAN ACTORS DRIVING THE TRANSFORMATION

Established in 2015, the '[Three Seas Initiative](#)' forum has experienced increased activity, resulting in new gas and, to a lesser extent, electricity interconnections across the area stretching between the Baltic, the Black and the [Adriatic](#) Seas. The projects are being funded by the countries involved, the European Union and various other actors, including the United States.

In 2017, Donald Trump set the goal of '[Energy Dominance](#)' for the United States, a theme that is now being taken up again following his 2024 re-election. The idea behind is to establish the country as a major player in the global energy market, having long been a net importer. As an illustration of this strategy, the United States has strongly opposed Nord Stream 2 and encouraged the acquisition of LNG by European countries. The first Trump administration strongly supported the '[Three Seas Initiative](#)' with Poland being the main focus of the US approach. In November 2017, the first LNG contract was signed to supply the country from the Gulf of Mexico, for a period of five years, followed by several other contracts from 2018 onwards

for periods of twenty years or more. In Greece and the Balkans, American resources have also contributed to the expansion of gas infrastructures.

As another beneficiary of the crisis triggered by the invasion of Ukraine, Azerbaijan has capitalised on successive contracts with Georgia, Turkey, Greece and Italy (2020), Bulgaria (2021), Romania (2023), Slovakia, Hungary and Serbia (2024). The commitments made to the European Union to [double](#) gas exports imply a sharp rise in [investment](#) in a context in which domestic consumption remains buoyant. Recurring tensions with Armenia, as well as attacks on freedom of expression, expose the partnership with Azerbaijan to [opposition](#) within the European Union. However, several Member States (including Slovakia and Hungary) see this as an opportunity to secure their gas supplies. Contractual commitments from European utilities would provide visibility for the investments needed. However, such a scenario faces the European Union's plan to ban long-term contracts for unabated fossil gas as part of its climate neutrality strategy.

In its February 2024 [recommendation](#) calling for a 90% reduction in emissions by 2040, the European Commission estimated that fossil fuel consumption would have to be 80% lower by then than in 2021 under the Green Deal. As a matter of fact, between August 2022 and March 2023, European demand for gas [declined](#) by almost 20% compared with the period 2017-2022, under the cumulative effect of higher prices, a milder winter and an increase in renewable energies (RE) production.

In Central Europe, the gradual phasing-out of coal since the 1990s has not been followed by strong growth in gas consumption, except in Poland, and gas [demand](#) in the countries of the region is set to fall between now and 2030. The transformation of the industry, in favour of the service sector in particular, has led to a decrease of energy intensity. In the residential sector, demand varies significantly depending on the weather, but it is expected to fall as a result of progress made regarding energy efficiency and demographic trends (the region is set to lose more than [10% of its population](#) between 2024 and 2050).

The third use (electricity generation) is likely to lead to growth in consumption, as [the role of electricity](#) is set to increase. However, in the meantime, the share of renewable energies is due to increase significantly, and the nuclear sector is set to be strengthened. Far from contradicting each other, energy security policies and climate neutrality initiatives can contribute together to Europe's autonomy.

Prior to the various initiatives taken as part of [REPowerEU](#), since the European Union has the 1990s supported the construction of storage sites as well as gas and electricity interconnections between Member States and the countries of Central Europe. It has also co-financed LNG terminals, particularly on the Baltic Sea and in the Mediterranean. The [Connecting Europe Facility \(CEF\)](#) is designed to give all Member States [access to](#) at least three sources of gas or LNG. Aimed at supporting the completion of an integrated energy market, this strategy has enabled the European Union to significantly limit the impact of the Russian policy focused on dividing Member States and undermining their support for Ukraine.

Russia's invasion of Ukraine in February 2022 did not in itself change the geography of energy between the three seas. The [first Memorandum](#) (followed by several others) to organise cooperation between operators in the region dates back to 2014. It has, however, legitimised and accelerated this cooperation. The result has been a reorientation of flows in a north-south direction, a rapprochement between the countries of Central Europe and the strengthening of Germany's position as a gas hub.

In the EU's periphery, Turkey and Azerbaijan are benefiting from this reorganisation and serve as relays for Russian gas and oil exports. On the southern shores of the Mediterranean, gas-producing countries (mainly Algeria and Egypt) have benefited only marginally from the crisis, mainly because of their limited capacity to increase production in the context of a dynamic domestic demand. Norway and the United States, on the other hand, have significantly increased their

market share. At European level, they accounted for [43.5% of pipeline gas imports and 46% of LNG imports](#) respectively in the second quarter of 2024. A new pattern is now emerging in Central Europe with, to use a metaphor from hydrography, two basins. One covers the northern part of this region, which is 'irrigated' from the Baltic, Polish, German and Dutch LNG terminals, or the networks connected to Norway *via* the Baltic pipe. The other covers the southern part connected to the Croatian and Greek LNG terminals as well as the Turkish network and the southern European gas pipeline fed by Azerbaijan.

The end of the transit of Russian gas *through* Ukrainian territory is part of a wider movement that is shaping a new energy geography in Central Europe. Ukraine has taken a decision which, in the short term, affects the interests of most European actors, starting with itself (around €800 million in transit rights have been 'sacrificed'). Other Central European countries, notably Slovakia, will also witness significant cuts in their revenues. More generally, the price of European gas is likely to remain permanently aligned with the high price of LNG. Any incident affecting Norwegian or American LNG facilities would probably trigger volatility in European gas prices. While the risk of a [shortage](#) seems to have been averted, any increase of gas prices should not be overlooked since fuel poverty is gaining

ground in Europe and since price hikes may lead to a relocation of some industrial sectors outside of the EU.

The situation is particularly worrying in Moldova. Russia is in a position to capitalise on an economic and social situation that is likely to become even more difficult than before, particularly on the left bank of the Dniestr (Nistru). In the run-up to the parliamentary elections scheduled for 2025 in Moldova, more ambitious European support would probably weaken the allegiance of the separatist Transnistrian elites to Moscow.

While not devoid of risks, Ukraine's decision deprives Russia of some of the benefits it derives from its hydrocarbon exports and has forced the EU Member States to face their contradictions. As no significant sanctions have been adopted against Russian gas, market conditions could however lead to an increase in volumes supplied by Gazprom *via* LNG deliveries. Russia's share in EU imports fell from 40% to 15% between 2022 and 2024, but this percentage increased last year. In the context of a looming economic downturn, phasing out the import of all Russian gas by 2027 (a non-binding target set by the European Union) might prove difficult to achieve.

Gilles Lepesant

Research Director at the CNRS (CEFRES, Prague)

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