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The EU's gas market in 2025: Russian gas, new US policy, and strategic uncertainties

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The EU gas market faces a turbulent year in 2025. With the cessation of Russian gas transit through Ukraine from 1 January and a significant depletion of storage reserves during the winter season, concerns over rising prices in the next few months are mounting. Meanwhile, prices have temporarily been falling, partly due to reports that the new US administration is striving for a swift end to the war in Ukraine. As fundamental shifts in US foreign policy become evident and efforts to normalise relations with Russia gain traction, media speculation is growing over the potential increase in Russian gas supplies to the EU. This includes alleged interest on the part of the US in launching the sole remaining pipeline of Nord Stream 2. Additionally, Slovakia's lobbying efforts have resulted in growing support within the EU for identifying a way to resume gas transit through Ukraine.

Thus far, no binding agreements have been made, and any modifications in policy towards Russian gas – whether in Washington or Brussels – remain far from certain. Such shifts would contradict the EU's objective of completely phasing out imports of Russian hydrocarbons, provide financial support for Moscow's ongoing war, and, ultimately, provoke controversy and deepen divisions within the EU. Moreover, an increase in Russian gas supplies could also undermine the energy interests of Donald Trump's administration by reducing European demand for gas from alternative sources, including American LNG.

The situation after winter

Despite the cessation of Russian gas transit through Ukrainian pipelines, the EU has survived its third winter since the outbreak of full-scale war in Ukraine without major disruptions. According to preliminary data from the Bruegel think tank, in 2024 as a whole EU gas imports were at their lowest level since the war began, declining by more than 6% compared to 2023. Although Norway continued to be the EU's largest supplier, Russia moved up to second place, with its exports to the EU increasing by over 21% year-on-year, surpassing LNG imports from the US, which saw a 17% year-on-year decline.

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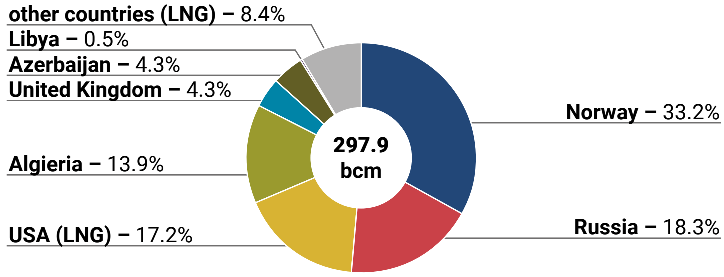
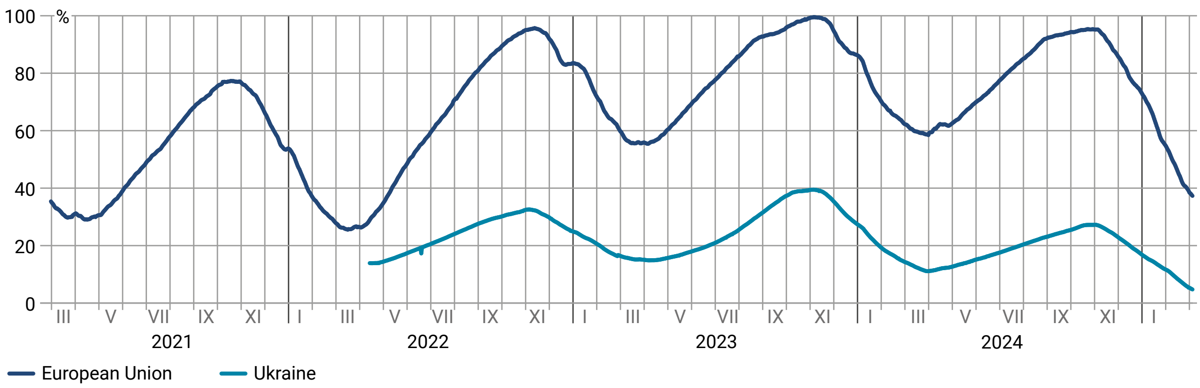
Chart 1. Sources of natural gas imports to the EU in 2024



Source: 'European natural gas imports', Bruegel, bruegel.org.

Gas imports also saw a slight decline in the first two months of 2025, falling by approximately 3% compared to the same period of the previous year. At the same time, a relatively cold winter and a prolonged period of low renewable energy generation,[1] led to higher demand at the turn of 2025 than in previous years. This demand was met not only through imports but also by withdrawing larger volumes of gas from storage facilities. Consequently, gas storage facilities are currently at their lowest filling levels in three years. As the heating season formally continues until the end of March (although in reality it depends on prevailing temperatures), filling levels are likely to decline even further.

Chart 2. Filling level of gas storage facilities in the EU and Ukraine since March 2021



Source: AGSI, agsi.gie.eu.

