

# Europe is Preparing for a Cold Winter and the Rise of Israel as a Regional Energy Power

By Kobby Barda

The article I wrote for this platform in April 2022, entitled "[On the collapse of supply chains and their impact on food security and the energy sector.](#)" discusses the immediate consequences of Russia's invasion of Ukraine and the implications of this move that include a forecast of global food and energy shortages.<sup>1</sup> Since April 2022, Russia has made it clear that it will use the gas company "Gazprom" for strategic purposes regarding the flow of gas to Europe through a series of "routine treatments" on the Nord Stream 1 pipeline. The first announcement of the need for repairs began after Germany put pressure on Canada to repair the turbine used by the Russian gas company, despite the boycott imposed on Russia.<sup>2</sup> Despite the efforts of the Europeans to swallow the bitter pill and bypass the sanctions they set, the Russians dragged their feet in the prolonged routine correction while presenting the argument that: "The circumstances resulted in the situation being out of its control (Gazprom K.B.'s)."<sup>3</sup> Recently, the Gazprom Company warned that additional work on the line would shut it down for three days (at this time) at the end of August and the beginning of September.<sup>4</sup> The announcement of the pipeline closure for repairs boosted the gas price in future contracts to \$2,700 per 1,000 cubic meters.<sup>5</sup> For comparison, the same amount of gas in Europe, precisely one year before, August 19, 2021, cost about \$480.<sup>6</sup> This gap reflects a price increase of approximately 462.5% per year.<sup>7</sup>

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<sup>1</sup> Kobby Barda, [On the collapse of supply chains and their impact on food security and the energy sector](#), www.ia-forum.org,

<sup>2</sup> Brian Platt and Arne Delfs, [Germany's Habeck Urges Canada to Help Thwart Putin on Gas](#), Bloomberg.com, July 7, 2022.

<sup>3</sup> Julia Payne, [Exclusive: Russia's Gazprom tells European buyers gas supply halt beyond its control](#), reuters.com, July 19, 2022.

<sup>4</sup> Christoph Steitz and Thomas Escritt, [Nord Stream 1 pipeline to shut for three days in latest fuel blow to Europe](#), reuters.com, August 20, 2022.

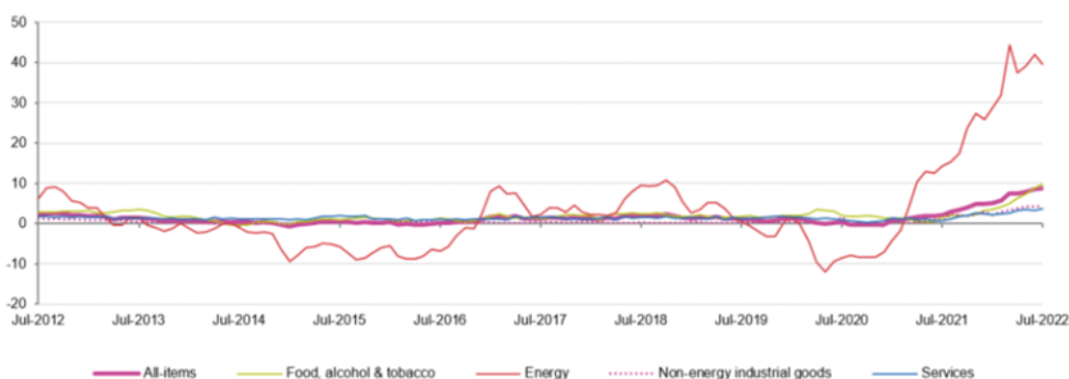
<sup>5</sup> [European gas rose to \\$2,700 on news of SP-1](#), bunatimes.com, August 19, 2022.

<sup>6</sup> [European Gas Price Falls to \\$480 Per Thousand Cubic Meters](#), business.com.tm, August 19, 2021.

<sup>7</sup> [Inflation in the euro area](#), ec.europa.eu, 18 August 2022.

