Geopolitical Report

October 2026



MONTEL

Contents

Europe's risky escape from strategic inertia 3

While Europe talks batteries, Germany buys gas 9

European gas security: a survival guide for this winter 15

Firewall or not, Germany’s AfD is shaping energy policy 20

Europe's China dilemma in a world in flux 25

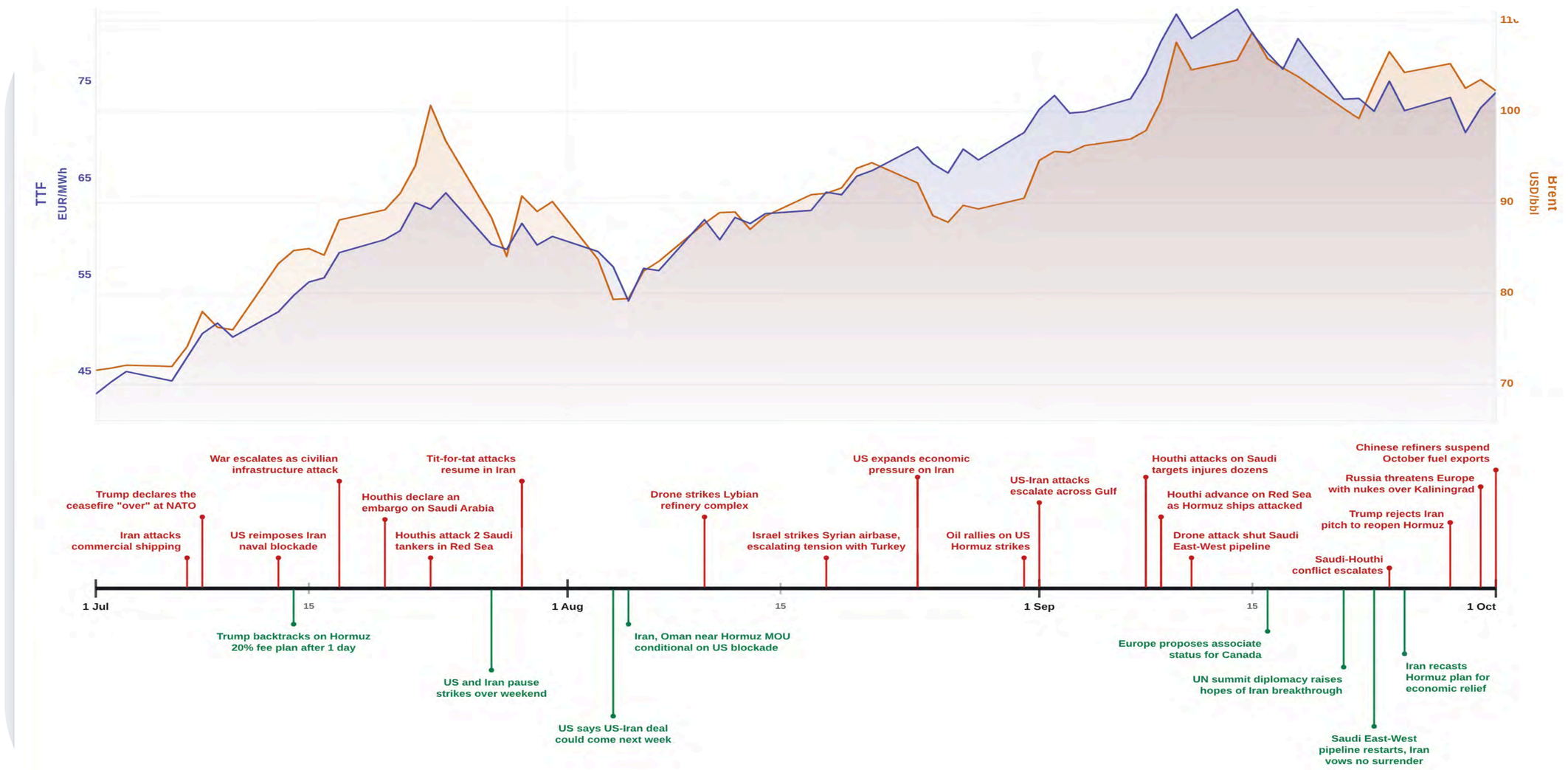
US LNG reliance, German storage turns critical 32

Hot spots 37

Europe's risky escape from strategic inertia



Andrés Cala
Senior Geopolitical Energy Analyst, Montel



Source: Montel Gas Analytics

Time's up Europe. For years it has been squeezed, first by Russia, then by the US and China, while trying to find its bearings in an emerging new world order. The region still has the assets to shape its economic and strategic future. But Europe’s foundational consensus-driven machinery is becoming a liability just as a torrent of tough decisions threatens to break the dam.

Russia’s war against Ukraine has made security a long-term economic commitment. The US is increasingly willing to use trade, energy and defence leverage to pursue its own goals, honing in on Asia and the American continent. The tariff wars it unleashed, coupled with China’s deployment of its own industrial scale and control over critical raw materials and components, reshaped markets on which Europe depends even as Brussels tries to reduce those dependencies. And then the Middle East conflict triggered a wave of strategic shifts, exposing Europe’s vulnerability just as an uncertain economic outlook narrows governments’ room to absorb the costs.

These forces are now converging, bending Europe's arm to decide how to finance defence, protect industrial competitiveness, reduce dependence on China, manage energy costs while accelerating the energy transition, sustain support for Ukraine and adapt to a more unilateral Washington. And all this is happening just as external pressure is likely to intensify.

Europe has the economic heft, military power and institutional machinery to assert its interests. But its capacity to turn those assets into coordinated action remains uneven. The EU can regulate a market of 450m people, negotiate trade agreements and coordinate an energy system that crosses national borders. Yet on foreign policy, defence and other questions touching national sovereignty, decision are slow and watered down. It was designed that way, of course, and for good reason, but real politic has outgrown the rule book.

Built for compromise, tested by crisis

The EU's decision-making architecture reflects its origins. Integration advanced through negotiated compromises between states that retained control over the most sensitive aspects of sovereignty. As it stands, qualified majority voting allows the bloc to act even when some governments disagree in many policy areas. But in foreign and security policy, unanimity remains the rule.

That means not only that governments that lose a vote must implement decisions they opposed. But in foreign policy, a single government can prevent the EU from adopting a common position at all. That gives every member state a potential blocking power, regardless of its population, economic weight or the consequences for the other 26.

The problem is not simply that decisions take time. The prospect of a veto can shape negotiations before a decision reaches a vote, prompting governments to dilute proposals, offer exemptions or trade concessions elsewhere to avoid deadlock. The final policy can therefore reflect the priorities of the government most prepared to withhold agreement.

But the fix depends on the very system that needs reform. In September, some member states called for the EU to explore a shift from unanimity to qualified majority voting in foreign policy. Any fundamental change, however, would require agreement from the states whose veto power it would curtail.

The EU's difficulty is therefore not just procedural. It is constitutional and political. National governments remain accountable to their own electorates, and they are reluctant to surrender control over decisions involving energy or national security, war, peace and sanctions. The veto is both a safeguard for sovereignty and a source of leverage. Removing it may make collective action easier, but it also raises questions about how smaller states protect vital interests when they can be outvoted.

Veto mania

The veto issue is not new. Hungary under Viktor Orbán repeatedly delayed or obstructed Russia-related policy. But even with him gone, sovereign leverage is used regularly.

In July negotiations over the EU's latest Russia sanctions package, Greece used its veto threat to secure an exemption to proposed restrictions on Russian LNG shipping services, allowing certain transport to non-EU destinations to continue beyond the planned cut-off. Athens argued for an exemption that reflected the interests of its maritime sector. Critics saw a national commercial interest being used to weaken a common policy aimed at reducing Russian energy revenues. Bulgaria also threatened to block the package unless two individuals were removed from a proposed blacklist. The eventual agreement preserved the sanctions framework but revealed the price of unanimity.

A similar problem appears in economic policy. Brussels wants to reduce strategic dependencies and protect European industry from unfair competition, while individual governments compete to attract investment from China (See *Europe's China reality check in a shifting global order*).

While the EU wants to limit the market share of Chinese electric vehicles, its manufacturers are also potential investors, employers and anchors for local supply chains. Governments have incentives to attract factories, even as the bloc seeks to limit the market distortions that helped those companies expand. A policy designed to reduce dependence on China is leading member states to compete with one another to secure its capital or other favours, while the strategic consequences are borne collectively.

Energy policy presents a similar dilemma. Member states have different generation mixes, industrial structures, fiscal capacities and political priorities, so they do not experience the costs in the same way. Disputes therefore reflect competing assessments of industrial competitiveness, household costs and transition expenses.

But when national governments seek exemptions or revisions without an impact assessment of the wider consequences, the EU's energy and climate framework becomes harder for investors to interpret. The cost is not only slower policymaking. It is uncertainty over the rules governing capital-intensive infrastructure and industry.

Italy is the latest and perhaps most daring example. Rome is actively pressuring the Commission and seeking allies to allow more flexibility to cushion energy-driven inflation and to support industry (See *Firewall or not, Germany's AfD is shaping energy policy*).

Energy and carbon policy are therefore becoming both negotiating tools in Brussels and domestic political instruments. The disputes will intensify as governments weigh competing priorities: fossil-fuel dependence, renewable investment, interconnections, industrial costs and external supply risks.



Source: Shutterstock AI image

Fragmentation costs

Energy is where these institutional differences meet hard economic constraints. The EU has made substantial progress in integrating its markets, coordinating infrastructure and diversifying supply chains. Europe slashed its dependence on Russian piped gas, expanded LNG imports, built new interconnections and coordinated efforts to refill storage in a matter of months.

The region effectively reconfigured its economy, energy security and defence when the threat was clear. But it also exposed how unevenly the costs are distributed. A country with access to LNG terminals, diversified supply routes and fiscal capacity faces a different set of choices from a landlocked state with limited infrastructure or an industrial economy heavily exposed to gas prices. EU energy solidarity didn't materialise as quickly as expected as competing regional agendas clashed, sometimes openly. The Nordics, southern Europe, the Baltics and central and eastern Europe, France and Germany are often pulling in different directions. National governments are consequently under pressure to protect their own consumers and industries.

The external environment is also less predictable. Russia continues to threaten Europe, while the US and China compete to shape the rules, markets and supply chains on which Europe depends. Yet Europe has limited influence over several of the forces affecting it, from conflict in the Middle East and US-China rivalry to climate patterns.

To oversimplify into a price model, energy prices have mostly tracked fundamentals, weather and regulation, but now have a fourth unpredictable variable: geopolitics. Energy prices = F+W+R+G, where G is as much a wildcard as unplanned disruptions.

It's also getting harder to defend simultaneous increased spending on energy security, industrial policy and defence. Governments are borrowing to rollout grids, generation, storage, interconnection and decarbonisation while also financing military capabilities and supporting industries exposed to international competition.

But Europe's firepower is running dry though. And deploying collective strategically depends on agreement among governments whose priorities do not always coincide. This does not mean that every national divergence is a failure. Different energy mixes and economic structures require different approaches. But decision-making doesn't need to be centralised in Brussels either.

Diverging solutions

One route is the Commission's preference for extending qualified majority voting to foreign policy. But safeguards would have to distinguish a vital national interest from a preference that should not undermine European assertiveness. Define the exception too broadly and the veto survives in another form. Too narrowly and smaller states may see a transfer of power to larger members. The proposed limits on the voting rights in a possible Ukrainian membership illustrate the risks.

A second route is cooperation among groups of willing states. Member states already work together in different configurations on defence procurement, energy infrastructure and diplomatic initiatives. Such arrangements could be broadened, allowing governments to proceed when agreement among all 27 is unavailable.

Again, defence policy could point the way to the energy sweet spot. Europe is unlikely to agree on a joint army: the Baltics focus on Russia, while southern Europe has different Mediterranean and migration priorities. Every geography has unique vulnerabilities. Europe need not agree on all of them unanimously. It could instead empower regional blocs to address specific issues while maintaining a mechanism for a unified EU policy. In practice that could mean NATO remains the region's main defensive framework, while enabling quicker reactions by geography.

The obvious risk is fragmentation. If smaller groups routinely act outside common institutions, the EU could develop overlapping circles of cooperation, increasing speed in some areas while weakening coherence in others. Governments outside a coalition could be affected by decisions in which they had little influence. Coalitions should therefore advance common policy, not replace it, while preserving national sovereignty.

