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SEE ENERGY BRIEF

Monthly Analysis

Where is European Gas Supply Heading?

Introduction

Over the past 20 years, European gas demand has gone through three clear phases: stability, shock, and structural decline. In the mid-2000s, gas demand was around 400 bcm, rising slightly to about 410 bcm by 2010 and remaining broadly stable between 395-415 bcm through 2019, driven by power generation, industry, and residential heating. European gas demand dipped only marginally during the coronavirus pandemic, staying near 410 bcm in 2020-2021. A major break came in 2022, when gas consumption fell sharply to about 356 bcm following Russia's invasion of Ukraine, high prices, supply cuts, and EU demand-reduction measures. The decline deepened in 2023, with gas demand dropping to roughly 330 bcm, around 25%-30% below pre-crisis levels, as efficiency gains, fuel switching, renewables, and industrial slowdown took hold. In 2024, European gas demand recovered modestly to 332 bcm, mainly due to weather and power-sector needs, but it remains far below historical norms.

According to the European Commission, EU gas demand is expected to decline from 332 bcm in 2024 to around 302 bcm by 2030, reflecting roughly a 9% reduction driven by energy transition policies and increased electrification. Some EU modelling under REPowerEU scenarios suggests deeper reductions, with demand potentially falling toward around 190-233 bcm by 2030 if up to 100 bcm of gas is replaced through efficiency and renewables' deployment. A prospect which is not shared by industry.

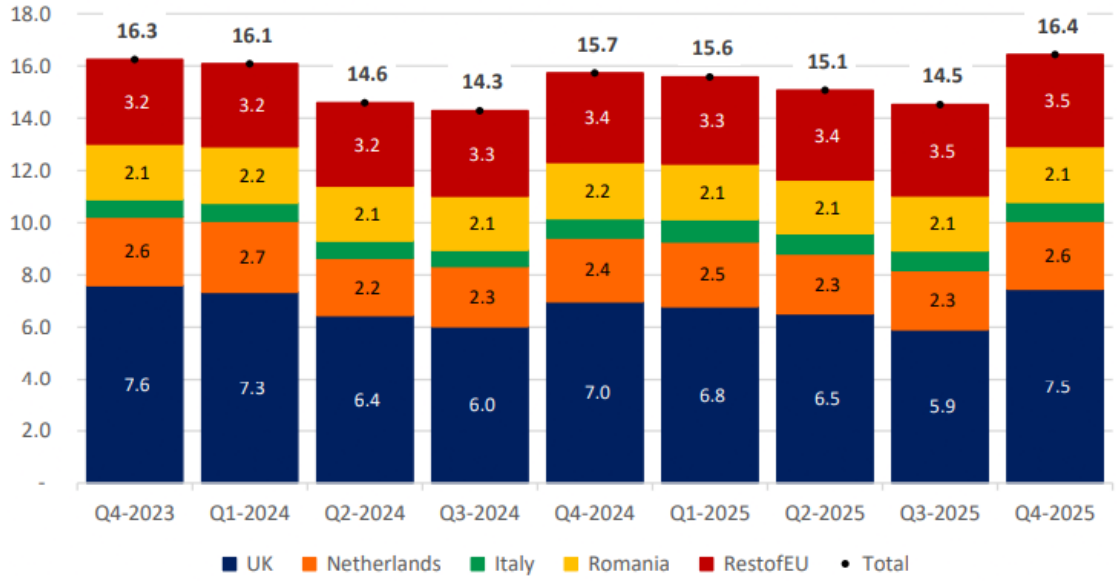
Now, European gas supply is heading toward a more flexible and less import-dependent system as decarbonisation policies and energy security concerns reshape the market. Demand is expected to decline over the long term due to electrification, energy efficiency measures, and the expansion of renewable energy, particularly in power generation and heating. At the same time, Europe has rapidly reconfigured its gas supply sources, replacing pipeline dependence on Russia with a more diversified mix of liquefied natural gas (LNG) imports and alternative pipeline suppliers, while strengthening storage and short-term balancing mechanisms.

