

Who Profits From War: How Gas Corporations Capitalise on War in Ukraine

Gas Industry and Governments capitalise on Russia's invasion of Ukraine and lock Europe and the US into fossil fuels reliance



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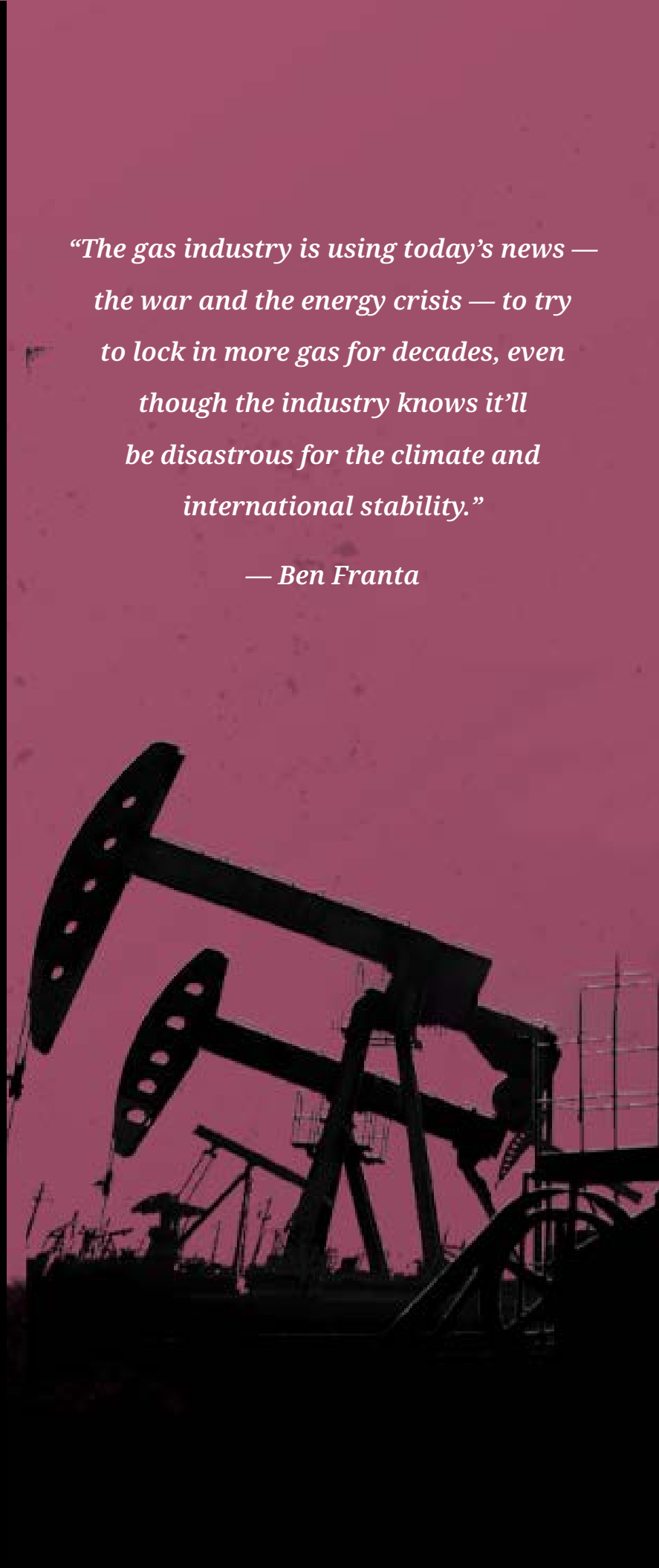
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*“The gas industry is using today’s news —
the war and the energy crisis — to try
to lock in more gas for decades, even
though the industry knows it’ll
be disastrous for the climate and
international stability.”*

— Ben Franta

Greenpeace is an independent campaigning organization that uses peaceful protest and creative communication to expose global environmental problems and to promote solutions that are essential to a green and peaceful future.



