

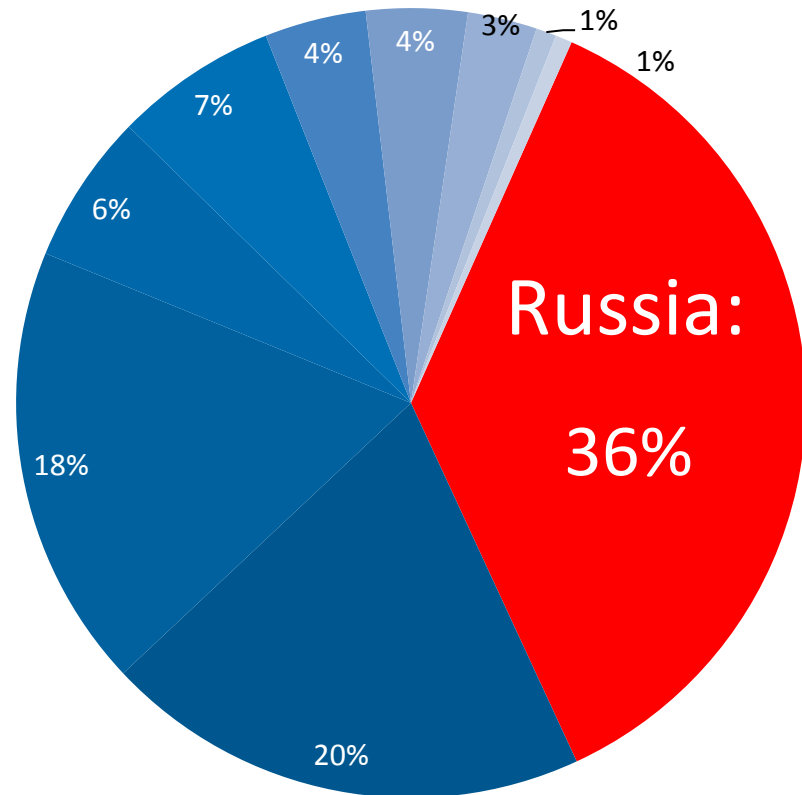
Should we stop importing gas from Russia?

Clemens Fuest



Gas imports: EU depends on Russia....

EU Gas Imports Pipeline and LNG

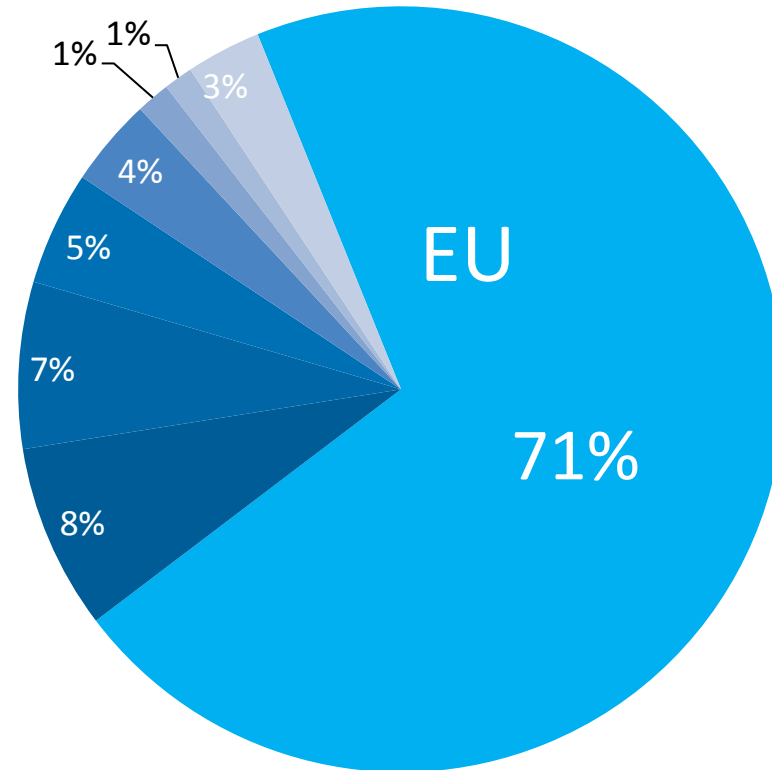


Quelle: BP 2022.

