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## FT: Ukraine's gas storage helps Europe avoid energy crisis

Ukraine's gigantic gas reserves that were built during the Soviet Union to ensure the Kremlin's gas monopoly on Europe are now serving the opposite goal: helping Europe get off the Kremlin's gas needle.



BY ALYA SHANDRA · 03/01/2024 · 3 MINUTE READ



A gas storage facility from Ukraine's state gas operator Naftogaz. Photo: Naftogaz

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Ukraine's underground gas storage facilities are helping the European Union avoid an energy crisis this winter. European companies have accelerated withdrawals of natural gas from Ukraine's facilities to meet rising heating demand, reports the Financial Times.

Paradoxically, Ukraine's gigantic gas reserves that were built during the Soviet Union to ensure the Kremlin's gas monopoly on Europe are now serving the opposite goal: helping Europe get off the Kremlin's gas needle.

Last year, European firms turned to Ukraine, home to the largest gas reserves in Europe, to store reserves. Analysts say this allowed utilities and traders to only tap modest volumes from EU-based storage, helping keep gas prices low and easier to refill inventories.

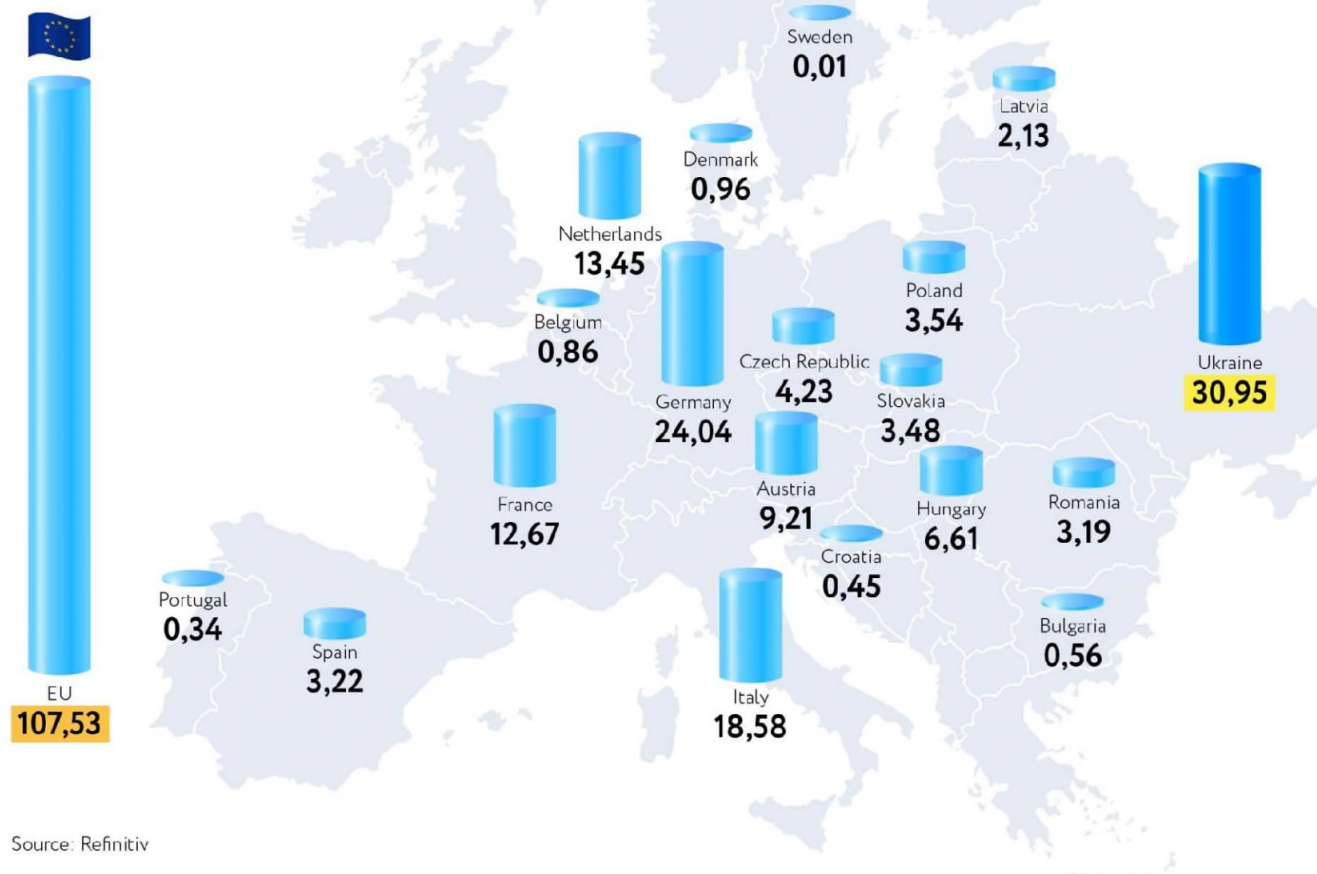
"Ukraine has more gas storage capacity than any other EU state thanks to its key role in transiting Russian pipeline supplies that accounted for nearly 40% of EU gas supply before the invasion," said industry group Gas Infrastructure Europe, Financial Times reported.

