World energy market experts proclaimed last week the beginning of the end of Gazprom’s monopoly in the European gas market. The reason for such an audacious thesis was the first shipment of liquefied natural gas from US state of Louisiana, which arrived in the Portuguese port of Sines on April 26th 2016. The United States was unable to export raw material for many years, but an oversupply in its internal market has led to a significant reduction in prices and therefore resulted in the deterioration of the financial condition of companies engaged in gas extraction. Barack Obama’s consent to export natural gas means there is a de facto full mobilisation of all six American gas ports.
Photo by Oleksandr Kalinichenko / Shutterstock
Cheniere, the US company which sold the gas to Lisbon, has already begun co-operating with many European countries for some time. The delivery of US gas to Europe is outwardly received indifferently by Moscow. However, in practice, this is actually the beginning of a complete change of Europe’s “blue fuel” supply model. Alexander Medvedev, Gazprom’s vice president, has already announced a cost reduction, if the United States supplies cheaper gas to Europe than that which Russia does. Lowering the price of liquefied gas below the one traditionally supplied by pipelines is still difficult today, because the process of liquefaction must be considered, as well as transportation and regasification. However, given the rapidity of advancing production and transport technology development, it is only a matter of time until this type of gas as well as transportation costs become competitively priced.
It should be kept in mind that the US is very quickly becoming a global player as an energy supplier, starting from its position as one of the largest gas importers in the world. According to the International Energy Agency, gas consumption will grow annually by 1.6 per cent in the foreseeable future. It is essential to note that from 2007 until 2014 shale gas production increased every year by more than 50 per cent in the US. It was the shale gas revolution which flooded the United States with cheap gas, which led the American Congress and president to agree on gas exportation.
This cannot be easy on Namietkina Street in Moscow (where Gazprom is headquartered), because Russia meets more than 25 per cent of Europe’s demand for natural gas. A strong player like the US, along with Russia’s political opposition and many of the Kremlin’s actions, create a big challenge for Russia’s monopoly. Gas is also supplied to Europe from Norway, Algeria and the Middle East.
The European gas market has been so far cemented mainly due to a lack of efficient alternative import technology. This fact has been used by Russia again and again to firmly negotiate with European partners and rigidly stand its ground. This lack of negotiating

flexibility may turn out to currently be very expensive for Moscow.
At the end of last year it was speculated that the first American LNG would flow directly to the Klaipeda Lithuania gas terminal. It was to be the US's gesture towards the Baltic states which are almost entirely dependent on Russian gas supplies. It happened otherwise, but this does not mean that Klaipeda will not host a gas ship from the US in the near future.
Revolution on the LNG market
Gas ports are springing up all over the world. Australia, the US, Russia and various of Middle Eastern states are the countries which mostly invest in this activity. There are 30 countries operating in the LNG maritime transport market (including Poland; the potential trans-shipment port in Świnoujście handles five million tonnes, giving Poland a leading position in the region). Today, Europe's largest LNG importers are the following: the United Kingdom, Spain, Turkey, France and Italy. The biggest supplier is Qatar, closely followed by Algeria.
The volume of LNG global trade reached 250 million tonnes last year, while the number of exporting countries increased to 19. The shipbuilding industry benefits from the LNG market's boom at the same time. Over 410 specialist units travel the world's seas and oceans and another 150 are under construction. Poland joined the group of countries involved in LNG exchange formally on December 11th 2015 when the Świnoujście gasport welcomed Al Nuaman – a Qatari ship which is the most modern of its kind in the world. The road from Qatar to Poland took three weeks and the load delivered in one vessel was sufficient enough to cover two full nationwide statistical consumption winter days.
Investment in Świnoujście's LNG terminal cost Polish taxpayers around one billion euros (in comparison, the tunnel under the Martwa Wisła which opened in Gdansk last week cost only 200 billion euros). Europe's crude oil and natural gas market's current situation is one of the best investments the Polish government has recently made.
The US LNG market's increased activity is a clear signal to Russia that the time of absolute monopoly in Europe has come to an end. Now is the time to carefully observe and follow competitors' steps. This is a considerable move towards the market's normalisation and the de-politicisation of investment decisions such as Nord Stream and South Stream.
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