Although in pre-war years filling levels were sometimes lower at this time of year, the current situation is causing concern on the market for at least two reasons. Firstly, the EU now receives significantly less gas from Russia, which was once its most important supplier and was able to increase exports swiftly in response to rising demand. Meanwhile, unless major shifts occur in the policies of the key players involved (Russia, Ukraine, and EU member states), Russian gas supplies to the EU in 2025 will be lower than in 2024, as transit via Ukraine ceased in January.[2] Consequently, the European market will become even more dependent on the global gas market, reacting dynamically to any changes, including political developments. This, combined with competition from buyers in other parts of the world, could have a direct impact on gas prices.

Secondly, following the outbreak of full-scale war, the EU introduced a requirement to fill gas storage facilities to at least 90% by November each year (the European Commission intends to extend it until the end of 2027). If these rules remain unchanged, estimates suggest that, over the course of this year, EU buyers will need to secure not only sufficient gas to replace the lost transit supplies via

[1] G. Molnar, P. Zeniewski, 'European gas market volatility puts continued pressure on competitiveness and cost of living', International Energy Agency, 23 February 2025, iea.org.

[2] This is only slightly offset by increased transmission via the TurkStream pipeline.

Ukraine (which amounted to approximately 16 bcm in 2024), but also an additional 20 bcm compared to 2024 in order to meet the storage level target. Additionally, larger volumes will be needed to refill Ukraine's storage facilities, which are currently at record-low levels.[3] As a result of the anticipated increase in demand across Europe, concerns are mounting over rising gas import costs this year, particularly during the summer and early autumn months, when the replenishment of storage facilities typically occurs.

Questions about Russian gas…

Concerns regarding further increases in gas prices also stem from the experience of the past winter, as well as the accelerating pace of global political and trade shifts (most recently driven largely by actions taken by the Trump administration). Throughout most of the 2024/2025 heating season, prices remained above levels observed in the previous two years, initially due to expectations regarding the cessation of Ukrainian transit, and subsequently as a direct consequence of its termination.

Chart 3. Prices of monthly gas contracts at the TTF hub since March 2023

Source: 'Dutch TTF Natural Gas Futures', ICE, ice.com.

Meanwhile, over the past several weeks, gas prices have fallen by approximately 34%, returning to levels last seen in September 2024. Several factors have contributed to this decline, including the approaching end of the heating season, significantly higher temperatures, reduced demand in Asia, and an increase in global supply. Additionally, statements from the US about its willingness to end the war in Ukraine and normalise relations with Russia have also played a role. According to media reports, this normalisation could potentially include allowing increased Russian gas supplies to the EU.

According to unverified reports from the *Financial Times* and *Bild* daily newspapers, negotiations are allegedly underway between Washington and Moscow regarding the possible activation of the only undamaged pipeline of Nord Stream 2, with the potential involvement of US investors acquiring stakes in the project.[4] Both the Russian and German governments have denied these claims, although the talks are reportedly taking place without Berlin's involvement. However, a rapid launch of the pipeline remains impossible, not only due to existing US sanctions (including restrictions against the Nord Stream 2 AG company) and political opposition within the EU, including from the European Commission and the German government, but also because the pipeline lacks certification from Germany's regulatory authority, BNetzA, as well as the necessary updated assessments required for approval.[5]

[3] According to AGSI, on 8 March 2025 their filling level was 4.25%.

[4] It is most likely that such an acquisition could only take place by means of an auction. Meanwhile, the deadline for the repayment of debt to creditors was recently postponed once again (by mutual consent of the parties) to 9 May 2025.

[5] Including the assessments of the pipeline's impact on Germany's national security.

At the same time, it appears that the fundamental shift in US policy towards Russia has, in effect, opened a 'Pandora's gas box', with an increasing number of reports suggesting discussions about boosting gas imports from Russia. Should the war come to an end, some European energy companies may express interest in exploring this possibility. The issue of resuming gas transit via Ukraine also remains a recurring topic, strongly lobbied by Slovakia. On 6 March, in an effort to secure Bratislava's support for the EU summit's financial and military aid commitments to Kyiv, EU leaders called on the European Commission, Slovakia, and Ukraine to intensify efforts to find "workable solutions to the gas transit issue, while taking into consideration the concerns raised by Slovakia".[6] Furthermore, a key EU initiative – the announcement of a proposed strategy to phase out Russian energy imports – was removed from the European Commission's agenda for the first half of 2025. This proposal, originally scheduled for the first quarter of the year, aligned with one of Poland's priorities during its EU Council presidency.