## Euro area annual inflation and its main components, July 2012 - July 2022

(%)



Source: Eurostat (online data code: prc\_hicp\_manr)

eurostat

Chart 1: Inflation in Europe in the last decade (source Eurostat)

The high inflation leads to fear of factories leaving Germany due to uncompetitive production costs.<sup>8</sup>

An example that explains the high cost of energy in Europe is presented by Percheso Francuzzi, owner of a tomato-crushing plant in Solerno, Italy. He showed on social media a comparison between an electricity bill for about 120,000€ that he received in August 2021 and a statement of about 978,000€ that he received in August 2022, which became viral and reached media all over the world.<sup>9</sup>

But the real fear that European leaders are worried about is a complete shutdown of the gas by the Russians. European Commission President Ursula von der Leyen said Wednesday that Europe was "hoping for the best" but "prepared for the worst" as Russia remains poised to attack Ukraine. "This is a crisis created by Moscow," von der Leyen told M.E.P.s in the Strasbourg hemicycle. "We hope for the best, but we are prepared for the worst."<sup>10</sup>

On August 5, 2022, the Council of the European Union adopted a decision on regulation that should prepare the continent for winter so that between August 1, 2022, and March 31, 2023, gas consumption will decrease by at least 15% compared to the average of the last five years during that period.<sup>11</sup>

It is important to emphasize that, as seen in Figure 2, just before the Russian invasion of Ukraine, the dependence on Russian gas in the European area was enormous, with some countries depending on the supply of up to 100% of Russian gas.

<sup>8</sup> Todd Gillespie, [Germany Risks a Factory Exodus as Energy Prices Bite Hard](https://www.bloomberg.com/news/articles/2022-08-19/germany-risks-a-factory-exodus-as-energy-prices-bite-hard), blomborg.com, August 19, 2022.

<sup>9</sup> [La Fiammante, bolletta del gas da 1 milione di euro](https://www.alimentando.info/la-fiammante-bolletta-del-gas-da-1-milione-di-euro/), alimentando.info, Aug 18, 2022.

<sup>10</sup> [Von Der Leyen Says EU Must Prepare For 'Worst' On Russian Gas Supplies](https://www.rferl.org/content/von-der-leyen-says-eu-must-prepare-for-worst-on-russian-gas-supplies/7111176.html), rferl.org, Aug 1, 2022.

<sup>11</sup> [Council adopts regulation on reducing gas demand by 15% this winter](https://consilium.europa.eu/en/press/press-releases/2022/08/05/), consilium.europa.eu, 5 August 2022.

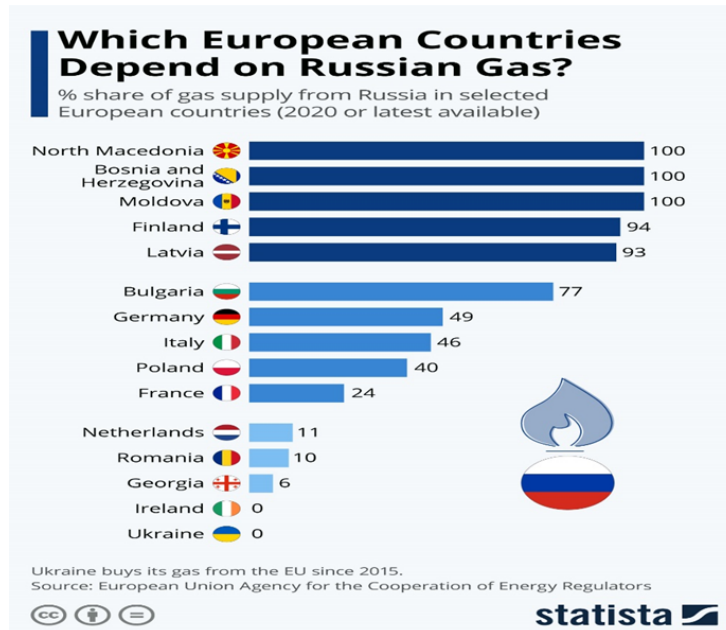


Chart 2: Dependence of European countries on Russian gas source: (Statista)

