



EUROPE POLITICS

With war in Ukraine and threats from Putin, Europeans anxiously wait for energy rationing

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KEY POINTS

Energy analysts and government officials have warned that Europe could soon face rationing of diesel and natural gas.

But some analysts told CNBC implementing policies focused on cutting demand for fossil fuels could be Europe's "true and effective weapon" against Russia.

Such policies could include lowering speed limits, making public transport cheaper, and introducing car-free Sundays in large cities.





European countries are facing the possibility of energy supplies being rationed, as a dispute between Moscow and the West over payments for Russian exports rages on.

European countries are heavily dependent on Russian oil and gas deliveries, but Moscow's invasion of Ukraine in late February saw the EU and the U.K. impose a barrage of sanctions that included [cutting down on Russian energy imports](#).

In early March, the EU pledged to cut Russian gas imports by two-thirds before the end of the year, while Britain has said it will phase out Russian oil imports by the end of 2022.

But those moves come with risks for a region already facing an energy crisis. Tight natural gas supplies saw wholesale prices [surge to record highs](#) in Europe last year, with households in Britain due to see their energy bills [rise by more than 50% from April 1](#).

Natural gas rationing

Germany [warned on Wednesday](#) that it may soon be facing a natural gas emergency that could necessitate the rationing of gas supplies. German Economy Minister Robert Habeck said the “early warning” measure did not yet mean the country had to resort to rationing gas but called on consumers and companies to reduce their energy consumption.

Meanwhile, Austria's government announced Wednesday that it had activated the first step of a three-stage emergency plan that would see it monitor the country's gas market more closely. Officials cited Russia's demand for payments in rubles as the reason for the triggering of the contingency plan, noting that if it reached the third stage in the plan, emergency control measures such as rationing may come into force.

According to Chi Kong Chyong, director of Cambridge University's Energy Policy Forum, Germany and Austria may not be alone in having to implement extreme emergency measures if Western countries continue to lock horns with Russia.

[Putin said last week](#) that the Kremlin will seek payment in rubles for gas sales from “unfriendly” countries — a demand that has been rejected by the G-7 nations. On Thursday, [the Russian leader said he had signed a decree](#) saying foreign buyers must pay in rubles for Russian gas from April 1.



countries will also have to take emergency measures,” Chynoweth told CNBC. “Despite entering a warmer period when we consume less gas, we still need gas to flow into our storage facilities to use it in the upcoming winter months when temperatures drop and we need gas for heating again.”

VIDEO 03:19**TotalEnergies CEO: Reliance on Russian gas is a lesson for all of us**

“If Russian gas flow stops, all European governments — including the U.K.’s — need to start activating emergency plans including ‘front loading’ public campaigns to ready our citizens to save energy in the winter months,” he added.

Diesel rationing

Meanwhile, Jim Watson, a professor of energy policy and the director of the UCL Institute for Sustainable Resources, said it was “certainly possible” that the U.K. could see a government-imposed rationing of fuel for cars.

Britain faces more difficulty shifting away from Russian oil than it does with moving away from Russian natural gas because it was more reliant on oil imports, Watson told CNBC via telephone.

Speaking to British lawmakers in a meeting of the U.K. Parliament’s Treasury Committee in



“Russia has a lot of other intermediaries and other companies that would buy and sell its crude products,” she said. “Particularly in terms of products, diesel is where we fear rationing could come as soon as the end of this month in Germany. You could absolutely see the repercussions of that in the UK as well.”

Meanwhile, Russell Hardy, CEO of Swiss oil trader Vitol, told an [FT commodities summit last month](#): “Europe imports about half of its diesel from Russia and about half of its diesel from the Middle East. That systemic shortfall of diesel is there.”

“Rationing of diesel is a possibility,” he added, according to [The Times](#).

Demand reductions

The U.S. Energy Information Administration estimates that Russia exported 4.7 million barrels of crude oil a day in 2021 — almost half of which went to European OECD countries. The Netherlands, Germany and Poland imported the most Russian oil in the region.

Meanwhile, 74% of Russia’s natural gas exports went to OECD Europe last year, according to the EIA.

Implementing policies that reduce public demand for oil could help the U.K. government to decrease its reliance on imported oil, Watson suggested, arguing that a push toward public transport uptake and the introduction of other behavioral policies “that are about people and their choices” are also “certainly possible.”

Last year, panic-buying of gasoline in Britain led to severe shortages that saw many gas stations running dry, with army personnel being [deployed to deliver fuel](#). But Watson noted the current situation was different, and a more likely outcome of the risks around energy supply was a continuation of high prices in the U.K. — a country currently [facing its worst cost of living crisis for decades](#).

“I think there is a bit of a challenge to setting those [measures] out as top-down policies with the government saying the population should drive slower, drive less, fly less, move to public transport,” he said.

A ‘true and effective weapon against Putin’



said could help quickly cut global oil demand by 2.7 million barrels a day. The policies, intended for implementation in “advanced economies and beyond,” included reducing speed limits on highways by 10 kilometers (6.2 miles) an hour, making public transport cheaper, introducing car-free Sundays and alternating the use of private cars in large cities.

Rory Stewart, former British International Development Minister and a senior fellow at Yale’s Jackson Institute, [said in a tweet](#) earlier this month that it is possible to cut the income Russia receives from oil exports by focusing on reducing demand.

“It would take a government and civilian effort equivalent to the Covid response,” he said.

VIDEO 03:00

Centre for Climate Repair discusses Ukraine war’s impact on fossil fuel dependence

His proposed policies, which he said should remain in place throughout the crisis in Ukraine, included reducing the U.K.’s speed limits to 50 miles per hour, making all public transport free, and calling on companies like Uber to open technology that would allow free civilian ridesharing.

“This would reduce demand and price of Russian oil, [and] have a catastrophic impact on Putin,” Stewart said.

Cambridge University’s Chyong told CNBC that the key to hurting Russia through energy



weapon against Vladimir Putin," he said.

“An exponential negative relationship between demand and prices [exists] because right now we are facing a globally very, very tight energy system and every extra unit of demand will cause prices to rise disproportionately high. The flip side of this effect is that reducing our demand will have disproportionately high marginal benefit – drastically reducing prices.”

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