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...but Russia also depends on the EU

Russian Gas Exports 2020
Pipeline and LNG



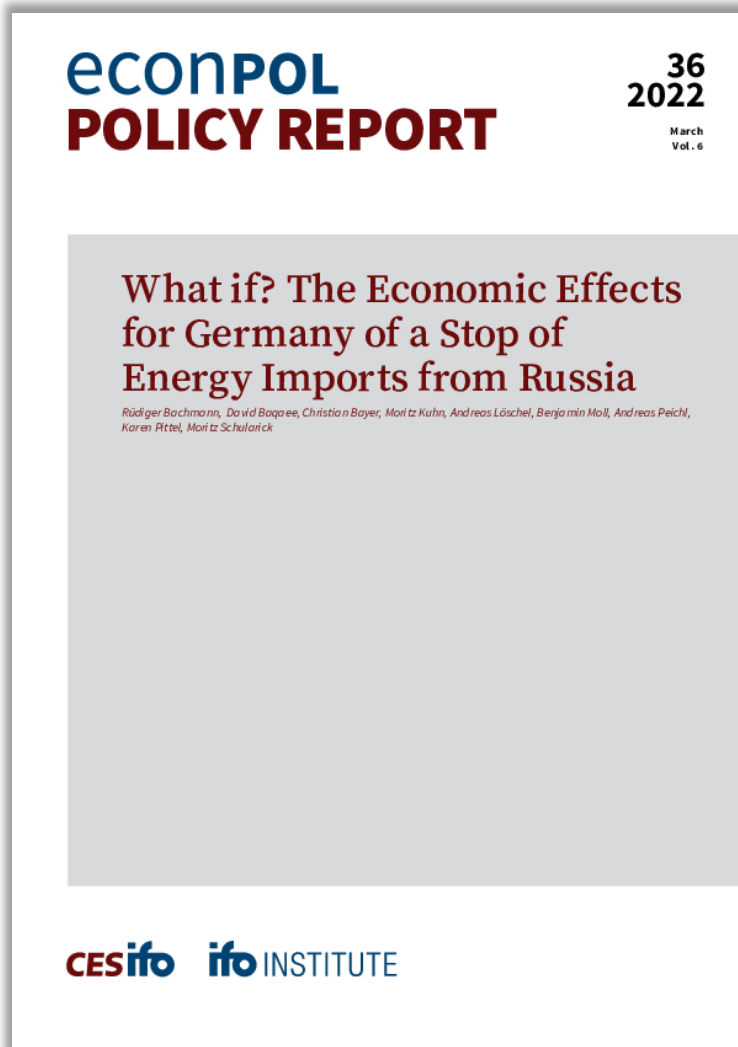
Quelle: BP 2021.

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1. Would the **economic impact of a sudden stop of gas imports from Russia be ,manageable‘**? Current estimates for Germany say GDP would fall by 0.2 - 6% of GDP. Truth is: **We don‘t really know.**
2. We do know **different EU countries would be affected very differently.** The ,benefits‘ are distributed more evenly. **Rational decision making for EU as a whole unlikely (would require ,side payments‘).**
3. **Long term consequences:** Do we want to **end gas imports from Russia gradually,** for instance reduce them to zero as from 2024? **No!** We want to build up **parallel structures (LNG)** but resume the imports from Russia once the war is over.

**If we stop importing gas from Russia now, what is
the economic impact?**

Simulation study for Germany:



- Different scenarios, worst case:
30% reduction in gas use
- **Decline in German GDP 2.2%**
- All depends on elasticity of substitution. How easy is it to substitute gas?

