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Analysis
Paper

57/2026 01/09/2026

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The geopolitics of natural gas facing a new order

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This analysis is part of the Strategy Notebook:
Energy and Geostrategy 2026*. Published in April 2026*

Abstract:
Under the international liberal order, natural gas became fully integrated into globalisation through the expansion of the LNG market, increased transnational investment, the consolidation of international energy governance institutions, and the liberalisation of the sector in much of the world. This process gave rise to an interconnected and relatively efficient market, regulated by multilateral institutions and operated mainly by companies, in which complex interdependence seemed to have displaced geopolitics. Russia's invasion of Ukraine and the subsequent instrumentalisation of natural gas represent a definitive break with this paradigm. Since then, geopolitical logic has prevailed over commercial interests, eroding fundamental pillars of the liberal order such as the use of the dollar and the US financial system, respect for arbitration mechanisms, and the protection of transnational investments. The result is an increasingly fragmented market in which energy flows respond more to geopolitical alignment than to criteria of economic efficiency. This new natural gas order is characterised by the instrumentalisation of interdependence, greater fragmentation, and increased volatility, reflecting the advance of a more competitive and openly realist international order.

Keywords:
Geopolitics, natural gas, international order, realism, interdependence.

How to cite this document:

URBASOS, Ignacio. *The geopolitics of natural gas facing a new order*. Documento de Analysis Paper IEEE 57/2026.

THE GEOPOLITICS OF A NEW GAS ORDER

UNITED STATES

- THE UNITED STATES HAS BECOME THE WORLD'S LARGEST GAS EXPORTER.
- THE EU IS ITS MAIN DESTINATION, TOGETHER WITH ITS ASIAN ALLIES: JAPAN, SOUTH KOREA AND TAIWAN.
- UNDER THE LOGIC OF 'ENERGY DOMINANCE, TRUMP HAS USED GAS EXPORTS TO OBTAIN GEOPOLITICAL CONCESSIONS.

CHINA

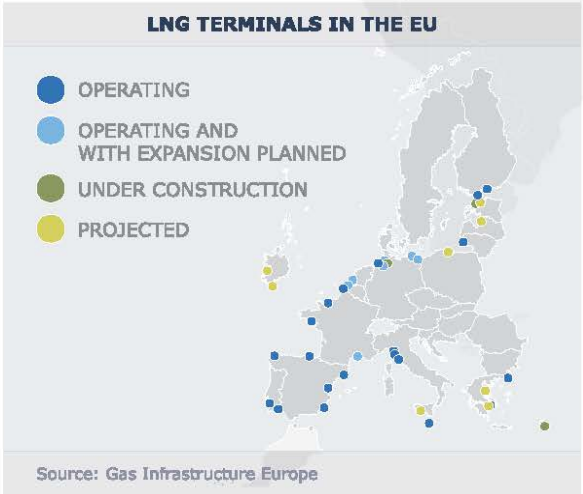
- A DECADE AGO, CHINA WAS POISITIONED TO BE A HUGE MARKET FOR US GAS.
- HOWEVER, CHINA HAS IMPOSED TARIFFS IN RESPONSE TO THE TRADE WAR INITIATED BY TRUMP.
- CURRENTLY, CHINA IS THE MAIN MARKET FOR RUSSIAN GAS, AND THIS TRADE IS EXPECTED TO INTENSIFY IN THE COMING YEARS.
- FOR CHINA, RUSSIAN GAS IS CHEAPER THAN OTHER ALTERNATIVES AND IS TRADED IN YUAN, REDUCING ITS EXPOSURE TO THE WESTERN FINANCIAL SYSTEM.

