ANALYSIS 02 April 2025

Europe urgently needs a common strategy on Russian gas

An uncoordinated approach threatens EU energy security and the green transition

Ugnė Keliauskaitė, Simone Tagliapietra, Georg Zachmann

As the United States pushes for a peace agreement between Ukraine and Russia, the question of whether European Union members should resume large-scale imports of seemingly cheaper Russian gas is already being discussed by some leaders, in both the public and private sectors[1] . A return to Russian gas risks fracturing consensus among capitals.

Tapping into Russia's gas resources using currently idle pipelines might seem appealing, especially considering rising energy costs and low gas storage levels[2] . However, a fragmented European approach to Russian gas imports will benefit Putin, enabling him to leverage gas supplies and manipulate pricing, politically divide the EU and threaten the bloc's long-term energy security. It could also hinder the EU's energy transition efforts, with cheaper gas undermining investments in clean energy.

EU policymakers set a non-binding goal to phase out use of Russian gas by 2027[3] but the presentation of a plan on how to do this, initially set for March, has been postponed for the second time with no new date announced[4] . Here, we assess the viability and effectiveness of an embargo, tariffs and quotas as potential measures to form part of an EU strategy to limit and phase out this reliance.

The state of play

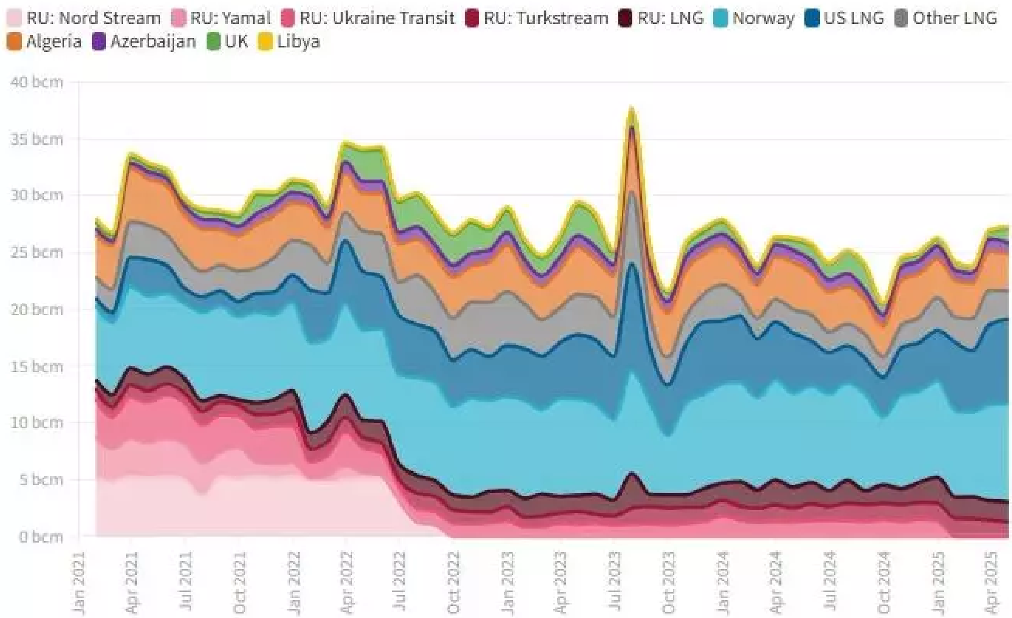
In 2021, Russia supplied the EU with 157 billion cubic metres (bcm) of gas, about half of the EU's gas imports (Table 1). The EU imported most Russian gas via four pipelines (Nord Stream 1, Ukrainian gas transit, Yamal and TurkStream) and liquified natural gas (LNG) shipments (Figure 1). By 2024, Russian gas imports had fallen to 54 bcm, accounting for 18 percent of EU gas imports. This drop was primarily driven by Russian supply cuts rather than action by EU countries[5] . Note that EU imports of Russian LNG have risen by 60 percent over the past three years.

Table 1: Russian gas by route 2021 versus 2024, billion cubic meters.