This predicament of reducing the use of natural gas due to the circumstances of the Russian invasion of Ukraine comes at a problematic time concerning the European Union's desire to reduce dependence on polluting-energy sources. For example, at the beginning of 2022, Steffi Lemke, the Federal Minister for the Environment, Nature Conservation, and Nuclear Safety, announced the voluntary closure of the three nuclear plants in the country as part of the green agenda of the German government. The German cabinet consists of a coalition of three parties, including the Green Party (of which Minister Lemke is a member), which vigorously promoted the issue of closing the nuclear reactors. Recently, the German government decided to keep the option to operate the nuclear reactors, a move that undermines Chancellor Schulz's coalition with the Greens but one that is justified in light of the fear of the coming winter.<sup>12</sup>

Examples of the steps that European countries are taking to deal with the threat of stopping gas flow include the reduction of lighting in supermarkets in Spain starting at ten p.m.<sup>13</sup>

In Germany, it is reducing the street lighting done with gas and shortening or giving up long, hot showers.<sup>14</sup>

In France, the Carrefour supermarket chain decided that at the end of the day, instead of using hot water to melt the ice that preserves the freshness of fish and seafood, to leave it

<sup>12</sup> Bojan Pancevski, [Germany to Keep Last Three Nuclear-Power Plants Running in Policy U-Turn](https://www.wsj.com), wsj.com, Aug. 16, 2022.

<sup>13</sup> [Lights off at 10pm for shop windows and monuments in Spain as part of government's energy saving plan](https://www.surinenglish.com), surinenglish.com, 2 August 2022.

<sup>14</sup> Sara Marash & Louisa off, [Dimmed street lights, shorter showers: Germany leads Europe energy savings drive](https://www.reuters.com), reuters.com, July 20, 2022.

for natural thawing.<sup>15</sup> And in hot Greece, they decided to limit the use of air conditioners and agreed to an acceptable temperature range.<sup>16</sup>

The problematic situation created by the Russian invasion, on the one hand, and the imposition of sanctions by the European countries, on the other hand, obliges the Europeans to develop alternative sources of gas alongside the rationing policy described. The "new" player that entered significantly and increased the export of liquefied gas to Europe is the United States. As can be seen from the attached charts 3 and 4 of the Energy Information Administration of the United States government (EIA.GOV), there has been a dramatic increase in the supply of American liquefied gas exports to the world.