Who Profits From War – How Gas Corporations Capitalise on War in Ukraine

Gas Industry and Governments capitalise on Russia's invasion of Ukraine and lock-in Europe and the US into fossil fuels reliance

The 2022 Russian invasion of Ukraine shocked the world. It quickly resulted in an energy crisis as European States tried to secure non-Russian energy supplies for the winter.

What followed was one of the most blatant examples of 'shock doctrine,' where gas operators quickly shifted their public messaging and lobbying from "energy transition" to "energy security" and cynically used the opportunity to frighten governments into massive, unneeded investment into and expansion of fossil gas imports and infrastructure. These tactics have resulted in a short-term energy supply crisis being answered by long-term fossil fuel lock-in in the form of new infrastructure, decades long contracts, and environmental impact in the US, as well as in the EU. This overreaction jeopardises the EU's and US' energy transition and their agreed climate goals.

The shift was instant and effective. The REPowerEU plan, the EU answer to the gas crisis, included around €10 billion (\$20.9 billion) in funding for gas infrastructure.¹ Eight liquefied gas terminals are under construction, and 38 more have been proposed.²

Replacing Russian pipeline gas led to a surge of shipments of liquefied gas (also known as LNG) from the US. As a result, gas infrastructure operators, portfolio traders, and gas companies have declared that imported liquefied gas is the answer to the crisis and will remain so for decades to come. This LNG expansion threatens the health of communities living near these export terminals, extraction sites, and pipelines, while potentially pushing planet warming emissions past levels to meet global climate goals.

Shareholders of the world's top five oil and gas companies saw record profits of €192 billion (\$209 billion)³ and distributed \$102 billion (€93 billion) in the form of dividends and share-buy-backs in 2022.⁴

Why The Gas Is Not Needed

KEY FINDINGS

- Gas companies are capitalising on the shock of the Russian invasion of Ukraine to weaken regulations and push new proposals for increasing liquefied gas imports and locking both the US and Europe into contracts that would last for 15 to 20 years. This threatens climate goals, communities and investors.
- The reality is that most of the proposed projects would not be operational in time to address short-term energy shortages arising from the war in Ukraine. Most projects will only come online by 2026, far too late to respond to the current supply crunch.
- The US has approved projects that, if built, would double liquefied gas export capacity to 439 bcm per year – with annual lifecycle emissions equivalent to 393 million cars.⁵ By 2030, US liquefied gas exports alone could exceed the Net Zero Emissions (NZE) estimate by the IEA for *global* liquefied gas trade.⁶
- US liquefied gas imports to Europe increased by 140% in 2022.⁷ France accounted for nearly a quarter of these imports, with the UK and Spain following closely. At the same time plans for a raft of new import terminals are being pushed through.
- Currently in Europe eight liquefied gas terminals are under construction and 38 more have been proposed. These terminals, if built, would add 950 million tonnes of CO₂-eq per year.⁸

- Despite this massive surge in imports and infrastructure plans, EU liquefied gas regasification utilisation rate was only 63% in 2022.⁹
- European climate change policies should include phasing out liquefied gas before 2030 and all fossil gas by 2035.

A Fossil Fuel Disaster

The EU's energy crisis has been driven by the short-term need to get off Russian oil and gas. But this scenario ignores the much larger existential crisis of climate disruption. The climate protection pathways consistent with keeping the average global temperature increase to below 1.5°C (2.7°F) show that Europe must phase out gas consumption by 2035¹⁰. We need to get off all gas, not just that from Russia.

Despite this, European States have announced plans for an additional liquefied gas import capacity of 227 bcm per year over the coming years¹¹ – more than doubling existing capacity.¹²

The US has similar ambitions with approved projects that could more than double US export capacity and many more are proposed.¹³ This proliferation of US export terminals has been mostly financed by European banks,¹⁴ and made possible by negotiating long-term supply agreements with European purchasers and portfolio traders.¹⁵

This buildout is irrelevant to Europe's real short-term needs. Without any extra measures, the US can already increase its liquefied gas exports to Europe as a temporary measure to cover a short-term supply crunch.¹⁶ Any liquefied gas terminal coming online in 2026 or later does not help the current crisis – although it will make the climate crisis much worse and will, of course, increase profits of fossil fuel companies.

