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10

Gas Market Outlook: Russia & Central Asia

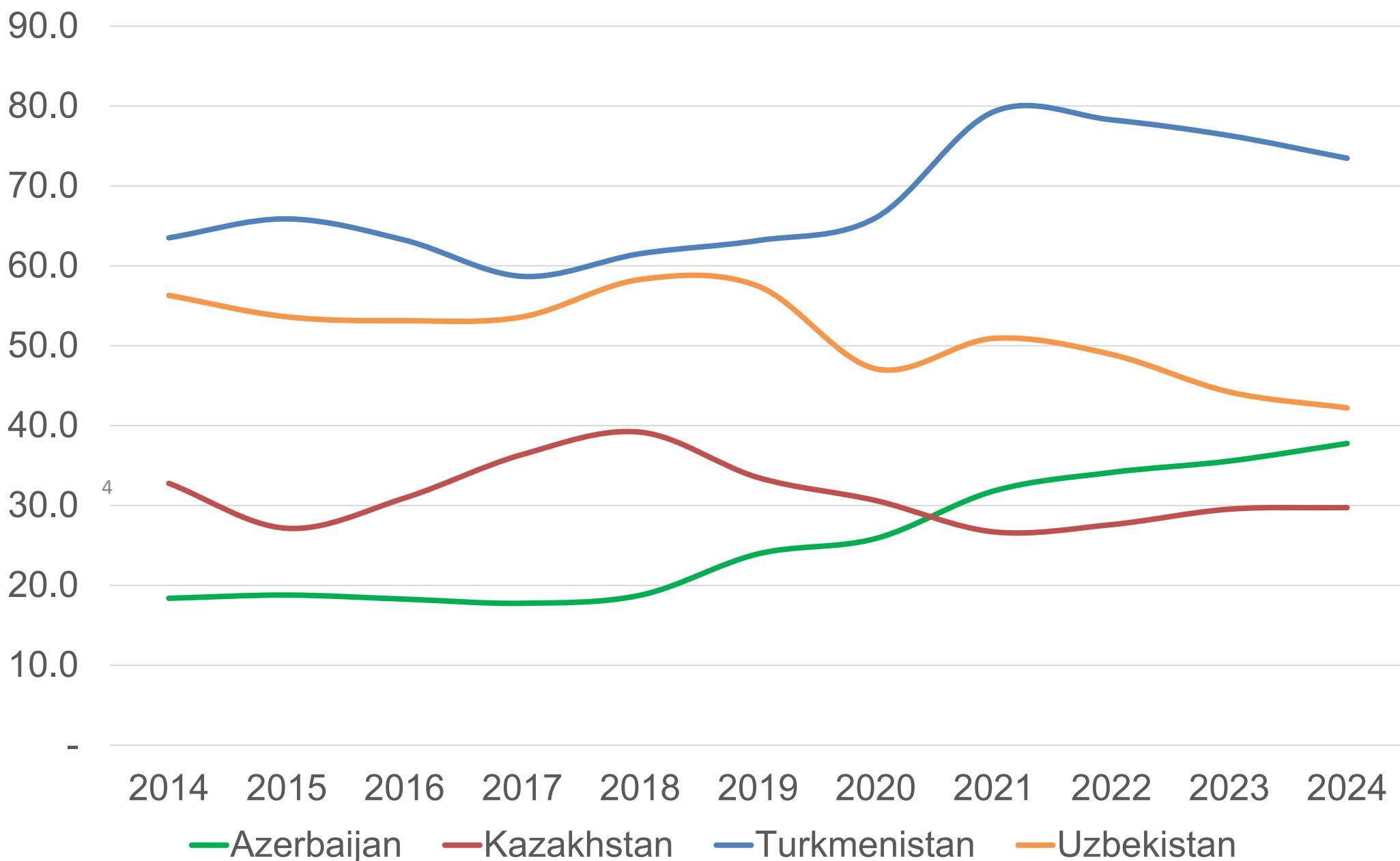
By Dr. Tatiana Mitrova

8 October 2025

Eurasian gas production trends: still in decline

- Eurasia is **#2 gas producing region** in the world (after North America) with **813 bcm in 2024**.
 - **~80 bcm below 2021**; Russia accounts for **-72 bcm** (loss of EU market).
 - **Azerbaijan up; Central Asia down** (stagnation, deficits).