Despite this contraction, as shown in Figure 1, natural gas will continue to play a transitional role in Europe's energy system, providing flexibility to back up intermittent renewables and support industrial processes where alternatives remain limited. Gas supply strategies are increasingly focused on adaptability, with LNG infrastructure, spot market access, and contractual flexibility becoming more important than long-term volume commitments. Over time, parts of the gas system are expected to evolve toward low-carbon gases such as biomethane and hydrogen, gradually redefining the role of gas within Europe's broader energy transition.

The Current Status of the European Gas Supply

Based on data provided by the Oxford Institute of Energy Studies (1), European gas production reached 61.6 bcm in 2025, marking an increase of around 1.5% from 60.7 bcm in 2024. Most of this output came from the UK, which produced 26.7 bcm in 2025, remaining broadly stable compared with the previous year, as illustrated in Figure 1.

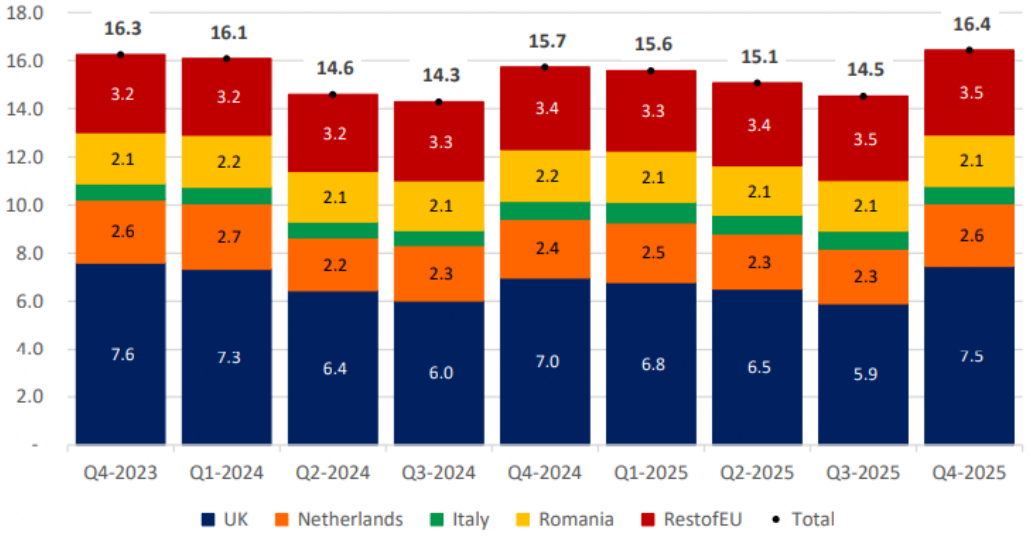
Figure 1: European Gas Production by Source (bcm per quarter)



Source: OIES

With indigenous gas production covering only a small fraction of demand, Europe imported 326 bcm in 2025 through pipeline gas and LNG. More specifically, gas pipeline imports reached 179.1 bcm in 2025, representing a decline of around 19.3% compared with 2024 levels (97.4 bcm). Norway remained the largest supplier, delivering 117.8 bcm to Europe in 2025, slightly down from 120 bcm in 2024 and accounting for the bulk of pipeline gas imports. This was followed by imports from North Africa, which amounted to 30.5 bcm in 2025, compared with 31.7 bcm the previous year. Notably, Russian gas imports to Europe fell sharply, dropping from 31.6 bcm in 2024 to 17.2 bcm in 2025, as shown in Figure 2, with all of the imported volumes via TurkStream.