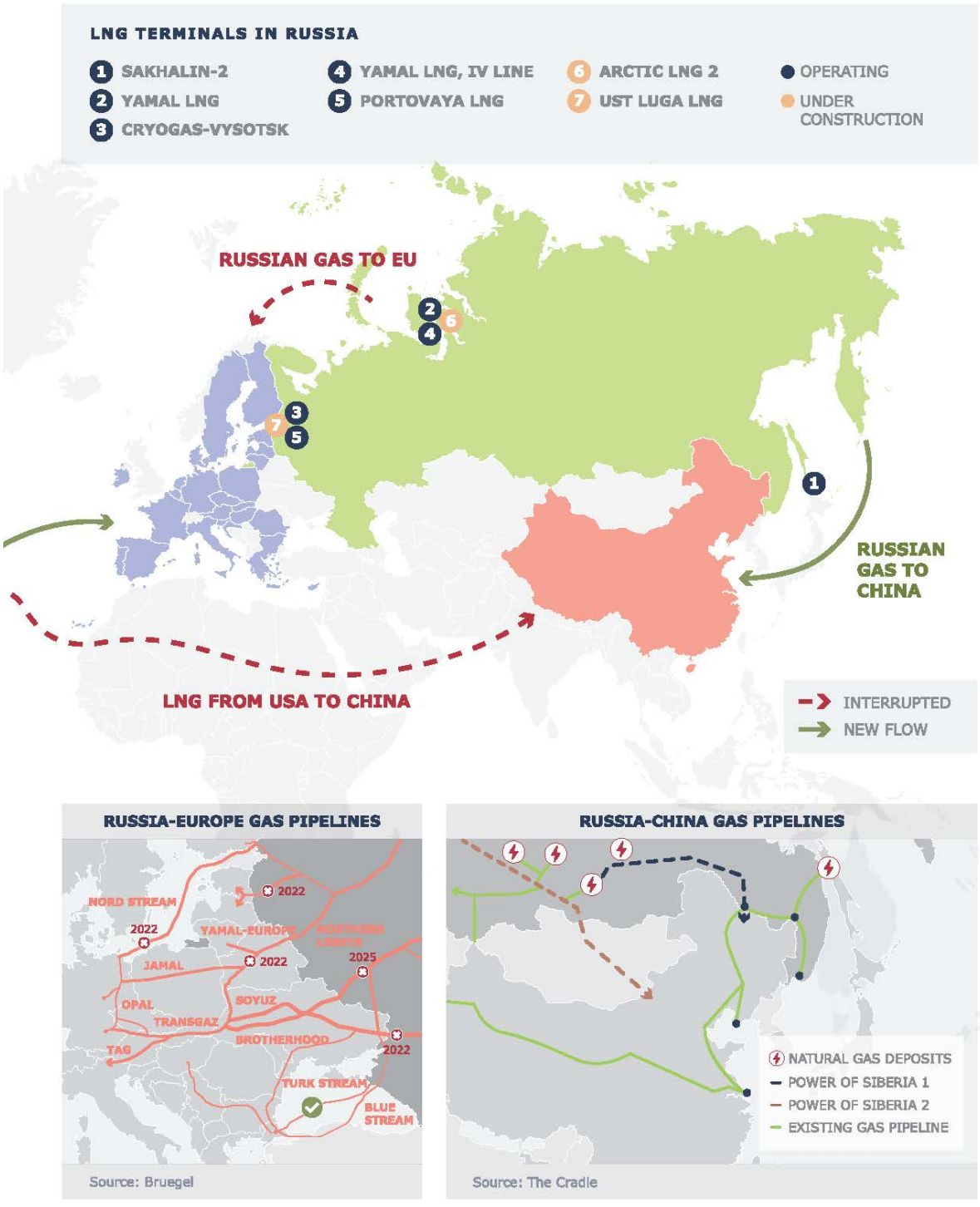
EUROPEAN UNION

- UNTIL 2022, THE EU WAS THE MAIN MARKET FOR RUSSIAN GAS. SINCE THEN, IMPORTS FROM RUSSIA HAVE FALLEN BY 90% AND ARE EXPECTED TO BE PHASED OUT COMPLETELY BY 2028.
- AS PART OF THE GEOECONOMIC WAR, THE EU HAS SEIZED RUSSIAN ASSETS IN EUROPE AND IMPOSED SANCTIONS ON ITS ENERGY COMPANIES, BREAKING WITH DECADES OF ENERGY INTEGRATION.
- CURRENTLY, NORWAY AND THE UNITED STATES ARE THE EU'S MAIN GAS SUPPLIERS.

RUSSIA

- FOLLOWING THE INVASION OF UKRAINE, RUSSIA HAS ATTEMPTED TO SHIFT ITS GAS EXPORTS FROM THE EU TO CHINA.
- RUSSIA HAS BUILT A SHADOW FLEET OF LNG TANKERS TO TRANSPORT GAS FROM THE ARCTIC TO CHINA, DEFYING WESTERN SANCTIONS.
- WITH THE CONSTRUCTION OF THE POWER OF SIBERIA 2 GAS PIPELINE, RUSSIA WILL BE ABLE TO REDIRECT RESERVES THAT WERE PREVIOUSLY DESTINED FOR EUROPE TO CHINA.




LNG TERMINALS IN RUSSIA
1 SAKHALIN-2
2 YAMAL LNG
3 CRYOGAS-VYSOTSK
4 YAMAL LNG, IV LINE
5 PORTOVAYA LNG
6 ARCTIC LNG 2
7 UST LUGA LNG
OPERATING
UNDER CONSTRUCTION
RUSSIAN GAS TO EU
RUSSIAN GAS TO CHINA
LNG FROM USA TO CHINA
INTERRUPTED
NEW FLOW
RUSSIA-EUROPE GAS PIPELINES
NORD STREAM
2022
YAMAL-EUROPE
NORTHERN LIGHTS
2025
JAMAL
OPAL
SOYUZ
TRANSGAZ
BROTHERHOOD
TAG
TURK STREAM
BLUE STREAM
Source: Bruegel
RUSSIA-CHINA GAS PIPELINES
NATURAL GAS DEPOSITS
POWER OF SIBERIA 1
POWER OF SIBERIA 2
EXISTING GAS PIPELINE
Source: The Cradle

Introduction

It is clear in the year 2026 that the international system's transition away from the liberal order that had characterised the post-Cold War era is in full swing. The end of the United States' unipolar moment is accompanied by profound transformation in the relationships between states with the return of great power competition, the instrumentalisation of interdependence, a zero-sum revisiting of the globalisation process, and, ultimately, the return of an eminently realist order (Mearsheimer, 2019).

Energy has always been at the heart of geopolitical struggles. However, the mirage of a hegemonic liberal order seemed to offer a path of cooperation thanks to the consolidation of new energy governance frameworks and the benefits associated with complex interdependence (Keohane and Nye, 1973; 1987). After the fall of the Soviet Union, the energy industry underwent an accelerated process of globalisation driven by market liberalisation, the privatisation of state-owned companies, and technological advances, with the Energy Charter Treaty standing out as the pinnacle of multilateralism (Westphal, 2006). Deregulation allowed private players to enter sectors once controlled by state-owned monopolies and, with the end of the Cold War, a whole new landscape of opportunities opened up to transnational investors. Hydrocarbon trading, taking place mainly in dollars, emerged as the keystone of hegemony for the US, who, in exchange for guaranteeing free commerce and maritime security, enjoyed the 'exorbitant privilege' of issuing the global currency (Priest, 2012). The financialisation of commodity markets brought energy commerce to new heights of complexity as traders and futures markets proliferated. With the appearance of new emerging markets, especially China, international trade of oil, natural gas, and coal increased rapidly. This, together with the construction of new infrastructures, generated new flows of energy that overran the old patterns of an export-oriented global south and a consumer-focused global north.

Natural gas stood out as a paradigm case of this inclusion of energy and its geopolitics in globalisation from a liberal standpoint. Major gas projects were undertaken by international consortiums, thousands of kilometres of gas pipelines were built across multiple countries, and many believed in the transformational power of energy integration through gas, from North Africa and the southern cone of South America to relations between the European Union (EU) and Russia. Technological development achieved the feat of normalising the transport of natural gas by ship, liquefying it to −162 °C and

regasifying it at the destination, making consumption of natural gas possible in countries such as Japan and South Korea: true energy islands located thousands of kilometres from the nearest natural gas reserves. As opposed to oil, natural gas was considered safer in geopolitical terms due to the inexistence of a large cartel such as OPEC that could manipulate prices or episodes marked by its instrumentalisation for geopolitical purposes, as had occurred with the oil shock of the 1970s (Goldthau and Witte, 2010). Additionally, in the context of decarbonisation, natural gas took on a central role as a 'bridge' energy vector, a backup for renewables, and a cleaner fossil fuel in terms of both greenhouse gas emissions and air pollution (Gürsan and de Gooyert, 2021).

