

## Europe's plan to reduce reliance on Russian gas

11 March 2022

# REPowerEU: The European Commission's plan for more affordable, secure and sustainable energy

## Summary of REPowerEU.

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Following Russia's invasion of Ukraine, Europe aims to be independent from Russian fossil fuels well before 2030, starting with gas, through the REPowerEU plan. It is expected to reduce EU demand for Russian gas by two-thirds before the end of 2022. The REPowerEU plan will increase Europe's energy resilience through two pillars:

- a) **Diversifying gas supplies, through higher Liquefied Natural Gas (LNG) and pipeline imports** from non-Russian suppliers, and greater volumes of **biomethane and renewable hydrogen production and imports**; and
- b) **Reducing the fossil fuel use in households, buildings, industry and power systems** by increasing energy efficiency, increasing renewables and electrification, and addressing infrastructural impediments.

## Overall thoughts: REPowerEU is ambitious, in line with Europe's climate change goals and for the better.

- 1) Given the dire geopolitical and energy market situation, there is urgency to accelerate Europe's clean energy transition. The plan is also **consistent with Europe's Fit for 55<sup>1</sup> plan and goal to be climate-neutral by 2050.**
- 2) We deem the ambitious plan as a positive message and a step in the right direction towards a **carbon-resilient future for Europe**, instead of turning to domestic fossil fuel resources to reduce reliance on Russian gas. Reducing gas imports from Russia by two-thirds is expected to be difficult but achievable, taking into account existing ties with non-Russian suppliers and upcoming legislative steps to mandate prompt action. The REPowerEU plan can also have **positive knock-on effects on the rest of the world with technology and knowledge transfer**, accelerating clean energy adoption globally.
- 3) Where to from here?
  - a. First, we expect **greater policy changes and government support to diversify gas supplies, improve energy efficiency, as well as to increase uptake of renewables and electrification.** There are

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<sup>1</sup> As an intermediate step towards climate neutrality, the EU has raised its 2030 climate ambition, committing to cutting emissions by at least 55% by 2030.

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already plans to present a legislative proposal on minimum gas storage, requiring underground gas storage across the EU to be filled up to at least 90% by 1 Oct every year. The urgency for implementation can put Europe ahead of its regional peers in its clean energy transition, to meet its climate change goals.

- b. Second, we foresee **strengthening of ties between the EU and non-Russian gas suppliers, e.g. Norway and Algeria**, as part of efforts to diversify gas supplies and reduce reliance on Russia as its main supplier. Norway could provide the largest boost for Europe, estimated at ~13 billion cu m of production upside. Algeria also has spare production and pipeline capacity to increase exports to Europe.
- c. Third, **there will be greater investments, government action and collaboration among EU member states to identify projects to meet the objectives of REPowerEU**. Potential projects could include those that advance the implementation of hydrogen and renewable energy technologies, especially in emissions-intensive and harder-to-abate industries such as the manufacturing sector.
- d. Finally, the REPowerEU plan can **propel a global transition towards a more sustainable future** from positive spillover effects through information sharing and collaboration with other countries. For example, the REPowerEU's plan to develop hydrogen infrastructure, storage facilities and port capacities can help in reducing the currently high costs of hydrogen storage facilities in many countries.

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