Gas production dynamics in Central Asia and Caspian

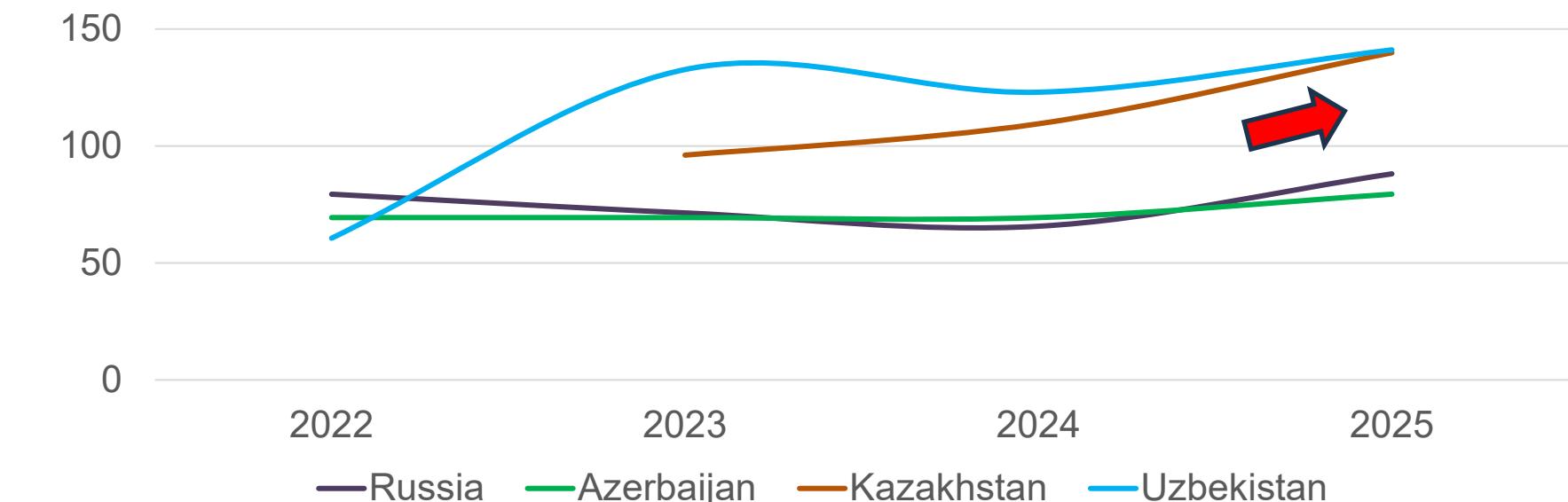


Source: Energy Institute

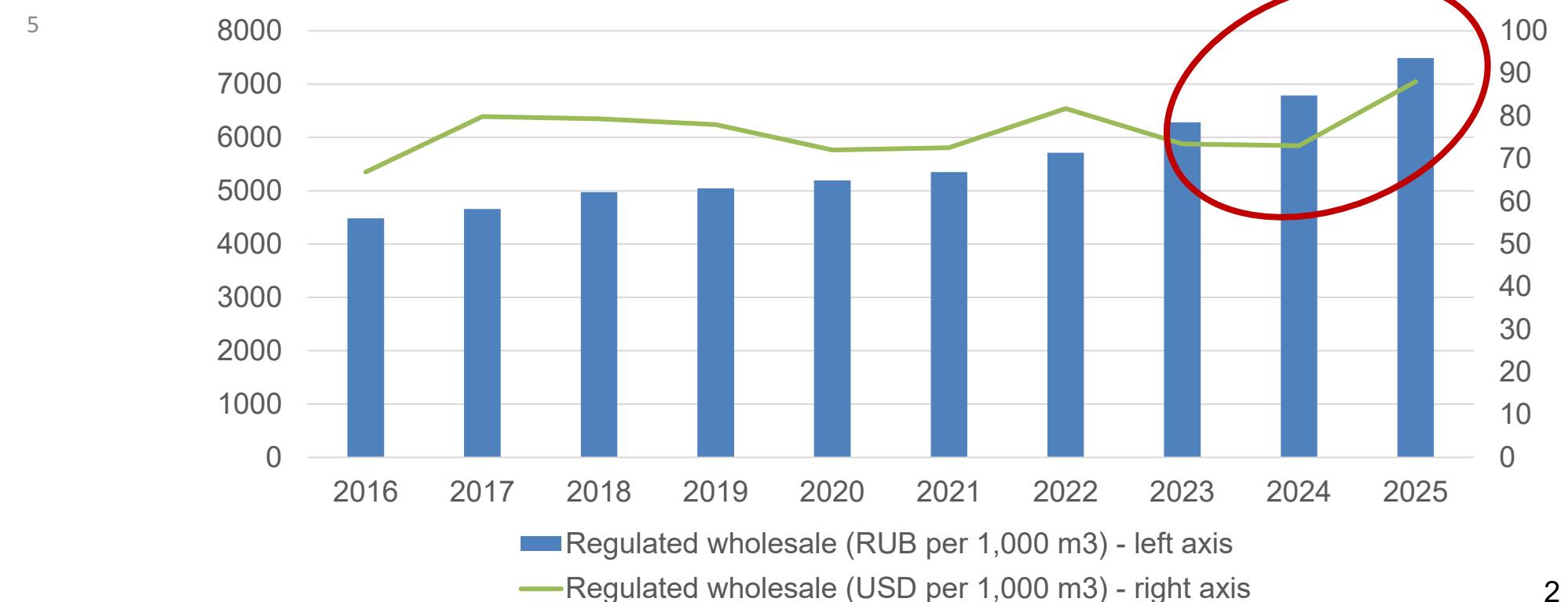
Gas consumption in Eurasia: slower growth, price reforms