However, on 24 February 2022, when Russian troops invaded Ukraine, Europe's energy security architecture collapsed and, with it, natural gas became the centre of great power competition. The Russian invasion of Ukraine permanently transformed the geopolitics of natural gas, and its use as a tool of coercion by Moscow, combined with the subsequent Western response in the form of sanctions and confiscations, has ushered in a new gas order aligned with international reality.

Background: the liberal mirage in an expanding market

Before the invasion of Ukraine, the gas market had emerged as the energy paradigm of liberal hegemony. Technological advances and liberalisation had taken it from being a highly regulated and relatively regionalised market and placed it in the globalised world. We can identify three major catalysts in this process: the EU's regulatory development, the transformative effect of the LNG market's US-led expansion, and transnational investments through multinational companies.

The EU as a laboratory for the liberal paradigm

With the end of the Cold War and the peak of liberal hegemony in the 1990s, the European Union began the long and complex process of deregulating, harmonizing, and integrating the energy markets of its Member States. These markets, traditionally dominated by state monopolies. Beginning with the first gas directive in 1998, the EU took its initial steps toward market liberalization, gradually incorporating external suppliers into its regulatory framework and exemplifying the Brussels Effect in global

energy governance. By unbundling monopolies and giving third parties access to infrastructures, the Second and especially the Third Energy Package flexed the EU's regulatory muscles, forcing union suppliers such as Russia, Norway, Algeria, and Qatar to adapt to the regulatory requirements imposed by Brussels in exchange for access to the world's largest and most lucrative gas market (Westphal, 2006). A paradigm case is that of Gazprom: after several arbitration losses, the company had to concede on essential points such as price formation and the structure of its European subsidiaries, thereby accepting the EU acquis in energy matters (Stern, 2015).

This liberalisation sped up the creation of a profound web of interdependence between the EU and its suppliers which, supposedly, was based on the principles of the free market and the rule of law. During this process, foreign companies acquired stakes in European gas market assets such as storage and trading activities, making these companies part of Europe's domestic market and giving them access to the economic benefits of the entire value chain. Gazprom, for example, before 2022 was not only the top gas supplier to the EU but also the primary operator of underground gas storage on European soil, operated one of the largest gas retailers, and was a shareholder of some of the continent's most important gas pipelines (Jirušek and Kuchyňková, 2018). The EU's approach to energy security attempted to guarantee international market efficiency (Chester, 2010) as opposed to the traditional geopolitical focus on physical access to resources. The expectation was that, through efficient markets run by private enterprises according to clear rules, energy flows would be depoliticised to the benefit of efficiency, a win-win mindset would prevail and thus disincentivise any instrumentalisation of interdependence (Escribano, 2011).

The globalisation of gas through LNG

Traditionally, natural gas trading has mostly taken place on a regional scale, with markets concentrated around areas of production or nearby regions, due largely to the high costs of transport. For decades, the most efficient and preferred means of transporting gas over long distances was by pipeline, an option that is subject to significant geographic, economic, and geopolitical limitations. By the 1960s, the technology already existed for cooling natural gas and transforming it into liquefied natural gas that could be transported by sea, similar to crude oil. However, the energy and capital-intensive liquefaction,

transport, and regasification process has been much more costly. As a result, no single global natural gas market existed and transactions remained largely regional, with marked price differences between regions depending on the specific conditions of supply and demand.

However, the last 25 years have seen the LNG market experience unprecedented growth and transformation, driven by the same liberal paradigm of business competition and deregulation. The sector has gone from being a space with limited exportation—dominated by three countries: Algeria, Indonesia, and Malaysia—to a much more diversified system with two major exporters, Qatar and Australia, with the especially significant addition of the United States and Russia in the last decade (Mañé-Estrada and Albinyana, 2023).

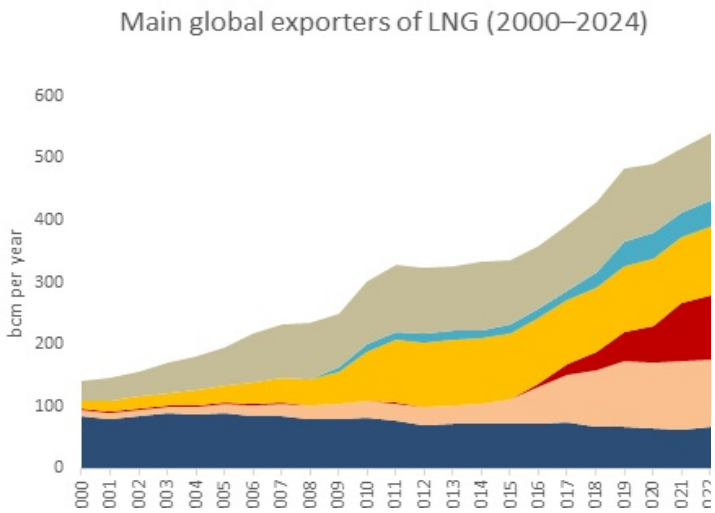


Figure 1. Source: Statistical Review of World Energy (2025).
Bcm = billion cubic metres of natural gas.

As opposed to the oil market, where maritime transport dominated for decades and in 2024 accounted for nearly 77% of international commerce (US EIA, 2024), LNG made up only 27% of the natural gas market in 2000 and had never exceeded 47% before the invasion of Ukraine. From today to the end of the decade, new LNG export capacity, mainly from the United States, Qatar, and Canada, will consolidate this trend by increasing available capacity by more than 50%, whilst no significant growth is expected in gas by pipeline (IEA, 2025).

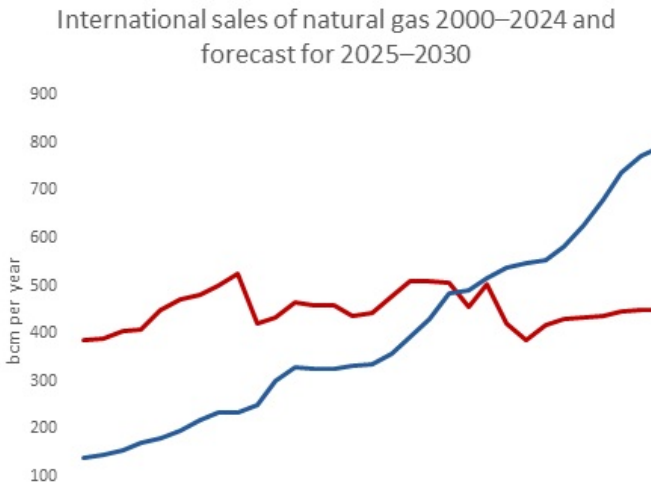


Figure 2. Source: Statistical Review of World Energy (2025), IEA (2025).