Ukraine's Naftogaz reports European companies accumulated around 2.5 billion cubic meters of natural gas ahead of winter, a record high since Russia's invasion. Companies began withdrawing Ukraine gas in early November at 10.7 million cubic meters daily, accelerating to 26 million cubic meters per day amid December's cold snap, said Argus Media.



## EU total UGS capacity in Europe, bcm

as of Dec. 14, 2023



Source: Refinitiv

Credit: Refinitiv

Poland received over half the gas withdrawn from Ukraine's facilities, with the rest used by Moldova, Slovakia, and Hungary. Despite the cold, EU storage levels remained around 90% in late December thanks to ample reserves, well above the 5-year average.

The high reserves helped keep EU gas prices low, with the Dutch benchmark trading nearly 3 times lower than last year, said Rystad Energy. Barring major disruptions, Rystad forecasts 80 billion cubic meters could remain in EU storage by March-end, or 70% of capacity, according to Financial Times.

## Energy crisis in the EU

In 2022, the EU was hit by an energy crisis: natural gas prices rose to record highs as Russia cut supplies. European countries previously depended on direct gas supplies from Russia and lacked sufficient gas storage capacity.

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Storage facilities in the EU reached almost maximum capacity in mid-October, and Ukraine became an alternative for storing gas destined for neighboring countries. Ukraine has also offered incentives such as cheap storage tariffs and a three-year duty exemption, which will make it easy to reimport gas to the EU.

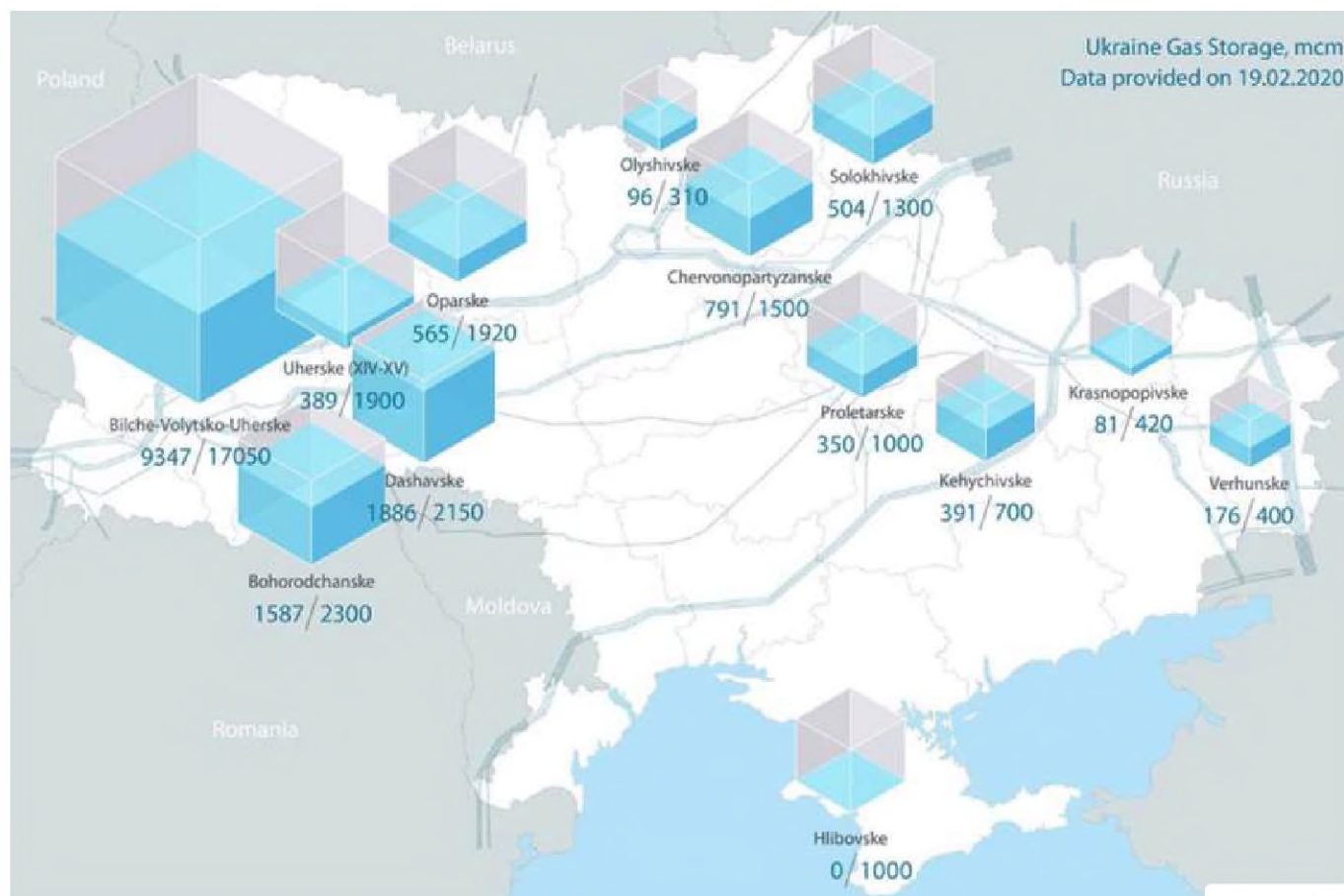
Most of the gas storage tanks are located deep underground in the west, far from the front line.