Europe's road to strategic capacity

Europe has already demonstrated that it can overcome divisions when the consequences of inaction become sufficiently serious. It's not that Europe is incapable of acting. The question is whether it can do it early enough, consistently enough and with enough coordination to shape events. And that's when strategic interests overlap with economic ones.

Each decision changes the conditions for the next. The EU's ability to manage those interactions will therefore matter as much as the individual policies themselves.

A more integrated approach would not eliminate national differences, but it would make the trade-offs more explicit: who bears the cost, who gains the benefit, and what happens when a national decision imposes risks on the rest of Europe.

The coming years will test whether European governments can answer those questions in a timely and politically viable way. Each route has costs: unanimity protects national control but constrains collective action, majority voting could improve decision-making while intensifying sovereignty concerns, smaller coalitions could improve speed but risk new divisions.

Rivals and allies alike are already adjusting and in some cases prospering in turbulent times. Meanwhile the costs of energy, defence and industrial adjustment fall unevenly across Europe while the inertia persists.

No institutional design removes the need for political agreement. But Europe needs a way to take consequential decisions without making every one of them dependent on unanimity. The question is how much of Europe's strategic capacity should depend on securing agreement from all 27 each time.

While Europe talks batteries, Germany buys gas



Jean-Paul Harreman
Director, Montel EnAppSys



Source: Montel Gas Analytics

Batteries have become Europe's standard response to almost every issue on electricity markets. There is no escaping them. Media coverage, home-battery advertising, conference panels: batteries are everywhere.

An excess of renewable energy in the afternoon? Batteries. Peak demand in the evening? Batteries. Balancing and frequency control? Batteries. Security of supply? Hold on...

I've looked at around a gigawatt of batteries in due diligence in the Dutch and Belgian markets. Nearly all of them were two- and four-hour systems. A two-hour battery can earn its keep in moving power between solar peak and evening peak. It can limit the peak of thermal generation and decrease the pressure on congested parts of the grid.

Europe has many two-hour batteries because that is where the revenue stack works today. That is what got them financed.

Reality check

Batteries are built for revenue streams that already exist. Nobody finances a battery on the back of a policy paper. Policymakers may say they want particular system services in five years' time. Financiers have heard that before. They prefer stable rules to well-intentioned policy tweaks. Frequency and balancing markets were attractive early revenue streams because they are relatively transparent and reasonably easy to model. They are not very large markets, though. A battery can earn good money by being available for a reserve product, even if that means withholding power during the evening peak.

In some countries, market rules make the mismatch worse. Where batteries are derated in capacity auctions, short-duration storage gets less credit for the same installed MW. That can push many projects out of the capacity market before they have even started. Grid congestion and transmission rules can make it worse again, limiting charging and discharging in precisely the hours when a storage asset would otherwise be most valuable.

Financiers want stable, contracted revenues. They get nervous when the business case depends on merchant spreads. There is a simple problem here: every battery makes the arbitrage opportunity it relies on slightly smaller. Charge at the solar peak, discharge at the evening peak. Do it often enough and you flatten the curve you are trying to trade. Revenues fall. Assets drift back towards reserve markets, where the revenue is easier to finance. Gas capacity with a contracted capacity payment adds another problem. If a plant has its fixed costs covered, it can bid into the power market at prices that leave less room for batteries waiting for scarcity prices. Balancing revenues, capacity contracts and tolling agreements are much easier to finance than a promise that scarcity will keep returning.

Hours vs weeks

The power system runs on three clocks that overlap, but solve different problems.

The first clock ticks in seconds and deals with frequency control, balancing and voltage support. These all require immediate response to keep the lights on. Batteries are the obvious fit for providing the ancillary services. Stacking the revenues from these services has helped finance the first large storage projects in Europe.

The second clock runs in hours and quarter-hours. This is the granularity at which market participants manage supply and demand and exchanges settle trades. The sun sets, people come home, cook, charge cars and heat houses. Renewables fall. Conventional generation fills the gap.

The third is more like a calendar and looks at the days and weeks, where adverse weather can keep grid operators on call and politicians stressed as long-lasting tightness on markets can cause prolonged high prices and threaten security of supply.

The middle clock is left to the market, but this introduces a risk. If storage does not move gas out of the most expensive time slots, marginal pricing may well produce extreme prices. If storage is too successful in moving gas off the merit order, it may not generate sufficient revenue to operate.

Storage is often discussed as if it is one item. But the battery powering the pink bunny beating a drum and a grid-scale battery are two entirely different things and there are many shades on the spectrum between them. A battery built to provide fast reserve is not necessarily capable of moving solar from the afternoon to the evening peak. Delivering during a four-hour tightness is different to covering a week-long demand peak, like dunkelflaute in Germany, for which a gas turbine is better.

Germany's gas choice

Germany's capacity mechanism was approved by the European Commission on 2 September. After years of designing it – according to German tradition, this had to be done properly – the mechanism is finally moving into procurement. The first two auctions each seek 4.5 GW of de-rated long-duration capacity, for 9 GW in total. The first bidding deadline was 8 September, the second is scheduled for 29 December.

On paper the mechanism is technology neutral. A project that wants to participate in the tender must be capable of running at 80% power for an uninterrupted period of 10 hours. The time between runs can be no longer than three hours. A gas turbine will easily meet those requirements, it runs on a fuel that flows to the asset through a gas pipe. Batteries that have been commissioned in Europe over the last years and those currently in the pipeline are not designed for such long durations and they need to recharge between runs.

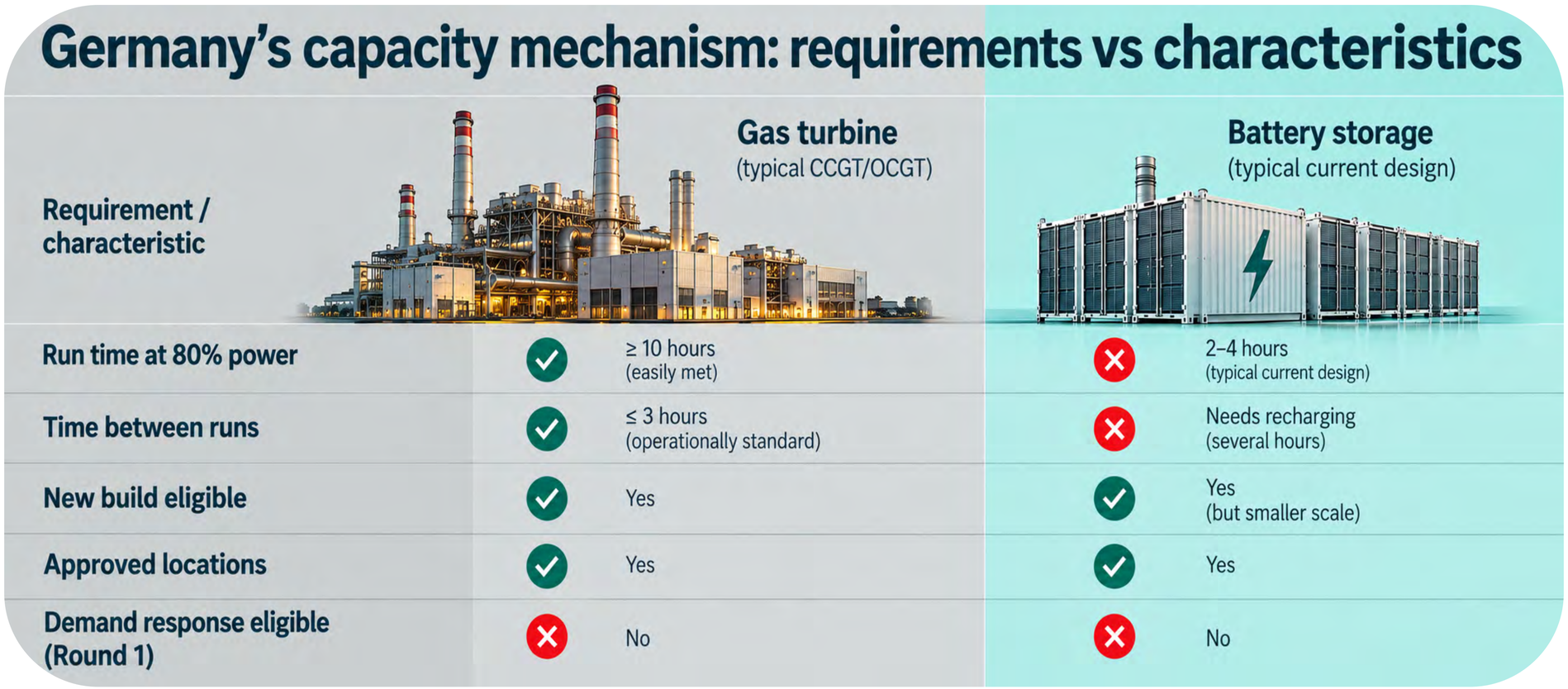
The capacity mechanism limits participation to new build and to approved locations. The grid is already at its limits in many places. There's no sense in making it worse by financing assets in the wrong areas. Demand response is explicitly excluded from the first rounds. Gas is not mentioned anywhere as the technology of preference. The requirements of the mechanism just describe, with stunning accuracy, an asset that runs on a fuel that can generate for 10 hours non-stop, without getting tired. Any resemblance to a gas turbine is purely a coincidence.

If Germany wants insurance against long-lasting shortages of renewable energy, it needs the assets that can run for longer periods. These assets are likely gas-fired power plants, supplemented with demand response, increased interconnection and, in the short term, coal and lignite plants.

Ten hours of uninterrupted generation with only three hours of down time between runs is a reasonable expectation of assetsto help during a serious shortage. What it doesn't do is help mitigate the price spikes during the worst of a shortage, between 17:00 and 21:00.

This is where the crisis of 2021 and 2022 taught us that the price is set by whatever has to be switched on at 19:00. Every dunkelflaute since has reinforced that image. You cannot expect to cover that period with the same asset class, and not in an auction that disqualifies the assets that are best suited for it by design.

A battery is perfectly capable of running on the second clock. The question policymakers should ask is simpler: what does it cost to contract a reliable block of flexibility for the peak hours, and how do you get enough of the right assets into that market?



Source: Montel Gas Analysis

Lighting the dunkelflaute

The tender is Germany's political answer to the dunkelflaute: periods of low wind and solar that can coincide with cold weather and high electricity demand. They haunt consumers. Or should I say voters?

During these periods, cold, still and dark weather often covers a large geographic area and that means traders across Europe are competing for scarce generation and cross-border capacity to transmit expensive power to their home markets. Serial exporters like France and Norway see their generation surpluses evaporate and, across Europe, conventional power stations ramp up. When gas storage is low and spot gas prices high, the risk of extreme power prices increases.

A capacity mechanism is necessary because conventional plants are pushed out of merit order by renewables and imports for large parts of the year. But somebody still has to pay for the capacity that is needed for the few hours or days when that changes. With coal and lignite on the way out, something has to fill the gap. Security of supply is politically important. That makes a price tag of tens of billions of euros much easier to swallow.

Batteries are expected to get their own procurement route in 2027, but by that time the first 9 GW of new capacity will likely already be contracted. Batteries are currently not able to cover multi-day or even multi-week periods of low renewable generation. The scale required to do this across Europe is simply too immense, let alone to do it profitably.

Grid operators have been paying for seconds and minutes for a long time. With this new mechanism, they are looking to bridge weeks. The hours in between those two time horizons, when the sun sets and demand increases, have a different buyer. The wholesale market prices those hours and batteries capture the difference between cheap and expensive hours. What is missing is an investment signal that provides sufficient stability to finance the storage that these "shoulder-hours" so badly need.

La via Italiana

Terna, Italy's grid operator, launched the MACSE mechanism to contract longer-duration storage through long-term contracts. The first auction in September 2025 was oversubscribed more than four times over. All 10 GWh on offer was awarded at an average of just under EUR 13,000/MWh per year, roughly a third of the EUR 37,000 cap.

Developers left a lot of merchant upside on the table to get out of uncertain merchant revenues, and around 80% of the awarded capacity went to companies with some form of state backing. Given Italy's limited balancing revenues, securing those 15-year contracts is key to satisfying the demands of potential financiers.