At the same time, LNG operations themselves have evolved towards greater flexibility for both buyers and sellers, bolstering the interdependence of gas markets through a process of 'deregionalisation' (Mañé-Estrada, 2022). Traditionally, the LNG business had been based on long-term contracts, generally between 20 and 25 years, which was necessary to finance investments in liquefaction plants and regasification terminals from both a sales and a purchasing perspective. These contracts would usually include strict destination clauses through which the selling party would guarantee a volume of gas per contract which offtakers were required to receive at one or several specified terminals. As such, these contracts worked according to the same logic as gas pipeline contracts, creating veritable maritime corridors that, due to their characteristics, operated like virtual pipelines.

When the United States burst onto the scene as a gas superpower thanks to the fracking revolution (Bros, 2012), it had a transformative effect on how the international gas market operated. LNG contracts signed a decade ago with US-based terminals introduced disruptive innovations into a traditionally rigid market in which long-term contracts dominated. According to Tagliapietra (2022), this contract flexibility is based on two main factors. First, the disappearance of destination clauses, which allows buyers to select the final market for gas purchased. The second factor is the rise of aggregators or 'portfolio players', energy companies that combine volumes of LNG from various sources for redistribution among their customers as needed, whether fixed term contracts or on the spot market.

The percentage of contracts with flexible destination clauses went from 34% on average from 2015 to 2017 to 64% from 2018 to 2020, mainly driven by the sudden appearance of US LNG projects which are also prevalent in new contracts signed in this decade (Tagliapietra, 2022). This contract framework has favoured the growing 'petrolisation' (Mañé-Estrada, 2022) of the gas market: flows are increasingly influenced by market trading and opportunism based on the evolution of different global price indexes and with new intermediaries gaining a larger role in spot market transactions, which now make up about 40% of operations (IGU, 2024) as opposed to the traditional preference for long-term markets.

This is where Title Transfer Facility (TTF), the Dutch virtual trading point, has consolidated its position as the key European benchmark whilst Henry Hub has done the same in the United States, the same way that Brent is for European oil what West Texas Intermediate (WTI) is for oil in North America. TTF offers a liquid and transparent price signal that competes with its Asian counterpart, JKM, emulating for gas the short-term market operations of crude oil (Heather, 2021). Gas indexes have made it possible to 'decouple' natural gas prices from crude oil, which was practised extensively in the industry until the liberalisation of the European market and the arrival of LNG from the United States. The result has been a market that is much more interconnected than in the past. Consequently, spikes in LNG demand in Asia due to a cold spell can attract to that region shipments that traders or portfolio players control all over the world, forcing European operators to offer higher prices to ensure supply. The result is a reconfiguration of the gas market from fragmentation to interconnection, with greater levels of volatility and exposure to geopolitical events but also a notable increase in liquidity and flexibility.

The transformative capability of transnational investments

The great transformations in the international gas market have taken place through the actions of major multinational companies, both public and private, and their transnational investments. As opposed to the oil sector, more characterised by resource nationalism, the 21st century's major LNG exporters—Qatar, Australia, Russia, and the United States—have developed their capabilities, each with its own peculiarities, in models that are relatively open to the participation of international capital. There are paradigmatic examples of these investment flows: France's TotalEnergies holds shares in four major

LNG exporters; US major ExxonMobil is present in the United States, Australia, and Qatar; whilst QatarEnergy, despite being a state-owned company, combines investments in Qatar and the US with long-term supply agreements signed with Australian firms. The natural gas value chain's greater technological complexity incentivised states with natural gas reserves to open their markets to foreign investment whilst the lower resource rent associated with natural gas undercut the resource nationalism that was endemic to oil politics in the last century (Xu *et al.*, 2024).

The major gas pipelines developed over the past decades were likewise driven by international consortiums focused on balancing interests and mitigating geopolitical risk. The Maghreb–Europe gas pipeline, passing through Algeria, Morocco, Spain, and Portugal, was promoted by shareholders that included, in its different sections, at least one entity from each of the states involved. As for the Nord Stream pipeline, it included Gazprom as well as major gas-consuming European utiltities. Despite the new international reality that has affected both pipelines, and the fact that the integration of business interests was ultimately insufficient to prevent geopolitical weaponization, at the time of their construction both were considered projects that would generate spaces of shared prosperity, emulating the spirit of economic cooperation that had inspired the European Coal and Steel Community (Hernando de Larramendi & Thieux, 2025).

Natural gas turns into a geoeconomic weapon

The Russian invasion of Ukraine destroyed the main commercial flow of natural gas, forcing an unprecedented reconfiguration of the gas market and sparking a price crisis that continues today, though it has abated. This rupture in the Russian–European natural gas by pipeline market has given rise to new gas corridors both on land and by sea, in addition to the appearance of new vulnerabilities, dependencies, and possible chokepoints. This confrontation between Russia and the West has not taken place exclusively on the military plane, as geoeconomics and specifically energy have been central in this crisis.

The EU and the United States have attempted to damage the Russian economy through asset seizures and sanctions on the Russian Federation's largest companies, whilst Russia has responded with equivalent measures against Western assets under Russian sovereign control (Urbasos, 2025). These sanctions have fragmented a gas

market that, over the past decades, had experienced rapid convergence in terms of commercial, technological, regulatory, and investment exchanges.

Specifically, the gas pipelines that linked Russia to Europe were the clearest symbol of Moscow's status as a fossil energy superpower and its ability to project this power towards the EU (Bros et al., 2012). Managing this geopolitical dimension had been historically complicated for EU Member States and for European cohesion, as each maintained divergent interests and perspectives (Urbasos, 2024). Through effective trade diplomacy, Gazprom had succeeded in promoting new pipelines such as TurkStream and Nord Stream, which allowed it to get around certain less-than-friendly transit countries, mainly Ukraine and Poland. As such, Russia ended up building a transport network with capacity far beyond the needs and true potential of Europe–Russia exchange.