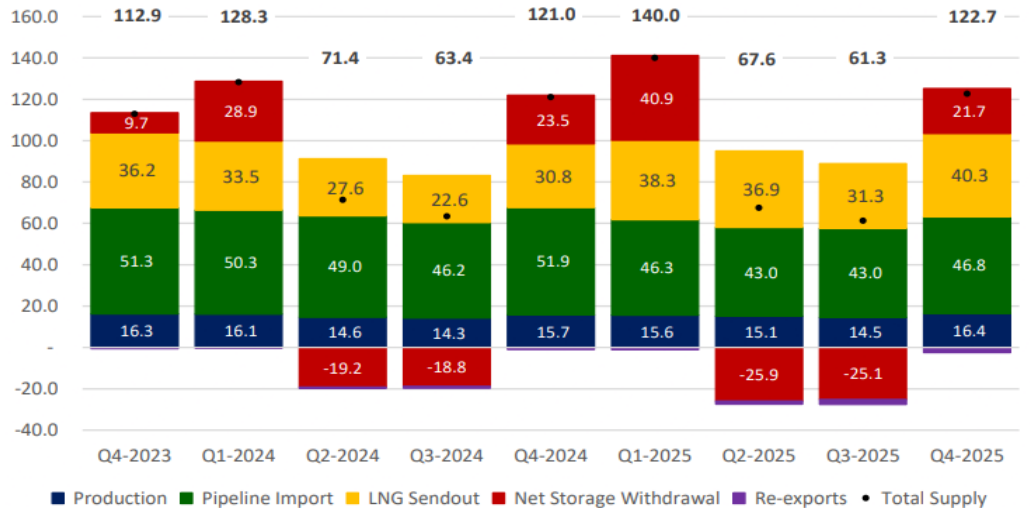
Figure 2: European Pipeline Gas Imports by Source (bcm per quarter)



Source: OIES

In 2025, total European gas supply amounted to 391.6 bcm, up from 384.1 bcm in 2024. Of this total, 179.1 bcm came from pipeline imports, while LNG deliveries accounted for 146.8 bcm in 2025 (see Figure 3).

Figure 3: EU-27 plus UK Gas Supply by Source (bcm)

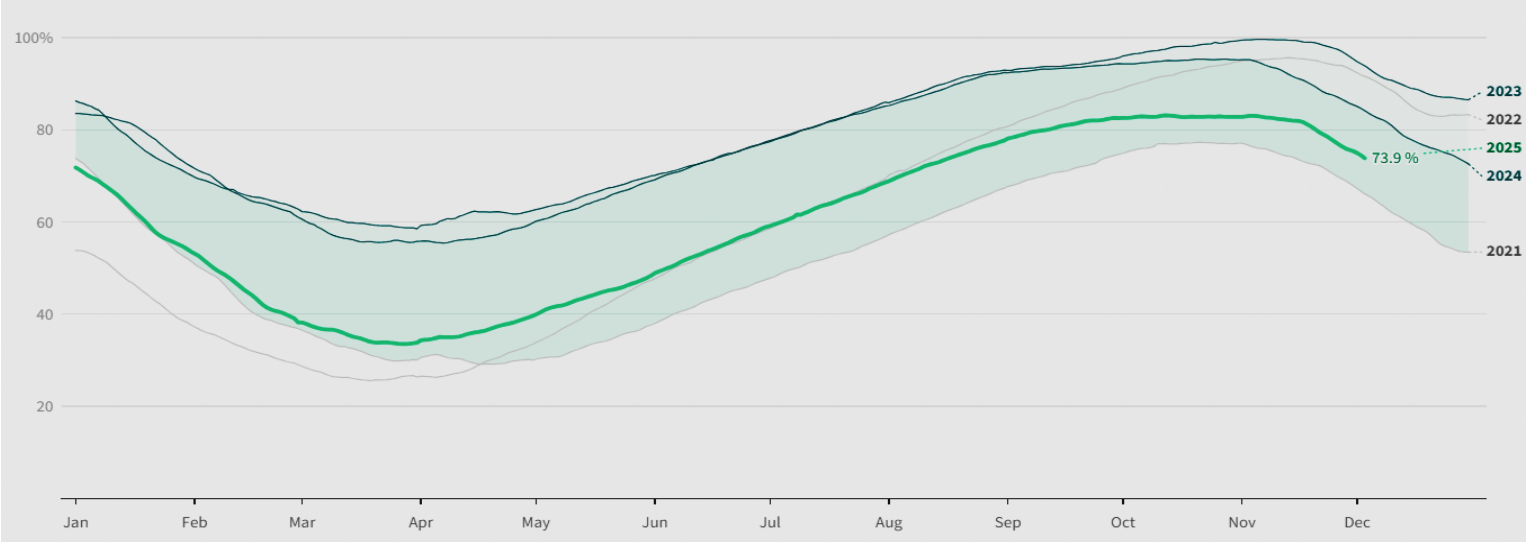


Source: OIES

The EU-27 has a combined underground gas storage capacity of around 106 bcm at facilities that operate interseasonally. On 1 November 2025, storage levels stood at 87.4 bcm, which was 14.0 bcm lower year on year. By mid-winter, on 1 January 2026, stocks had declined to 64.9 bcm, remaining 11.7 bcm below the level recorded a year earlier. This narrowing year-on-year gap reflected lower net withdrawals during November-December 2025 compared with the same period in 2024. However, colder weather in early January 2026 led to increased withdrawals, and the latest available data show that by 13 January 2026 storage levels had fallen to 55.4 bcm, once again 14.0 bcm lower year on year.

