The Geo-Politics of Gas Pipelines

What is the issue?

While world's attention has been focussed on the controversy of European and US opposition to Nord Stream II pipeline from Russia to Germany, it was a European Pipeline project (EastMed) that met a quiet death.

What is the European Pipeline Project?

- Eastern Mediterranean (EastMed) is a **1,900km natural gas pipeline** project to connect the gas reserves of the eastern Mediterranean to Greece.
- In 2013, the European Commission designated the pipeline a **"Project of Common Interest"** and was estimated to send as much as 20 billion cubic meters of gas to Europe annually.
- The pipeline includes 1,300km of offshore and 600km of onshore sections.
- It will transport natural gas from the Levantine Basin in Israel as well as from the gas fields in Cypriot waters to Greece and Italy.
- The energy ministers of **Greece, Israel, and Cyprus** signed the final agreement for the pipeline project in January 2020.
- At the end of 2020, Congress passed legislation that included support for constructing pipelines and liquified natural gas terminals, and created a **United States-Eastern Mediterranean Energy Center**.

What is the significance of the project?

> *The US has only 5% of global gas reserves but is the world's biggest gas exporter whereas Russia has 24% of proven gas reserves of the planet.*

- The EastMed pipeline project will improve Europe's energy security by diversifying its routes and sources and providing direct interconnection to the production fields.
- It will provide an opportunity for Cyprus to merge with the European gas system, which will further enhance gas trading in the south-east European region.
- The project will also support the economic development of Cyprus and Greece by providing a stable market for gas exports.
- It will enable the development of gas trading hubs in Greece and Italy and facilitate gas trading in south-east Europe.

What is the issue now?

- The US State department has announced that it no longer supports the EastMed natural gas pipeline on grounds of
  - Financial viability
  - Environmental concerns
  - Political tensions
- **Financial viability**- The U.S. feels that the project is unviable as it seems too ambitious and complicated.
- The EastMed is expensive, and if it is built, it will operate in conditions of reduced demand and increased competition with other cheaper gas sources.
- It is likely that it will become a high-carbon stranded asset, causing billions of euros of losses.
- **Environmental concerns-** The extraction and burning of natural gas emit carbon dioxide and methane, the two most crucial greenhouse gases.
- The footprint of natural gas is so negative, that from 2022 onwards, the European Investment Bank (EIB) will no longer be funding natural gas projects as part of its strategy to end support for hydrocarbon infrastructure.
- The gas fields are located in the sea shelf south of the country and exploratory drilling has faced several hurdles.
- **Political tensions-** Turkish leadership has made it clear that EastMed cannot happen without its participation.
- It has been fighting hard for a sizeable share of natural gas revenues for the northern Turkish Cyprus enclave that it occupies since 1974 invasion through a puppet government and for itself.
- **Turkey** carries enormous influence with Washington due to its **NATO membership** and as a gateway to the Black Sea.

What is Russia's gameplan?

- Traditionally Russian export of gas to Europe has been through pipelines that pass through Ukraine and Eastern Europe.
- These pipelines have come under increasing pressure due to increased US influence over eastern European countries and recently over Ukraine.
- Also, the Russian ally and gas transit country Belarus is under western sanctions.
- Russia therefore decided to bypass both Ukraine and Belarus and build a direct pipeline to Germany and invested over 9 billion dollars in the construction of Nord Stream pipeline.
- However, approval from the German regulators for this pipeline to become operational has stopped as the US has increased sales of LPG to Europe and has tried to capture the market.
- Russia has also pivoted east and is building the **Power of Siberia pipeline** to China from its gas fields in the Arctic Circle.

Does this have any relevance to India?

- India imports LPG from open markets through very large tankers.
- Qatar, Australia and the US are the largest suppliers to India.
- In future, India is very likely to buy LPG from Russia where India has been making substantial investments in petrocarbon extraction.
- By diversifying its sourcing and betting on reliable and large gas exporters, the Indian government has ensured energy security.
- The EastMed was of no relevance to global gas markets and thus no relevance to India.
- **TAPI pipeline-** The only relevant pipeline from the Indian point of view can one day be the TAPI (Turkmenistan Afghanistan Pakistan India) pipeline
- The pipeline extends from Turkmenistan's Galkynish gas fields, the world's second largest proven gas field with natural gas.
- The pipeline, if completed, will deliver 33 billion cubic metres (1.2 trillion cubic feet) of natural gas per year to Afghanistan, Pakistan and India.
- Despite the political upheavals in Afghanistan and strained relations between India and Pakistan, this pipeline has much greater relevance to India than the EastMed.

References

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