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To the point!

Cross-Asset- and Strategy-Research

Europe needs to save gas now!

We must not let Putin plunge us into recession

Even during the most threatening phase of the Cold War, the Soviet Union never cut off gas supplies to the capitalist class enemy. To us, that is. Putin's Russia, on the other hand, has turned out to be an unreliable supplier.

The president of the EU Commission is not the only one to state that Moscow is instrumentalizing raw materials as an economic weapon against Europe. She is right. And she is also right when she calls on the Union to save natural gas in order to escape Russia's blackmail. The goal is a mandatory 15% reduction between August and March. That could be enough to get us through the coming winter relatively warm and without an industry shutdown.

Without savings, rationing is likely to occur

Uniper, the struggling German energy supplier, has started releasing gas from its storage facilities to meet its supply obligations. And this is happening in the middle of summer, when the storage facilities have to be built up. While this is (still) an isolated case, it is the direct consequence of reduced Gazprom deliveries. Even after the end of maintenance work on the Nord Stream 1 pipeline, the guesswork about Russia's future gas supplies continues. The gas weapon must seem too tempting to the Kremlin. It can wield it to attack social cohesion in Europe without having to fire a single shot.

How great is the risk of a physical shortage of gas? And thus also of a potentially far-reaching closure of industrial plants? That would cause a deep recession, comparable to the financial crisis in 2009.



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The guesswork about the reliability of Russian gas supplies will continue

Savings must be enough to get us through even a harsh winter

Assuming a complete Russian gas supply freeze from August, gas storage may be just sufficient if other suppliers (e. g. Norway and the Netherlands) slightly increase their supplies and households voluntarily and consistently curb room temperatures by 1°C. As a rule of thumb, each °C curbs total consumption by 6%.

But it might not be enough even if we experience a very cold winter. Then the storage tanks could still be completely empty during the heating season.

Today, we cannot possibly guess whether the winter will be cold or warm. Therefore, saving gas should be regarded as a civic duty of solidarity, to prepare us for all eventualities. This is not about the clandestine introduction of an anti-consumerism ideology, as is sometimes maliciously implied. On the contrary, jobs would be jeopardized on a large scale if gas had to be rationed. No one can want that.

No leveraging of price signals

There are sometimes calls for government-subsidized energy price caps to at least partially protect households from skyrocketing heating costs.

That would be the wrong way to go. Not only would incentives to conserve energy. Such measures would also be ill-targeted in terms of distributive justice. As with the fuel rebate, wealthy households would benefit the most from such a scattergun policy.

By contrast, a more responsible use of scarce taxpayers' money would be to provide direct support to poorer households, for example by subsidizing moderate basic consumption.

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Many jobs are at stake: saving gas is therefore an act of solidarity

Measures to support households must not undermine the incentives to save