As shown in Figure 4, Europe entered the winter of 2024/25 on 1 November with storage at 101.4 bcm, close to full capacity, but exited the season on 1 April with just 36.1 bcm following substantial withdrawals in the first quarter of 2025. This was followed by a summer refill of 51 bcm between 1 April and 1 November 2025. If storage withdrawals between 13 January and 1 April 2026 mirror those of 2025, with stocks remaining 14.0 bcm lower year on year, Europe would reach 1 April 2026 with inventories of around 22.1 bcm. While a milder remainder of Q1 2026, combined with lower gas demand and higher LNG availability than in 2025, could limit withdrawals, storage levels are still likely to end the winter below those of the previous year.

Figure 4: European Gas Storage Filling Levels (2021-2025)



Source: Gas Infrastructure Europe

For context, the EU gas storage regulation requires inventories to reach 90% of capacity (95.4 bcm) between 1 October and 1 December, with a flexibility mechanism allowing a reduced target of 80% (84.8 bcm), and a further potential reduction of 5% in the event of persistent unfavourable market conditions. If Europe finishes the winter of 2025/2026 with significantly lower stocks year on year, achieving even the 80% target by summer 2026 would require net injections exceeding the 51 bcm added between April and November 2025. This would need to be supported by higher LNG imports, given limited scope for additional domestic production or pipeline supply.

EU Ban on Imports of Russian Pipeline Gas and LNG Near Completion

The EU has progressed legislation to ban pipeline gas and LNG imports from Russia. On 3 December 2025, the Presidency of the Council of the EU and representatives of the European Parliament reached a provisional agreement on phasing out Russian gas imports to Europe **(2)**. On 17 December, the European

Parliament approved the proposed legislation **(3)**. The next step is a vote in the Council of the European Union, expected in early 2026. Once the draft Regulation is adopted by both institutions, it will be published in the Official Journal of the European Union and will enter into force. The draft Regulation approved by the European Parliament, and now awaiting a vote in the Council of the EU, sets out several key provisions, outlined below **(4)**.

- The import of pipeline gas and LNG from Russia will be prohibited from the date this legislation enters into force, unless an exemption applies. Imports under short-term contracts (of less than one year duration) or long-term contracts (of more than one year duration) signed before 17 June 2025 will be subject to the transition periods detailed below.

- Pipeline gas imports from Russia will be prohibited as of 17 June 2026, if they are executed under a short-term contract concluded before 17 June 2025 and not amended thereafter.

- Pipeline gas imports from Russia will be prohibited as of 30 September 2027, if they are executed under a long-term contract concluded before 17 June 2025 and not amended thereafter.

