Policy Paper

The American "New Energy Realism" and the prospects of US LNG in the EU

VOCAL EUROPE

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Introduction

The "energy dominance" term[1] is both a major vow and focus of "America First" vision, and a hallmark of the energy policies pursued by Trump administration. It reflects the return of the United States as a leading global oil producer [2] but also the aim to dominate the global markets of liquefied natural gas (LNG). Under the current administration, the LNG has increasingly becoming a nexus of the central points of United States' trade, energy and foreign policies. The LNG exports are one of the priorities of Trump administration's trade policy as they are seen as a way to address the US trade imbalances with other countries, despite of the fact that they could not make a significant dent in the overall deficit trade.

At the same time, the production of abundant and affordable energy, chiefly from oil and gas resources, and innovation harnessing are the cores of the "New Energy Realism"[3]. The New Energy Realism is a new term added to the expanding lexicon of Trump administration but also a concept that may be seen (by employing the lens of leniency, though, as it still lacks a more elaborated conceptualization) as encompassing the approach, vision and directions of the energy policy currently pursued by the United States. Exports of American fuels (including coal exports), and primarily the LNG exports, are seen by the current administration not solely through commercial lens but as a way through which other countries, "the friends and allies" of America, can lessen their dependence on "unfriendly nations", and boost their energy security.[4]

However, despite its scarcity of conceptualization, the "New Energy Realism" displays at least the following clear-cut features: firstly, it can be approached in opposition with the policy pursued by the United States for decades, which focused on "using the U.S. military to protect foreign oil fields,

[1] White House, "Remarks by President Trump at the Unleashing American Energy Event", June 29, 2017, https://www.whitehouse.gov/briefings-statements/remarks-president-trump-unleashing-american-energy-event/

[2] U.S. Energy Information Administration, "The United States is now the largest global crude oil producer", September 12, 2018, https://www.eia.gov/todayinenergy/detail.php?id=37053&src=email

[3] U.S. Department of Energy, "The New Energy Realism: Secretary Perry Remarks at CERA Week", Week", March 7, 2018, https://www.energy.gov/articles/new-energy-realism-secretary-perry-remarks-cera-week-prepared-delivery

[4] Ibid.

pipelines, and sea lanes" [5]; it doesn't seek to "protect assets and supply lines in oil- and gas-producing regions" [6] whatsoever. Secondly, it prioritizes the domestic development of fuels, notably of oil and gas, and their exportation. Thirdly, the New Energy Realism has also a substantial geoeconomic feature, as one of the goals explicitly set by the US energy diplomacy is, as mentioned above, enhancing the energy security of the US "friends and allies", chiefly through LNG exports.

"Energy security" is a term widely used by President Trump and other US officials in their public stances, often in relation with Russia and the Nord Stream 2 pipeline project [7]. Moreover, the issue of energy security received also the attention of Congress, which initiated a wide range of legislation targeting the Russian energy sector. Some of the legislation pieces aim directly the Nord Stream 2 project, as the last resolution adopted by the House of Representatives, which, though unbinding, calls the European governments to reject the pipeline project and urges the President to "use all available means to support European energy security" [8]; yet, the most significant piece of legislation, in terms of possible outcomes, is "Countering America's Adversaries Through Sanctions Act". Furthermore, it is expected that the current Congress will not change the path and will continue to put the pressure on Russia through legislative means.

1. Pledges and hails about the US LNG over the both sides of the Atlantic

At the end of July 2018, Donald Trump hailed that the European Union had agreed to fund 9 to 11 terminals [9] to absorb the US LNG exports. This arrangement has seemingly been concluded on July 25 2018, at the meeting between Donald Trump and the president of the European Commission, Jean-Claude Juncker. The praise of the successful de-escalation of tensions in the US-EU trade relations, and the EU's penned wish to import "more liquefied natural gas (LNG) from the United States [10] to

[5] Tyler Priest; The Dilemmas of Oil Empire, *Journal of American History*, Volume 99, Issue 1, June 1, 2012, 236–251, p.249, https://doi.org/10.1093/jahist/jas065

[6] Ibid. , p. 251

[7] U.S. Department of State, Briefing on European Energy Security and the Nord Stream 2, December 10, 2018, https://www.state.gov/r/pa/prs/ps/2018/12/287983.htm

[8] "H. Res. 1035-Expressing opposition to the completion of Nord Stream II, and for other purposes", December 11, 2018, https://www.congress.gov/bill/115th-congress/house-resolution/1035/text?format=txt

[9] Reuters, "Trump bets on new European energy terminals but EU funds meagre", August 1, 2018, https://www.reuters.com/article/us-eu-us-lng/trump-bets-on-new-european-lng-terminals-but-eu-funds-meager-idUSKBN1KL33S

[10] European Commission, " Joint EU-US Statement following President Juncker's visit to the White House", July 25, 2018, http://europa.eu/rapid/press-release_STATEMENT-18-4687_en.htm

diversify its energy supply" were among the outcomes of Trump-Juncker meeting. Another outcome was Mr Trump's claim that the EU is going to be "a very, very big buyer", a "massive buyer"[11] of

American LNG but also Mr Juncker's pledge that the EU will build more terminals to import LNG: "We are ready to invest in infrastructure and new terminals which could welcome imports of LNG from the United States and elsewhere, but mainly from the United States – if the conditions were right and price is competitive. This is part of our today's agreement, to increase the import of liquefied gas, because already now the European Union is importing 35 percent of its gas from the U.S. This has to be brought to a more ambitious level"[12].

