

Energy crisis 2021

The recent upsurge in prices for natural gas has affected European users and companies. The price is now six times higher than it used to be, and it is expected to rise further.

People across Europe are currently experiencing sharp growths of prices in their energy bills, and authorities are struggling hard to assist. Moreover, the whole world will be affected by the European crisis. This winter, large amounts of people worldwide will feel its impact. It foreshadows problems for the rest of the world, as authorities warn of outages and industrial plants being forced to shut down due to the worldwide energy shortage.

The situation analysis

On October 6, 2021, gas prices in Europe rose sharply to a new historical record - \$1,900 per thousand cubic meters. The gas price today stays at the approximate level of \$ 1,200 per thousand cubic meters.

In recent months, the EU and the UK generated more electricity with renewables than with fossil fuels. Simultaneously, the UK tends to rely on gas for roughly 40% of its power generation, and Europe is also continuing to make intensive investments in gas. Currently, the EU has more than \$100 billion for projects that involve natural gas usage in the works.

The crisis is endangering to expand to more countries disrupting the post-pandemic global economic recovery. Authorities across the world are attempting to mitigate the impact of the energy crisis on customers, but admit that they may not be able to avert payment increases. This situation also significantly complicates the preparation of world leaders for the UN Climate Change Conference in November.

The prices for coal and gas have reached multi-year record levels, which instantly affected the lives of ordinary consumers all over the world. In Spain, for example, consumer bills have skyrocketed in recent months, showing a 35% year-on-year increase in the cost of electricity and nearly 8% in August alone because prices for electricity in this country are tightly connected to the gas market.

Behind the scenes

Experts have been concerned about the issue of gas supply from Moscow. There is a major question of whether Moscow withheld gas supply to European countries on purpose.

A group of MEPs from Poland and other countries seeks a probe of Gazprom's role in the gas price surge. They believe it has been limiting gas supply to raise prices deliberately. Together with them, many experts and politicians are sure that Moscow is using gas to gain control over Ukraine and other European states.

Other causes of the crisis, according to analysts are the COVID-19 pandemic, weather, and an unbalanced energy market.

For example, Germany has decided to close all nuclear power plants, which produced about 30% of electricity. Nuclear power plants here began to be intensively replaced by wind and solar power plants. However, due to low wind weather in the first half of the year, wind power plants produced 20% less energy than a year ago. Therefore, coal-fired or gas-fired thermal power plants had to be used to offset costs.

Taking into account German government statements about the abandonment of coal, and the use of gas as a transitional fuel, Qatar, the world's largest liquefied natural gas manufacturer, refocused on

China and other markets with growth prospects. Now they have gas for Europe only at a very high price.

Coal prices are also rising rapidly. In China, its production has hardly increased this year, however, the electricity consumption has grown by 14%. Therefore, China is ready to buy coal from anyone around the world at any price.

The oil prices have also jumped as a result of the windless summer and the European difficulties obtaining Moscow gas. These price increases will soon be felt in Australia, which imports 80 percent of its gasoline, jet fuel, and diesel.

According to analytics forecasts, gas and oil prices will drop when Europe will solve their gas supply constraints with Moscow, possibly by the middle of 2022.

The whole situation with the energy prices induces Europe and the rest of the world urging to find efficient solutions to the problem. Experts emphasize the need to improve and expand the infrastructure of renewable energy and diversify renewable sources. According to the EC President Ursula von der Leyen, the EC intends to increase investment in green energy, "in response to the energy crisis in Europe."

Forecast for Ukraine

Natural gas supplies to Ukraine from the EU in January-September 2021 decreased by 6.2 times compared to 2020. The suspension of transit to Hungary via Ukraine from the beginning of October is forcing a reorientation to other destinations, such as imports from Slovakia or Poland.

Against this background, the stock market price for gas in Ukraine for most industrial enterprises is growing rapidly but steadily. Ukrainian companies will buy gas at market prices. The chemical industry will suffer the most because gas is not only an energy resource but also a raw material for the manufacturing of their products. The constant rise in the price of oil and petroleum products should be added to the issue of expensive gas. This will stimulate an increase in food prices, which, in turn, will affect the entire economy of the country.

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