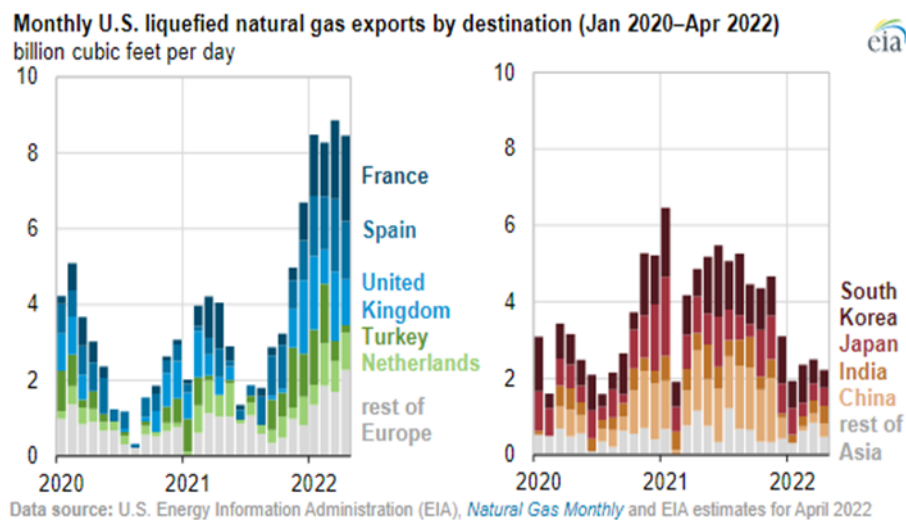
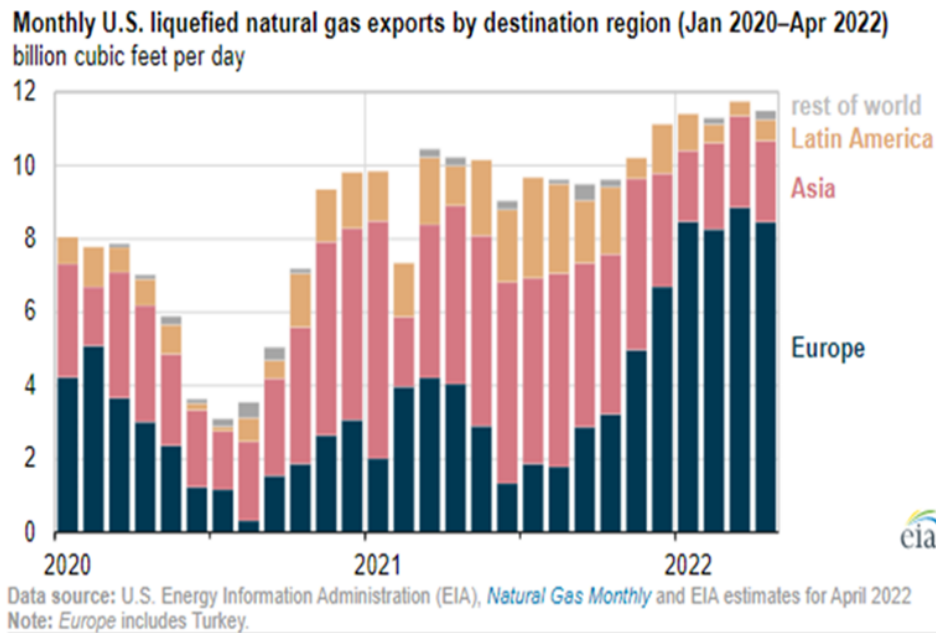


Chart 3: Monthly exports of US liquefied natural gas by continent in billion cubic feet (source: EIA.GOV)

Data prove a change from about eight billion cubic feet per day in 2020 (about 226.5 million cubic meters) to close to twelve billion cubic feet in April 2022 (about 340 million cubic meters). Europe's share doubled from about four billion in January 2020 (about 123.25 million cubic meters) to over eight billion in April 2022 (about 226.5 million cubic meters).

<sup>15</sup> Leila Abboudi & Jonathan Eley, [Roast the chickens earlier and dim the lights: French retailers prepare for power shortages](#), ft.com, JULY 31 2022.

<sup>16</sup> Michael Birnbaum and Elinda Labropoulou, [Greek air-conditioning limits test country's resolve to support Ukraine](#), washingtonpost.com, August 5, 2022.



*Chart 4: US gas exports per cubic foot per country (source: EIA.GOV)*

Therefore, Israel became one of the "beneficiaries" of the energy crisis created due to the state of war affecting the gas supply from Russia. In June 2022, the State of Israel signed a contract to export liquefied gas (via Egypt) to Europe.<sup>17</sup> After the MOU for Export of Natural Gas ceremony from Israel to the E.U., Minister of Energy Karine Elharrar said, "This is a historical moment in which the small country of Israel becomes a significant player in the global energy market. The MoU will enable Israel, for the first time, to export Israeli natural gas to Europe, and it is even more impressive looking at the significant set of agreements we signed over the last year, which position Israel and the Israeli energy and water sectors as a key global player."<sup>18</sup>

The signed contract places Israel in a significant geo-strategic position in the region. Estimates by the Ministry of Energy are that during 2022, between 2.5 and 3 billion cubic meters of Israeli natural gas flowed. In the coming years, it is possible that in light of the signed agreement, the gas flow volume will increase to approximately 6.7 billion cubic meters starting in April 2023. According to the MOU, the Natural Israeli gas company can add another 100 million N.I.S. These are revenues that will serve for the development of additional infrastructures related to the transmission of natural gas and that will enable a reduction in rates for natural gas consumers in Israel.<sup>19</sup>

In the context of signing the agreement on Israeli gas exports only in June 2022, it is interesting to note the request of John Bolton. Bolton, President Trump's national security advisor, met with Chancellor Merkel in August 2018. He demanded to end German funding for developing the Nord Stream 2 gas line. Bolton requested at the meeting that the

<sup>17</sup> Danny Zaken, [Global energy crisis opens possibilities for Israel's natural gas drillings](#), al-monitor.com, May 16, 2022.