It is not clear whether both Mr Trump and Mr Juncker were aware, during their meeting and after, that the EU has a low rate of utilization of its LNG terminals. Although EU has nearly 20 % of the global regasification capacity -between 225-227 billion cubic meters of gas (bcm), according to various information sources-, it also has a very low utilization rate of its LNG terminals. Hence, as a study of King and Spalding indicates[13], in the period 2008-2014 the utilization rate of European LNG terminals was below 20 %; in 2016, it reached, on average, 20 %, while in 2017 it increased to 25 % (or 27% in 2017, according to International Gas Union [14]).

What is clear, though, is that EU is co-financing, or is committed to co-finance 9 LNG terminals[15], which would further increase its regasification capacity by 2021. However, some of the LNG terminals promised to Mr Trump still await final investment decisions, and that would be made by the projects' investors, and not by the Commission, and, overall, the 9 terminals would not

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[11] White House, "Remarks by President Trump and President Juncker of the European Commission in Joint Press Statements" , July 25, 2018, https://www.whitehouse.gov/briefings-statements/remarks-president-trump-president-juncker-european-commission-joint-press-statements/

[12] Center for Strategic and International Studies, "Transatlantic Relations at a Crossroads: A Conversation with European Commission President Jean Claude-Juncker", July 25, 2018, https://csis-prod.s3.amazonaws.com/s3fs-public/event/180726_Jean_Claude_Juncker.pdf

[13] King and Spalding, "LNG in Europe 2018. An Overview of LNG Import Terminals in Europe", June 26, 2018, p.3 https://www.kslaw.com/blog-posts/lng-in-europe-2018-an-overview-of-lng-import-terminals-in-europe-2

[14] International Gas Union, "2018 World LNG Report (27th World Gas Conference Edition)", July 2018, p.49, https://www.igu.org/publications-page

[15] European Commission, "EU-U.S. Joint Statement of 25 July: European Union imports of U.S. Liquefied Natural Gas (LNG) are on the rise", August 9 2018, http://europa.eu/rapid/press-release_IP-18-4920_en.htm

significantly increase the EU's highly-underused regasification capacity; yet, if taking out the Revithoussa terminal in Greece-whose expansion was completed in November 2018, the updated number is 8 terminals).

It is also clear-cut that Jean Claude-Juncker's above statement- "because already now the European Union is importing 35 percent of its gas from the U.S"-it is, if not a fallacious one, at least a stance that does not simply reflect the reality. Hence, in 2017, the US LNG share in the total EU gas imports was 4 percent while by October 2018 the EU imports of US LNG reached 9 percent. [16] While the EU Commission attempts to frame the increase of US LNG exports to Europe specifically in the framework of Trump-Juncker meeting [17] , the growth in US exports to European markets is not, by far a direct outcome of the meeting, and it may be explained through a compound of several factors, which will be further examined.

But what about Mr Trump's hail that the EU would become a "massive buyer" of US LNG? Answering this question requires firstly a "reality check" of the US LNG presence in the European market, and secondly an appraisal of the prospects for US LNG exports in the EU market, preponderantly in the light of the competition faced with other sources, notably the Russian gas, on one hand, and some Eastern European countries' willingness to enhance their energy security, on the other hand.

2. The US LNG presence in the EU market

The data available at the time of the writing[18] shows that by the end of October 2018, the United States exported 4 bcm to the European Union market [19]. Important volumes went to Netherlands (which, after decades of developing own domestic production, has become a net importer of gas), UK, Portugal, Italy and Spain. In 2017, the US LNG exports to Europe were nearly 2.1 bcm, roughly

[16] European Commission, "EU-U.S. LNG TRADE - U.S. liquefied natural gas (LNG) has the potential to help match EU gas needs", November 30, 2018 , https://ec.europa.eu/energy/en/topics/oil-gas-and-coal/liquefied-natural-gas-lng

[17] Ibid.

[18] This piece was concluded on February 6, 2019 and it used data released by the European Commission and the U.S. Energy Information Administration.

[19] European Commission, "EU-U.S. LNG TRADE - U.S. liquefied natural gas (LNG) has the potential to help match EU gas needs"

4% of the EU's overall LNG supplies, which amounted to 55 bcm [20]. The top US LNG importers in the EU in 2017 were Spain and Portugal.In 2017 and in 2018 as well, the liquid and well-connected Northwest European market was not very attractive for the LNG supplies in general, and the US LNG ones particularly, as in this region the LNG exports faced the strong competition of domestic production and imports of piped gas from Norway and Russia.