Pipeline	Primary EU destination	2021	2024
Russian LNG	Mainly Spain, France, Belgium, the Netherlands	13	21
Ukrainian Transit	Austria and Slovakia	40	17
TurkStream	Hungary via Turkey and the Balkans	13	16
Nord Stream	Germany via Baltic Sea	60	0
Yamal	Poland via Belarus	31	0
Total Russian gas		**157**	**54**
Share of Russian gas in total EU imports		*43%*	*18%*

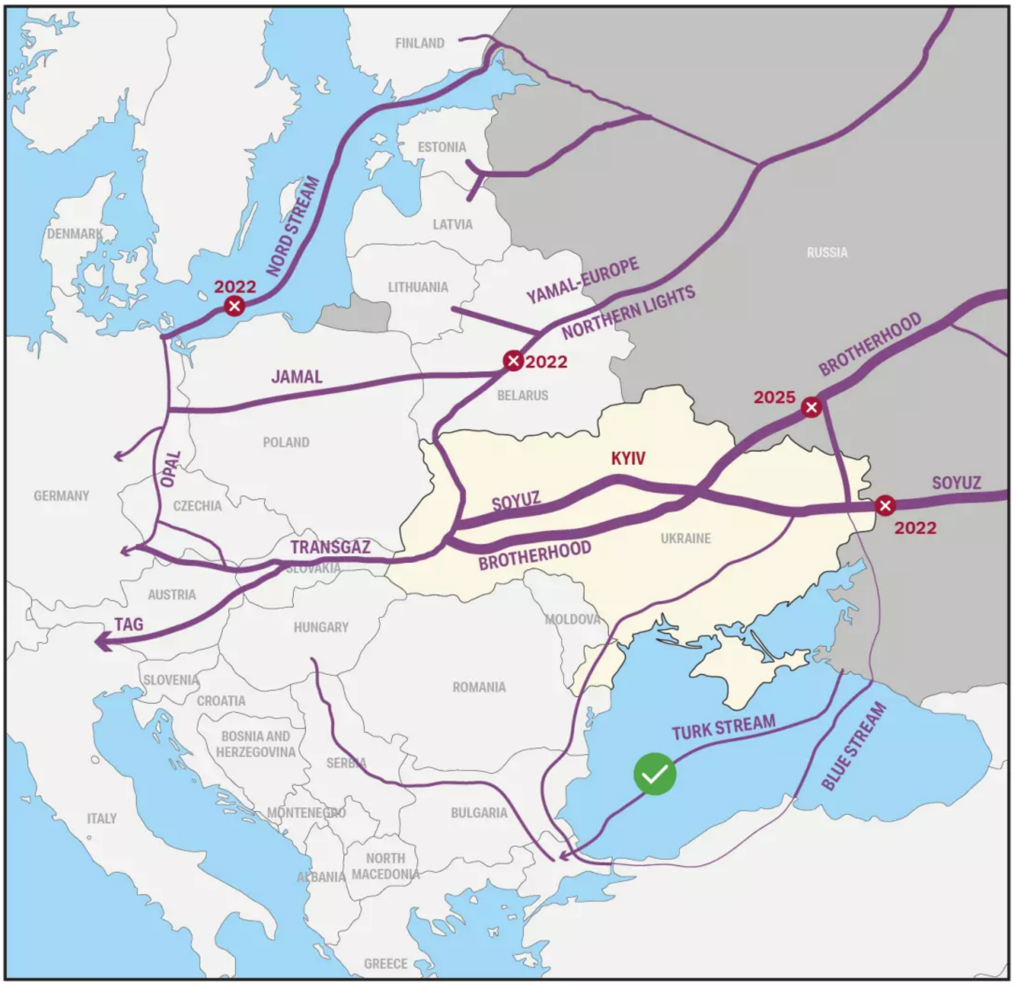
Source: Bruegel.

Figure 1: Monthly European gas imports by source, billion cubic meters, 2021-01 — 2025-04



Source: Bruegel.

Figure 2: Russian pipeline infrastructure in Europe



Source: Bruegel.

While Russian gas flows to the EU have fallen substantially, Russia continues to supply some European companies. Despite several countries, including Lithuania, Latvia, Estonia and Poland, imposing national bans on Russian gas, there are no robust EU-level legal restrictions on Russian gas entering via pipelines. Sanctions apply only to LNG transshipments via EU ports for non-EU destinations[6] .

Nonetheless, several contracts between Russia's Gazprom and EU energy companies have been terminated. The contract between Austria's main gas provider, OMV, and Gazprom, originally valid until 2040, was terminated in December 2024. Czechia's CEZ, Germany's RWE and Uniper and Italy's ENI have initiated legal proceedings against Gazprom over non-delivery or breaches of contract[7] . Yet several companies still have long-term contracts with Gazprom with 'take or pay' clauses forcing them to purchase Russian gas to avoid penalties.

European routes for Russian gas

Most of the Russian pipeline infrastructure still exists (Figure 2). While reopening Yamal is unlikely, given Poland's stance against Russian energy, and TurkStream's capacity is fully utilised, two options remain: restoring transit via Ukraine or using an undamaged Nord Stream 2 pipe.

