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Russia to Keep Its Grip on Europe's Gas Market After Record 2017

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Alexander Ryumin / TASS

(Bloomberg)⊠ —⊠ Russia is working to keep natural gas exports to Europe near record levels in 2018 after the continent's biggest supplier, Gazprom PJSC, said its deliveries this year signal it is achieving on its ambitions to expand.

The state-controlled gas giant plans to ship a minimum of 180 billion cubic meters next year, Deputy Chief Executive Officer Alexander Medvedev said in an interview in St. Petersburg. That volume would be the second highest ever after at least 190 billion cubic meters expected this year, which is a record.

"Of course, it's business, not sports," Medvedev said. Yet, this is "a new stage" in the company's history.

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Gazprom meets more than a third of Europe's demand for natural gas, Russia's biggest and most lucrative market worth some $37 billion in revenue this year. Tighter trade links with the Kremlin-backed company contrast with increasing tensions on the military and political front.

Officials across Europe accuse Russia of everything from meddling in elections to menacing coastlines and airspace with warships and planes. Earlier this month, the U.K.'s armed forces warned of a growing threat for the Atlantic undersea communications cables, the internet and international trade from Russia's submarines.

EU lawmakers have had their hearts set on diversifying energy supplies away from Russia and are urging expansion of ports to handle liquefied natural gas tankers from the U.S. Production there has skyrocketed, making the U.S. a potential top producer of LNG in the mid-2020s, according to International Energy Agency estimates.

Gazprom accuses the U.S. of politicizing its economic interests in the EU through a sanctions law earlier this year that targeted pipeline projects. Executives in Russia have so far shrugged off the threat of serious competition in Europe.

While EU gas demand depends on weather and economic growth, it's likely to increase next year as domestic production falls and coal prices recover, making imports from Gazprom more competitive, Medvedev said. Russia has the biggest potential to meet the additional demand, he said.

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