Fig.1 US LNG Exports to Europe 2017-2018

Country	Quantity (million cubic feet)	Year	Average Price (dollars per thousand cubic feet)
France	4,846	October 2018	6.72
	9, 991	November 2018	7.02
Italy	3,328	November 2016	6.32
	3,120	June 2017	4.38
	3,372	August 2017	3.55
	6,468	September 2018	4.99
	4,785	October 2018	6.72
Lithuania	3,431	August 217	4.13
	3,414	September 2017	3.55
Malta	867	January 2017	4.70
	2,927	July 2018	6.70
Netherlands	3,042	May 2017	6.35
	3,253	April 2018	6.33
	2,915	September 2018	6.58
	3,071	October 2018	6.72
	2,949	November 2018	6.83
Poland	3,440	May 2017	4.26
	3,231	November 2018	7.12
Portugal	3,700	April 2016	3.58
	3,442	January 2017	7.29
	1,692	February 2017	7.18
	3,625	May 2017	6.35
	3,662	July 2017	6.26
	3,399	August 2017	4.38

[20] European Commission, "Liquefied Natural Gas", https://ec.europa.eu/energy/en/topics/oil-gas-and-coal/liquefied-natural-gas-lng

	3,702	November 2017	3.29
	3,247	January 2018	3.27
	2,296	August 2018	6.94
	3,670	September 2018	3.46
Spain	2,930	July 2016	4.92
	10,002	January 2017	6.28
	1,766	February 2017	7.18
	217	July 2017	6.26
	3,712	August 2017	3.55
	3,666	September 2017	3.55
	2,980	October 2017	3.56
	3,617	November 2017	3.29
	3,370	December 2017	5.73
	3,230	July 2018	6.70
	3,551	October 2018	3.46
	3,529	November 2018	3.80
*UK (UK is supposed to leave he EU on March 29, 2019)	3,410	June 2017	3.87
	6,267	March 2018	5.89
	3,624	September 2018	3.46
	7,213	October 2018	5.13
	20,695	November 2018	5.65

Source: *Author's own compilation, based on data of U.S. Energy Information Administration (EIA) available by 01/31.2019* [21]

Note : EIA's data does not take into account the data related of December 2018; for instance, first US LNG cargo imported by Greece occurred on December 30, 2018, following an agreement between Cheniere and DEPA, and the it amounted to 168 000 m^3 of gas.

Over the past two years at least, the LNG imports in the EU market generally showed a counter seasonal behaviour: the volumes increased during the summer, when the differential between the Northwest European markets and the Asian spot prices has collapsed [22], and dwindled during the winter, when the price gap between Europe and Asia widened. Hence, higher gas spot prices coupled with a strong appetite of Asian markets for LNG led to the situation wherein the Asian continent was the principal target for LNG supplies. But over the past months, this trend has been reversed in the third quarter of 2018, when LNG shipments to Europe did not raise, and even slightly fell (8% on year-on-year basis) due to the higher prices in the LNG market [23].

[21] U.S. Energy Information Administration, https://www.eia.gov/dnav/ng/ng_move_expc_s1_m.htm

[22] International Gas Union, "2018 World LNG Report (27th World Gas Conference Edition)", July 2018, p.63, https://www.igu.org/publications-page

[23] European Commission, "Quarterly Report on European Gas Market", Volume 11, issue 3, 2018 , p.10, https://ec.europa.eu/energy/en/data-analysis/market-analysis

It also seems that the above mentioned trend may be reversed this winter as well, most likely due to mild winter conditions and a significant fall of Asian spot prices for LNG (the lowest for this time of the year since 2016)[24]. Thus, the European markets have lately witnessed an influx of LNG cargoes- which were even re-sold from Asia- , and European customers have become, at least for the moment, the top buyers of the US LNG [25].

Whether or not this outlook, characterized by a rather uncommon element (above average temperatures), and a sharp drop of Asian spot prices for LNG would be a persistent one, it yet remains to be seen. What seems more probable though is the fact that Europe is not set to be whatsoever "the market of last resort for oversupply of LNG" [26]because : **i)** on short term, the gap between the Northwest Europe and Asian spot price would likely continue to remain less wide than in previous years-hence, for 2019, the forecast is US$6.9/mmbtu (from US$8/mmbtu in 2018) for TTF and US$8.5/mmbtu (from US$10.3/mmbtu in 2018) for Asian LNG spot prices [27], which would add even more commercial rationale to European buyers' decision to purchase LNG; **ii)** on medium term, "the pattern from the fourth quarter of 2018-Asian demand lagging supply growth" [28]; with European markets playing a critical role in absorbing the LNG supply may persist in the coming years ; **iii)** on short- to medium-term, the decline of the domestic production in Europe would continue, and additional gas volumes would most likely need to be imported.