Russia's weaponization of this dependency therefore cast doubt on one of the pillars of liberal economic theory: the premise that economic interdependence contributed to peace. The major European powers, with Germany at the forefront, had placed their bets on gas interdependence with Russia as a mechanism to create a 'cushion of interests' capable of containing any hypothetical geopolitical tensions. The idea espoused by Berlin since the fall of the Soviet Union that economic and energy interdependence between the EU and Russia would coax the latter towards the tenets of liberal democracy was decisively discredited on 22 February 2022 (Steimberg, Urbasos, and Escribano, 2025). In terms of energy, the main victim of this 'liberal illusion' (Barbieri, 2009) was the bilateral flow of natural gas between Russia and the EU, a multibillion-euro market that stretched through an extensive network of gas pipelines, intermediaries, storage infrastructures, and long-term contracts.

As a consequence, if in 2021 Russian gas pipelines had supplied 38.5% of EU gas imports, thus securing a dominant position in numerous captive markets, (Henderson and Chyong, 2023), after the invasion—and resulting from the sabotage to Nord Stream and the closing of the Ukrainian and Polish corridors—by 2025 Russian gas via pipeline accounted for only 5% of EU imports. In economic terms, this commercial relationship went from a value of over $50 billion in 2021 to less than $3 billion in 2025 (Raghunandan, 2025). At the end of 2025, the EU agreed to a definitive road map to end these imports. Not one Russian gas molecule is expected to reach the European market by the end of 2027.

The rupture of this market has wrought a transformative effect on the global economy. With the loss of Russian gas, especially following the halt in supply and subsequent sabotage of the Nord Stream pipelines, EU businesses scrambled to locate new gas suppliers and found an alternative in LNG which, although more expensive, was much quicker and more modular than the traditional supply by pipeline to the continent. The transition towards a mixed pipeline–LNG European market materialised in a matter of months: in 2021, liquefied gas represented 21% of imports and by the second quarter of 2025 had reached 44%. This transformation has turned the EU into the world's largest importer of LNG, absorbing all the new supply available on the international market, at times supplanting developing countries, and creating new energy corridors that have reconfigured the geography of natural gas. On the EU's new gas map, Russia has been replaced by greater volumes by pipeline from Norway but especially by LNG from the United States.

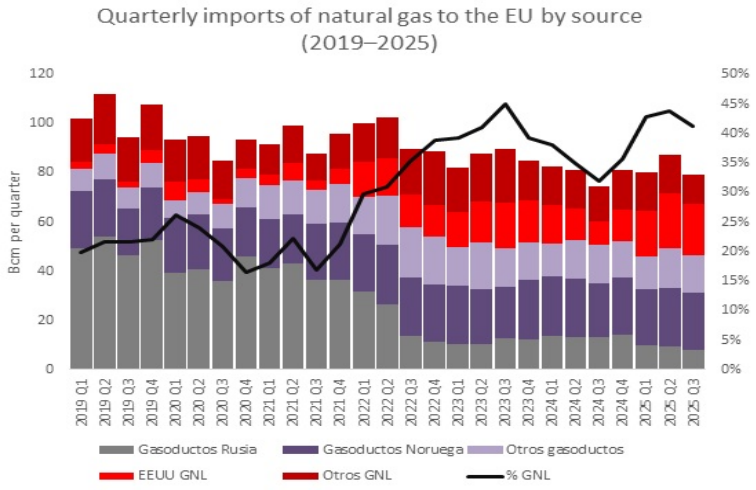


Figure 3. Source: Bruegel (2026)

The war in Ukraine has not just turned the international gas market on its head: it has also meant the dismantling of the arbitration system that had regulated disputes between European and Russian energy companies for decades. The recent court rulings related to the shutting off of the gas supply via Nord Stream and Russia's requirement that gas payments be made in roubles have handed down very different decisions, though the consequences have been especially burdensome for a Gazprom ordered to pay millions in compensation. To avoid further adverse rulings and the execution of their sentences, Russia has turned to its national courts to prevent its companies from complying with the

decisions of foreign arbitration courts whilst imposing sanctions on European companies that attempt to use these mechanisms to obtain compensation (Urbasos, 2024).

Meanwhile, both Russia and various European countries have begun nationalising energy assets for strategic purposes, eroding decades of confidence and cross-investment. This process has contributed to the collapse of the institutional framework that was the bedrock of international gas commerce based on free market principles. This evolution in which state sovereignty takes precedence over shared norms and the interests of non-state players such as companies fits with what literature on the subject identifies as a return to neo-Westphalian logic (Esteban, 2025). According to this neo-Westphalian reasoning, the energy system would tend to build itself around sovereign states with primacy over individual rights, including those of juridical persons, and over supranational institutions. In addition to the erosion of the arbitration system, another manifestation of this shift has been the EU's own withdrawal from the Energy Charter Treaty in 2024 upon considering it to be a governance instrument designed for a liberal energy order and based on fossil fuels that has become outdated. Likewise, the United States' and Qatar's outright rejection of the EU Methane Regulation and the EU's Corporate Sustainability Due Diligence Directive (CS3D) are proof of states' growing reticence when it comes to yielding their sovereignty with regard to energy governance.

Geopolitical realignment

The end of the liberal gas order built according to the logic of interdependence has given way to a new formula in trade relations that prioritises geopolitical alignment and supply security over economic efficiency or diversification. This new model tends to reinforce the role of great powers, particularly the United States and China, who are capable of projecting their energy preferences over their respective areas of influence.

The clearest example of this emerging paradigm is the transatlantic convergence of natural gas flows towards the EU which, following the Russian invasion of Ukraine, has absorbed over 60% of US liquefied natural gas exports (US EIA, 2025). Since the start of its LNG exports in 2016, the United States has prioritised guaranteeing that the European natural gas market remain open. Washington has traditionally viewed with scepticism the relationship between the EU and Russia with regard to gas: as early as the 1980s, the Reagan Administration used sanctions in an attempt to prevent the construction

of a network of gas pipelines intended to supply the Western European market for the first time in what constituted an energy extension of Willy Brandt's *Ostpolitik* (Forsberg, 2016).

This opposition intensified following Russia's illegal annexation of Crimea in 2014 and was again expressed in response to the 2015 decision to build Nord Steam 2. The US Congress later passed the Protecting Europe's Energy Security Act (PEESA), introducing sanctions against the companies involved in the gas pipeline's construction. At the same time, the first Trump Administration actively promoted US LNG exports to Europe, rebranding it as 'freedom gas' (Jong, 2023).