<sup>18</sup> [MOU for Export of Natural Gas from Israel to EU](#), energy-sea.gov.il, June 15th, 2022.

<sup>19</sup> Yuval Azoulai, [Europe is desperate for gas, Israel will provide it and Yitzchak Tshuva and Kobby Maimon will cut a coupon](#), Calcalist, June 16, 2022.(Hebrew Source).

European Union convert the purchase of Russian gas into the purchase of natural gas from Israel or liquefied natural gas from the United States. By stopping the Europeans' development and acquisition of Russian gas, the Trump administration achieved a dual goal: to block Russia and strengthen Israel into an economic power for decades. The Trump administration saw the purchase of Russian gas as a danger to NATO members in what subsequently became a reality about five years later. The E.U. is paying a heavy price for the increase in gas prices and the stability margins of European countries that now fear the possibility of a Russian invasion of NATO countries: Poland, the Baltics, and Romania.<sup>20</sup>

When Israel became a country sought after by European countries, it was able to leverage the export of gas for achievements in its foreign relations. For example, it was only recently that Turkey expressed its desire to serve as the conduit for Israeli gas to Europe, adding to the rapprochement process between the countries and the decision to restore full relations between Ankara and Jerusalem.<sup>21</sup>

In an article expanding on the potential of gas for the relations between Turkey and Israel, Prof. Shaul Horev and Dr. Amri Eilat state: "Israeli decision-makers need to understand that despite the unique relations with Greece and the deep understandings with Egypt, Israel will not be able to export gas to Europe without close coordination with Turkey, which serves as one of the essential energy corridors. However, Israel and Turkey, two countries that are not signatories to the Seas Convention and are known for their preferences for agreed-political solutions over the involvement of international parties, could be the ones to promote it."<sup>22</sup>

But not only is Turkey in the race for Israeli gas, but the governments of Cyprus, Greece, and Italy also aimed to promote the EAST MED gas pipeline a few years ago. The agreement was to lay a 1,900 km long submarine gas line which the Americans subsequently halted continued development and financing due to claims of environmental concern and lack of economic viability on the eve of the invasion of Ukraine.<sup>23</sup>

Now, when gas prices are increasing daily, the economic viability of laying the infrastructure and the strategic importance of it, the issue is being re-examined during talks by the foreign ministers of the relevant countries.<sup>24</sup> The strategic power of Israeli gas in the coming years is creating a European rapprochement that until a few years ago could have sounded like science fiction, when for example the two candidates to succeed Boris Johnson in the elections for the leadership of the Conservative Party (which guarantees the position of British Prime Minister until the next round of elections) Foreign Minister Liz Truss and former Minister of Finance Rishi Sunak, are competing with each other to consider moving the embassy of the United Kingdom to Jerusalem.<sup>25</sup>

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<sup>20</sup> Kobby Barda, [The Key to understanding Donald Trump](#), Simple Story, 2018.107.

<sup>21</sup> Manuel Fernández, [Turkey bets on gas pipeline from Israel amid energy crisis](#), atalayar.com, June 1, 2022.

<sup>22</sup> Omri Eilat and Shaul Horev, [Israel-Turkey Relations: Sea of Opportunities](#), The Strategic Series, Chaikin Chair, Haifa University, September 12, 2021. (Hebrew source).

<sup>23</sup> LAHAV HARKOV, [US informs Israel it no longer supports EastMed pipeline to Europe](#), jpost.com, JANUARY 18, 2022.