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[24] Reuters, "Asian prices dive to nine-month low on supply surplus", February 1, 2019, https://www.reuters.com/article/us-global-lng/asian-prices-dive-to-nine-month-low-on-supply-surplus-idUSKCN1PQ3ML

[25] Reuters, "Exclusive: Europe tops buyers for U.S. LNG with winter cargo influx", January 25, 2019, https://www.reuters.com/article/us-lng-usa-europe-exclusive/exclusive-europe-tops-buyers-for-u-s-lng-with-winter-cargo-influx-idUSKCN1PJ0YH

[26] S&P Global Platts, "Europe set for 'genuine' LNG demand in coming years: industry", January 28, 2019 https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/012819-europe-set-for-genuine-lng-demand-in-coming-years-industry

[27] Wood Mackenzie, "Is 2019 the year of the much-talked-about LNG oversupply?" January 7, 2019, https://www.woodmac.com/news/editorial/is-2019-the-year-of-the-much-talked-about-lng-oversupply/

[28] S&P Global Platts, "Europe set for 'genuine' LNG demand in coming years: industry"

3. LNG in Europe- a tale of different interests and approaches: Germany, Lithuania and Poland

In October 2018, media reported that the German government decided to support financially the construction of an LNG terminal in the north of the country, a "strategic" move seen as an attempt aiming to achieve two goals: appeasing Trump's criticism on country's dependence on Russian gas, and get the US LNG to **Germany**'s market[29] .

However, the case of Germany LNG terminal(s) is by far more complex than it appears. Firstly, the government clearly expressed that its decision would not be determined by US pressure [30]. However, the coalition contract of the current CDU/CSU-SPD government vows to "make Germany the site for LNG infrastructure". Therefore, in all likelihood, the German authorities will co-finance at least one LNG terminal as it is not yet clear whether the two main competing project for LNG terminals- Brunsbuttel and Stade-will go ahead simultaneously, or only one of them would be built; Wilhelmshaven and Rostock are also considered as locations for other future terminals.

An investment decision on Brunsbuttal terminal is due to be made this year but the project may be challenged by the fact that Bundesnetzagentur (BnetzA), the German regulator, decided not to include the 50-km connection line between the terminal and the national grid into the Network Development Plan 2018-2028. Hence, the funding of the line and the construction should be completed by the investors of the terminal and not by the gas grid operator. At the same time, there is also the possibility to witness the construction of several LNG terminals in the near future.

Secondly, the German government considers that the US LNG is not competitive in terms of pricing, and this position is officially expressed: **"**For example, LNG from the United States has a higher cost price because of the large percentage of gas obtained through non-conventional sources of production (fracking). It is currently not competitive in Germany" [31]. Therefore, there is no guarantee that the

[29] The Wall Street Journal, "In Win For Trump, Merkel Changes Course on U.S. Gas Imports", October 22, 2018, https://www.wsj.com/articles/in-win-for-trump-merkel-changes-course-on-u-s-gas-imports-1540209647

[30] Deutsche Welle, , "Germany warms to plan for liquefied natural gas terminal", October 24, 2018, https://www.dw.com/en/germany-warms-to-plan-for-liquefied-natural-gas-terminal/a-46033286

[31] Federal Foreign Office, "Independence through diversification" , https://www.auswaertiges-amt.de/en/aussenpolitik/themen/energie/facts-on-germanys-energy-supply/2142654

German LNG terminal(s) would favour the US LNG exports over that of other producers', Russia including (see below). In this regard, it is worthy to mention that Qatar Petroleum, one of the most influential players in the LNG market, had expressed interest to cooperate with German companies Uniper and RWE on a potential LNG terminal [32]. Uniper is interested for an LNG terminal to be built at Wilhelmshaven due to existing access to the pipeline and gas storage infrastructure –and it had already reached an agreement with the Japanese Mitsui O.S.K. Lines, which has the intention to own, operate and finance the project-, whereas RWE is interested in the development of Brunsbuttel project (and already signed a contract for an important part of terminal's capacity).

Thirdly, all the LNG terminals scheduled to be built in Germany so far are small or mid-scale terminals. Hence, the Brunsbuttle project will have a planned capacity of 5 billion cubic meters (bcm) per year; the capacity of Stade terminal will be 4 bcm in the first phase and 12 bcm after the expansion, whereas that of Wilhelmshaven will be 10 bcm. When it comes the Rostock terminal, it is worth mentioning that this is aimed to be a mid-scale project, which will be run by a joint venture between the Russian company Novatek and the Belgian Fluxys, and which will receive LNG carriers from the Cryogas-Vysotsk liquefaction facility [33] , which is jointly owned by Novatek and Gazprombank, and planned to be launched at the beginning of this year. Put it differently, the Rostock terminal will primarily get the Russian LNG to German market.

Last but not least, the LNG imports in Germany, from US or elsewhere, aren't meant to be a serious alternative to Russian gas at least on short and medium term, as they will be chiefly used to reduce the emissions produced by the maritime and roadway heavy-transportation sectors. In April 2018, the International Maritime Organization agreed a strategy on the reduction of greenhouse gas emissions from ships by at least 50% by 2050 compared to 2008 level, and this bold goal pushes the shipping industry to rethink their fleets around cleaner alternative fuels, such as the LNG[34] . Furthermore, the EU is pushing for greener transportation and, in this regard, it got closer to the goal of cutting emissions from new cars by 37.5 percent in 2030 compared with 2021 and by 31 percent

[32] Handelsblatt, "Qatar wants to supply gas to Germany, compete with Russia's Nord Stream 2", September 6, 2018, https://www.handelsblatt.com/today/politics/alternative-energy-qatar-wants-to-supply-gas-to-germany-compete-with-russias-nord-stream-2/23583250.html