With the Russian invasion of Ukraine in 2022 and the subsequent European gas crisis, purchases of US LNG increased sharply. This was, in large part, a response to market dynamics, but such purchases were also politically incentivised by the Biden Administration through the creation of the EU–US Task Force on Energy Security, which contributed to coordinating supply and stabilising the European market (Steimberg, Urbasos, and Escribano, 2025).

Since Trump's arrival, LNG has also found a place on the neomercantilist agenda that Washington has imposed on the rest of the world. In one of the most striking provisions of the latest trade agreement between the EU and the United States, Brussels committed to acquiring up to $750 billion in US energy products, including LNG, oil, and nuclear fuel, between 2026 and 2028. Though these figures are essentially unattainable due to their magnitude, they clearly illustrate the extent to which geopolitics is shaping the configuration of new energy flows. A similar example is that of the investment and purchase commitments of US natural gas made by Japan, South Korea, and Taiwan to placate Washington's trade demands and keep US defence commitments intact.

This is where natural gas exports have become a central component of US foreign policy. Each administration has used this ability differently, from the Biden Administration's emphasis on contract flexibility and supply security to Trump's inclusion of gas in trade negotiations. Regardless, the underlying logic has remained the same: the US seeking to consolidate its position as a key supplier to its allies, thus turning fossil fuels into an instrument of international influence that can bolster its superpower status. Following this logic, the United States' security strategy for 2025 is clear in its definition of the new doctrine of energy dominance: 'Expanding our net energy exports will also deepen

relationships with allies while curtailing the influence of adversaries, protect our ability to defend our shores, and—when and where necessary—enables us to project power' (White House, 2025).

This is how the United States has become the world's number one natural gas exporter, whether by pipeline mainly to Mexico and Canada or as LNG. This new energy power projection is focused on US allies—the EU, the UK, Japan, South Korea, and Taiwan—which since 2022 have absorbed about 80% of United States LNG exports. As a result, these economies have developed a new strategic dependence with regard to the United States alongside the traditional security and defence dependence.

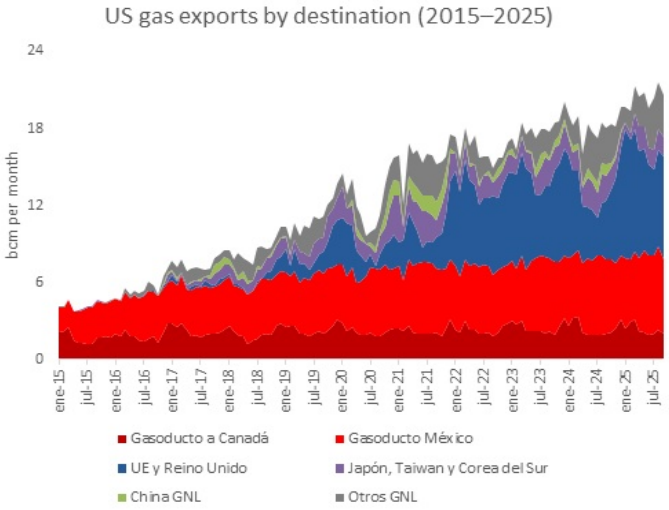


Figure 4 Source: US EIA (2025).

On the other side of the Pacific, a similar geopolitical realignment can be observed. Attracted by the contract flexibility of US LNG and the rapid growth of domestic gas demand, starting in 2016 Chinese energy companies began to take an interest in this supply. However, the trade war launched by the first Trump Administration in 2019 completely interrupted imports, as Beijing identified oil and gas from the US as politically sensitive goods and decided to exercise pressure through targeted tariffs (Corbeau and Downs, 2025).

Trade negotiations in 2020 and 2021 incentivised the signing of numerous long-term supply contracts by Chinese companies, leading to a new upturn in purchases. However, the progressive deterioration of bilateral relations during the Biden Administration and, most importantly, the return of Trump and his onslaught of tariffs led Beijing to reactivate its tariff retaliation on US LNG, slashing imports back down to zero. Despite this, China

still faces a strategic dilemma: contracts signed between 2021 and 2023, which began to take effect in 2025, make up six times the volumes imported from the US in 2024 or a third of Chinese LNG imports that same year. This, combined with the growing geopolitical instrumentalisation of gas flows, has sparked concern amongst the Chinese political elite regarding a possible dependence on US LNG and its potential implications for Chinese energy security. All indications point to the persistence of economic tensions between both powers and that China will continue reaching for tariffs on US hydrocarbons as a means of exercising pressure, thereby intensifying the fragmentation of the global gas market.

	Seller	Buyer	Annual volume (bcm)	Term (years)
2018	Cheniere	PetroChina	1.7	25
2021	Cheniere Energy	ENN	1.2	13
		Sinochem	2.5	18
		Foran	0.4	20
	Venture Global	Sinopec	5.6	20
		UNIPEC	1.4	3
		CNOOC	2.8	20
		CNOOC	0.7	3
2022	Energy Transfer LNG	ENN NG	2.5	20
		ENN Energy	1.3	20
		China Gas	1	25
	NextDecade	ENN	2.1	20
		China Gas	1.4	20
		Guangdong Energy	2.1	20
	Cheniere Energy	PetroChina	2.5	25
2023	Venture Global	China Gas Holdings	1.4	20
		China Gas Holdings	1.4	20
	Cheniere	ENN	2.5	20
		Foran	1.2	20
			35.8	

Table 1: LNG contracts between Chinese buyers and US projects. Source: Adaptation[1] of Corbeau and Downs (2025).

[1] Note on methodology: some volumes or dates have been simplified and are subject to future updates.

In response, China and Russia have developed a closer relationship around energy, with natural gas at the centre of this symbiosis. In 2025, both countries signed a historic agreement to increase natural gas trade through existing pipelines and to build a new gas pipeline, Power of Siberia 2. This gas pipeline will be the equivalent of Nord Stream in terms of capacity and will connect, for the first time, the gas reserves in western Siberia with the Chinese market starting in 2030. These are the same reserves that traditionally supplied the European market and which, since 2022, Gazprom has been unable to trade internationally (Median and Yermakov, 2025). According to Gazprom CEO Alexey Miller, exports will be delivered via 30-year contracts in roubles and yen, and for a lower price than that traditionally paid by Europe[2], yet another example of geopolitics taking precedence over trade interests (ibid.).