Who Pays The Price?

In 2022, while the world was recovering from Covid-19 and facing multiple wars, famines and other climate-related catastrophes, the big five energy companies (BP, Chevron, Exxon, Shell and TotalEnergies) generated €192 billion (\$209 billion) in record profits¹⁷; roughly twice what they made in 2021.¹⁸

Around the world, families were forced into poverty, government subsidies were announced, and aid packages were offered. In the EU reportedly 71% of people cut back on food and everyday items,¹⁹ and in the US a quarter of poll respondents said they had forgone necessities like food or medicine to pay their energy bills.²⁰

This LNG expansion also has substantial health and safety impacts on communities. European countries have banned methods like fracking at home,²¹ yet encourage these methods in the US to satiate their energy demand. The extraction and transporting of liquefied gas in Texas, New Mexico, and Louisiana has resulted in worsening air quality, contaminated water, and increases the risk of respiratory diseases, birth issues, and cancer in these communities, many of which are predominantly Black, Brown, Indigenous, and have low incomes.²²

Breaking the Climate

Investments in pipelines, terminal infrastructure and long-term contracts are all forms of “carbon and methane lock-in” that will make it harder politically, economically, and socially to decarbonize. Liquefied gas has higher lifecycle greenhouse gas emissions than pipeline gas. According to the Global Energy Monitor, if the EU LNG terminals that are under construction or proposed start production would result in 950 million tonnes of CO₂-eq per year from these terminals.²³

The environmental and climate impacts of these contracts makes them contentious which has resulted in a swathe of greenwashing on both sides of the Atlantic such as gas “certification” schemes²⁴, “hydrogen ready” rhetoric,²⁵ and repeated claims of “clean energy”. As this report shows, liquefied gas is not “clean”, “needed” or “wanted”.

While it will take significant work and investment to achieve the change needed, reality shows²⁶ that reducing demand together with increasing energy efficiency and ever cheaper renewable sources is the clear way forward.

It is equally clear that the liquefied gas buildout being foisted upon the US and Europe is a long-term disaster rather than a short-term solution.

Outsourced hypocrisy

One of the most outrageous features of the liquefied gas boom is its source. US liquefied gas comes mainly from fracking.²⁷ Many of the European banks that are financing US liquefied gas terminals have policies that exclude fracking from their banking activities. The case study in this report, identifies that all but one of the banks involved have such a policy.²⁸ And almost all the European countries that are importing US liquefied gas have banned fracking on their own land.²⁹ That's because a growing body of research has associated proximity to oil and gas activity with health problems³⁰ such as respiratory impacts (e.g. asthma),³¹ cancer,³² poor birth outcomes,³³ and more.

In the US, all the operating and under-construction terminals except one are located near a “disadvantaged community” as determined by the Sierra Club.³⁴

A compendium of scientific and medical research on the impacts of fracking in the US summarised its findings by saying, “Our examination uncovered no evidence that fracking can be practised in a manner that does not threaten human health directly and without imperilling climate stability upon which public health depends.”³⁵

Data from the US EPA's Air Toxics Screening Assessment shows that 236 counties with a total population of 14 million “face cancer risk exceeding EPA's one-in-a-million threshold level of concern, just due to oil and gas pollution.”³⁶

In the words of John Beard, a community advocate in the Port Arthur area: “*Europeans shouldn't think gas exported from my community is 'freedom gas'. Nothing's really free... It's going to cost you. It's going to cost you more and it's going to cost you in the long run. Because the more you use it, the more peril it places on your life and health, and the life and health of people across this entire planet. Climate change is real.*”³⁷

Recommendations

Phasing out fossil fuel exports from the US must be paired with strong demand-side policies to end fossil fuel use in Europe and other importing markets. Stopping the expansion of gas requires strong policies both to reduce harms where drilling occurs and all along the supply chain to decrease the demand for gas and incentivize the rapid buildout of renewables.