[33] Novatek, "Novatek and Fluxys Plan to build An LNG Terminal in Rostock", October 17, 2018, http://www.novatek.ru/en/press/releases/index.php?id_4=2739

[34] Reuters, "New fuel rules push shipowners to go green with LNG", August 15, 2018, https://www.reuters.com/article/us-shipping-fuel-lng-analysis/new-fuel-rules-push-shipowners-to-go-green-with-lng-idUSKBN1L01I8?rpc=401&

from new vans [35]. Germany has been struggling, without notable results so far to make its transport sector cleaner, which is one of the most important sources of greenhouse gas emissions in the country [36]. Accelerating the development LNG "as fuel in the downstream markets for industry, road fuel and shipping fuel in Germany"[37] is already highlighted as the principal goal of the Wilhelmshaven terminal.

Unlike Germany, which aims, through LNG diversification, to boost its efforts of *Energiewende* implementation in the transport sector especially, **Lithuania**'s decision of LNG purchasing was based on two types of rationales. One rationale was political, and it aimed to enhance the country's energy security [38] through reducing its dependency of the Russian gas, which, until December 2014-when the LNG terminal in Klaipeda become operational, and Lithuania started the LNG imports from Statoil -enjoyed a monopoly position in the Lithuanian market. The political implications of diversification of gas supplies are also illustrated by the aid state provided by Lithuanian government for the construction of Klaipeda terminal.

The other rationale was economic. As private actors would have not probably financed the terminal because generally the supply cost of LNG is higher than of Russian gas, "the Lithuanian state took the risk of the investment" [39] in the terminal. Worthy of note, the European Commission authorized two state aid schemes for Klaipeda terminal-one in force from 2016 until 2018, amounting to about

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[35] European Commission, "Europe accelerates the transition to clean mobility: Co-legislators agree on strong rules for the modernisation of the mobility sector", December 12, 2018, https://ec.europa.eu/clima/news/europe-accelerates-transition-clean-mobility-co-legislators-agree-strong-rules-modernisation_en

[36] Schwagerl, Christian, "In Drive to Cut Emissions, Germany Confronts Its Car Culture", *Yale Environment 360* , November 14, 2017, https://e360.yale.edu/features/in-drive-to-cut-emissions-germany-confronts-its-car-culture

[37] Uniper, "Uniper and Titan LNG to cooperate boosting LNG Wilhelmshaven Terminal functionality", January 17, 2019, https://www.uniper.energy/news/uniper-and-titan-lng-to-cooperate-boosting-lng-wilhelmshaven-terminal-functionality/

[38] There is no consensus upon conceptualization and definition of energy security, which is a "highly – context dependent concept" (cf. Ang et al., "Energy security: Definitions, dimensions and indexes", *Renewable and Sustainable Energy Reviews*, Elsevier, 42, 1077-1093, 2015, p.1081). Given the scope and the space limitations of this article, the concept of "energy security" will not be elaborated

[39] Schulte, Simon, Weiser, Florian, "LNG import quotas in Lithuania-Economic effects of breaking Gazprom's natural gas monopoly" , *Energy Economics*, Elsevier, 42, 2019, 174-181, p. 178

€448 million, and including a "security supplement" for users [40] and a purchase obligations; the second one from 2019 until end of 2024, through which LITGAS was granted a public service obligation to ensure the supply of a mandatory quantity of LNG in Klaipeda, for which it receives a compensation financed by the "security supplement"[41].

Essentially -and that illustrates the economic grounds of the energy supplies diversification through LNG pursued by Lithuania- the government's decision to invest in Klaipeda terminal and to set up a minimum LNG import quota (0, 44 bcm/year) "can be rationalized as a feasible instrument to address Gazprom's market power"[42] .

As *Fig. 2* shows, since 2015, the prices of imported gas in Lithuania decreased significantly; the savings were considerable and the diversification of energy supplies has been triggered consequential gains of national welfare. Finally, the LNG diversification has been changing Lithuania's approach towards the Russian gas supplies, as Zygimantas Vaiciunas, Lithuania's energy minister declared: "We have had many historical challenges with Russia, but now gas supply has been depoliticized". The Klaipeda terminal is "the key card in our negotiations" with Gazprom [43].

Aside the above mentioned domestic rationales and consequences, the LNG imports through Klaipeda have been set off developments at regional level as well. For instance, in 2015 Estonia began to import natural gas from Lithuania, and not only that it secured gas from a non-Russian source "for the first time in its history" but it also helped the country to reduce Gazprom prices [44]. Furthermore, the diversification of energy supplies through LNG would play-once the planned interconnecting infrastructure achieved (i.e.: the Balticconnector; the Gas Interconnection Poland-Lithuania; the enhancement of Latvia-Lithuania interconnection) -a significant role in achieving a single regional gas market in the Baltic area.