Germany contracted a different product. The capacity mechanism is built around long-term security of supply. It secures a floor revenue so that investment in flexible generation no longer relies on a decreasing number of periods with scarcity prices. MACSE buys stored energy and flexibility over hours. Neither is technology neutral. Of the two, Italy has come closer to recognising that the most extreme prices are set in a limited window of hours, rather than in a weeks-long period of general tightness.

The next step is to buy those hours explicitly. Tender a reliable flexible block of power during the peak demand periods, write the availability requirements into the specification and include a clawback for excess profits. This clawback is justified because the floor revenue already covers part of the cost of capital. It also reduces the incentive to bid at scarcity price levels. Let batteries compete with demand response, flexible generation and other technologies.

Wanted: European peak buyers

On a typical mid-December day during a cold spell, the 20:00 quarter-hourly block is often the most expensive. The price is set by the last unit needed to satisfy demand, which in those periods is often a gas asset. Despite concerns over European security of supply and clear mandates, no institution creates a bankable product for the period from 17:00 to 21:00 or for cold winter mornings with no wind or sunshine.

Europe needs more storage: the more storage it has, the more likely it is to be able to move the unit that is currently setting the clearing price on the power exchange out-of-merit. When this unit is needed to provide power in the tightest of markets, it generally hits the headlines with a massive price spike. Enabling more capacity to sit in the merit order before that gas unit has to be switched on is what produces more stability and less frequent or extreme price spikes.

If state aid, capacity mechanisms and subsidy regimes do not move that marginal gas unit out-of-merit, the politically sensitive price spikes are unlikely to disappear. Germany is now going to pay for the weeks, Italy has started paying for those hours. The rest of Europe still expects merchant markets to solve the issue. Batteries may not be the alternative to gas assets. But for the daily evening peak, they may be what allows Europe to avoid switching on some gas plants

European gas security: a survival guide for this winter



Anne-Sophie Corbeau

Global Research Scholar, Center on Global Energy Policy, Columbia University Visiting Fellow at the German Marshall Fund



Source: Montel Gas Analytics

In early 2026, everyone was expecting a huge wave of LNG supply to begin having a significant impact on the global gas market, depressing prices and improving buyers' options for gas supply. Instead, the world is facing a second energy crisis in five years. Unlike in 2022, this shock combines natural gas and oil/refined products, while the impact of the new Middle East conflict has merged with that of the ongoing war between Russia and Ukraine.

While most of the Gulf oil and LNG supplies traditionally went to Asia, Europe is also heavily impacted due to its high dependency on oil and gas imports. Having imported less LNG than in 2025, the EU is starting winter with low storage levels.

It's a smaller (LNG) pool

After seven months of the conflict, we are now used to looking at the Strait of Hormuz in binary terms – it is either closed or open. There is a Schrödinger-like twist in this binary approach though: as a few cargoes manage to go through with their transponders off, we only know whether they have crossed once they reappear somewhere between the Gulf of Oman and Indonesia. Since the conflict began, fewer than 50 LNG cargoes (totalling over 4 bcm) from Qatar and the UAE have crossed the Strait of Hormuz and reached Asian countries, while Qatar delivered most of its LNG exports (~6 bcm) inside the Gulf.

Consequently, the world has already lost around 54 bcm LNG passing through the Strait. While this has been partially compensated for by higher LNG exports from other producers, lower gas demand (achieved either through demand destruction or gas-to-coal switching) has also played a role, as well as a slower refill of EU gas storage induced by lower LNG imports.

As time has gone by, the potential reopening date has been progressively pushed back. For the upcoming winter, it's probably still appropriate to continue looking at the Strait in such binary terms despite a small number of Qatari LNG cargoes dashing through the Strait in the last two weeks of September. Despite hopes that peace discussions during the UN General Assembly in New York could result in a phased path out of the conflict and Tehran reopening the Strait of Hormuz, no such breakthrough occurred, even though negotiations continue. President Trump himself mentioned that a peace deal might be concluded only after the midterms. After so many false starts and dashed hopes, it now seems unlikely that Gulf LNG exports will fully recover before the end of 2026, implying that the total disruption of Qatari and Emirati LNG supplies could reach up to 75 to 80 bcm. Global LNG trade will contract in 2026, for the first time since 1981. Furthermore, many analysts have started to push the reopening back to 2027 as their base case, while at the Gastech conference in September, many were quietly wondering whether Qatari LNG would ever come back.

More LNG to the rescue?

Looking forward, only two to three LNG trains are expected to start up before the end of the coming winter, including Golden Pass LNG Train 2 (6 mtpa), Pluto LNG Train 2 (5 mtpa, Q4 2026), and possibly Rio Grande LNG Train 1 (5.8 mtpa, Q1-Q2 2027). Meanwhile, LNG exports from recently commissioned plants (such as Corpus Christi Stage 3 Trains 5 to 7, Energia Costa Azul, and Golden Pass Train 1) will increase. However, the timing of their initial startup and the speed of their ramp-up will be critical in determining incremental LNG supplies. Meanwhile, there remains a persistent risk of unplanned maintenance or accidents at operational LNG facilities (such as the Freeport LNG accident in 2022).

Most importantly for Europe, southeast Asian and Indian LNG demand has proven resilient, increasing slightly over the period March to September compared to the same period a year earlier. Countries such as Bangladesh, Pakistan and India have launched tenders to secure alternative LNG cargoes and have paid prices two to three times higher than what they were paying before the conflict. Some expensive LNG cargoes have been rejected, but there are few alternatives for these countries (besides coal) as refined products are often even more expensive. Trends in China deserve close attention given the decline in Chinese LNG imports in 2026 so far. Chinese companies resell contracted LNG cargoes – notably from the US – to other countries amid sluggish domestic gas demand, strong domestic production and tariffs on US LNG imports. However, China's National Energy Administration has recently urged Chinese NOCs to stop LNG resales through the coming winter to secure sufficient supply for the domestic market.

Scenario	Likely market reaction	Traders are likely to...	Implication for Europe
Hormuz reopens	Risk premium falls, more cargoes available	Reduce hedges, look for lower prices	Easier storage refill, lower price risk
Hormuz remains disrupted	LNG remains scarce, higher prices	Secure alternative cargoes, pay up	Prolonged tightness, higher winter risk
Asian demand stays strong	More competition for cargoes	Bid for flexible LNG, reprice exposure	Higher import costs, fewer spot cargoes
Storage at ~75%	Stronger winter price premium	Buy earlier, increase hedging	Greater vulnerability to cold or prolonged dunkelflaute
Cold winter	Rapid storage draw, price spikes	Protect physical positions, hedge aggressively	Higher risk of extreme prices and demand rationing
LNG ramp-ups disappoint	Supply remains tight	Reprice forwards, extend positions	Persistently tight market into 2027
Russian LNG stops in 2027	Loss of EU supply	Re-contract existing demand, secure alternatives	Additional European premium, tighter longer-term balance
Mild/windy winter	Lower prices, storage comfortable	Monetise optionality, reduce hedges	Opportuntly to rebuild storage and improve security

Source: Montel Gas Analytics

Going through winter with low storage levels

EU storage levels were at around 72% as of the beginning of October, and are likely to reach only around 75% at the start of winter. This compares unfavorably to the 90% target in the 2022 storage regulation, or even the lower 80% target mentioned by the Energy Commissioner in March 2026 “in case of difficult market conditions”. Storage levels are particularly low in the Netherlands and Germany. On 29 September, German Minister Katherina Reiche ordered state-owned Sefe to buy 8 TWh by 15 December – better late than never. Still, the German attitude appears difficult to understand. Even after the trauma of the cavalcade in August 2022 to refill storage at any price. And the price increases in late 2024/early 2025 as some players bet that Europe would pay any price to refill storage last summer.

Many argue that a lower storage level of 75% or 80% is adequate given that EU gas demand in 2025 was 17% lower than in 2021. However, this fails to consider three key factors. First, residential gas demand accounts for a high share of total consumption and cannot be so easily reduced if the winter is really cold, even if high gas bills will incentivise many to lower the thermostat. Second, gas is often the fuel of last resort in the power sector, meaning that gas-fired generation increases when problems arise with other fuels. And let’s be honest, hydro reservoirs in EU countries are critically low wherever one looks. Finally, stable Russian pipeline gas supplies (before Putin decided to use them as a weapon) have been replaced by LNG supplies: that may be fine in an oversupplied market, but this winter, Europe will have to compete directly with Asia.

Over the past 10 years, storage levels have dropped by between 40 and 71 percentage points during the winter period. The drop was lowest over the two winters following the 2022 crisis (40 and 41 percentage points) due to mild weather and energy conservation measures, but it reached 62 and 55 percentage points over the following two winters. Do the math if we start with 75%.

Regulation – one problem (almost) solved, one to deal with

In the view of many gas industry stakeholders, Europe is sometimes shooting itself in the foot when it comes to regulation, even well-intended regulation. Two regulations are due to kick in on 1 January 2027, both of which have been sometimes described as representing an increased energy security risk.

The first one is the Methane Emissions Regulation (MER), which was passed in August 2024. Fossil fuel importers must show that imported fossil fuels were produced in a jurisdiction with monitoring, reporting and verification requirements equivalent to those applied in the EU. Over the past 18 months or so, the oil and gas industry and the European Commission (EC) have been locked in a game of "who blinks first", with the oil and gas industry asking for a delayed implementation and the EC expected to provide more guidance on implementation.

Since March 2026, this standoff has been exacerbated by energy security concerns, with the gas industry arguing that importer requirements (Article 28) could impact energy supplies and pricing starting next year under strict MER enforcement assumptions, under which up to 43% of EU natural gas could become non-compliant and could no longer be imported. Another study concluded that global gas volumes meeting the OGMP Level 5 reporting standard exceeded current EU imports by more than three times. Pressed by several Member States, the EC seems to have lost the match: as announced in late September, it is now planning to delay the regulation by one year (ie, from January 2027 to January 2028). We won't know whether 43% of our gas supplies would have stopped coming in three months. See you in late summer 2027 for another round.

The second regulation is the ban on Russian LNG which will also take effect on January 1, 2027. The EU imported more than 20 bcm of Russian LNG in 2025 and is on track to import pretty much the same volume in 2026. But on 1 January 1, the music stops, and the EU will lose about one-sixth of its LNG supply. This regulation is not new. The countries where this LNG is going are known: Belgium, France, the Netherlands and Spain. The holders of the LNG contracts are also well known. So if the governments of these countries have not had a serious discussion with these importers about what they are planning to do to replace those Russian LNG supplies, there are still about three months to act.

Hope is not a strategy

Maybe there will be an increase in LNG cargoes crossing the Strait. Maybe LNG supply will nicely increase over the next six months. Maybe we will have a mild, windy and very rainy winter in Europe (and in northeast Asia too). Maybe Russia will not extend its hybrid war to some of our gas supply infrastructure.

But surely, it does not hurt to be prepared in case things do not go as planned. In 2022, mild weather from late December onward helped us avoid testing energy solidarity. ENTSOG is expected to publish its Winter Outlook on October 8. Still, late September, Energy Commissioner Dan Jørgensen asked EU Member States to reduce demand for gas and electricity. It's a telling sign when politicians start to talk about demand reduction, this usually shows they have run out of easy options.

As explained at various speaking engagements in Berlin and Paris, be prepared and pinch your nose because none of the solutions will be easy:

- Run scenarios (including with several black swan events)

- Have coal-fired plants ready to restart

-Have an industrial rationing framework ready

- Prepare mandatory public efficiency standards

- Check where alternative LNG supply to Russian will come from.

Winter is coming.

Firewall or not, Germany’s AfD is shaping energy policy



Vincent Thevenin
German Market Expert, Montel EnAppSys



Source: Montel Gas Analytics

If you only read the headlines, you'd think September was the month the AfD started dismantling Germany’s Energiewende. It wasn't. But while election results did not change German energy policy, they did heighten the political risk surrounding it.

The AfD won almost 44% in Saxony-Anhalt and 38% in Mecklenburg-Vorpommern, but it is uncertain it will govern in either state. Meanwhile, the far left Die Linke came out on top in Berlin, a reminder that the political centre is being squeezed from both sides.

On energy, the immediate question is not whether the AfD gets voted into power. It is already the dominant political force across much of the east, giving it the leverage to bend energy policy without governing.