Ukraine has offered foreign customers up to ten billion cubic meters, one-third of Ukraine's capacity, in addition to 115 billion cubic meters of storage in the EU.

## Ukraine's gas storage facilities

Ukraine has Europe's largest gas storage capacity, necessary for the EU to reduce price volatility and secure energy needs, especially after the energy price fluctuations following the war that started in February 2022.

Ukraine's storage facilities total a capacity of 31 billion cubic meters (bcm) across 11 underground facilities. Naftogaz can offer 10 bcm of this capacity to EU countries, potentially extending to 15 bcm, which would be a significant addition to the EU's gas storage capacity.



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The majority of this capacity, about 25 bcm or 80% of Ukraine's total gas storage, is located in western Ukraine, near the borders with Poland and Slovakia, in facilities such as Bilche-Volytsko-Uherske, Dashavske, Uherske, Oparske, and Bohorodchanske. The Bilche-Volytsko-Uherske facility, in particular, is the largest in Europe and can store 17.05 bcm of gas, offering significant stockpiling capabilities and connection to the EU grids.

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Recent Russian attacks indicate a pivot in strategy toward Ukraine's defense industry over civilian sites, using up a significant share of its remaining air-launched missiles, which demonstrate Russian planning for a protracted conflict, the UK intel said.



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Recent Russian missile attacks on Ukraine indicate a change in Moscow's use of long-range strikes, from energy to defence industry, the UK Defense Ministry reported.

The recent strikes have "likely primarily targeted Ukraine's defense industry," in contrast to Russia's "major attacks last winter which prioritised striking Ukraine's energy infrastructure."

***"Russian planners recognise the growing importance of relative defence industrial capacity as they prepare for a long war," the UK intel said.***

According to British intel, Russian forces committed a significant proportion of the stock of air launched cruise missiles and ballistic missiles they had built up over recent months.

This suggests Russia is adjusting its tactics after depleting part of its missile arsenal through the intense bombardment of Ukrainian infrastructure since October 2022, the UK intel said.

Early in the morning of 2 January 2024, Ukraine was under a massive Russian missile attack, with a record number of aeroballistic Kinzhal missiles fired on capital Kyiv. According to the Air Force of Ukraine's Armed Forces, the Russian military launched 99 missiles of various types and 35 kamikaze drones on 2 January.

Russia spent about \$620 million on a massive missile attack on Ukraine on 2 January, Forbes estimated.

The strike happened days after Russia's latest large missile attack of 29 December, which took the lives of 39 civilians throughout the country. These strikes happened after a summer-autumnal lull when Russia was considered to be stockpiling missiles.

In its recent massive strikes, Russia mostly hit residential buildings. It also damaged the power system, warehouses, heating networks, cars, etc

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