- **Issue:** This simulation model focuses on particular channels and abstracts from others (financial markets, demand side) and has no explicit modelling of value chains....
- Other studies come up with very different results: IMK (2022): **Decline in GDP by 6% or more**
- **More fundamentally:** We are simulating economic effects of **something that never happened before**, so the results are (even) less reliable than predictions of types of shocks that have happened before.

Other scenarios and countries, same method (GCEE, 2022):

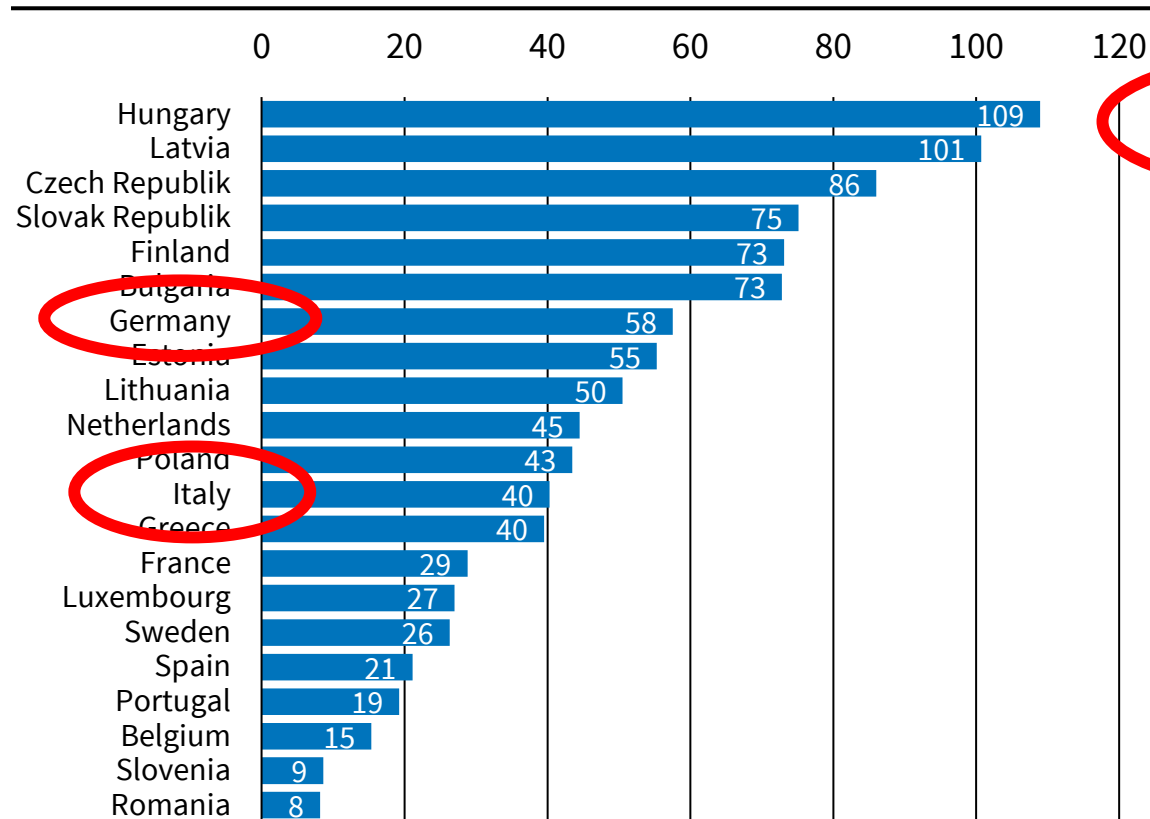
GCEE estimates of the deductions to economic output and additions to inflation resulting from a restriction of imports of Russian energy carriers