For Europe:

CHANGE THE SYSTEM

1. Remove fossil fuels from politics, by: ending their access to decision-making; ending conflicts of interest; excluding fossil fuel industry representatives from climate negotiations; rejecting partnerships with the fossil fuel industry.
2. Revoke the privileged role of gas lobby group ENT-SOG in EU decision-making processes.
3. Ensure full transparency on all available data on gas flowing into, through, and out of the EU.
4. Further strengthen, adopt and enforce due diligence legislation at European and national levels.

PHASE OUT GAS

1. Set mandatory gas reduction targets at EU and national levels,
2. Set targets for climate neutrality by 2040 in the EU and the US,
3. Pursue an active fossil gas phase-out by 2035. Due to its higher carbon intensity and risk of methane leaks, imports of LNG should be phased out first.
4. Cancel all projects for the construction of new LNG import terminals and expansion of existing terminals
5. Halt new long-term contracts for the delivery of LNG, and ban extension of existing contracts.
6. Properly account for the higher lifecycle emissions of LNG compared to pipelined gas.
7. Critically assess hydrogen projections and projects pushed by the fossil fuel industry.

REDUCE CONSUMPTION, BOOST EFFICIENCY AND EXPAND RENEWABLE ENERGY

Policies and measures are needed to support urgent measures that provide the services required from energy but do not rely on fossil gas through rapid expansion of systems and mechanisms that reduce consumption, expand efficiency and renewable energy sources.

Energy Saving and Conservation measures to reduce demand:

Efficiency (incl. insulation) - in Building and Industry: Renewable heating (like heat pumps); Building renovation heater efficiency in buildings; efficiency in industrial processes.

1. Financial support schemes for vulnerable people to meet their basic energy needs
2. Ban disconnections e.g. energy providers should not have the right to cut off customers who fail to pay their bills, in particular vulnerable ones
3. Drive deep building renovations and sufficiency that can realise the potential to permanently cut demand by improving the energy performance of buildings.

Power production – Maximise measures for renewable power sources at all public, commercial, and industrial sites and operations. E.g. solar panels on rooftops, install heat pumps and undertake renovation measures.

Industry – where possible be fully electrical and more circular, while always prioritising energy saving

Tax fossil fuel profits: to help meet the investment needs of the energy transition, ensuring the burden does not fall on citizens and the rest of the economy.

For the US:

US policy makers must take the following steps to align LNG exports with strong climate goals:

1. Stop approving permits for any **new infrastructure** projects that would increase GHG emissions or worsen the climate crisis. This requires that any new pipelines or new LNG export terminals be rejected.

2. Reject federal approval for any LNG export **shipments from existing or approved terminals** that are inconsistent with 1.5°C pathways, worsen domestic energy poverty, or pose health threats to nearby communities.
3. President Biden must wield his global leadership and support ending international public finance for fossil fuels, including LNG, at the G7, G20 and COP28.

Both Biden and Congress must take further steps to protect the climate and communities living on the fence lines of the fossil fuel supply chain. Such policies include:

1. Establish a national plan and targets to wind down existing fossil fuel production and infrastructure.
2. Eliminate federal fossil fuel subsidies.
3. Ban new fossil fuel leasing and permitting on public lands and waters, and phase out existing leases.
4. Enact regulations to eliminate methane emissions and flaring from oil and gas facilities.
5. Require air and water pollution reductions in polluted communities by implementing a comprehensive “No Pollution Hotspots” policy.
6. Pass the Environmental Justice for All Act to provide legal remedies to citizens, improve equity mapping tools, expand grant programs, and strengthen consultation with impacted communities.
7. Build on the renewable energy incentives in the IRA to enact a Green New Deal that will direct trillions of dollars in public investments to create millions of green union jobs, rectify past injustices, and ensure that energy-dependent workers and communities are left better off through the transition.

Endnotes

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