



| Flash |

EU Energy Risks in Early 2025

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Classification: TLP:CLEAR

Criticality: Medium

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Scope Note

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| Flash | EU Energy Risks in Early 2025

| Key Findings

- European energy prices have reached their highest level since the start of Russia's war in Ukraine in early 2022, just as Ukraine plans to halt the transit of Russian gas through the Druzhba pipeline on January 1, 2025.
- While price increases are steepest in eastern Europe, there will very likely be inflationary costs across the European Union (EU) without the replacement of Russian gas supplies.
- Energy insecurity and rising costs have been a key source of political unrest in Europe since the Russia-Ukraine war began. Additional gas price increases will likely continue to foment social tensions.

| Details

Ukrainian and Russian officials have confirmed they will not renew the agreement set to expire at the end of this year regulating Russian gas transit via the Druzhba pipeline through Ukrainian territory. Ukrainian Prime Minister Denys Shmyhal announced Ukraine will officially halt the transit of Russian gas on January 1, 2025, at 7:00 AM local time (GMT

5:00).¹ Ukrainian officials have long warned they would not renew the agreement, arguing the transit deal provides Russia with annual revenues of USD 6.5 billion that Russia can use to finance its war in Ukraine.²

- However, officials from both sides have expressed they are open to an agreement allowing the transit of non-Russian volumes through the Druzhba infrastructure. In this scenario, gas volumes from a third country (likely Azerbaijan) would replace Russian volumes transiting Ukraine via the Druzhba pipeline.
- International media outlets reported in November that European, Russian, and Ukrainian officials were in talks to develop such a plan, but talks fell through in December.

While much of Europe has transitioned away from Russian natural gas transported via Ukrainian pipelines, several states continue to rely on Russian volumes, including Hungary, Slovakia, and Moldova. Austria also previously relied heavily on Russian gas; however, Gazprom halted shipments to Austria on November 16 amid a payment dispute with Austrian entity OMV.³ As a result of this incident, Austria has already been coping without Russian gas transit through Ukraine since mid-November.

| Impacts

Slovakia is attempting to negotiate a deal that would allow gas to continue flowing into the country via Ukraine. Prime Minister Robert Fico traveled to Moscow on December 23 for talks with Russian President Vladimir Putin in an attempt to negotiate an agreement.⁴ While a last-minute agreement to replace Russian volumes remains a possibility, such a deal is increasingly unlikely as the deadline draws closer.⁵

- The halt of Russian gas transit is unlikely to cause acute energy shortages in EU countries, including Hungary and Slovakia. As of December 23, gas storage levels

¹ <https://www.pravda.com.ua/eng/news/2024/12/20/7490021/>

² <https://www.politico.eu/article/slovakia-profiting-from-war-with-russian-gas-transit-gambit-kyiv-blasts/>

³ <https://www.dw.com/en/russia-to-stop-supplying-austria-with-natural-gas/a-70798804>

⁴ <https://www.politico.eu/article/slovakian-pm-pays-shock-trip-to-putin-in-bid-to-get-russian-gas/>

⁵ <https://financialpost.com/pmn/business-pmn/slovakia-still-seeking-ukraine-transit-gas-deal-by-year-end>

across the EU stand at 75.88 percent, with 72.23 percent in Hungary and 78.16 percent in Slovakia.⁶

However, in the absence of a replacement for Russian supplies, the European natural gas market will tighten, likely prompting a spike in gas prices across the continent. At the onset of Russia's war in Ukraine in early 2022, the EU quickly reduced its dependence on Russian gas from about 40 percent of its supplies to around 8 percent in 2023.⁷ This contributed to a large spike in EU-wide inflation, as alternative liquified natural gas (LNG) supplies are more expensive and cumbersome to transport. This energy price spike spanned the wider economy, making transport, agriculture, and energy-intensive industries (such as factories and chemical manufacturing) more expensive. This across-the-board increase to the cost of living has very likely contributed to wider societal tensions, including protests related to inflation and immigration, as well as to election losses for incumbent governments.

