How Europe Has Navigated Its Energy Crises

A multifaceted response from Europe has so far prevented its energy woes from creating widespread social and economic destabilization. But with winter approaching, the crisis is far from over and risks are getting worse.

While European energy prices have eased slightly in recent months, stress continues to build across a continent that has long been dependent on access to cheap Russian energy.

Protests related to high energy costs have been held from Belgium to the Czech Republic in Europe. Fuel shortages have led to long queues to buy petrol at gas stations in France. The Don't Pay UK movement has urged British citizens to enter a "bill strike" by refusing to pay energy bills until gas and electricity prices are reduced to an "affordable level." Europe's remarkably high energy prices have also fueled climate change protests across the continent.

European governments have resorted to diverse measures to manage the crisis. After the EU banned Russian coal imports, coal regulations were reduced in Poland, which has led to illegal coal mines being operated in the country. Aid packages, such as Austria's 1.3 billion euro initiative, aim to help companies struggling with mounting energy costs. The UK "has capped the price of average household energy bills at 2,500 pounds ($2,770) a year for two years from October" and also announced a cap on energy per unit for businesses, charities, and NGOs in September.

Italy has shown considerable capability in diversifying its energy imports from Russia since the beginning of the year to reduce its dependence on the Kremlin. Under former Prime Minister Silvio Berlusconi, Italy began to increase its reliance on Russian energy, a process that continued even after his election defeat in 2011 and Russia's annexation of Crimea in 2014.

This reliance came to an abrupt end after Russia's invasion of Ukraine in

February 2022. Italy signed natural gas deals with Egypt and Algeria in April and held additional talks with the Republic of Congo and Angola regarding energy supplies as well. In June, Italy also purchased two additional liquefied natural gas (LNG) vessels, adding to the three LNG terminals it already operates, to further diversify its natural gas (gas for short) supplies.

Not all countries, however, have matched Italy's success of diversifying their energy imports. France declared it would cap power and gas price increases for households at 15 percent in 2023. But since more than half of France's 56 nuclear reactors have been shut down for maintenance (Europe's summer drought also prevented the water-based cooling systems of the French nuclear plants from functioning), France will struggle with mounting energy costs as well as upholding its traditional role as an electricity exporter to other European countries.

Like other European countries, Germany chose to nationalize some of its major energy companies, such as Uniper in September. In October, the German government proposed a 200 billion euro energy subsidies initiative. With gas storage projected to reach 95 percent capacity by November, Germany has also provided itself with significant protection.

But Germany lacks LNG infrastructure and remains vulnerable if Russia cuts off gas through pipelines completely. Currently, Germany is at level two of the country's three-tier emergency gas plan, with the last stage introducing direct government intervention in gas distribution and rationing.

Because Germany makes the largest contributions of funds to the EU, its economic vulnerability poses concerning implications for the rest of the bloc. And in addition to suffering from gas shortages, Central European countries will "also suffer from the effects of gas rationing in the German industrial sector, given their integration into German supply chains." Such uncertainty has blunted investment in the region, further compounding Europe's economic issues.

These issues have underlined the perception that while Russian coal has been relatively easy to ban in Europe and Russian oil is slowly being phased out, Russian natural gas remains too important for much of the continent's energy mix to be shunned completely.

Dozens of ships carrying LNG have been stuck off Europe's coast, as the plants "that convert the seaborne fuel back to gas are operating at maximum limit." High gas prices have meanwhile resulted in key industries across Europe that are reliant on the energy source to shut down, sparking fears of "uncontrolled deindustrialization."

In addition to national strategies, European countries have pursued collective initiatives to confront the energy crisis. On September 27, Norway, Denmark, and Poland officially opened the Baltic Pipe to supply Poland with natural gas. On October 1, Greece and Bulgaria began commercial operation of the Interconnector Greece-Bulgaria (IGB) pipeline, which serves as another link in the Western-backed Southern Gas Corridor project to bring natural gas from Azerbaijan to Europe.

On October 13, France began sending Germany natural gas for the first time, based on an agreement that "Germany would generate more electricity to supply France during times of peak consumption." The European Council stated on September 30 that EU states will implement "a voluntary overall reduction target of 10 percent of gross electricity consumption and a mandatory reduction target of 5 percent of the electricity consumption in peak hours."

Additionally, the EU continues to debate imposing a price cap on Russian gas to the EU, and the G7 countries and its allies agreed on September 2 to implement a price cap on Russian crude oil and oil products in December 2022 and February 2023, respectively.

Germany, however, has led criticism over the "proposal to cap the price on all gas imports to the EU," stating that the EU lacks the authority to do so, alongside expressing concerns that gas providers will simply sell gas to other countries. Norway, traditionally Europe's second-largest gas provider after Russia, also indicated it would not accept a cap on gas, and Russia stated it would not sell oil or gas to countries doing so either. The resulting restrictions in energy supply would likely further raise prices.

European countries also remain bound by their own interests, further undermining multilateral cooperation. Croatia, for example, announced it would ban natural gas exports in September. Many European countries have criticized Germany's planned 200 billion euro subsidies plan for fear that it "could trigger economic imbalances in the bloc." Germany, meanwhile, declared it would not support a joint EU debt issuance on October 11, only later agreeing to the measures out of pressure from its European allies.

In September, the UK accused the EU of pushing British energy prices higher by severing energy cooperation following Brexit. The U.S. and Norway have also been singled out by EU members for profiting off the current energy crisis.

Varying levels of vulnerability have resulted in some European countries breaking with the continental norm and negotiating with Russia. Serbia, which is not in NATO or part of the EU, signed its own natural gas deal with Russia in May, while Hungary drew the ire of Western allies by signing its own gas deal with Russia in August. Hungary was among the first European countries to agree to purchase Russian natural gas in rubles, stabilizing the Russian currency as sanctions were placed on the Russian economy. If the crisis worsens considerably, other countries may follow suit.

As Europe's energy crisis has continued, many countries across the world have become increasingly wary. European demand for LNG and a willingness to pay premiums has meant suppliers are increasingly rerouting gas to the continent.

Though rich competitors like South Korea and Japan have been able to contend with European competition for LNG, it has caused shortages elsewhere. Bangladesh and Pakistan, for example, have struggled to secure their traditional LNG imports since the beginning of the Russian invasion. Blackouts in these countries have increased, causing them to resort to more carbon-intensive energy alternatives and prompting renewed talks with Russia over LNG imports and developing pipeline networks to supply natural gas to Asia.

Europe's decades-long exposure to Russian energy means that its current energy crisis will persist for years. Even with predictions for a relatively mild upcoming winter, overcoming this energy crisis will require cooperation and sacrifice among European states—particularly if the war in Ukraine escalates further. While the West's solidarity will be put to the test, poorer, energy-vulnerable countries will continue to fall victim as a result of the fallout from the Russian invasion of Ukraine.

This article was produced by Globetrotter.

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