The right-wing party’s energy pitch is less a concrete reform proposal than an attempt to convince voters that the transition is a choice, that its costs are avoidable, and that someone else imposed them. That narrative is where the party’s real leverage lies.

The AfD's programme wants to abolish the German renewable support framework and what it calls the "so-called Energiewende", and to reconfigure, yet again, the country's energy mix by scrapping the coal phase-out, restarting nuclear, abandoning the EU emissions trading scheme, reviving Nord Stream 2 and lifting the sanctions on Russia.

In other words, it's offering an alternative narrative aimed at undoing 15 years of German and EU energy policy. Much of it is simply unrealistic, even for the remaining parties maintaining the firewall against AfD's entering governments.

The ETS and the EU's climate and renewables targets are embedded in European and German law, so Berlin cannot scrap them unilaterally. The Constitutional Court has read a climate-protection obligation into the Grundgesetz, and changing the constitution takes two-thirds majorities in both chambers. Nuclear is a physical problem more than a political one: the last three reactors shut down in April 2023 and are now in the process of being decommissioned. You don't reverse that with a vote alone.

Why energy works for the AfD

Energy is one of the few issues where the AfD's message is simple, tangible and felt in the household budgets every month. It used the 2023 heating law as an example of overreaching into people's homes, and campaigned on it relentlessly. Wind turbines in rural landscapes, grid lines through farmland and the fear of deindustrialisation all fit the same story.

The east is where this lands hardest. Incomes are lower, commutes are longer, more homes heat with oil and gas, and much of the new wind capacity is built there. Combine that with long-standing scepticism of Western-led policy and a more ambivalent view of Russia, and the "cheap Russian gas" message finds an audience the other parties struggle to reach.

For the AfD, energy is not a side issue. It is one of the drivers of its support, and it is likely to remain central to both its campaigning and legislative push.

The first channel is through state parliaments. In Saxony-Anhalt the AfD won 39 of 83 seats, three short of a majority. Whatever government forms to keep it out will face a near-majority opposition that can delay, obstruct and dominate the debate. With well over a third of the seats, the AfD can block changes to the state constitution. In Mecklenburg-Vorpommern it is the main opposition voice in a state at the heart of Germany's onshore wind and grid build-out.

The second is local planning. Wind and grid projects live or die on municipal decisions and local acceptance. Where the AfD is the largest party, opposition to an individual project has a ready-made political home, even when the party cannot formally stop it.

The third is where the AfD may have a more disruptive effect: households. A University of Freiburg study published in Nature Sustainability in September combined official solar and EV data with election results from more than 10,700 municipalities. It found that when the AfD's vote share rises in a municipality, the uptake of rooftop solar and electric cars subsequently slows, even after controlling for income, urbanisation and infrastructure. The effect is stronger for cars: in surveys of around 8,000 people, Green supporters were more than three time as likely than AfD supporters to own or plan to buy an EV. The technologies keep spreading, just at a slower pace.

The fourth is the Bundestag. Together with the Left, the AfD already holds more than a third of the seats. That gives the two parties leverage over constitutional changes to the debt brake and the creation of new off-budget special funds. As more of the transition is financed through the federal budget, this becomes a real lever over energy policy, one that strengthens with every seat the party gains. If the AfD becomes the largest group, it will set much of the tone of the energy debate from the opposition benches. Bills will increasingly be argued on its terms: cost, affordability and competitiveness.

The fifth is foreign policy conducted from the opposition benches. In September, it has been reported that AfD’s leadership is preparing talks on restarting the Nord Stream pipelines. As the AfD does not hold any mandate to negotiate, these talks would be purely symbolic. But that is exactly the point. It puts Nord Stream back on the agenda, offers voters an apparent fix for high energy prices and forces the government to respond. It is a clear example of how disruptive the AfD can be without holding any power at all.

High stakes

To separate real risk from noise, I'd sort them into three buckets. The first covers what can change quickly through ordinary legislation, which is where most of the money sits. That means the design of renewable support, who pays for grids and how fast they are built, industrial and household power prices, whether budget-funded relief is extended beyond 2028/–29, and how much gas-fired capacity is tendered and how generously it is paid. This is where AfD pressure is most likely to bite first.

The second bucket is about changes at the margins. The practical pace of the coal exit can shift through reserves and delayed closures, and Germany's tone in Brussels on EU climate files can soften without any formal change of position.

The third bucket covers the AfD's headline agenda: leaving the ETS, reopening Nord Stream, lifting sanctions, restarting nuclear and abandoning climate neutrality, but they remain very unlikely. No mainstream party will break the firewall over these demands.

What is realistically in play

How hard each part of German energy policy is to change

Genuinely in play

Can change quickly through ordinary legislation, and it is where most of the money sits

- Design of renewable support
- Who pays for grids, and how fast they are built
- Industrial and household power prices
- Whether budget-funded relief is extended beyond 2028–29
- How much gas-fired capacity is tendered, and how generously it is paid

In play at the margins

Can shift without any formal change of position

- Practical pace of the coal exit, through reserves and delayed closures
- Germany’s tone in Brussels on EU climate files

Much harder to change

Mostly EU law, constitutional limits or physical reality

- Leaving the EU ETS
- Reopening Nord Stream
- Lifting sanctions on Russia
- Restarting nuclear
- Abandoning climate neutrality

For gas, the distinction is between noise and signal. The noise is Russia. The "cheap Russian gas" message will stay in the debate, particularly if prices rise this winter, and the AfD’s planned Nord Stream forum will keep it in the headlines. But no plausible German government is going to break with the EU on sanctions or on the phase-out of Russian gas imports. The more realistic effect is indirect: a louder AfD makes Berlin less enthusiastic about pushing for tighter rules in Brussels, and makes any further tightening harder to sell at home.

The signal is gas for power. As the AfD's focus on system costs, security of supply and dispatchable capacity gains traction, there will be more room for gas plants to be built and to operate longer. The first tranche of 12 GW of largely gas-fired capacity goes to tender this autumn, a capacity market is due from 2032, and the new plants are only meant to switch to hydrogen from 2040. A tender is not a power plant, so the near-term effect is more likely to come from existing plants running more. That is not a price forecast. But if renewable deployment slows even modestly, along with the coal exit, I'd be wary of long-dated assumptions that German gas demand will fall quickly.

European contagion

The AfD’s reach does not stop at the German border. In the European Parliament it is the largest party in the Europe of Sovereign Nations group, the furthest right of the chamber’s groups, and it votes alongside Patriots for Europe and the European Conservatives and Reformists on climate and energy files. These groups cannot pass legislation on their own, but they have shown what they can do when the centre-right needs their votes. A stronger AfD at home adds weight to that bloc and to like-minded parties in other member states. And if Berlin itself becomes a less enthusiastic advocate, the European majority for climate and energy ambition gets thinner.

The market impact is also regional. Germany is Europe's largest power and gas market. More German gas burn could increase European LNG demand and tighten the market for other buyers. A slower coal exit would support seaborne coal demand at the margin. And any softening of German support for the ETS could weigh on the carbon price that influences the coal-to-gas switching economics across Europe. These are regional and global channels, not just German ones.

And the use of household energy concerns extends to other countries. Italy has actively leveraged the global energy shock to challenge the European Commission. It is demanding additional fiscal flexibility to cushion energy-driven inflation and support industry, while building an alliance with the Czech Republic.

Italy, ahead of the AfD, is turning energy and carbon policy into both an EU negotiating lever and a domestic political instrument. Rome is trying to reshape how the EU manages carbon costs during energy shocks, focusing on energy prices, industrial competitiveness and household costs. Italy and the Czech Republic have proposed greater flexibility in allowance allocation, limits on the pass-through of carbon costs into electricity prices, closer monitoring of the carbon market and a postponement of ETS2. They will face opposition, but the initiative shows how energy costs are becoming a vehicle for challenging the pace and design of EU climate policy.

The signals

If I were managing the risk, I'd start with Saxony-Anhalt. How a near-majority opposition uses its weight will be the clearest test of how much the AfD can shape policy without power. Then I'd follow EEG 2027 and power plant tender closely: the committee hearings on 5 and 7 October, the EU state-aid approval that expires on 31 December, and above all whether the 2028–29 subsidy cliff gets extended. That is where political pressure translates directly into market numbers.

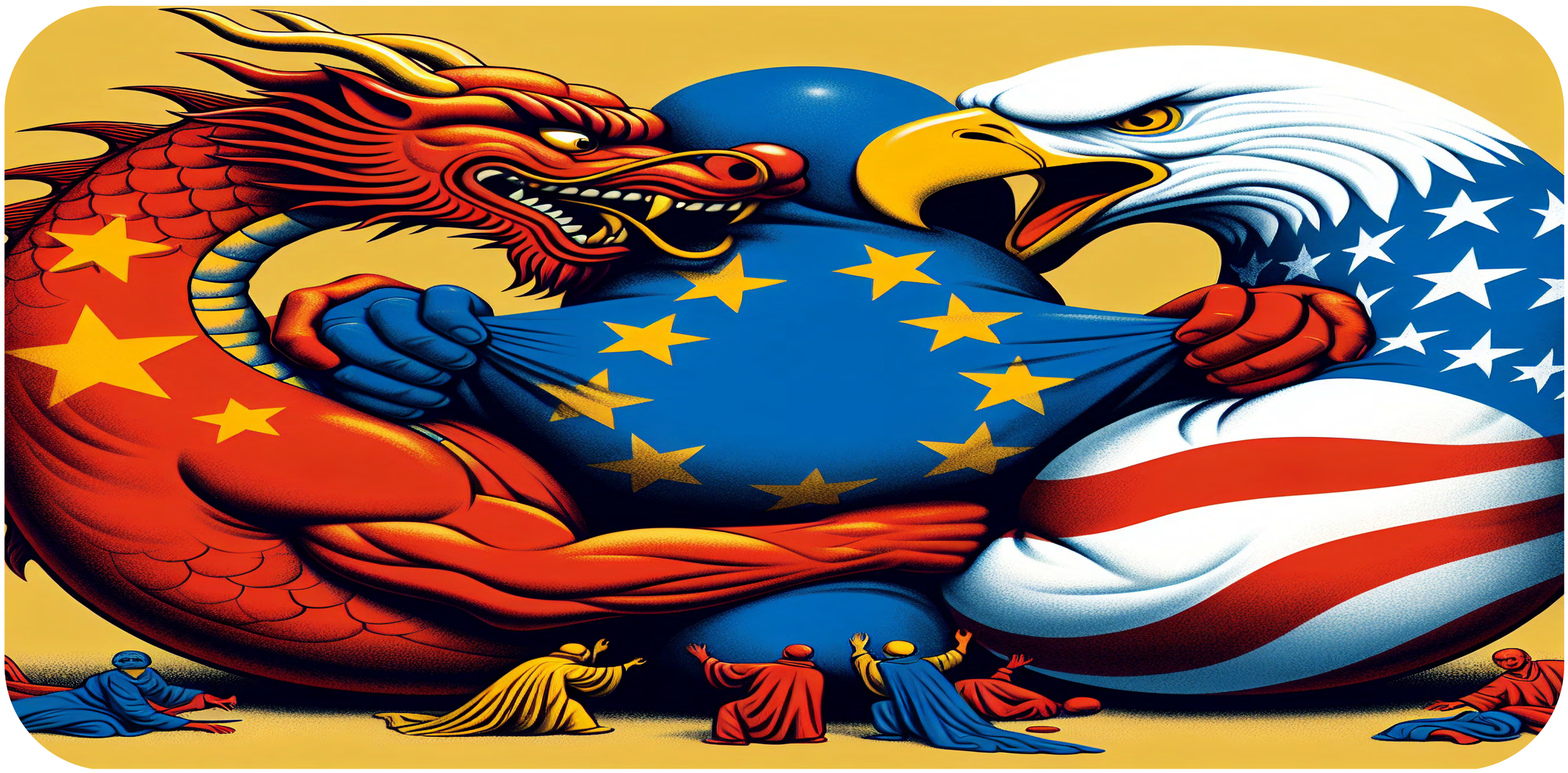
I'd also keep an eye on local solar adoption data. Rooftop and EV uptake in AfD strongholds will show whether the Freiburg effect deepens once the subsidy for small-rooftop installations is withdrawn. Finally, there is the Bundesrat. The AfD governs no state, so for now it has no votes there. That changes the moment it enters a state government.