Assumptions	GNE-deduction ¹	Additional inflation ¹	Region
Own estimates based on the method of Bachmann et al. (2022) ²			
Decline in natural gas imports amounting to 75 % of the natural gas imports from Russia; Increase in the average price of natural gas imports to 350 €/MWh	2.0	-	Germany
	2.2	-	Italy
	0.6	-	Poland
	0.14	-	France
	0.03	-	Spain

Gas embargo would affect EU member states very differently

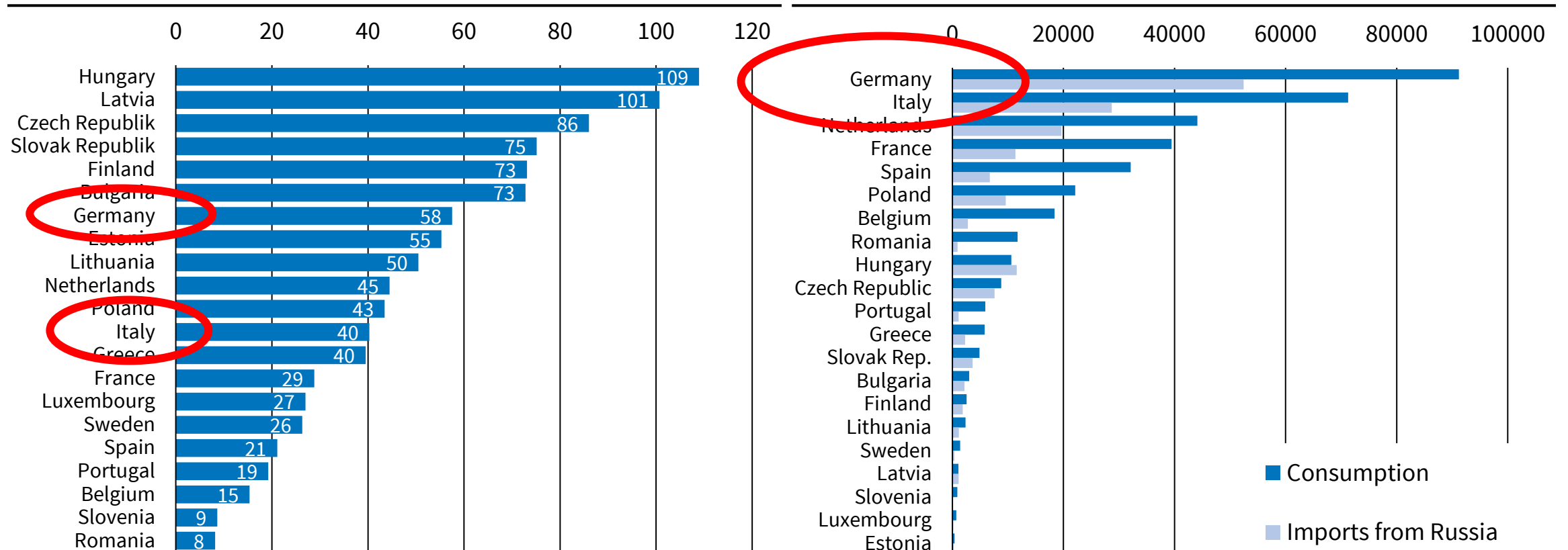
Russian gas imports as share of national gas consumption 2020

Share in %



National gas consumption and gas imports from Russia 2020

Mio. m³ (sorted by total consumption)



Source: Eurostat 2022.

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After the Ukraine war: Do we want to end gas imports from Russia permanently?

- Some of our governments do not want to stop gas imports now but later, in 2024 or so. **This makes little sense.** If we want to stop gas imports we want to stop them NOW. In 2024 we will probably want to resume the gas imports, albeit without depending on them as we do now.
- **How do we achieve that?** Build up parallel structures (more LNG terminals) and supplies so that Russian gas can be substituted if necessary – this **transforms mutual dependence into dependence of Russia on the EU.**
- **Would Russia accept that?** Probably yes because depending on China entirely is worse.

Thank you very much!