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[40] European Commission, "State aid: Commission authorises €448 million aid for construction of Lithuanian LNG terminal" , November 2013, http://europa.eu/rapid/press-release_IP-13-1124_en.htm

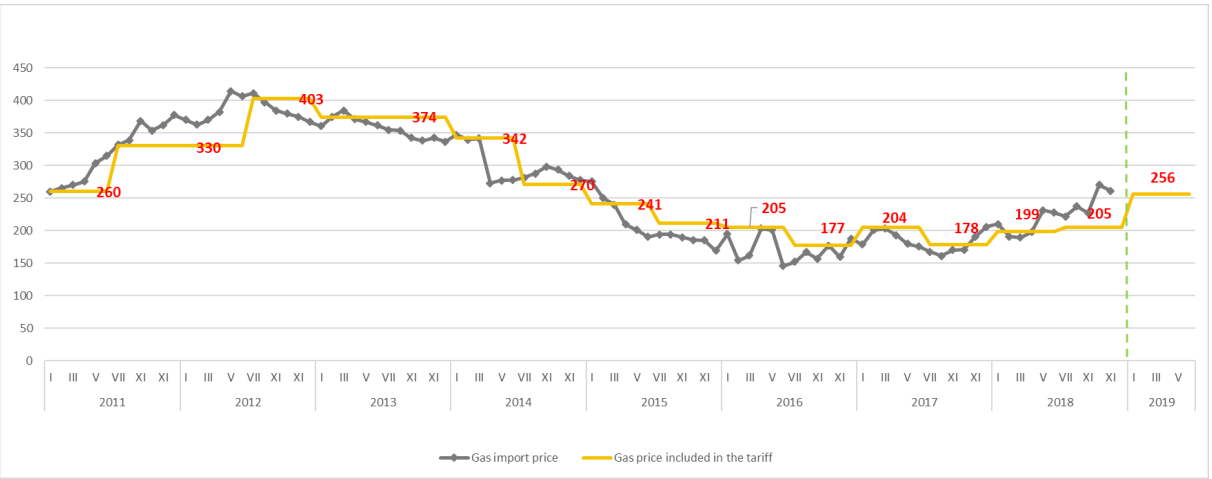
[41] European Commission, "State aid: Commission approves support for Klaipeda LNG terminal in Lithuania", October 31, 2018, https://ec.europa.eu/energy/en/news/state-aid-commission-approves-support-klaip%C4%97da-lng-terminal-lithuania

[42] Schulte, Simon, Weiser, Florian, op. cit., p. 175

[43] The Wall Street Journal, "Europe's LNG Success IS U.S. Opportunity, Russia Challenge", September 26, 2018, https://www.wsj.com/articles/lng-in-europe-prompts-opportunities-for-u-s-challenges-for-russia-1537956001

[44] Hinchey, Nathalie, " The Impact of Securing Alternative Energy Sources on Russian-European Natural Gas Pricing", 2018, p.21, https://www.iaee.org/en/students/best_papers/Hinchey2.pdf

Figure 2. Gas import price for the period of 2011–2018 and the forecast for the 1st half of 2019 and gas price included in the tariff for household customers, Eur/1000 m3



Source: *Lithuania's National Commission for Energy Control and Prices*[45]

Poland sees the LNG not only as a critical tool and component of its energy security but also as a "securitization" factor, as Polish political stakeholders have consistently securitized the gas dependency on Russia, on one hand and approached energy security as a matter of national security, on the other. The need to diversify the country's gas supplies has been a common preoccupation of all political actors since 2015. In this regard, both the diversification of energy supplies and the infrastructure projects needed for that (i.e.: the LNG terminal, the Baltic Pipe gas project, the infrastructure in the Three Seas Region) have been forged within the issue of "energy security"/"national security" framework.

The LNG supplies play a fundamental role in achieving two goals of country's energy security: a short-term goal, which is that of diversification of gas supplies and reducing the import reliance on the major supplier, Russia; and a medium-term goal, which seeks to completely ditch the Russian gas imports post-2022, when the current contract with Gazprom will come to the end.

Therefore, in the light of attaining the above mentioned short-term goal, the LNG share in country's total gas imports has constantly increased: in 2016, when Poland started to import LNG, the volumes were 8.4 per cent of total country's gas imports; in 2017, the LNG totalled 12.5 per cent of the imports, and in 2018 they reached 20.1 per cent (2.71 bcm after regasification) [46]; the LNG was imported from

[45] https://www.regula.lt/en/Pages/natural-gas-prices.aspx

[46] PGNiG, "PGNiG: 2018-another year of declining gas import volumes from Russia and growing LNG imports", January 9, 2019, http://en.pgnig.pl/news/-/news-list/id/pgnig-2018-another-year-of-declining-gas-import-volumes-from-russia-and-growing-lng-imports/newsGroupId/1910852

Qatar, Norway and the United States. The increase in LNG imports was possible primarily as an effect of the additional agreement with Qatargas, signed in 2017. And LNG imports are set to grow this year, as under a new supply contract signed by PGNiG and American Cheniere in November 2018, Poland will get 0.7 bcm /per year in the period 2019-2022.