But even if it does, the AfD cannot abolish the Energiewende. It will, however, raise energy-policy risks as it increasingly shapes the pace of the transition, its cost and who pays. If Germany pivots on energy policy, the consequences will reverberate across Europe — and beyond.

Europe’s China dilemma in a world in flux



Huangluolun Zho
Senior Manager, Montel Energy Brainpool



Source: Montel Gas Analytics

Europe is resorting to a last ditch round of crucial dealmaking with China on the heels of the latter’s trade truce extension with the US, and the question no longer is whether Europe should be tougher or softer on China. What the EU and its member states should be asking is more straightforward: what can Europe realistically obtain from Beijing and what is it prepared to offer in return?

Europe needs to reassess its game plan as it cuts its own separate deals going forward with the world’s two biggest powers. It’s a big mess of competing interests, economic and geopolitical, as the three justle for positions.

After the US, China is arguably the EU’s most consequential external relationship, spanning trade, technology, economy and global geopolitics. A good deal could bolster the interests of both. But the playing field shifted in Washington and it’s the EU’s turn to move.

The September Trump-Xi summit did not end the strategic rivalry between the world’s two largest economies. Far from it. Disputes over technology, critical minerals, Taiwan and security remain. But the meeting showed that Washington and Beijing are increasingly willing to compartmentalise those disputes and negotiate where interests overlap.

The two sides operationalised a Board of Trade, established a Board of Investment and agreed to pursue more favourable tariff treatment. They also opened an agricultural market-access workstream and new dialogue on artificial intelligence. The White House also said that Beijing agreed to import at least 10m tonnes of US coal in both 2027 and 2028, while negotiations over rare earths and critical minerals continue.

Most importantly, both governments endorsed a new description of their relationship: a "constructive relationship of strategic stability" based on respect, fairness and reciprocity. This is not a new US-China friendship. It looks more like an attempt to put guardrails around rivalry.

And that matters for Europe.

Brussels enters its own October talks with Beijing demanding a more balanced economic relationship while simultaneously pursuing de-risking, protecting European industry and coordinating more closely with Washington on economic security. Those objectives are not necessarily incompatible, but they are becoming increasingly difficult to pursue simultaneously.

Washington's new course

The shift in Washington is revealing.

The US-China relationship remains intensely competitive, yet the September summit suggests both agreed to disagree, when required, and to transact when possible.

The Boards of Trade was operationalised and the two agreed to give more favourable tariff treatment to USD 30bn of non-sensitive goods trade in each direction. The Board of Investment creates a government-to-government mechanism for discussing investment opportunities and barriers.

Two competitors nevertheless found it useful to discuss energy flows, maritime security and commodity trade while leaving much larger political disputes unresolved. Rare earths remain unresolved, but negotiations continue rather than being folded into a broader rupture of economic relations.

That is an important distinction because it reveals economic relations are becoming more compartmentalised. Washington can restrict China in strategically sensitive areas while negotiating market access elsewhere. Beijing can contest US power in Asia while buying American coal and discussing investment.

Indeed, the summit's omissions tell their own story. China's official messaging continued to emphasise Taiwan, one of Beijing's core political priorities. The White House's detailed Fact Sheet, however, did not list Taiwan among the summit deliverables.

Conversely, Washington explicitly highlighted continued negotiations over rare earths and critical minerals, while Beijing's eight-point summary did not single them out.

For Europe, the lesson is not to copy Washington. It is to recognise the negotiating environment is evolving. If the US itself is increasingly relying on reciprocal bargains and institutionalised negotiation, expectations that economic pressure alone will produce broad unilateral Chinese concessions look harder to sustain.

Europe's asymmetry problem

Europe nevertheless has legitimate reasons to demand change.

The EU's goods trade deficit with China reached almost EUR 360bn in 2025. EU exports fell 6.5% to EUR 199.6bn while imports rose 6.4% to EUR 559.4bn. China remained the EU's largest source of goods imports but fell to fourth place among export destinations.

The imbalance has continued. The EU recorded a EUR 103bn goods deficit with China in the second quarter of 2026 alone, the highest since the third quarter of 2022.

Brussels also argues that Chinese industrial support is creating overcapacity, while European companies continue to face market-access barriers, regulatory restrictions and an uneven playing field in China. Beijing, meanwhile, has objected to European trade-defence measures and policies favouring European production.

Yet asymmetry cuts both ways.

China needs access to Europe's large consumer market, as well as its advanced technology and investment. Europe, however, also depends on Chinese industrial capacity in sectors central to its economic and energy transformation.

That mutual dependence creates room for negotiation, but not necessarily for capitulation.

The Commission has already established a structured dialogue with Beijing covering four areas: trade and investment balancing, export controls, intellectual property and WTO reform. A joint mechanism is monitoring trade flows, while the two sides are also discussing Chinese controls on rare earths and permanent magnets. The next test comes on 8-9 October, when Trade Commissioner Maroš Šefčovič travels to Beijing. Brussels wants concrete results, particularly on trade imbalances, market access and rare-earth export controls. China though might offer a slower pace and for more in return than Europe has offered.

And the run up to the high-stake meeting has been tense. Both have opened anti-dumping investigations, and European leaders are threatening to introduce trade-defence measures to swiftly increase tariffs, if they so choose, while Beijing has shown that it is prepared to retaliate when it believes European measures are discriminatory.

China has reasons to offer greater European market access. Europe has reasons to preserve access to Chinese goods, investment and technology. A credible settlement is consequently more likely to revolve around reciprocity and specific sectors than a wholesale rewriting of the economic relationship.



Trump–Xi Summit 2026: What Each Government Put on Record

Comparison of the September 2026 Chinese MFA readouts and U.S. White House Fact Sheet

CATEGORY	TOPIC / OUTCOME	CHINA (Official Readout)	U.S. (White House Fact Sheet)
STRATEGIC RELATIONS	Constructive relationship of strategic stability based on respect, fairness and reciprocity	✓	✓
	World War II alliance and joint victory	✓	✓
	Mutual support for APEC and G20; leaders intend to attend each other's summits	✓	✓
	Taiwan / opposition to "Taiwan independence"	! China position	— Not mentioned
	Maintain high-level engagement and manage differences	✓	✓
TRADE, ECONOMIC AND INVESTMENT COOPERATION	Establish a Board of Trade	✓	✓
	Preferential tariff treatment (around USD 30 billion of non-sensitive goods in each direction)	✓	✓
	Agricultural market-access working group	— Not mentioned	✓
	Establish a Board of Investment	— Not mentioned (in eight-point readout)	✓
	Continue discussions on rare earths and critical minerals	— Not mentioned (in eight-point readout)	✓
	Extension/implementation of the Kuala Lumpur trade consultation outcomes	✓	— Not mentioned
ENERGY	China to import at least 10 million tonnes of U.S. coal in 2027 and 2028	— Not mentioned	✓
	Increase Chinese refined-petroleum production to help stabilise global supply	— Not mentioned	! U.S. request
INTERNATIONAL AFFAIRS (INCLUDING MILITARY)	Iran should not develop nuclear weapons	✓	✓
	No country or institution should impose tolls on international waterways (e.g. the Strait of Hormuz)	✓	✓
	Russia/Ukraine discussed	✓ "Ukraine crisis"	✓ "Russia"
	Korean Peninsula / North Korea discussed	✓ "Korean Peninsula"	✓ "North Korea"
	Military crisis-communication and prevention MOU	✓	— Not mentioned
	Trilateral U.S.–Russia–China arms-control negotiations	— Not mentioned	! U.S. proposal
	Continued search for remains of missing U.S. military personnel in China	✓	— Not mentioned
AI	Establish a bilateral dialogue on advanced artificial intelligence ("super intelligence")	✓	✓
	Next dialogue to be held in November 2026	✓	✓
	Bilateral communication channel for AI/SI incidents	✓	✓
	Use the term "super intelligence" rather than "artificial intelligence"	— Not mentioned	✓
OTHER	Counter-narcotics / precursor-chemical law-enforcement cooperation	✓	✓
	Repatriation of illegal Chinese migrants	✓	✓
	Two giant pandas leased to Atlanta Zoo	✓	✓

✓ Mentioned / agreed in official document — Not listed in official document ! Unilateral position or proposal (mentioned by only one side)

Source: Ministry of Foreign Affairs of the People's Republic of China; The White House. September 2026.

Source: Montel Gas Analytics

Energy contradictions

Nowhere is that dilemma clearer than in energy.

Europe's experience with Russian gas fundamentally changed how policymakers think about economic dependence. A commercial relationship that once appeared mutually beneficial became a strategic vulnerability when supply was disrupted.

But not every energy dependency works in the same way.

Europe's dependence on imported fossil fuels is continuous. A gas-fired power station needs another molecule tomorrow, next month and next year. Interrupt the flow and the energy supply disappears with it.

The current diesel squeeze is a reminder of how quickly energy dependencies can become geopolitical leverage.

Trump threatened to impose US fuel export curbs unless Europe agreed to release emergency reserves, as Washington sought to ease a global fuel squeeze that has pushed prices to record levels ahead of the November midterms.

Without Russian supplies, Europe came to depend on US suppliers, and now absorbs around half of US diesel exports, up from a 30% average in 2025. It budged and on 2 October the G7 announced 100m barrels of diesel and crude would be released over the next four winter months.

The immediate price crisis may therefore ease, and translate into short-term political gains for Trump. But the underlying supply drivers, amid disruptions in the Middle East and Russia, have not been resolved and the decision may backfire soon if storage is not quickly refilled.

Meanwhile, China is home to most of the world's available spare refining capacity and already offers selective fuel-export exemptions to countries seeking help. Even Australia secured jet-fuel after direct talks.

But Trump's same plea during the summit to boost fuel exports went unheard. Beijing suspended most oil-product exports outside Hong Kong and Macau for October, tightening an already strained market as it prioritised domestic inventories.

The infrastructure is there though. Beijing will likely continue to use its refining capacity as a geopolitical lever, selectively and at a price, or to keep it at home.

Energy transition paradox

Europe remains deeply exposed to China across clean-energy supply chains. China accounts for around 85% of global solar and 80% of lithium-ion battery supply-chain production capacity, with shares rising to about 95% for PV wafers and 97% for anode materials. The EU also obtains 98% of its rare-earth magnet demand from China.

These are real strategic vulnerabilities. A disruption would hurt. The IEA estimates that every month of interruption to Chinese battery supply-chain exports would result in about USD 17bn in lost electric-vehicle production outside China, with more than half of the losses in the EU.

But a solar panel, wind turbine or battery is not equivalent to a Russian gas molecule. Once installed, they can produce or store electricity for years. The underlying sunlight and wind are not imported. Europe may remain dependent on foreign manufacturing, components and critical materials, but the energy resource itself is domestic.

Eliminating dependencies also carries costs.

The IEA attributes China's manufacturing advantage not simply to subsidies or cheap labour, but to accumulated expertise, scale, manufacturing efficiency, skilled labour, integrated supply chains and access to resources, alongside sustained policy support.

Replacing Chinese production rapidly with higher-cost alternatives could therefore improve supply-chain autonomy while making Europe's energy transition more expensive. Slower deployment of solar, batteries and other technologies could, in turn, prolong exposure to imported fossil fuels.

Europe faces not one dependency problem, but several all at once.

The key variable is timing. A dependency that can be switched off tomorrow is not equivalent to one that creates industrial exposure over several years. The question is how concentrated each dependency is, how quickly it can become disruptive and whether reducing one exposure inadvertently increases another.

The October test

This makes the October EU-China talks a critical test of whether Brussels and Beijing can move from broad political positions towards narrower, reciprocal bargains.

A tariff war could quickly brew if talks fail. Europe wants improved market access, a response to industrial overcapacity and greater certainty around critical-material exports. Beijing wants continued access to the European market and resistance to what it sees as discriminatory restrictions on Chinese companies.

Yet the Trump-Xi summit has changed the backdrop.

Washington is not abandoning strategic competition with China. It is trying to manage it. Trade, investment, critical minerals and technology are increasingly being placed into dedicated negotiating channels rather than treated as parts of a single confrontation.

Europe and China, like the US, also benefits from functioning maritime trade routes, stable global commodity markets and lower volatility. But the first two share an interest in accelerating technologies that reduce exposure to imported fossil fuels.