China sees the construction of this pipeline as a decisive step towards reducing its US imports of LNG as well as its dependence on a financial and trade architecture dominated by Washington, all by relying on Russia as an alternative trade partner. For Russia, in 2025 China became the primary destination for its gas exports for the first time, taking over a position traditionally held by the EU. We can add to this that, when Russian LNG imports to the EU end in 2027, China can be expected to also become its main receiving market, redoubling Russia's growing dependence on the Chinese market to monetise its natural gas reserves. This process confirms the rupture of the Eurasian market in two, with Russian gas reserves rerouted to China as a new geoenergy space takes shape in which geopolitics prevails over commercial interests.

The fragmentation of value chains

Since 2014 but most notably starting in 2022, G7 countries have applied successive rounds of sanctions against the Russian natural gas sector with the aim of curbing export income and restricting access to technology and financing that could support its development.

[2] In 2025, China's state-owned CNPC purchased gas from Gazprom at an average price of $6.5/mmbtu, 45% lower than the average of the EU's gas benchmark, the TTF, in the same period. Gazprom had sold in Europe under various formulas that were often closely pegged to the TTF.

The most relevant financial measures have been the seizing of Russian foreign assets, especially those of Gazprom in the EU, and the freezing of the Central Bank of Russia's international reserves. At the same time, energy companies such as Gazprom Neft, Surgutneftegas, Novatek, and Rosneft—in addition to banks specialised in servicing the gas sector such as Sberbank and Gazprombank—have been designated sanctioned entities by the US, the EU, and the UK. These companies have excluded from the Western financial system, including international payment systems such as SWIFT[3], thereby limiting their access to the US dollar or the euro in international transactions.

These measures have broken a prevailing dynamic in place since the fall of the Soviet Union, and a core element in the consolidation of the liberal order, in which practically all international natural gas market transactions took place through the SWIFT system and in dollars (or in euros for transactions between Gazprom and European companies). The sanctions imposed following the invasion of Ukraine have uprooted this system and forced Russia and its customers to seek alternative payment methods. Specifically, Moscow and Beijing have intensified their 'bilateral monetary cooperation' in line with a narrative of 'democratisation of the international financial system', establishing a system of mixed transaction in roubles and yuan that excludes the dollar and the euro as currencies of use (Kluge, 2024).

Since 2022, Russia has eliminated both currencies from its hydrocarbon exports to India, China, and Turkey, whilst loans from Chinese banks to Russian energy project developers are extended mainly in yuan. As for gas, following the first financial sanctions in March 2022, Moscow began demanding payment in roubles from its European and Asian customers. Various European companies complied, and the Asian companies linked to the Sakhalin-2 LNG project gradually adopted a mixed model using roubles, yuan, yen, and won, depending on the national currency of each buyer. Beyond Russia and as a collateral effect of sanctions, this tendency has also spread to the LNG market, which had traditionally operated in dollars. In 2023, the Abu Dhabi National Oil Company (ADNOC) and China's CNOOC finalised an LNG transaction supplied by TotalEnergies

[3] SWIFT (Society for Worldwide Interbank Financial Telecommunication) is a global secure messaging network used by banks and financial institutions to standardise information exchange and payment orders, thus facilitating international money transfers.

and paid in yuan (LNG Prime, 2023), one of the first international LNG transactions to take place outside the US financial system.

Another significant effect of sanctions has been the rupture in the natural gas sector's technological value chain. Until 2022, this was a highly globalised market with few players and extremely specialised value chains. One paradigm case would be two projects in the Arctic developed by the Russian company Novatek—first Yamal LNG and later Arctic LNG 2—alongside a consortium of international companies. Both projects became symbols of innovation in Arctic engineering, the result of the combined efforts of companies such as France's Technip, the Japanese firms JGC and Chiyoda, and Germany's Linde, which develop breakthrough solutions for liquefaction in conditions of extreme cold or on permafrost soil. No less noteworthy were the cutting-edge icebreaking LNG tankers built by Daewoo Shipbuilding in South Korea with hulls designed in Finland.

However, this dense network of technological interdependence fell apart with the Western sanctions imposed in 2022. The withdrawal of the projects' European, Japanese, and South Korean partners limited Novatek's access to their engineering and equipment, forcing the company to find domestic solutions whilst reaching out to Chinese and Iranian suppliers to resume project construction. For the first time, Russia has developed technological solutions historically controlled via patents and technical expertise by Western, Japanese, or South Korean companies. The result has been a deep fragmentation of the global LNG value chain, proving that sanctions have not only altered trade flows but have also dismantled the cross-border technological ecosystems that had sustained the sector's rapid growth in recent decades.

A third transformation has been the appearance of a nascent LNG shadow fleet (Urbasos, 2025). As opposed to the crude oil market, where smuggling and transit of cargo subject to sanctions by uninsured vessels or ships of opaque ownership has been a regular practise for decades, the LNG market had never seen a similar phenomenon. LNG tankers are much more valuable and technically complex, not to mention that their operation is limited to a reduced number of specialised and often multinational companies. The LNG market is also significantly smaller: there are nearly 8,000 oil tankers as opposed to only 772 LNG tankers in service, built and maintained in but a dozen shipyards, and operated and insured by a handful of companies. We can add to this that most shipyards, shipowners, insurance companies, and LNG terminals are

controlled by Western companies or which have a strong international presence. This explains why Iran, with its extensive experience in evading sanctions and smuggling petroleum, has never successfully developed LNG export projects despite sharing the enormous South Pars/North Dome field with Qatar and from where QatarEnergies exports about 20% of the world's LNG.

When the United States and the EU decided to sanction Arctic LNG 2 in 2024, prohibiting any transactions that could contribute to its development, the measure seemed especially forceful as it was expected that no operator from the sector would be willing to run the risk of secondary sanctions that could exclude them from the international financial system and its global transactions. Construction on Arctic LNG 2 ground to a halt for several months following the withdrawal of the international engineering consortium responsible for the project. Only Russian companies, with the technical assistance of Chinese engineers, remained on site to attempt to finish the project.