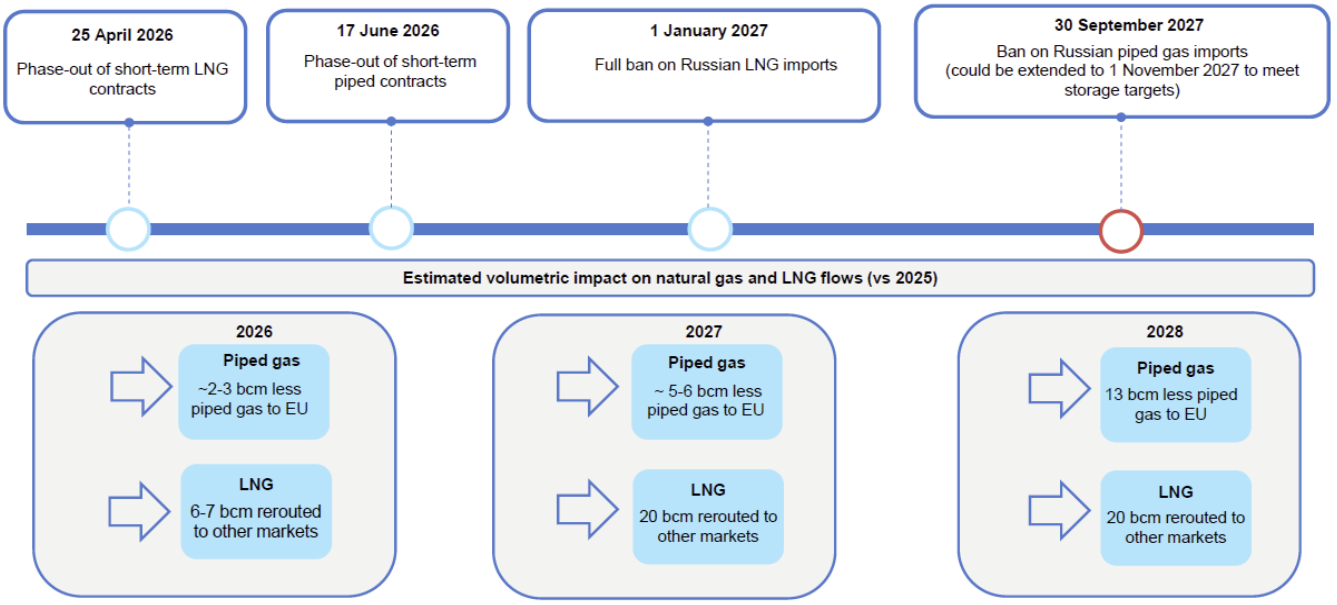
- LNG imports from Russia will be prohibited as of 25 April 2026, if they are executed under a short-term contract concluded before 17 June 2025 and not amended thereafter.

- LNG imports from Russia will be prohibited as of 1 January 2027, if they are executed under a long-term contract concluded before 17 June 2025 and not amended thereafter.

The draft Regulation allows for the possibility of delaying the ban on Russian pipeline gas supplied under long-term contracts from 30 September 2027 to 1 November 2027, should the European Commission determine that there is a risk of failing to meet the 2027 gas storage filling target. Any such decision would need to be taken by 15 September 2027 at the latest.

In addition, the draft Regulation provides for a potential postponement of the prohibition on Russian pipeline gas or LNG imports under short-term contracts until 30 September 2027—or 1 November 2027 if the above exemption applies—instead of the earlier deadlines of 17 June 2026 for pipeline gas and 25 April 2026 for LNG. This exemption would apply where it can be demonstrated that short-term contract imports are required to fulfil a long-term pipeline supply contract to a landlocked country, where delivery at the original EU external border point is no longer possible.

Figure 5: Timeline for the Phase-Out of Russian Natural Gas Imports into the European Union and Estimated Volume



Source: IEA

This second exemption appears to be designed for a very specific set of circumstances. The "long-term supply contract" referenced may relate to Russian pipeline gas deliveries to Slovakia that can no longer be routed via Ukraine following the cessation of transit, with a short-term contract potentially used to help meet the obligations of the original long-term agreement. Given that Gazprom currently supplies pipeline gas to EU member states—namely Slovakia, Hungary, and Greece—primarily under long-term contracts, and that Russian LNG imports to Europe are generally governed by long-term agreements, the key milestones for reducing EU gas imports from Russia are likely to be 1 January 2027 for LNG deliveries to Spain, France, Belgium, and the Netherlands, and the period between 30 September and 1 November 2027 for pipeline gas supplies to Slovakia, Hungary and Greece.

The Surge of US LNG to Europe

In 2025, US LNG exports to Europe surged to unprecedented levels as European countries intensified efforts to replace lost Russian pipeline gas. The disruption of traditional supply routes following the war in Ukraine left a structural gap in Europe's gas balance, and American LNG emerged as the most readily available alternative. With flexible destination clauses and large export capacity, US producers were able to take advantage and rapidly redirect cargoes to Europe, especially during periods of high demand and storage refilling.