That does not remove disagreements over Ukraine, economic ties to Iran, industrial policy or market access. Nor does cooperation on energy remove the risks associated with concentrated Chinese supply chains.

It simply means that energy can be both a source of dependence and an area of mutual interest.

For energy, that means recognising that a Chinese solar panel is not equivalent to a Russian gas molecule, while also recognising that control over rare-earth processing or battery materials can create genuine strategic leverage. The question is what kind of dependence Europe is accepting, how concentrated it is and how quickly it could become disruptive.

Chinese and European interests will remain distant. But the Trump-Xi summit offers a useful hint of how the global relationship with China may best work: strategic competition can coexist with trade, bargaining and selective cooperation.

Europe's challenge is to determine where that coexistence serves its economic and energy interests, and where the risks become too large to ignore.

US LNG reliance, German storage turns critical



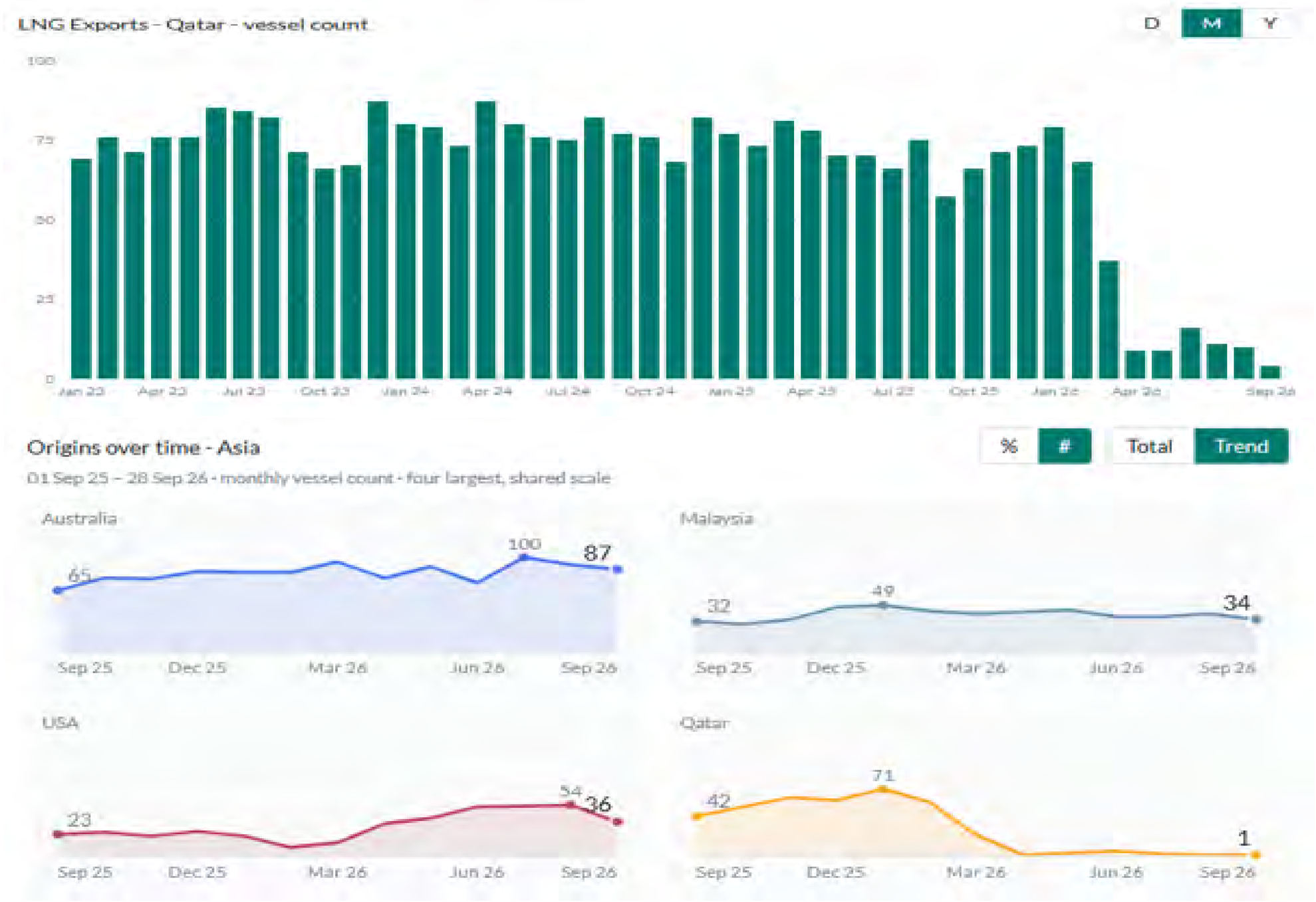
Joachim Endress
Gas Market Expert, Montel

Geopolitical tensions are forcing LNG cargoes onto longer and costlier shipping routes, pushing prices higher. With supply this tight, European gas storage could be drawn down to record lows this winter.

Missing Qatari volumes

Before the outbreak of war in the Middle East, Qatar was exporting up to around 80 LNG cargoes a month. The war cut that to roughly 10 cargoes a month between April and September. Most of these went to Kuwait, where an existing long-term contract continued to be served largely as normal. Asia previously took around 80% of Qatar's LNG output (50–70 cargoes a month). Since April, it has received only around 15 cargoes in total.

Most Asian buyers have replaced the lost volumes with higher imports from Australia and, above all, from the US. Pakistan is the exception. It relied almost entirely on Qatari LNG before the war and has since seen its LNG imports collapse.



Source: ganexo Gas Analysis

US LNG exports surge

The US recorded by far the largest increase. In August its LNG exports hit a new all-time high of 164 cargoes. Shipments to Asia climbed from around 10–15 cargoes a month at the start of the year to as many as 54 in August.

LNG Exports - History - Month - vessel count - USA

Exports	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2026	**162**	**136**	**133**	**144**	**132**	**136**	**142**	**164**	**128**	-	-	-	**1,277**
YoY	+45.9%	+33.3%	+6.4%	+30.9%	+21.1%	+21.4%	+8.4%	+40.2%	+15.5%	-	-	-	+24.6%
2Yavg	+75.5%	+45.7%	+32.6%	+41.6%	+36.6%	+35.3%	+27.2%	+61.0%	+44.9%	-	-	-	+44.5%
2025	111	102	125	110	101	112	131	117	114	130	131	131	1,423
2024	105	95	91	99	90	91	107	93	82	96	77	93	1,119
2023	61	83	85	96	91	92	97	94	85	94	107	102	1,087

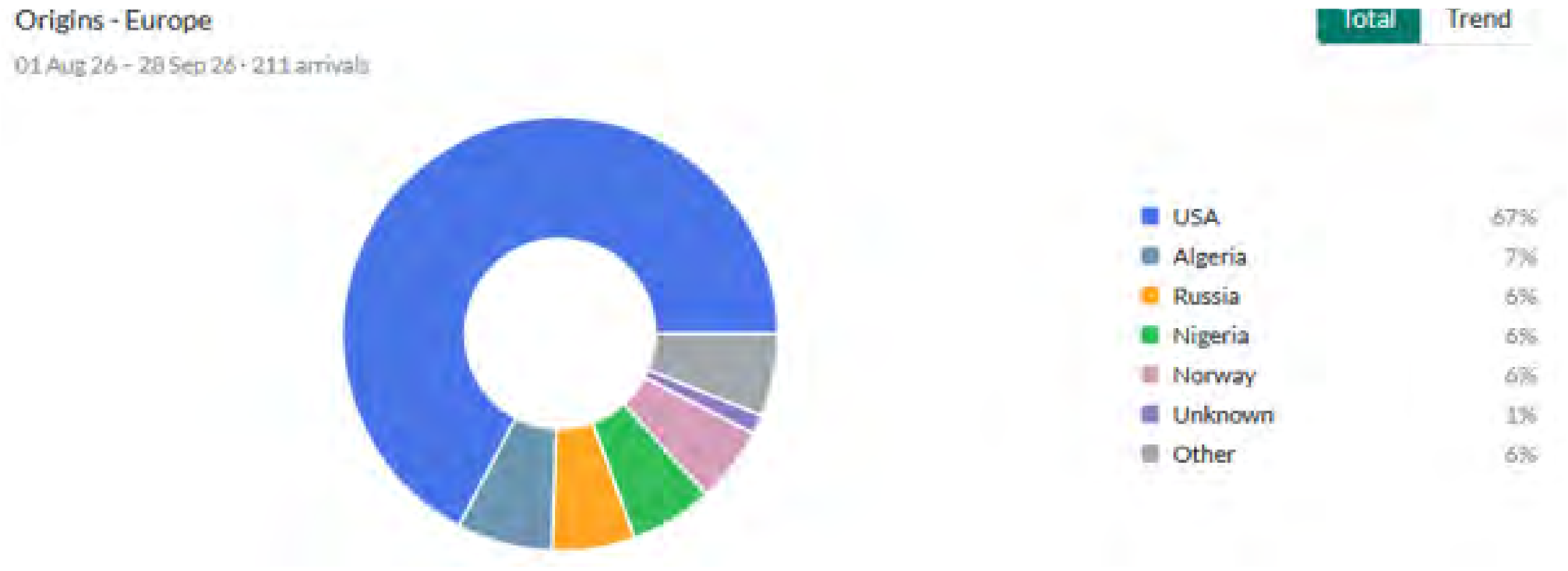
Source: ganexo Gas Analysis

So far in 2026, the US has already shipped around 1,280 LNG cargoes. That is more than in the whole of 2024 (1,119 cargoes) or 2023 (1,087 cargoes). Total exports reached 1,423 cargoes in 2025, and that record is all but certain to be broken this year.

This makes the US by far the world's largest LNG exporter. Australia trails in second place, with 790 cargoes so far in 2026. With Qatar largely sidelined for the foreseeable future, Malaysia comes next with just under 370 cargoes, followed by Russia with just under 300.

Geopolitics and climate change drive gas prices

Spot LNG supply from the US has never mattered more, for Europe and Asia alike. US LNG recently accounted for around 67% of Europe's LNG imports. This is precisely where recent geopolitical events and climate change come into play



Source: ganexo Gas Analysis

US exporters, meanwhile, are left with only the longest and most expensive route to Asia. Transits through the Panama Canal are severely restricted by El Niño-driven low water levels. The Suez Canal is effectively off-limits following the latest Houthi attacks in the Bab al-Mandab Strait.

Sailing around Africa stretches the round trip for US cargoes to more than 80 days, over twice as long as via Suez. That adds around EUR 5–6/MWh in shipping costs compared with the Suez route and is fuelling price gains in Asia. It already led to a noticeable drop in US LNG exports to Asia in September.

Over the winter, many Asian countries, China in particular, may switch increasingly to coal or oil to offset reduced gas supply. If more US cargoes still have to take the long route to Asia throughout the winter, Asian prices could stay elevated for months to come, and European prices with them. With demand peaks and depleted storage, the EUR 100/MWh mark on the TTF may prove to be only a waypoint.