The events of 2025, however, revealed the limits of this strategy. At the end of August, Russia partially completed the project and China received its first shipment from Arctic LNG 2. This operation, repeated in the following weeks, marked a turning point in the effectiveness of sanctions: never before had a project designated as a sanctioned entity by the United States managed to execute commercial operations (Urbasos, 2025). Additionally, the LNG tankers used in transport were likewise subject to Western sanctions, resulting in the first case of what would become an LNG shadow fleet analogous to the well-established crude oil counterpart (Muñoz Abad, 2025). Oil tanker shadow fleets are one of the main tools used by Iran, Venezuela, and Russia to operate in the oil market despite sanctions. Their final destination is often China, which has developed a complex of independent refineries in the province of Shandong used to purchase sanctioned oil at a discount (Velázquez, 2024). This parallel oil trade structure entails significant environmental risks, as shadow fleet ships are usually uninsured by recognised firms, are not as well maintained, and are generally much older. This is why the emergence of an LNG shadow fleet would break with the 'exceptionality' of a sector accustomed to operating under strict legality and maximum operating standards.

Altogether, this triple transformation—the dedollarisation of natural gas commerce, the creation of new technology value chain parallel to Western knowledge, and the emergence of an LNG shadow fleet—point to a future marked by the fragmentation of the

international gas market provoked by and, at the same time, despite international sanctions. The fact of the matter is that this fragmentation of the gas value chain is not an exception but rather part of the deglobalisation and reshoring of the value chains that now seem to dominate the new global geoeconomic space. The new gas order reflects the realist order that is replacing the liberal order, with geoeconomics prevailing over interdependence and integration (Mearsheimer, 2019; Farrell and Newmann, 2025).

Towards a new gas order

This analysis has attempted to present the transformations that took place under the liberal international order in the natural gas sector, specifically its inclusion in globalisation through the expansion of the LNG market, transnational investments, and the deregulation process promoted by Brussels, which ultimately spread to other suppliers. These processes, independent of one another but with the principles and values of the liberal paradigm in common, brought about an interconnected and highly efficient market. It seemed that institutions had replaced geopolitics and that businesses operated the market according to the maximisation of profit in lieu of states that operated according to calculations of power. The result was a wide community of exporters and importers who shared rules, technology, knowledge, and, ultimately, a cushion of common interests that created a complex interdependence that would create common benefits and dynamics of cooperation.

Though it is clear that this gas order had begun to erode well before 2022, it was in February of that very year when it became evident that geopolitics would hold dominion over commercial interests and that the liberal paradigm of complex interdependence had largely been a mirage. The liberal and multilateral institutions that had been the foundation of the international gas market were first casualties of the geoeconomic warfare waged on the sidelines of the Ukrainian front between the West and Russia. We have already mentioned several of them in this analysis, such as the use of the dollar and the euro as trade currencies, SWIFT system payments, transnational investments, flows of technology, and the internal arbitration system.

The end of a liberal order for natural gas has given way to a markedly fragmented scenario in which geopolitics determines trade flows with greater intensity than economic efficiency. The clearest consequence of this new reality is the rupture of the

gas trade between the EU and Russia and its replacement with growing LNG flows between Europe and the United States. Washington has not hidden the geopolitical facet of its gas exports, spelling them out in its most recent National Security Strategy as yet another instrument of power projection towards rivals and allies alike. Energy flows are no longer mere commercial transactions: they now require geopolitical alignment and, if necessary, strategic acquiescence. Reflecting a neo-Westphalian logic, the main players are no longer multinational companies but sovereign states and their interests.

The other great transformation in the geopolitics of natural gas is the consolidation of the energy alliance between Russia and China. Following the loss of its European market, Russia has had little other choice than to accept the harsh conditions imposed by China for access to its market. Gazprom has needed to adapt to the deadline and terms set by Beijing for the construction of the Power of Siberia 2 gas pipeline, a project that will permanently reconfigure global gas flows as it reroutes to China the reserves supplied to Europe until 2022. China stands out, alongside the United States, as one of the main winners of this transformation. Russian gas is not only cheaper than the alternatives but is also purchased in yuan, contributing to the Chinese strategy of eroding the dollar and Western hegemony in financial markets. Beijing can also now recalibrate the decisions of its gas companies between 2021 and 2022, when they signed numerous long-term supply contracts with LNG export terminals in the United States. The fact that these contracts were signed so recently illustrates the speed of the changes taking place and speaks to how an instrument that could improve relations between Beijing and Washington, LNG trade, is seen today in China as a potential threat to its supply security. This is the new reality of gas geopolitics.

The EU, as well as Russia, is poised to be one the biggest losers in this new scenario and must now adapt to a reality that does not match its multilateral and regulatory nature. Both the EU and its Member States must recalibrate their supply security strategies, keep watch for the appearance of new dependencies, and maintain a solid and lasting diversification strategy. The EU must remain committed to the energy transition but it cannot, as it has attempted since the publication of the European Green Deal, ignore that energy diplomacy also requires securing the supply of fossil fuels such as gas, which will remain a central part of its economy at least through 2050.

Just as it is difficult to predict precisely what kind of international system will inherit the remnants of the liberal order, the same is true of the geopolitics of natural gas. We are relatively sure of what is being left behind, but uncertainty persists regarding what is to come. This analysis has attempted to outline some possibilities[4]. The first is that, in the future, the instrumentalisation of interdependence will become the norm for trade flows, financial services, and access to technology. Second is that fragmentation, used as a mechanism of protection against this instrumentalisation, will undo part of the globalisation and integration process that has defined the last few decades. The third is that, in contrast to the relative stability in prices and flows that characterised the natural gas market for a good part of the liberal order, we will see greater episodes of volatility and trade disruptions, hindering investors' ability to anticipate future supply and demand balances.

The new rules of the game are the instrumentalisation of interdependence, fragmentation, and geopolitical alignment. The winners are the great powers, capable of imposing their interests, and the losers are those who banked everything on a system based on rules, cooperation, and integration. The new gas order reflects the emerging realist order that is replacing the liberal order: geoeconomics now prevail over the paradigms of interdependence and integration.

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[4] Though it has been decided to exclude it from this analysis, the energy transition will have a transformative effect on the geopolitics of natural gas. It will reduce part of demand in developed countries, but may also produce new consumers in the developing world. The way in which they will interact the new geopolitics of gas and its role as a vector in the transition is beyond the scope of this study.

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