

Qatar is to start natural gas supplies to Germany

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On 29 November, representatives of QatarEnergy (Qatar) and ConocoPhillips (USA) signed a contract in Doha concerning supplies of liquefied natural gas to Germany. The natural gas will originate from North Field East and North Field South, gas fields located in Qatar in which the American company has shares. Under the 15-year contract, Germany will receive supplies of 2 million tonnes of LNG annually (after regasification – 2.7 billion m³ of gas), starting from 2026. Gas will be delivered to the onshore LNG terminal in Brunsbüttel. Its launch is scheduled for the end of 2025/beginning of 2026. ConocoPhillips, along with Germany's RWE and Britain's Ineos, has reserved receiving capacity there.

Commentary

- Due to the agreed date for the start of supplies, the contract will not directly contribute to increasing the security of Germany's gas supply over the critical period of the next two winters. The sources of the liquefied gas currently supplied to Germany (so far mainly via terminals in the Netherlands and Belgium) are either long-term contracts that were already in the portfolio of importers before the war (e.g. Uniper and RWE), or the spot market, where the Trading Hub Europe as German market area manager (using funds provided by the German government) has been particularly active over the past year (it has allocated around EUR 15 billion this year towards the purchase and storage of natural gas).
- The Qatari gas contract is important for Germany in the medium and long term, as it is a significant contribution to the diversification of supply sources and will partly compensate for the discontinuation of gas imports from Russia in the long run. However, to become fully independent of Russian gas supplies, Germany will have to sign more contracts. The volume envisaged in the contract corresponds to only about 3% of Germany's natural gas consumption in 2021 and just over 5% of last year's supplies from Russia. The contract is also an important signal that brings the implementation of the onshore LNG terminal project in Brunsbüttel closer. The volume in the contract will allow the use of barely one-third of its annual regasification capacity, which will be an initial 8 billion m³, and may rise to 10 billion m³.
- Talks on further contracts with QatarEnergy have also been confirmed by the German importers, RWE and Uniper. The negotiations initiated this spring are proving difficult since the parties cannot agree on certain issues. The time frame of future contracts is one of the key problems. German companies are not willing to sign long-term contracts due to Germany's climate policy, which aims to achieve carbon neutrality by 2045. As

research shows, this would entail a clear reduction in natural gas consumption already in the 2030s and the almost complete cessation of its use in the mid-2040s. For this reason, German importers prefer ten-year contracts, while Qatar insists that contracts with at least a 20-year term are the most advantageous for it.