The contract for Russian gas transit through Ukraine expired in January 2025. The EU discussed the possible renewal of Ukrainian transit[8] , with Slovakia threatening to block support for Ukraine unless transit is resolved. In 2024, Gazprom was required to pay Ukraine for the transit of 40 bcm of gas; however, Russia transported only 16 bcm. The technical capacity of the pipeline system is around 100 bcm.

Completed in 2021, Nord Stream 2 (NS2) has not been certified for operation by Germany or the European Commission and was partially damaged during a 2022 explosion, leaving one intact pipeline with an annual capacity of 28 bcm. Despite reported discussions between a Putin aide and US investors[9] , reopening NS2 faces financial hurdles: pipeline operator Nord Stream 2 AG, part of Russia's Gazprom, has until 9 May 2025 to restructure its debt and settle with small creditors or face bankruptcy[10] .

Evaluating policy responses

A unified EU-level policy framework should include measures to discourage use of Russian gas, and incentives for EU countries still reliant on it to end their dependence. We assess an embargo, quotas and tariffs as potential tools for a unified EU approach.

Applying an embargo on Russian gas imports[11] , would immediately cut dependency and end gas sales revenues for Russia[12] . If sanctions were imposed, EU companies with long-term contracts with Gazprom could terminate their contracts without incurring penalties. However, a complete embargo would likely cause temporary price spikes, especially in Hungary and Slovakia.

Legally, an EU-wide embargo requires unanimous approval from EU countries[13] . A ban on Russian LNG imports failed to gain enough support for inclusion in the 16th package of EU sanctions on Russia, adopted in February 2025. At Slovakia's request, the European Council stressed the need to find a workable solution for Ukrainian gas transit[14]. Given the current political landscape, securing unanimity remains very challenging, suggesting that an alternative approach is necessary.

The EU could consider measures for a phased reduction of Russian gas that would create less financial strain and which are more politically viable. The two main options are quotas, which are limits that cap the volume of gas that can be imported into the EU, or import tariffs, which are levies that the EU would place on Russian gas. Tariffs are preferable to quotas because they generate revenues for the EU rather than increasing revenues for Russia.

First, tariffs would create revenue that could be used to minimise the impact of the tariffs on industries affected by rising energy costs. Importers would pay a levy per unit of Russian gas, either as a percentage of the gas value or a certain amount for each cubic metre of gas. This revenue could fund alternative energy supplies and infrastructure, notably in Slovakia and Hungary, in a manner that preserves market signals. Quotas, on the other hand, restrict supply without generating financial returns.

Second, tariffs would hurt Russia's economy while potentially benefiting the EU[15]. Tariffs would increase the cost of Russian gas imports. If Russia wants to maintain or increase its export volumes to the EU, it may have to lower its gas prices, partially offsetting tariffs for consumers. As a result, the EU's terms of trade would improve. Meanwhile, quotas create a shortage of gas. If the EU's demand for Russian gas remains high, prices for Russian gas will rise until they reach a level where demand matches the restricted supply. Quotas enable Russia to charge more per unit of gas, compensating for lost sales volume and maintaining, or even increasing, its revenue. The longer the phase-out period with quotas, the longer Russia would benefit from higher gas prices.

Companies bound by long-term contracts with 'take-or-pay' clauses would need to buy a minimum volume of Russian gas to avoid fees. To compensate these importers for paying tariffs on these minimum quantities until contracts expire, revenues from spot market purchases could be used.

Legal and political viability of tariffs

Legally, tariffs in the EU can be introduced by a qualified majority vote, unlike an embargo, which requires unanimity. The question of which treaty article provides the appropriate legal basis for a tariff remains to be answered. The EU Court of Justice states that when multiple legal bases are applicable, the most specific must be used (Kleimann *et al*, 2022). The two relevant options for a tariff on Russian gas are energy supply and commercial relations (Kleimann *et al*; Lenk, 2022).

The article under which the tariff is deemed to fall is crucial – if the measure is considered to target energy supply rather than trade, Article 194 TFEU should apply. Under this article individual EU countries have the right to determine their energy mixes. An EU-wide tariff would overstep those rights.

If understood to be a trade measure however, Article 207 TFEU would apply, under which the EU has exclusive competence to set tariffs as part of its Common Commercial Policy. Tariffs are considered trade measures – not sanctions – and thus can be adopted by qualified majority voting in the Council of the EU based on a European Commission proposal.