Furthermore, the LNG, and especially the US LNG, is the backbone of Poland's strategy that seeks to achieve the medium-term goal of giving up the Russian gas imports. In 2018, PGNiG secured three major long term contracts with US LNG producers, which would dramatically expand the company's LNG portfolio after 2022: **i)** a 20 years contract with two subsidiaries of Venture Global- Venture Global Calcasieu Pass LNG (starts in 2022) and Venture Global Plaquemines LNG (starts 2023), which will provide an overall amount of 2.7 bcm of LNG after regasification; **ii)** a 24 years contract with Cheniere, under which, in the period 2023-2042, PGNiG will be supplied with 1.95 bcm LNG per year; and **iii)** a 20 years contract with Port Arthur LNG, a subsidiary of Sempra Energy, for the purchase of 2.7 bcm per year, and which will start in 2023. The contracts with Venture Global and Port Arthur LNG are on a Free on Board (FOB) basis, which means that the purchaser decides on the final destination of the cargo, which could be also diverted to spot buyers.

Hence, by 2023, Poland would import 7,35 bcm of US LNG but the volumes that will reach the Swinoujscie terminal would potentially be higher, as PNiG and Qatargas have a long term contract, running until 2034, and which provides the delivery of nearly 1.5 bcm annually. Yet, according to a side agreement, signed in 2017, to the long term contract inked in 2009 between Qatargas and PNiG, the former agreed to double the LNG to Poland up to 2 million tons per annum, or 2.7 bcm after regasification, amount that may be reached starting 2020 [47]. Therefore, starting 2023, PGNiG would potentially have a portfolio of at least nearly 10 bcm of LNG (after regasification), which is basically more than the amount of the gas imported from Russia in 2018. However, if one assumes that PGNiG may purchase additional LNG volumes on spot basis, its LNG portfolio could be expanded beyond 10 bcm of gas.

Poland has a long term contract with Gazprom for 10.2 bcm per year, which ends December 2022, and which has a "take-or pay" clause for 85 percent of the volumes; in 2018, Poland imported 9.04 bcm of gas from Russia. And with a new source of gas-up up to 10 bcm-from Norway, which would flow through the Baltic Pipe pipeline [48], Poland could import, starting 2023, more gas volumes than

[47] Ibid.
[48] Baltic Pipe Project, https://www.baltic-pipe.eu/your-questions/

its domestic consumption, if the latter would not significantly increase; in 2018, the country's gas domestic consumption amounted nearly 17 bcm of gas. Consequently, were the domestic consumption not to increase dramatically and the necessary infrastructure being achieved, Poland could become a gas exporter in the region, in the CEE and Baltic markets notably. In effect, "significantly increase the volumes of gas sales abroad (especially on neighbouring market)" [49] is one of the short and medium-term goals of Polish company.

Worthy of note, projects such as the Gas Interconnector between Poland and Lithuania (GIPL), the interconnectors Poland-Slovakia and Poland-Ukraine, as well as the Baltic Pipe project, have been included in the Three Seas Initiative (TSI) list of priority interconnection projects [50]. At the 2018 Summit of TSI, the US Secretary of Energy announced the launching of a new initiative, The Partnership for Transatlantic Energy Cooperation, whose Poland is, as the current US administration outlines, "a key member" [51] .

In this context, it is important to mention that, following a proposal put forward during the meeting of Presidents Trump and Duda in September 2018, the United States and Poland enhanced their energy cooperation by establishing a Strategic Energy Dialogue, enacted in a Memorandum of Understanding [52]. One can infer that Poland would continue to consider energy a matter of national security-, and thus it would maintain its approach of LNG supplies under the lens of securitization- at least until the country would completely ditch the Russian gas supplies. At the same time, and taken into account the political initiatives focused on energy mentioned before, Poland would likely approach and employ the LNG for geoeconomic goals. Though there is not a widely shared definition of geoeconomy, I understand the geoeconomics as "a foreign policy strategy" applied to "specific places or spaces" [53].

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[49] PGNiG, "PGNiG Group Strategy for 2017-2022 (extended until 2026)" , p.19, http://en.pgnig.pl/pgnig/mission-and-strategy

[50] http://three-seas.eu/three-seas-initiative-short-list-of-priority-interconnection-projects/

[51] U.S. Department of Energy, "Readout of Secretary Perry's visit to Warsaw, Poland", November 8, 2018, https://www.energy.gov/articles/readout-secretary-perry-s-visit-warsaw-poland

[52] Poland, The Chancellery of the Prime Minister, "Poland and the United States conclude a Memorandum of Understanding on strategic dialogue on energy", November 9, 2018, https://www.premier.gov.pl/mobile/en/news/news/poland-and-the-united-states-conclude-a-memorandum-of-understanding-on-strategic-dialogue.html

[53] Scholvin, Sören & Wigell, Mikael," Power politics by economic means: Geoeconomics as an analytical approach and foreign policy practice", *Comparative Strategy*, 37:1, 2018, 73-84, p. 80-81

A legitimate question arises: what could be the geoeconomic goals that Poland may pursue by employing LNG, and notably the US LNG? The empirical elements available so far, especially the declarations and official documents are not yet sufficient to formulate a comprehensive answer but they might help to articulate a plausible inference. In this respect, the geoeconomic goals pursued by Poland through LNG may be decreasing the reliance on Russian gas of CEE and Baltic countries by playing a role in these countries' process of energy supplies diversification, building leverages in gas contract negotiations with Russia, expanding the US LNG exports in the European market [54].