- On December 20, 2024, EU natural gas prices reached a near two-year high ahead of the January 1 deadline and amid the coldest winter in the Northern Hemisphere since Russia's war in Ukraine started.⁸ European industries have also been using the most energy since the war began, while U.S. LNG supplies have been lower.
- Moldova faces the highest potential for unrest in the event Russian gas supplies are halted; officials declared a state of emergency on December 16 to streamline resources ahead of the impending shutoff.⁹ Moldova's energy grid is heavily reliant on the Cuciurgan Power Plant (MGRES) located in the disputed territory of Transnistria on the left bank of the Dniester River. MGRES generates electricity from natural gas, which Russia supplies to Transnistria free of charge. The plant will reportedly transition to less efficient coal-fired production if Russian gas imports are halted. MGRES covers all of Transnistria's electricity supply and over half of the Republic of Moldova's electricity consumption on the right bank of the Dniester

⁶ <https://agsi.gie.eu/#/>

⁷ <https://www.consilium.europa.eu/en/infographics/eu-gas-supply/>

⁸

<https://www.euronews.com/business/2024/12/20/natural-gas-prices-at-highest-for-two-years-on-cold-weather-concerns>

⁹ <https://radiomoldova.md/p/45088/moldova-activates-crisis-unit-to-tackle-emergency-challenges>

River.¹⁰ However, Moldovan officials insist that agreements with neighboring Romania to ensure Moldova's energy needs will provide enough capacity to cover winter consumption.¹¹ Electricity imports from Romania are about two to three times more expensive than the electricity delivered from the MGRES plant, which will greatly increase the cost of living for Moldovans.¹² Transnistria residents can also expect significant cost increases and potential power outages, which may lead to social unrest in the territory.

¹⁰

[hXXps://www.spglobal.com/commodity-insights/en/news-research/latest-news/natural-gas/121824-moldova-says-gazprom-made-no-trans-balkan-gas-capacity-bookings-for-january](https://www.spglobal.com/commodity-insights/en/news-research/latest-news/natural-gas/121824-moldova-says-gazprom-made-no-trans-balkan-gas-capacity-bookings-for-january)

¹¹

[hXXps://radiomoldova.md/p/44808/experts-eu-countries-and-the-united-states-will-help-us-overcome-the-energy-crisis](https://radiomoldova.md/p/44808/experts-eu-countries-and-the-united-states-will-help-us-overcome-the-energy-crisis)

¹²

[hXXps://moldova.europalibera.org/a/republica-moldova-va-impune-restrictii-la-exportul-energiei-regenerabile/33247317.html](https://moldova.europalibera.org/a/republica-moldova-va-impune-restrictii-la-exportul-energiei-regenerabile/33247317.html)

| Appendix A: Traffic Light Protocol for Information Dissemination

	Red	Amber
WHEN SHOULD IT BE USED?	Sources may use TLP:RED when information cannot be effectively acted upon by additional parties and could lead to impacts on a party's privacy, reputation, or operations if misused.	Sources may use TLP:AMBER when information requires support to be effectively acted upon but carries risks to privacy, reputation, or operations if shared outside of the organizations involved.
HOW MAY IT BE SHARED?	Recipients may NOT share TLP:RED with any parties outside of the specific exchange, meeting, or conversation in which it is originally disclosed.	Recipients may ONLY share TLP:AMBER information with members of their own organization and its clients, but only on a need-to-know basis to protect their organization and its clients and prevent further harm. Note that TLP:AMBER+STRICT restricts sharing to the organization only.
	Green	Clear
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Appendix B: ZeroFox Intelligence Probability Scale

All ZeroFox intelligence products leverage probabilistic assessment language in analytic judgments. Qualitative statements used in these judgments refer to associated probability ranges, which state the likelihood of occurrence of an event or development. Ranges are used to avoid a false impression of accuracy. This scale is a standard that aligns with how readers should interpret such terms.

Almost No Chance	Very Unlikely	Unlikely	Roughly Even Chance	Likely	Very Likely	Almost Certain
1-5%	5-20%	20-45%	45-55%	55-80%	80-95%	95-99%