This surge was supported by Europe's rapid expansion of LNG import infrastructure over the last three years. New floating storage and regasification units (FSRUs), alongside upgraded onshore terminals, enabled

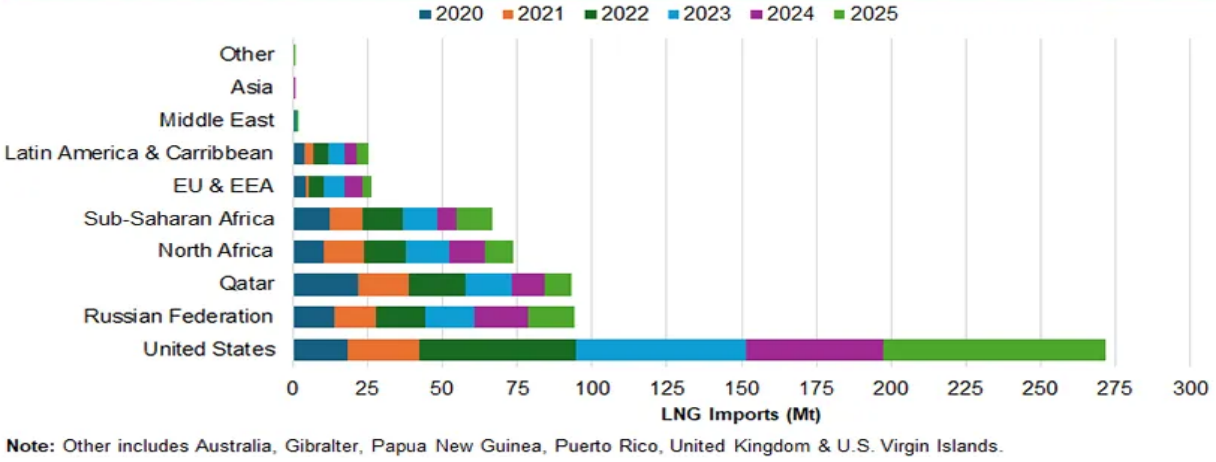
European buyers to absorb record volumes of LNG. As a result, US cargoes increasingly flowed into key hubs across Germany, the Netherlands, France, Spain, Italy, Croatia, Greece and the UK, helping stabilize supply and rebuild gas inventories ahead of winter. High storage levels became a cornerstone of Europe's energy security strategy, reducing immediate vulnerability to supply shocks.

At the same time, the growing reliance on US LNG has reshaped transatlantic gas trade dynamics. Europe has become the primary destination for American LNG exports, often outbidding Asian buyers during periods of tight supply. This has deepened commercial ties between US exporters and European utilities, with long-term contracts complementing spot-market purchases. However, it has also linked European gas prices more closely to global LNG market fluctuations, reinforcing price volatility compared with the pre-war era of pipeline-based supply.

Strategically, the rise of US LNG has strengthened Washington's influence within European energy supply chains. The US is no longer just a partner but a central pillar of Europe's gas security architecture. While this enhances diversification away from Russia, it also raises questions about new dependencies and long-term costs. As Europe pushes ahead with decarbonization, US LNG is likely to remain a critical transition fuel—essential for security in the short to medium term, but increasingly balanced against renewable energy growth and demand reduction over time.

In 2025, Europe's LNG imports rose by 30% (or 40 bcm) and reached an all-time high of over 175 bcm, based on IEA's data **(5)**. The United States increased its LNG deliveries to Europe by 60% y-o-y in 2025 and accounted for almost all incremental LNG supply to Europe during the year. The strong supply of US LNG played a key role in refilling Europe's gas storage sites ahead of the 2025/26 winter season. Russian LNG inflows fell by 10% (or 2 bcm), although Russia remained Europe's second largest LNG supplier. Belgium, France and Spain accounted for over 85% of Europe's total LNG imports from Russia in 2025.

Figure 6: European LNG Imports by Region (2020-2025)



Note: Other includes Australia, Gibralter, Papua New Guinea, Puerto Rico, United Kingdom & U.S. Virgin Islands.