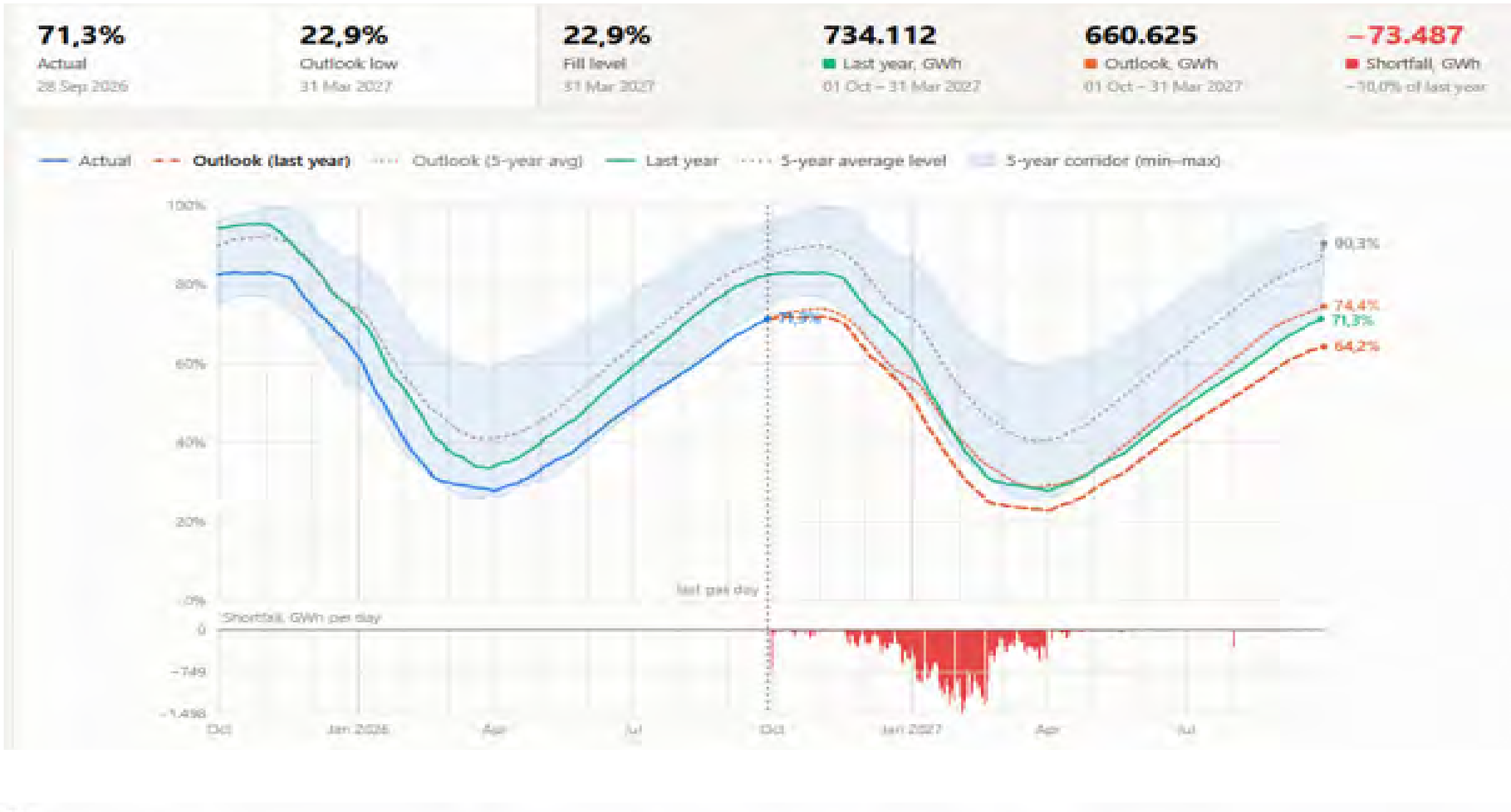


Depleted Storage

European gas storage is at risk of falling to record lows this winter. To assess this, we built a storage model based on facility-level deliverability curves that incorporates current maintenance schedules. We ran forecasts using last year's storage flows and the five-year average.

At first glance, the aggregate picture looks reassuring. If storage balancing follows last year's pattern, aggregate EU storage would remain above 20% through the end of winter. Belgium's sole storage facility, Loenhout, would however be fully depleted by the end of January. By the end of February, aggregate storage would fall to 12% in Germany, below 14% in the Netherlands, and 10% in Slovakia.

At facility level, however, it becomes clear that current inventories cannot support a demand scenario based on last winter. As a facility's fill level falls, so does its withdrawal capacity. This relationship is known as the facility's deliverability curve, and it varies by storage type. Many facilities are considerably emptier this year than last. As a result, on certain days individual sites cannot deliver the same withdrawal rates as a year ago, a gap we refer to as the shortfall.



All countries

18 countries · Last year scenario · fill level at the end of each winter month, shortfall over 01 Oct – 31 Mar 2027 · click a row to show it above

Country	Working gas GWh	31 Dec 2026 %	31 Jan 2027 %	28 Feb 2027 %	31 Mar 2027 %	Shortfall ▼ GWh
NL	144.043	38,0	20,9	13,7	10,6	−27.170
DE	247.526	40,6	20,2	12,0	14,6	−25.747
LV	24.405	45,7	40,4	36,6	40,1	−5.987
RO	33.864	63,6	43,3	29,1	20,5	−3.114
FR	123.878	50,6	22,9	14,0	14,4	−2.376
AT	100.279	47,5	30,3	20,7	18,2	−2.204
CZ	45.306	49,4	26,3	12,0	9,8	−1.976
BE	7.610	21,8	0,0	1,7	0,4	−1.848
SK	36.839	39,1	22,6	10,0	4,1	−1.283
IT	203.425	69,0	52,9	43,5	39,9	−924

Source: ganexo Gas Analysis

In winter 2025, EU storage facilities withdrew a total of 734 TWh. If demand follows a similar path in winter 2026, storage could cover only 90% of it. The remaining 10%, or 73 TWh, would have to be sourced elsewhere.

Sefe mandate falls short

Germany's economy ministry has instructed state-owned energy company Sefe in late September to inject an additional 8 TWh of gas by mid-December. If demand follows last winter's pattern, that will not be enough.

Last winter, Germany withdrew around 155 TWh from storage. Current inventories at the time of writing stand at just under 145 TWh. Yet the real gap is far larger than these 10 TWh. In the prior-year scenario, storage would fall around 26 TWh short over the winter: roughly 8 TWh in each of January and February, and roughly 4 TWh in each of December and March. The cause lies in uneven fill levels across facilities and in the deliverability curves of the different storage types.

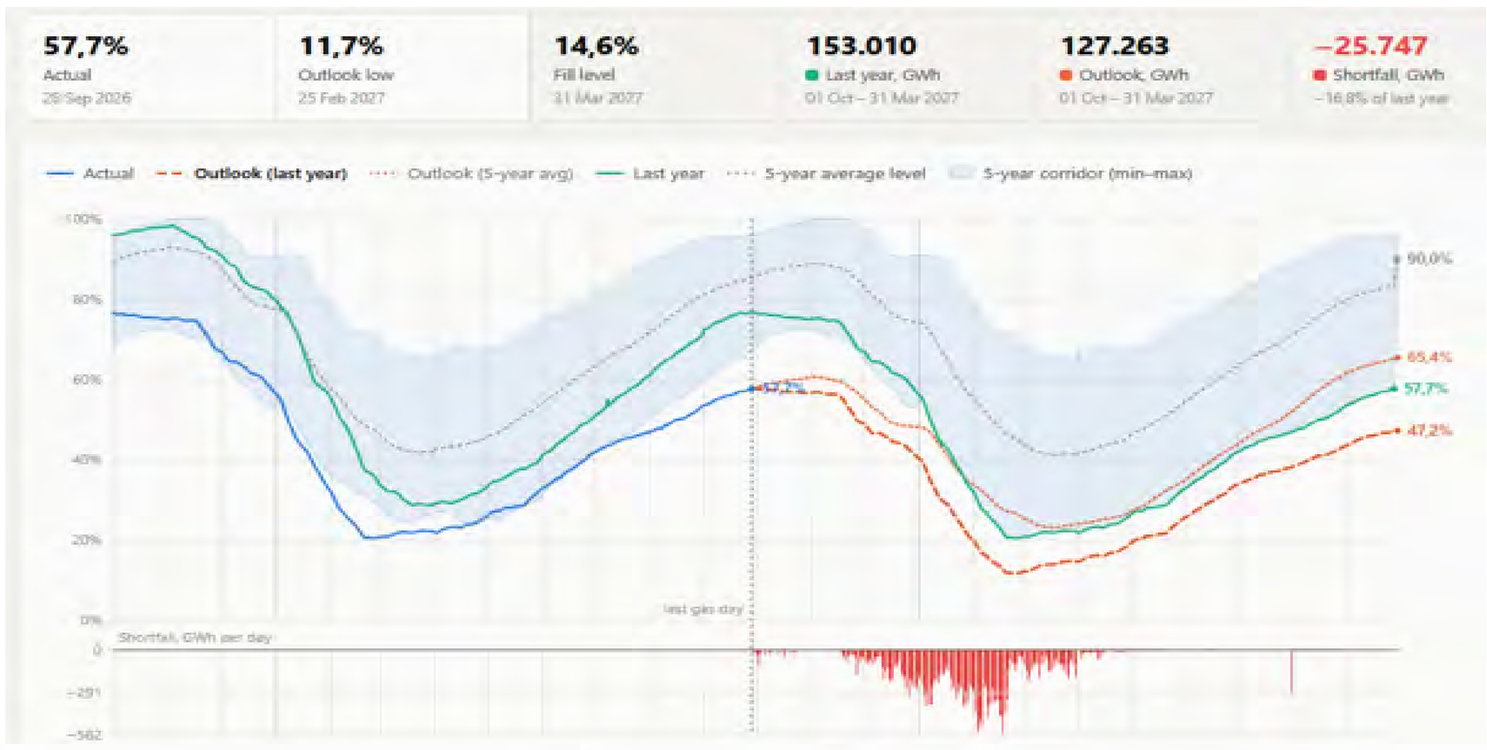
Germany faces a 26 TWh gap

In the prior-year scenario, six German facilities would no longer be able to withdraw gas by 31 December: Rehden, Breitbrunn, Stockstadt, Hähnlein, Etzel ESE (MET) and Wolfersberg. Uelsen, Jemgun, Schmidthausen and Kiel-Rönne would follow by 31 January 2027.

Take Rehden. Last winter, 12 TWh was withdrawn from the site. Allowing for its deliverability curve and the maintenance schedule, only just under 5 TWh could be withdrawn under the same demand profile, as Rehden is fully offline for maintenance until 10 October. That leaves a gap of around 7 TWh at Rehden alone, and of just under 5 TWh at Breitbrunn in southern Germany.

Daily shortfalls in the depths of winter are even more serious. In January and February, Rehden would fall short by up to 160 GWh/d and Breitbrunn by up to around 80 GWh/d.

Because of the ongoing maintenance, SEFE could not begin injecting at Rehden to close the gap until 10 October. The 8 TWh could solve the problem at Rehden, but not at the other depleted sites, particularly those in southern Germany such as Breitbrunn and Wolfersberg. Germany as a whole could face a shortfall of around 26 TWh, which would have to be either injected in advance or procured as additional LNG over the winter.



All sites in DE

46 sites · Last year scenario · fill level at the end of each winter month, shortfall over 01 Oct – 31 Mar 2027 · click a row to show it above