<sup>24</sup> [EU looking to step up energy cooperation with Israel: von der Leyen](#), spglobal.com, 14 Jun 2022.

<sup>25</sup> MICHAEL HOROVITZ, [UK premiership candidates offer cautious backing for embassy move to Jerusalem](#), timesofisrael.com, 18 August 2022.



But the geo-strategic importance of gas for Israel is not limited only to its relations with Europe but also to its relations with its neighbors in the region. On the one hand, the gas discoveries at the Karish site and the arrival of the floating gas production rig of Energean company holds the licenses to extract gas from the Karish and Tanin reservoirs at its mooring point near the Harish-drilling area, about eighty km from the coast of Haifa. During the month of June 2022, it almost immediately led to threats by the Lebanese terrorist organization Hezbollah to threaten the destruction of the drilling platform.<sup>26</sup>

As part of that negotiation, the parties will reach a solution regarding the development of the gas reservoir located close to and north of the disputed area and called "Block 9" and in the fourth stage, after the reservoir begins to operate and bring in profits for both parties, Lebanon will return to Israel the value of the gas that was transferred to it from the "karish" reservoir at the beginning of the process.<sup>27</sup>

The political fruits of the gas were also a significant vector and a catalyst for the end of the last military operation in August involving the Egyptian mediation, which needed continued stability and the flow of Israeli gas to the liquefaction plants in Egypt.<sup>28</sup>

The cooperation does not stop there. Recently, the interests in the gas pipeline have also connected with Israel's gas transmission from Jordan to Egypt in the agreement signed in February 2022.<sup>29</sup>

In conclusion, the Russian invasion of Ukraine will require changing how Europe has relied on Russian gas in the last decades. The gas, which has become a strategic tool in the hands of Russia, threatens to freeze Europe this coming winter and smash its economy. On the precipice of time, and a few years too late, Europe realized that it must develop alternative solutions that include a "diet" and strict rationing of energy, delaying the implementation of green energies, using polluting energy sources such as coal, fossil fuel, and nuclear reactors.

At the same time, the E.U countries will have to purchase gas from new markets such as the United States and Israel.

The price that Europe will pay will be not only in inflation and economic collapse but also in human lives. Every year, some 200,000 people die from cold across Europe, and the possibility of any decrease in temperatures will increase the number of deaths by 1.5%, with concerns that a devastating combination of cold winters and drastic rationing could lead to the deaths of millions across Europe.

Another angle to international relations considers how Putin can act vis-a-vis the countries of the Union. Such a move could be in the form of driving a wedge between Germany and the

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<sup>26</sup> [Hezbollah leader threatens to hit Israel's offshore gas rig](#), apnews.com, June 9, 2022

<sup>27</sup> Dr. Benny Shefnier and Prof. Shaul Horev, [there is an opportunity in the gas conflict with Lebanon. This is how it can be exploited](#), YNET.CO.IL, June 13, 2022. (Hebrew source).

<sup>28</sup> Dr. Guy Bechur, [exclusive: the secret to why Egypt acted quickly to end the violence in Gaza. Is Egypt already dependent on Israel?](#), gplanet.co.il, August 10, 2022.(Hebrew Source)

<sup>29</sup>

rest of Europe when he would agree to continue transporting the gas in exchange for German surrender and the cessation of gas flows to the other members of the Union. Another decision could be by the Union itself to abandon the Ukrainians and agree to terms of surrender that include tearing up parts of the Ukrainian state in favor of the "independence" of the relevant areas under Russian supervision and increasing the Russian appetite for an invasion of NATO countries or candidates for joining the military alliance, incidentally a military confrontation with members of the coalition.

At the same time, the European crisis created an extraordinary opportunity for strengthening Israel in the region and more effective preparation for the period that began after America's withdrawal from its role as world policeman. Strengthening cooperation with the regional power Turkey is significant for Israel in a world that will undergo fragmentation and regional alliances. On the European side, gas could enable significant state achievements with some countries that can stop anti-Israeli decisions or the European Union and possibly deepen peace relations with its neighbors through gas.

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