Sources: Kpler, Natural Gas Intel

According to IEA estimates, Europe's LNG imports are expected to continue to increase in 2026 and reach a new all-time high of over 185 bcm, primarily driven by stronger storage injection requirements and higher piped gas exports to Ukraine. Norway's piped gas deliveries to the rest of Europe are expected to recover close to their 2024 levels, while imports from North Africa and Azerbaijan are projected to marginally increase. These higher deliveries are expected to be partly offset by lower piped imports from Russia and Iran (following the expiry of the contract with Türkiye in July 2026).

LNG in Danger of Running into a Political Risk in 2026

After a record-breaking year for LNG in 2025, most forecasts for 2026 remained optimistic, with the exception of concerns about a potential oversupply. Yet, just two weeks into the new year, one of the largest liquefied gas markets has entered a geopolitical dispute with its primary supplier, putting a major energy trade agreement on hold. Early signs suggest 2026 could be a highly unpredictable year.

On 19 January 2026, the European Union paused its trade deal with the Trump administration, stopping short of activating what it describes as the "bazooka"—a mechanism that could severely disrupt US-European trade relations. The pause comes in response to Trump's announcement of 10% tariffs on eight countries that, according to him, are obstructing US efforts to acquire Greenland **(6)**. On 15 January 2026, these countries deployed military personnel to Greenland to demonstrate that European powers can manage the island's security themselves. If Denmark, Norway, Sweden, France, Germany, the United Kingdom, the Netherlands, and Finland do not relent and allow US control over Greenland, the tariffs are scheduled to rise to 25% later in the year.

In a further escalation following the tariff announcement, Brussels declared that it would suspend the large trade deal that Commission President Ursula von der Leyen finalized with President Trump on July 27 last year at Turnberry, Scotland. This is the same agreement that included the EU's pledge to purchase $750 billion worth of US energy commodities over three years **(7)**. While the full figure was never realistic—Europe simply lacks the capacity to absorb that much oil and LNG—the EU did significantly increase its US LNG purchases in 2025. In fact, its buying surged so dramatically that it helped drive a global LNG sales record, with total EU imports rising 25% y-o-y.

On January 21, 2026, US President Donald Trump announced that he would not impose tariffs on the eight European nations scheduled to take effect on 1 February, citing progress in talks with NATO Secretary-General Mark Rutte on Greenland in Davos. Trump said the two leaders reached "the framework of a future deal with respect to Greenland" during what he described as productive discussions, and declared the potential agreement would benefit the US and all NATO members. **(8)**

Despite the escalation of political tensions in transatlantic relations and President Donald Trump's threats to impose tariffs on European products, several energy analysts point out that US LNG is unlikely to become a focal point of a trade confrontation between the European Union and the United States. EU sources emphasize that, at an operational level, LNG trade between the EU and the United States remains stable and is governed by purely market-based criteria. Discussions on European countermeasures to US tariffs do not include LNG, while the European Commission avoids any speculation about a potential impact of political tensions on energy flows.

Market analysts observe that using LNG as a pressure tool would be self-defeating for Europe. US LNG plays a critical role in balancing the European energy system, particularly during the winter months, and any restriction on imports would lead to higher procurement costs, increased price volatility, and more intense competition with Asia for available cargoes. In this context, the prevailing assessment is that, despite the political "noise", both the EU and the United States will avoid incorporating energy flows into their broader confrontation. Such a development would weaken both sides and strengthen Russia's negotiating position—a scenario that, at least for now, appears to serve no one.

Discussion

In view of above findings, it seems that Europe's gas supply is heading toward a more diversified but structurally more expensive future. The rapid expansion of LNG import capacity and long-term contracts with suppliers such as the United States and Qatar have significantly reduced dependence on Russian pipeline gas and improved energy security. High storage levels and flexible LNG flows provide resilience against geopolitical shocks, but they also tie Europe more closely to global gas markets, exposing prices to international competition and volatility rather than stable, long-term pipeline pricing, as was the case before 2022.

Over the medium to long term, gas is likely to play a gradually declining yet strategically important role in Europe's energy mix. Policy makers are balancing security of supply with climate goals, meaning LNG will act as a transition fuel while renewables, energy efficiency, and hydrogen expand. As a result, Europe's gas system is evolving from one based on current regional pipelines to a global, market-driven supply model—more secure than in the past, but costlier and increasingly shaped by global demand dynamics rather than domestic or regional production.

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