None of the aforementioned developments guarantees an increase in Russian gas imports, particularly given that the primary reason for the decline in supplies thus far has been Moscow's own actions and decisions. However, these reports clearly indicate a shift in sentiment and a pragmatic openness to a potential course correction, both in Washington and, seemingly, in at least some EU capitals. In particular, some governments may be viewing the prospect of increased Russian gas supplies as a solution to one of the EU's most pressing economic and social challenges: high energy prices. What is certain, however, is that this narrative is being promoted by stakeholders with a vested interest in such a development.[7]

The leaders of Hungary and Slovakia have been the most vocal and consistent in integrating this issue into the broader debate on restoring the EU's competitiveness. However, given the ongoing global political shifts, the idea may gain broader support. This creates space within the EU for exploring solutions where Russian gas supplies to the EU market are treated as a means of achieving non-energy-related objectives, no longer solely by Russia, but also by other actors. However, such an approach would be entirely at odds with the EU's still-official policy of phasing out Russian energy imports. It would not only complicate efforts to support Ukraine and curb the aggressor's revenues, but also risk deepening internal divisions within the EU, potentially weakening the bloc as a whole.

…and gas relations with the US

Meanwhile, the potential resumption of Russian gas supplies to the EU via Ukraine, or the launch of the remaining Nord Stream 2 line, could complicate the new US administration's plans to expand American LNG and oil exports, including to the EU market. As a result of measures implemented during Joe Biden's presidency, US liquefied natural gas exports are set to more than double in the coming years from approximately 123 bcm (88 mln t) in 2024 to around 280 bcm (200 mln t) by 2028.[8] The increases, driven by the launch of new export capacities, will already be evident in 2025, with US LNG exports projected to rise by 21.7 bcm (approximately 17% year-on-year[9]), followed by a similar increase in 2026.[10] Further growth is likely in subsequent years, particularly as the expansion of hydrocarbon production and exports remains a key priority for Donald Trump. In line with this

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6 'Special meeting of the European Council (6 March 2025) – Ukraine', European Council, 6 March 2025, consilium.europa.eu.

7 Despite the fact that Russian gas is not inexpensive and its deliveries are associated with numerous risks that also translate into additional costs borne by European customers. See R. Bousso, 'Cheap Russian gas in Europe? No such thing', Reuters, 18 February 2025, reuters.com.

8 'US LNG projects boosted by Trump's export permit restart', Reuters, 21 January 2025, reuters.com.

9 A.-S. Corbeau, 'Bridging the US–EU Trade Gap with US LNG Is More Complex than It Sounds', Center on Global Energy Policy at Columbia University, 20 February 2025, energypolicy.columbia.edu.

10 C. Ricker, A. Iraola, 'EIA expects higher wholesale U.S. natural gas prices as demand increases', U.S. Energy Information Administration, 23 January 2025, eia.gov.

agenda, one of his administration's first energy policy decisions in January was to lift the moratorium on new LNG terminals, which had been imposed under the previous government.[11]

In January, the US president also urged EU countries to purchase larger quantities of gas and oil from the United States, suggesting that doing so could enable them to avoid tariffs.[12] This prompted discussions within the EU on how to respond to such appeals.[13] Meanwhile, an increase in Russian gas supplies, at a time when the global LNG market is expanding, with additional export capacity planned not only in the US but also, inter alia, in Qatar, Australia, Canada, and Mexico, would not only reduce demand for American LNG in Europe but also contribute to lower prices. This, in turn, would render transatlantic shipments less profitable.

It remains unclear what Washington's alleged (though not inconceivable) shift in stance on supplies of Russian gas – and more broadly other fuels – would entail as part of Trump's proposed reset in relations with Moscow. Questions have emerged regarding the possibility of lifting US sanctions on Russian LNG terminals and the country's oil sector, a move that appears simpler than activating Nord Stream 2. However, as with reopening any of Russia's currently inactive onshore gas pipelines to the EU (whether via Ukraine or the Yamal pipeline), this would likely lead to lower global energy prices. Such a development could not only limit market opportunities for US hydrocarbons but, in the event of significant price drops, also threaten the profitability of increasing US production.

Amid the ongoing war in Ukraine and growing security challenges in Europe, both the shifts in US policy and the EU's incomplete transition away from Russian energy imports highlight the need for a coherent EU gas import strategy, including clear criteria upon which such imports should be based. Moreover, the EU needs a clear, legally binding policy to enable either the complete termination orsustainable minimisation of gas imports from Russia. Such a policy should also prevent the possibility of leveraging the prospect of increased supplies, particularly by entities from third countries, as a tool for manipulation.

[11] 'US LNG projects boosted by Trump's export permit restart', *op. cit.*

[12] J. Ambrose, K. Makortoff, 'Donald Trump tells EU to buy more US oil and gas or face tariffs', The Guardian, 20 December 2024, theguardian.com.

[13] G. Gavin, 'EU 'ready to negotiate' with Trump on boosting gas imports', Politico, 21 January 2025, politico.eu.