

Austria: the end of direct gas supplies from Gazprom

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On 16 November, Russia's Gazprom Export ceased supplying gas to Austria's OMV under a long-term contract. Its terms envisioned the delivery of around 5 TWh of gas (0.5 bcm) monthly till 2040. The cessation of supplies follows the OMV's win against Gazprom Export in arbitration proceedings, which was announced on 13 November. The Austrian company was awarded €230 million in damages due to Gazprom Export's initially irregular and, from September 2022, completely discontinued gas supplies to Germany. The OMV decided to immediately recover the awarded sum by deducting it from its monthly payments to Gazprom Export under its gas supply contract. According to OMV, given the expected cessation of transit through Ukraine from 1 January 2025, this was likely the final opportunity to recover the arrears. According to media reports, the OMV is Gazprom's first European customer to default on payments for delivered Russian gas.

The OMV anticipated that its actions would result in the suspension of gas supplies from Russia and was prepared for this situation. In its press release published on 13 November, it highlighted its established extensive diversification measures and the possibility of procuring gas from various non-Russian sources, including Norway, and in the form of LNG, as well as the availability of pipeline capacity from Germany and Italy. Additionally, large domestic gas storage facilities are 90% full. The OMV has declared that it is able to fully meet its commitments to its customers.

Meanwhile, the transmission of Russian gas via the Ukrainian-Russian border point in Sudzha (it currently represents the only gas supply route from Russia to Austria) has remained effectively unchanged, and deliveries via Ukraine and Slovakia to the Austrian hub in Baumgarten have slightly decreased. According to speculation, most of the gas previously destined for the OMV now needs to be received by other companies cooperating with Russia or by Gazprom's subsidiaries (such as Gazprom Italia).

Commentary

- **The manner in which the OMV has recovered its dues for gas and the halt of gas supplies from Gazprom may signal a more permanent cessation of Austrian-Russian gas supply cooperation.** Austria was among the first countries to begin importing gas from the USSR in 1968 and was one of the EU nations intending to continue its imports of Russian gas for the longest period, even following the outbreak of the full-scale war in Ukraine and the escalation of the economic conflict with Russia. Meanwhile, the OMV's recent actions and the tone of statements by politicians, including Austria's Chancellor Karl Nehammer, reflect a significant shift in Vienna's policy. On 15 November, the

chancellor not only stated that Austria had secured stable supplies of gas from an alternative non-Russian providers but also announced that it would not yield to blackmail, even that exerted by Vladimir Putin. Russia's actions have created an opportunity for Austria to terminate its contract with Gazprom prematurely. According to Austria's Energy Minister Leonore Gewessler, this will depend entirely on the company's decision (despite a state-owned holding company being its main stakeholder with 31.5% of the shares), while the government's role will be to establish a formal framework for implementing this decision. The President of the European Commission, Ursula von der Leyen, supported Austria's actions and announced that the EU is prepared for the coming winter.

- **The suspension of Russian gas supplies under the contract with the OMV has raised concerns that a reduction in gas transit from Russia through Ukraine could occur earlier than anticipated, given the expiration of the Russian-Ukrainian gas transit agreement at the beginning of 2025.** Consequently, in recent days, the price of gas has increased to approximately €48 per 1MWh at the TTF hub, reaching its highest level in a year on 21 November. However, the price remains significantly lower than during the 2022-2023 crisis, and there are no indications of a return to such elevated levels. Despite the implementation of US sanctions targeting Gazprombank, which have simultaneously complicated payments for Russian gas for most European entities and are likely to hinder further imports under the current system, the situation in the markets has stabilised – at least temporarily – and Russian gas continues to flow through Ukraine at similar volumes. It is supplied to the Austrian market in slightly smaller volumes and no longer directly by Gazprom – most likely through spot sales at the Baumgarten hub. This shows Gazprom's interest in maintaining its exports to the EU despite further contractual challenges. Over the past two years, Austria has been one of the EU's largest importers of Russian gas, if not the largest (see '[The unfinished de-russification. The remnants of energy ties between the EU and Russia](#)'). According to some analysts, Russia's continuation of nearly unchanged supplies signals that it may be possible to maintain the export and transit of Russian gas through Ukraine in 2025, for instance, by selling gas to an intermediary company at the Russian-Ukrainian border and by allowing interested European companies to book pipeline capacity in Ukraine.