Principles for tariff design

The key question for tariff design is the extent of Russia's dependence on the EU as an export market for its gas rather than the EU's reliance on Russian gas. The optimal tariff level is primarily determined by the elasticity of Russia's gas supply (Sturm, 2022), which is economically inelastic. Europe, with its well-developed pipeline infrastructure, has been the key buyer of Russian gas. Developing LNG capacities and pipelines to China will take time and involve different gas sources. This allows the EU to impose substantial tariffs on Russian gas without significantly reducing Russia's commercial incentive to export to the EU. Still, politically Russia can threaten to halt supplies if it disagrees with EU tariffs; therefore, the EU must adopt a firm stance against Russian gas.

To make gas tariffs effective, the EU needs to prevent circumvention that masks the origin of Russian gas, such as Turkey's rebranding of Russian oil as its own[16] and its marketing of a 'Turkish blend' of gas from various sources, potentially including Russian gas[17]. Another example is considering Azerbaijani gas as an alternative to Russian gas through Ukrainian gas transit. However, Azerbaijan's limited output makes a swap deal with Russia likely, effectively leaving Europe's dependency on Russian supplies unchanged (Keliauskaite and Zachmann, 2024).

Furthermore, the EU must be able to secure sufficient affordable gas if Russia cuts off supplies. While it is technically feasible to deliver additional LNG through terminals in Croatia, Italy, Poland and Germany[18] , finding reliable replacement volumes is challenging due to the limited number of large suppliers, with the US being the main alternative. Two new US LNG facilities began operating in early 2025[19] , boosting US exports by 15 percent in 2025[20] (20 bcm). While significant gas volumes remain uncontracted[21] , it is unclear how much will be available in the short term, when EU demand is highest. This shift to alternative gas sources also risks creating new dependencies.

Conclusion

The recent energy crisis clearly illustrated why the EU must accelerate its transition away from fossil fuels. This strategic decoupling is critical to achieve climate goals and to end the risk of energy weaponisation, as well as to foster economic competitiveness.

An effective common tool on Russian gas imports is urgently needed – as otherwise Russia might again use (the prospect of) selective gas supplies to fuel profound discord amongst member states. A tariff on remaining Russian gas flows should be pursued. This represents a viable option, as tariffs could prompt Russian suppliers to lower prices to remain competitive, generating revenue to support vulnerable EU countries in their transition away from Russian gas. Ultimately, a tariff would also limit the Kremlin's gas revenues and therefore weaken its ability to fund future aggression against Ukraine or other neighbours.

The authors thank Agata Łoskot-Strachota, Conall Heussaff, Filip Rudnik, and Ignacio García Bercero for their comments.

References

Keliauskaite, U. and G. Zachmann (2024) 'The end of Russian gas transit via Ukraine and options for the EU', *Analysis*, 17 October, Bruegel, available at https://www.bruegel.org/analysis/end-russian-gas-transit-ukraine-and-options-eu

Kleimann, D., B. McWilliams and G. Zachmann (2022) 'How a European Union tariff on Russian oil can be designed', *BruegelBlog*, 29 April, available at https://www.bruegel.org/blog-post/how-european-union-tariff-russian-oil-can-be-designed

Łoskot-Strachota, A., U. Keliauskaite and G. Zachmann (2024) 'Future European Union gas imports: balancing different objectives', *Analysis*, 3 July, Bruegel, available at https://www.bruegel.org/analysis/future-european-union-gas-imports-balancing-different-objectives

Lenk, H. (2022) 'The Costs of War: how tariffs could help Europe give up Russian oil and gas', *Perspective,* Swedish Institute for European Policy Studies, available at https://www.sieps.se/globalassets/publikationer/2022/perspective_the-costs-of-war.pdf

Sturm, J. (2022) 'The simple economics of trade sanctions on Russia: A policymaker's guide', mimeo, available at https://sturm-econ.s3.amazonaws.com/Sturm+policy+lessons+2022.pdf