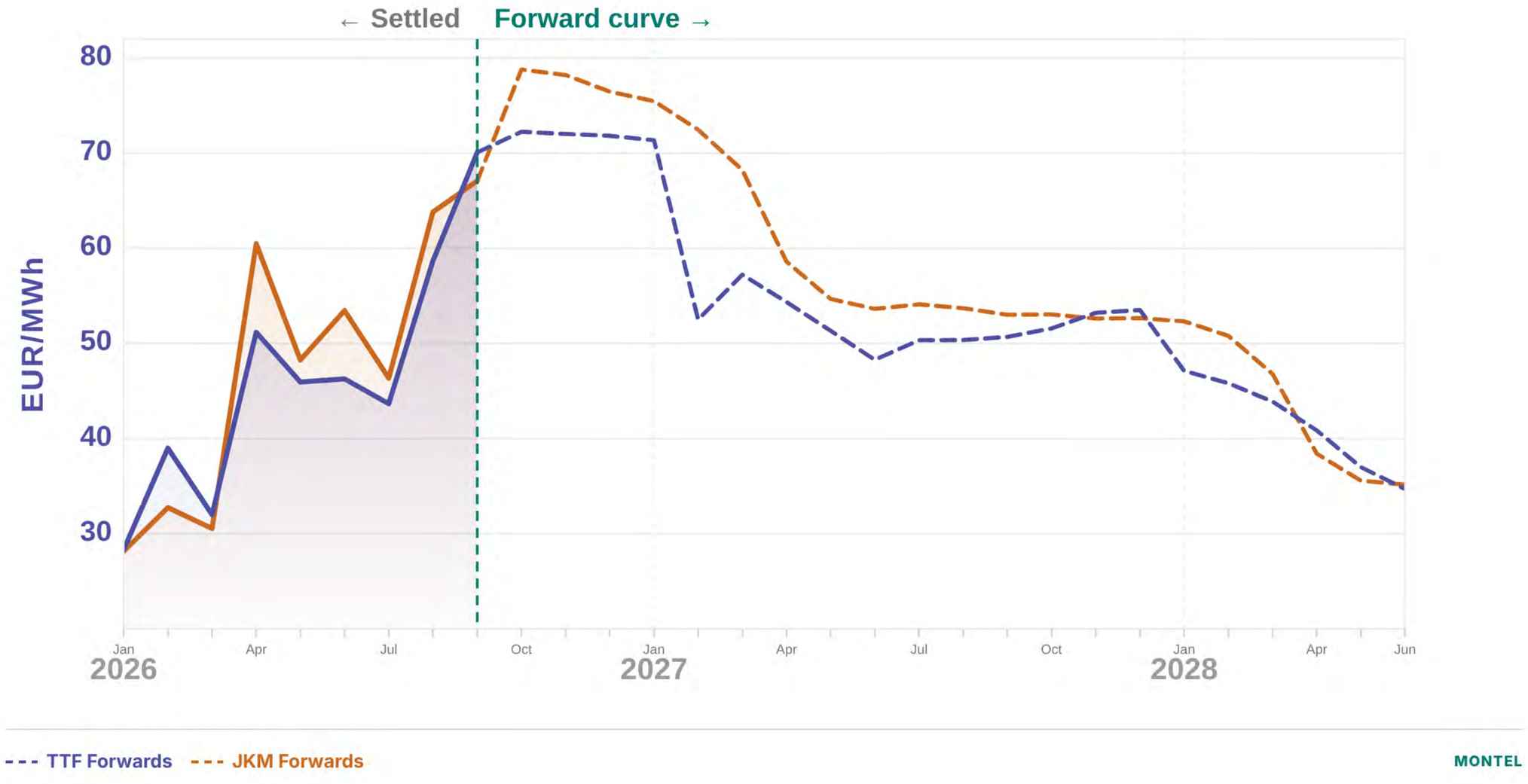
Site	Working gas GWh	31 Dec 2026 %	31 Jan 2027 %	28 Feb 2027 %	31 Mar 2027 %	Short
UGS Rehden	35.741	0,5	0,5	0,4	0,4	
UGS Breitbrunn	11.418	0,5	0,5	0,5	0,5	
UGS Uelsen	9.874	16,6	0,2	0,7	0,5	
UGS EWE-Zone L	1.402	44,1	5,3	1,6	0,3	
VGS Zone MND ESG (UGS Stockstadt + UGS Haehnlein)	2.350	0,4	0,8	0,0	0,1	
UGS Nüttermoor H-2	2.509	0,9	0,3	0,3	0,5	
UGS Jemgum H (EWE)	3.447	22,1	0,6	1,5	0,5	
UGS Etzel ESE (OMV)	4.740	26,6	2,8	2,4	0,5	
UGS Etzel ESE (MET)	1.514	0,2	0,2	0,7	0,3	
EWE H-Gas Zone	4.180	38,9	5,5	0,3	0,5	
UGS Lesum	1.694	54,2	9,3	0,4	0,5	
UGS Schmidhausen	1.785	16,3	0,2	0,2	0,2	

Source: ganexo Gas Analysis

Hot spots



Andrés Cala
Senior Geopolitical Energy Analyst, Montel



Source: Montel Gas Analytics

Middle East turmoil

The region is gearing up for a second phase. The conflict has slipped out of stalemate and back into escalation, with the battlefield spreading throughout the Middle East. Neither side appears capable of forcing the other to back down from their core nuclear, energy free flow and economic demands.

The collapse of the June memorandum of understanding is no longer limited, nor contained. Tit for tat attacks continue on US Navy warships, commercial vessels and military objectives. Both sides appear to be readying for an escalation as the US sends more troops and a third aircraft carrier, and Iran promises unprecedented retaliation.

The White House shifted towards economic pressure to weaken the Islamic Republic, but Tehran has shown little sign of surrendering despite the economic pain. Some US officials have suggested a new phase of the war could start after the US November mid-term elections, but trade on your own on assumptions.

The spillover is spreading fast. Control over the Bab-el-Mandeb Strait and surrounding areas, the gateway into the Red Sea, is now disputed by the Iran-aligned Houthis and forces of Yemen's internationally recognised, and Saudi-backed, government. The counterattack, backed by Saudi Arabia, has already started. The outcome will determine much of the fate of the chokepoint.

The Houthis appear to retain operational autonomy despite Iranian logistical, military and advisory support, but their recent advance on the Red Sea and ballistic missile and drone volleyes on Saudi Arabia changed the playing field. It's hit five cities, including the capital Ryad, injuring scores and hitting military assets, oil facilities and infrastructure.

Further south, reports that the Houthis are providing weapons, training and other support to al-Shabaab raise the prospect of a wider Red Sea spillover into Somalia and the Gulf of Aden.

Riyadh also shut its East-West pipeline after a drone attack from Iraq, attributed to Iran-backed forces, disrupted Saudi Arabia's main overland route for bypassing the Strait of Hormuz, although its capacity is almost fully restored.

And it coincides with the US exit from Iraq after two decades, leaving an opening for Tehran. The power vacuum is likely to radiate to Turkey, Kurdish regions in Iraq, Syria and other neighbours, as well as global energy markets.

This is increasingly an energy-security issue rather than simply a military one. The Gulf has traditionally been protected by US power, but Washington is now reassessing its military footprint. The Pentagon is reportedly considering reducing troop levels and may not rebuild some bases damaged during the Iran war.

That creates incentives for new alliances and more opportunities for miscalculation. The Mecca Joint Defence Pact signed by Saudi Arabia, Turkey and Pakistan is the biggest potential game changer. If the alliance enters the war against the Houthis, it would confirm a new regional security architecture is taking shape, one that relies less on Washington.

The pact could also alter the emerging confrontation between Turkey and Israel. Israeli strikes on Turkish-linked military positions in Syria escalated a rivalry that so far has been managed to avoid direct confrontation. Prime Minister Netanyahu was blunt: Israel will not tolerate Turkish military entrenchment in Syria, and since the Turks "didn't hear it clearly enough", Israel made sure they understood.

For the world, the Strait of Hormuz is only one of several vulnerabilities undermining economies and political stability. And while Washington wants to pivot away from the Middle East, the Middle East is not letting it leave quietly.

Ukraine war

Diplomacy and escalation are running in parallel in the Ukraine war, but escalation is winning, in a contest over resilience as much as territory.

Russia is continuing to attack Ukrainian infrastructure, including major bridges in Kyiv, while Ukrainian strikes are putting increasing pressure on Russian oil infrastructure.

Both sides are bleeding economically. Russia cut its oil output forecast by 16-20m tonnes a year through 2029, with 2026 production expected at 494.2m tonnes, the lowest since 2009.

But neither side appears close to accepting the other's conditions. There have been renewed US diplomatic efforts, with US envoys travelling between Moscow and Kyiv. Yet Russia continues to demand an end to military supplies to Ukraine, while Kyiv's European backers are becoming increasingly reluctant to provide unlimited additional financing. Meanwhile, Russia's attendance at a G20 ministerial meeting in the US left Europe blindsided.

Ukraine faces a potential funding gap of tens of billions of euros from 2027 onwards, even with the EU's EUR 90bn support loan. European governments are increasingly focused on delivering money already promised rather than committing to substantially larger new packages. The issue is no longer simply whether Europe supports Ukraine. It is how much it is prepared to pay for that support indefinitely.

Moscow is also testing the boundaries of NATO without crossing them directly. Russian aircraft and naval forces are becoming more active around the Baltic, while drones have entered NATO airspace and Russian forces have conducted increasingly assertive operations around critical infrastructure. Moscow has also issued renewed nuclear warnings over Kaliningrad.

These actions are designed to create pressure without necessarily triggering a full military response. The Baltic is particularly important as a commercial corridor for energy, grain and container shipping and contains critical subsea infrastructure.

However, Russia does not need to defeat NATO conventionally to create problems for Europe. It can test air defences, raise insurance costs, disrupt infrastructure and exploit political divisions while maintaining plausible deniability.

The longer the conflict lasts, the more Europe has to spend on both sides of the problem: supporting Kyiv and rebuilding its own deterrence.



Source: Montel Gas Analytics

Tariff feud

The US-China relationship is not getting easier. It is becoming more transactional. Washington and Beijing have extended their tariff truce and created mechanisms for discussing trade and investment (See *Europe's China reality check in a shifting global order*). They are also negotiating over rare earths and critical minerals. The important development is not the individual concessions, but the attempt to separate areas of strategic competition from areas where both sides still need a deal.

The US can restrict China in strategically sensitive technologies while negotiating market access elsewhere. China can challenge US power in Asia while buying American commodities and discussing investment. The September Trump-Xi summit did not remove strategic competition, but it did put some guardrails around it, for now.

Europe though cannot simply replicate Washington's strategy. The October EU-China talks will test whether Brussels can turn its economic leverage into specific concessions without triggering a broader confrontation. And the outcome is entangled with other global dynamics and domestic political interests (See *Europe's risky escape from strategic inertia*)

However, the EU hardened its stance just days before, with France and Germany formally asking for the block to be enabled to quickly defend against market-distorting trade practices, potentially within a day, mirroring similar provisions in the US. Any new EU Commission power that condition member country's bilateral economic ties would likely require EU unanimity.

The real trade story, though, is being written in the bond market. The 10-year US Treasury yield hit a two-decade high of 5.3% at the beginning of October as surging oil prices battered government bonds globally. The shock is widespread and linked to inflationary pressure underpinning political instability.

In a nutshell, the energy shock is morphing into a monetary one. Higher yields, sticky inflation and US debt levels are tightening financial conditions just as governments and investors need fiscal room the most.

Energy is again the transmission belt. Chinese refiners suspended fuel exports for all of October, pending instructions from Beijing. Officially, it's energy security, but it results in higher US diesel prices, after hitting a 14-year record last month.

Close allies are not spared either. The US and Canada fell deeper into a trade war after talks collapsed, with Washington imposing 50% tariffs on USD 20bn of Canadian goods and Ottawa retaliating from 8 September.

But Ottawa is seeking counterweights with Europe. The EU invited Canada to become its first associate member, covering defence, energy, critical minerals and AI. It is a bold signal of middle powers banding together, though member states were reportedly not consulted and Trump warned it could be seen as a "hostile act".

The tariff war hasn't ended. It has simply found new channels.

Rest of the world

The world keeps reorganising around an evolving global order. Few are choosing sides. Most are hedging.

Chinese imports of Russian oil jumped in August while imports from Saudi Arabia fell sharply. The shift suggests that Moscow remains an increasingly important supplier for China precisely because Russian barrels offer a relatively predictable alternative to Middle Eastern supply during a period of regional instability.

Meanwhile, Russia and North Korea opened their first road bridge, and the Shanghai summit with China, Russia, Iran and India showcased an alternative to the US order. At the BRICS summit in New Delhi, Xi pitched an agenda on AI, trade and manufacturing ahead of China's 2027 chairmanship, and met Narendra Modi to turn their rivalry into a managed one.

Elsewhere, Trump scaled back joint military drills with South Korea, citing Seoul's refusal to join the Iran war. He also claimed the US is taking partial control of Venezuela's oil, in a deal riddled with legal hurdles. In Spain, tens of thousands protested over the Ceuta migration crisis, a test of the EU's grip on its external border.

The pattern is becoming harder to ignore: alliances are becoming more transactional, energy dependencies are being redrawn and countries are hedging against a less predictable US role.

About Montel

Montel brings together experienced energy sector professionals from across Europe, providing you with everything you need to track energy markets in real-time and assess future developments before they happen.

Our products

Analytics
Analyse the factors driving energy prices.
Learn more

News
Understand energy market developments in real-time.
Learn more

Prices
Track the cost of energy as it changes.
Learn more

Risk
Optimise trading positions, create hedges and maximise profits.
Learn more

See also

PPA services
Benchmark prices and secure the best PPA for your needs.
Learn more

Advisory
Get expert guidance on energy related challenges.
Learn more

Our solutions

Analysis
Simplify your data-sourcing and build models with ease.
Learn more

Trading
Improve your positions with realtime market information.
Learn more

Energy Procurement
Track energy prices and learn how to become more sustainable.
Learn more

Power Production
Assess investment opportunities and optimise existing plants.
Learn more

Portfolio Management
Maximise profits and manage your risks.
Learn more

Consultancy
Maintain and build your market knowledge to guide your clients effectively.
Learn more

Visit montel.energy