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Gas Prices Surge as Ukraine Seizes Key Russian Route to Europe

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Russia's Sudzha gas pumping station. **tr.gazprom.ru**

Natural gas prices in Europe hit their highest level of the year this week after Ukrainian forces took control of the last remaining transit hub for Russian gas into Europe.

Prices rose for at least three consecutive days, surpassing 40 euros ($43.71) per megawatt-hour for the first time since Dec. 4, 2023, according to Dutch banking group ING.

The surge is connected to Ukraine's surprise incursion into southwestern Russia's Kursk region on Tuesday and the reported seizure of a gas metering station in the town of Sudzha, where Russian gas flows into Europe via Ukraine.

Despite the border clashes, both Ukraine's gas transit operator and Russia's Gazprom assured that energy shipments, set to expire at the end of 2024, would continue through Ukraine.

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Gazprom reported an increase in gas supplies to Europe from 37.3 million cubic meters on Thursday to 38.5 million cubic meters on Friday.

Following that announcement, Dutch wholesale gas prices eased below 40 euros, and analysts predicted a limited impact on Europe's gas supply for the winter.

"European storage is more than 86% full, well above the 5-year average of 78%. We still expect storage to be close to 100% full ahead of winter," ING said.

Fitch Ratings noted that this storage would cover nearly half of Europe's gas consumption from October 2024 to March 2025, adding, that it "expect[s] any price impact resulting from Ukraine's incursion into the Kursk region to be short-lived."

However, Gazprom spokesman Sergei Kupriyanov said that some analysts anticipate European gas prices could rise further as skirmishes in Kursk continue.

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