Endnotes

1. See, for example, recent declarations by Italian Energy Minister Gilberto Pichetto Fratin (Gianni Armand Pilon, 'Pichetto Fratin: Bollette scontate per i più fragili. Fatta la pace si torna al gas russo', La Stampa, 22 February 2025, https://www.lastampa.it/economia/2025/02/22/news/pichetto_fratin_bollette_gas_russo-15016472/) and the head of one of Germany's biggest chemical industrial sites (Marilen Martin, Anna Shiryaevskaya, and Priscila Azevedo Rocha, 'Amid Ukraine Endgame, Some in Germany Want Russian Gas', Bloomberg, 28 February 2025, https://www.bloomberg.com/news/articles/2025-02-28/german-industry-begins-calling-for-return-to-russian-gas?sref=uFaJcogC).
2. As of 31 March 2025, the EU's gas storage is at 34 percent of capacity. At the same point in 2024, it was at 58 percent of capacity.
3. Kate Abnett, 'EU unveils 210 bln euro plan to ditch Russian fossil fuels', Reuters, 18 May 2022, https://www.reuters.com/business/sustainable-business/eu-unveils-escape-route-russian-fossil-fuels-by-2027-2022-05-18/.
4. Gabriel Gavin, 'EU delays its exit strategy from Russian energy amid geopolitical turmoil', Politico, 6 March, 2025. https://www.politico.eu/article/eu-delays-russian-energy-exit-strategy-amid-geopolitical-turmoil-ukraine-peace/.
5. Samantha Gross and Constanze Stelzenmüller, 'Europe's messy Russian gas divorce', Brookings, 18 June 2024, https://www.brookings.edu/articles/europes-messy-russian-gas-divorce/.
6. See European Commission press release of 24 June 2024, 'EU adopts 14th package of sanctions against Russia for its continued illegal war against Ukraine, strengthening enforcement and anti-circumvention measures', https://ec.europa.eu/commission/presscorner/detail/en/ip_24_3423.
7. Alexandra Schwarz-Goerlich and Nina Chestney, 'Russian gas supply could stop to Austria before year-end', Reuters, 14 November 2024, https://www.reuters.com/business/energy/russian-gas-supply-could-stop-austria-before-year-end-2024-11-14/.
8. Gabriel Gavin and Jacopo Barigazzi, 'EU backs off call to explore reviving Russian gas for Slovakia', Politico, 6 March 2025, https://www.politico.eu/article/eu-poised-back-return-russian-gas-slovakia-vetoing-support-ukraine/.

9. Max Seddon, Henry Foy and Felicia Schwartz, 'Putin ally pushes deal to restart Nord Stream 2 with US backing', Financial Times, 2 March 2025, https://www.ft.com/content/dc9c51ab-03cb-47ba-ad0a-09c4deed9b50.

10. Nina Chestney and Christoph Steitz, 'Explainer: Gas pipeline Nord Stream's long way back to Europe', Reuters, 7 March 2025, https://www.reuters.com/business/energy/gas-pipeline-nord-streams-long-way-back-europe-2025-03-07/.

11. Similar to the already existing ban on Russian seaborne crude oil and oil products.

12. Assuming there are no circumventions of the sanctions, such as engaging in a swap deal with Azerbaijan as an option for Ukrainian transit.

13. As per Article 31 of the Treaty on European Union (TEU) and Article 215 of the Treaty on the Functioning of the EU (TFEU).

14. See European Council press release of 6 March 2025, 'Ukraine', https://www.consilium.europa.eu/en/press/press-releases/2025/03/06/european-council-ukraine/.

15. Note that larger tariffs would result in a cost for the EU (Sturm, 2022).

16. Victor Jack, 'How Turkey became Putin's 'pit stop' for selling camouflaged fuel to the EU', Politico, 15 May 2024, https://www.politico.eu/article/how-turkey-become-vladimir-putin-pit-stop-sell-camouflage-fuel-eu/.

17. David O'Byrne, 'Turkey eyes greater role as gas re-exporter to Europe: Bayraktar', S&P Global, 23 September, 2024, https://www.spglobal.com/commodity-insights/en/news-research/latest-news/natural-gas/092324-turkey-eyes-greater-role-as-gas-re-exporter-to-europe-bayraktar

18. The German Mukran terminal's capacity (10-15 bcm) went largely unused in 2024, and Italian LNG terminals operated over 10 bcm below their maximum capacity. The Croatian terminal at Krk is set to double its capacity to 6 bcm this spring. Poland expanded the regasification capacity of the Świnoujście terminal from 6 bcm to 8 bcm in January 2025.

19. EIA data, see https://www.eia.gov/naturalgas/importsexports/liquefactioncapacity/U.S.liquefactioncapacity_2024_Q4.xlsx.

20. EIA data https://www.eia.gov/outlooks/steo/xls/STEO_m.xlsx.

21. S&P Global reported that 10.3 million tonnes of LNG have been contracted for Europe from US plants under construction, with an additional 9.5 million tonnes available for buyers. This exceeds the 17 million tonnes of Russian LNG imported by the EU last year and will be operational by 2029. See Alice Hancock, Jamie Smyth and Shotaro Tani, 'Why Europe will struggle to buy more US gas', Financial Times, 20 January 2025, https://www.ft.com/content/e33d9eec-b34c-4afc-8948-dda91ccbb70d

Bruegel
Rue de la Charité 33,
B-1210 Brussels
(+32) 2 227 4210
info@bruegel.org

Bruegel.org