Conclusion: the US LNG prospects in the European Union

Both media reports and commentators presented German government's decision to co-finance at least an LNG terminal as a strategic move, aimed to flow the Germany with US LNG, on one hand, and deflect a possible move against the Nord Stream 2 pipeline taken either by the American administration or the Congress, on the other hand. Contrary to that, the reality check shows a different outlook. The LNG terminals that will be built in Germany in the near future will be of small- and mid-scale; besides, their utilization will primarily target the reduction of the greenhouses gases produced by the maritime and roadway heavy-transportation sectors. Hence, the LNG imports are not planned to become, at least on short and medium-term, an alternative to the Russian gas. Furthermore, if built, the Rostock terminal would preponderantly bring the Russian LNG into German market.

Moreover, the German government itself considers that the US LNG is not competitive in terms of pricing, and it has made its position public. But ultimately, the decision to import US LNG will be taken by the commercial actors, and not the government, and the former would decide function of price and market conditions. As it was shown above, for countries that see the LNG diversification chiefly through the lens of "securitization", the US LNG prospects are well secured, and Poland's case is the most illustrative one. The US LNG exports to the Polish market are set to rise exponentially after 2023, due to several long term contracts, and may even increase beyond 7.5 bcm (the total amount of the current long term contracts) if PGNiG decides to expand its LNG portfolio either

[54] [54] Based mainly on "Secretary Perry Announces the Launch of the U.S. –Poland Strategic Energy Dialogue" https://www.energy.gov/articles/secretary-perry-announces-launch-us-poland-strategic-energy-dialogue; and "Joint Declaration between the United States Department of Energy and the Ministry of Energy of the Republic of Poland Concerning Enhanced Cooperation on Energy Security", https://www.energy.gov/downloads/joint-declaration-between-united-states-department-energy-and-ministry-energy-republic

through new contracts or bought- on-spot volumes. Unlike Germany, for which the LNG diversification serves to reach some critical so-far-missed-goals of *Energiewende*, for Poland, the LNG supplies will be a critical tool in achieving a goal of its national security, namely ditching the Russian gas supplies. Furthermore, and it was explained above, the LNG supplies may also be a significant instrument in achieving geoeconomic goals. It also shouldn't be ruled out the increase of US LNG supplies in the Central and Eastern European market, which, following the case of Lithuania can be a useful tool in negotiations with the dominant supplier, namely Russia.

At first glimpse, the data available so far shows (see *Fig.1*) that the United Kingdom was the biggest recipient of US LNG supplies in 2018, followed by Netherlands, Spain and Portugal. With the UK supposed to leave the European Union soon, the US LNG would lose an important market of the Union. But Spain and Portugal, even France would continue to buy the US LNG, as part of their energy mix diversification. More US LNG supplies in the Spanish market is already a certitude, as the Spanish energy company Repsol concluded a 20-year long term agreement with American Venture Global LNG for the supply, on a free on board basis, of 1 million tonnes per year of LNG starting 2022.

A special case is Netherlands, which, since 2017 become a net importer of gas and this pattern will be a persistent one; the country's domestic production is set to be further reduced, as the production of Groningen gas field is planned to be lowered as quickly as possible over the coming years, and to be completely halted by 2030. Therefore, presumably, and taking into account the tendency of 2018, the Netherlands would likely continue to be a significant recipient of US LNG.

Persistence of the pattern that includes high volumes of LNG imports in Europe during the winter would depend of several factors. Principally, these factors are: weather conditions; the differential between European and Asian spot prices for LNG; the decrease of domestic gas production; and the strategies that will be adopted by Gazprom to preserve its market share (i.e.: decrease or increase of supply to create/decrease demand, decrease of contractual prices). Secondary, factors such as the slowing down of economic activity in Europe, the weaponization of LNG within the trade war between the United States and China (worthy of mention, during the last six months of 2018, only

six LNG vessels went from the United States to China, down from 25 during the same period in 2017[55]) would also play a role in this regard. With the United States set to more than double its LNG export capacity by the end of 2019 [56], and a series of projects waiting for final investment decision (FID) next year and expected to come on line in the early to mid-2020s [57], there will be a significant amount of US LNG available on the global markets on short term. Thus, potentially, the EU market may be a bigger recipient of the US LNG than it has even been so far. But, as it was shown above, a wide array of factors, some difficult to predict, will be instrumental in determining the extent of the market share of US LNG in the EU in the near future.

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[55] Reuters, "Trade war cuts U.S. LNG exports to China in 2018", January 10, 2019 https://www.reuters.com/article/us-usa-trade-china-lng/trade-war-cuts-u-s-lng-exports-to-china-in-2018-idUSKCN1P32HV

[56] U.S. Energy Information Administration, " U.S. liquefied natural gas export cap le by the end of 2019 ", December 10, 2018, https://www.eia.gov/todayinenergy/detail.php?id=37732

[57] Argus Media, "Viewpoint: US LNG export capacity to double next year", Decemb https://www.argusmedia.com/en/news/1818434-viewpoint-us-lng-export-capacity-to-