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Aurora Energy Research study: Russian gas resumption to cut European energy prices by 7% in the long term while trade tariffs weigh on US growth global markets

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New Aurora report examines major geopolitical risks to global gas markets, the uncertainty of future European supply, and the ripple effect of tariffs on prices in the US, Europe, and Asia due to LNG rerouting.

Aurora Energy Research, the leading global energy market analytics provider, has today published a new report examining the global consequences of two geopolitical risks: Russian gas supply and US President Trump's tariff policies. The report highlights that a resumption of Russian pipeline gas would have a substantial impact on European energy prices, whereas tariff trade disruptions could subdue US growth, while offering mixed results for other regions.

At the start of this year, the five-year agreement between Ukraine and Russia expired, which had allowed Russian gas to be transported to Europe through pipelines in Ukraine. Aurora modeled various scenarios of Russian gas transport, comparing the baseline case with scenarios where the flow either fully resumes or is completely halted.

If Russian gas flows were to resume at pre-war levels, the European benchmark (TTF) gas prices would decline by 7% in 2030-2060, alleviating market pressures across the region. A potential return of Russian pipeline supply would reduce the need for LNG imports, which have played a vital role in compensating for lost transit volumes through Ukraine. If access to more affordable Russian gas is restored, the importance of LNG will diminish significantly, particularly in Germany where demand could drop by 5-12bcm/y, according to Aurora's assessment.

The disruption of gas transit through Ukraine has had primarily regional effects, according to Aurora, with the steepest price increases concentrated in Central and Eastern Europe. In the period 2030-2060, the resumption of flows would have the greatest price impact in Slovakia (-10%), Austria (-9%) and the Czech Republic (-9%), where reliance on Russian pipeline gas was highest.

In the US, energy dynamics take a different shape. President Trump implemented sweeping tariffs as part of his "America-first" economic policy. Aurora modeled three scenarios to analyze the effects of these tariffs: a complete breakdown of negotiations, selective application of tariffs, and gradual de-escalation. Each scenario examines how trade flows shift and the broader economic consequences that follow.

For the US, tariffs have offsetting effects. Tariffs increase gas demand by 2% due to higher manufacturing activity for local goods but do not significantly affect Henry Hub gas prices. This is because the economic slowdown resulting from tariffs lowers gas demand by 2% in the energy production, services, and residential sectors, balancing out the increased demand from manufacturing.

The report found that if the tariffs were to be implemented fully after the current 90-day reprieve, it would weaken not just the US economy, but that of its neighbors as well. Full-blown tariffs result in an American economy that is \$500 billion smaller in 2040 than it would be otherwise, with growth cut by approximately 1.7% during 2030-2040 timeframe. Mexico's and Canada's economies would grow 4% and 2% slower over the same period, respectively. In contrast, some regions that manage to avoid the most stringent of the administration's tariffs, including the EU, could benefit by replacing goods the US no longer sources from China.

Oliver Kerr, Managing Director in North America at Aurora Energy Research, commented:

"This study aims to address some of the uncertainty in global markets by quantifying the impact of several scenarios for the ongoing trade war between the United States and the rest of the world. The range of potential outcomes is broad. However, our analysis shows that current tariff policy threatens to materially undermine global trade flows and slow GDP in the United States by 1.7%, more than offsetting the economic benefits from increased domestic manufacturing."

Jacob Mandel, Research Lead at Aurora Energy Research, said:

"In addition to the uncertainties posed by these new trade barriers, our work suggests that even small changes to Europe's Russian pipeline gas supply could have a significant effect on long-term energy costs across Europe. The

global nature of natural gas markets ensures that European and global energy firms will have to pay close attention to how the war in Ukraine plays out."

ABOUT AURORA ENERGY RESEARCH

Established in 2013, Aurora Energy Research is a leading global provider of power market forecasting and analytics for critical investment and financing decisions. Headquartered in Oxford, we operate out of 16 offices worldwide covering Europe, North & South America, Asia, and Australia.

Our comprehensive services include market outlook packages for energy industry participants, advisory support, and innovative software solutions. We foster diversity with a team of over 900 experts with backgrounds in energy, finance, and consulting, offering unparalleled expertise across power, renewables, storage, hydrogen, carbon, and fossil commodities. Our mission is to facilitate the global energy transition through widely trusted quantitative analysis and high-quality decision support.

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