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What Next for Russian Gas in Europe: 5 Key Questions

By Moscow Times Reporter

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The Donetsk-1 gas distributing plant. **Valery Sharifulin / TASS**

Russian pipeline gas has stopped flowing to Europe through Ukraine as of the New Year, marking the end of a decades-long arrangement.

Moldova is the main victim of the move, with its breakaway region of Transnistria suffering an energy crisis. And though EU is not at risk of an energy shortage, it might face higher gas prices.

What happened?

Russia stopped sending pipeline gas to European countries through Ukraine, a supply route used for decades, from Jan. 1 after Kyiv refused to renegotiate the transit deal due to Moscow's full-scale invasion.

Russia had used the Ukraine transit line to send about 50% of all its pipeline gas exports to Europe, mainly to Moldova, Slovakia, Austria and Hungary.

Who is the main victim?

Moldova's breakaway region of Transnistria, which relied solely on Russian gas, has been hardest hit by the end of Ukraine's transit.

Russia cut off all supplies to Moldova, citing both the lack of ability to transport gas through Ukraine and the debt allegedly owed to Russian gas exporter Gazprom by Moldova's Moldovgaz. Chisinau dismisses these debts.

As a result, Transnistria is now in the midst of an energy crisis, with heat and electricity supplies severely affected. Moldova said Monday that it will supply 3 million cubic meters of natural gas to the Moscow-backed separatist region as a temporary solution.

Although Moldova proper imports its own gas from the EU, it is also impacted by the crisis.

First, some of Transnistria's neighboring settlements are connected to the Transnistrian energy system and therefore suffer from the crisis. Second, Moldova itself still gets most of its electricity from the gas-fired Moldavskaya GRES power plant in Transnistria.

Several solutions to the crisis exist.

Transnistria could buy gas from the EU market, but this will be costly and will likely have to be subsidized by either Moldova or Russia.

Another way out of the crisis would be for Russia to resume supplies to Transnistria through Turkey, although part of that pipeline still passes briefly through Ukrainian territory.

What about the EU?

No gas shortages are expected in EU countries, although alternative sources will be more expensive than direct pipeline supplies via Ukraine.

Markus Krug, deputy head of gas department at Austria's regulator E-Control, said that he did not anticipate disruptions because of Austria's reserves and provisions for alternative supplies.

Prices might rise temporarily in January but will likely drop again once the market sees that things are working, Krug added.

Slovakia estimated the losses for its economy from the Ukraine transit end at 177 million euros ($184 million) for receiving gas through alternative routes.

Alternative gas supplies are likely to come mainly from U.S. liquefied natural gas (LNG).

North America's regional LNG production is set to double by 2024, with two new U.S. LNG plant lines with an annual capacity of 36 billion cubic meters — more than double what Russia sent via Ukraine in 2024 (about 15.4 bcm) — soon to be operational.

EU gas prices could rise to 70 euros per megawatt-hour (MWh) in 2025 from around 50 euros/MWh at the end of 2024 as supplies tighten, Reuters cited Francisco Blanch, head of commodities and derivatives research at Bank of America, as saying. This compares with average EU gas prices of 17.58 euros/MWh in 2015-2020, Reuters said.

Higher electricity costs are often cited as a reason for the EU's weaker industrial output, which was about 1.4% lower in 2024 compared to 2021 and is set to decline by 0.7% in 2025 compared to 2023.

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How much does Russia lose?

Gazprom's Ukrainian transit accounted for about 16% of its export portfolio, which is a "noticeable but not fundamental volume," analyst Sergei Vakulenko said.

Russia stands to lose about $4-5 billion in revenues from the end of Ukrainian transit, although these calculations are highly tentative. For example, the gas Russia supplied to Moldova via Ukraine (about 2 billion cubic meters) had gone to the pro-Russian region of Transnistria and was likely sold at steep discounts or even for free.

From a longer-term perspective, the loss of the Ukrainian transit was not a sudden event, but another nail in the coffin of Russia's energy trade with Europe.

While Russian pipeline gas accounted for 31% of gross European supply and gas supplied via Ukraine for 8% in the pre-invasion year of 2021, the respective figures had fallen to 9% and 4% by 2024.

Before the end of the Ukrainian transit, Russia had already cut off gas supplies via the Yamal pipeline through Poland and the Nord Stream pipeline through the Baltic Sea, in addition to halving the volumes of gas supplied via Ukraine since 2022.

Going forward, Russia will need to focus on expanding the logistics to supply pipeline gas to China and Central Asia, as well as shipping LNG to Europe and more globally.

Which European countries still receive Russian gas?

Even after the Ukraine transit, some European countries continue to receive Russian gas.

Serbia, Bosnia and Herzegovina, North Macedonia, Hungary and Greece continue to receive Russian pipeline gas via Turkey, while EU countries import Russian LNG.

The volume of Russian LNG deliveries to the EU hit 17.8 million tons in 2024, up more than 2 million tons from 2023 and the highest in years, according to figures from analyst firm Rystad Energy.

That volume translates to about 24.2 billion cubic meters of gas, compared with 49.5 billion

cubic meters the EU receives via pipelines in 2024, Rystad Energy said.

So far, the EU has not imposed any restrictions on the purchase of Russian LNG.

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