- Eurasia #3 gas consuming region in the world (after North America and Asia Pacific): **616 bcm** in 2024.
- Demand growth **slowing** (10-yr **CAGR ~1.3%**).
- **Convergence to cost-reflective tariffs** after years of cross-subsidy.
 - **Russia:** regulated RUB prices up **30%+** **since 2022**; further hikes likely.
 - **Uzbekistan:** block tariffs (social norm \uparrow in 2025), annual indexation from 2026.
 - **Kazakhstan:** retail/wholesale caps rising toward cost recovery.

Wholesale gas prices in Russia and Caspian, \$/1000 m3

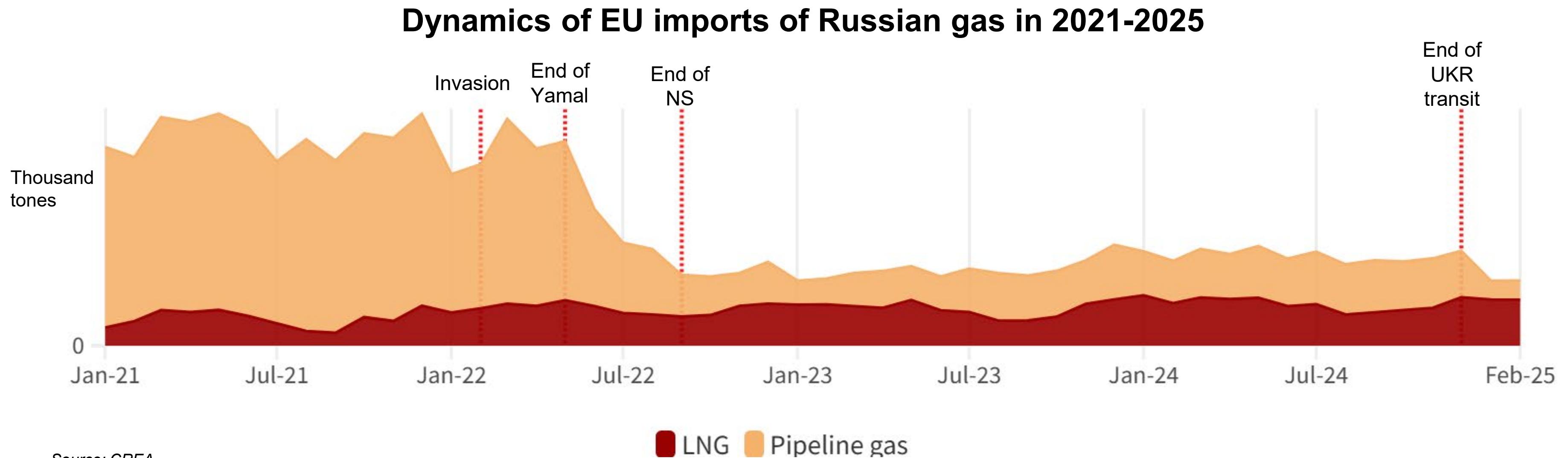


Wholesale gas prices in Russia, RUB/1000 m3 and \$/1000 m3



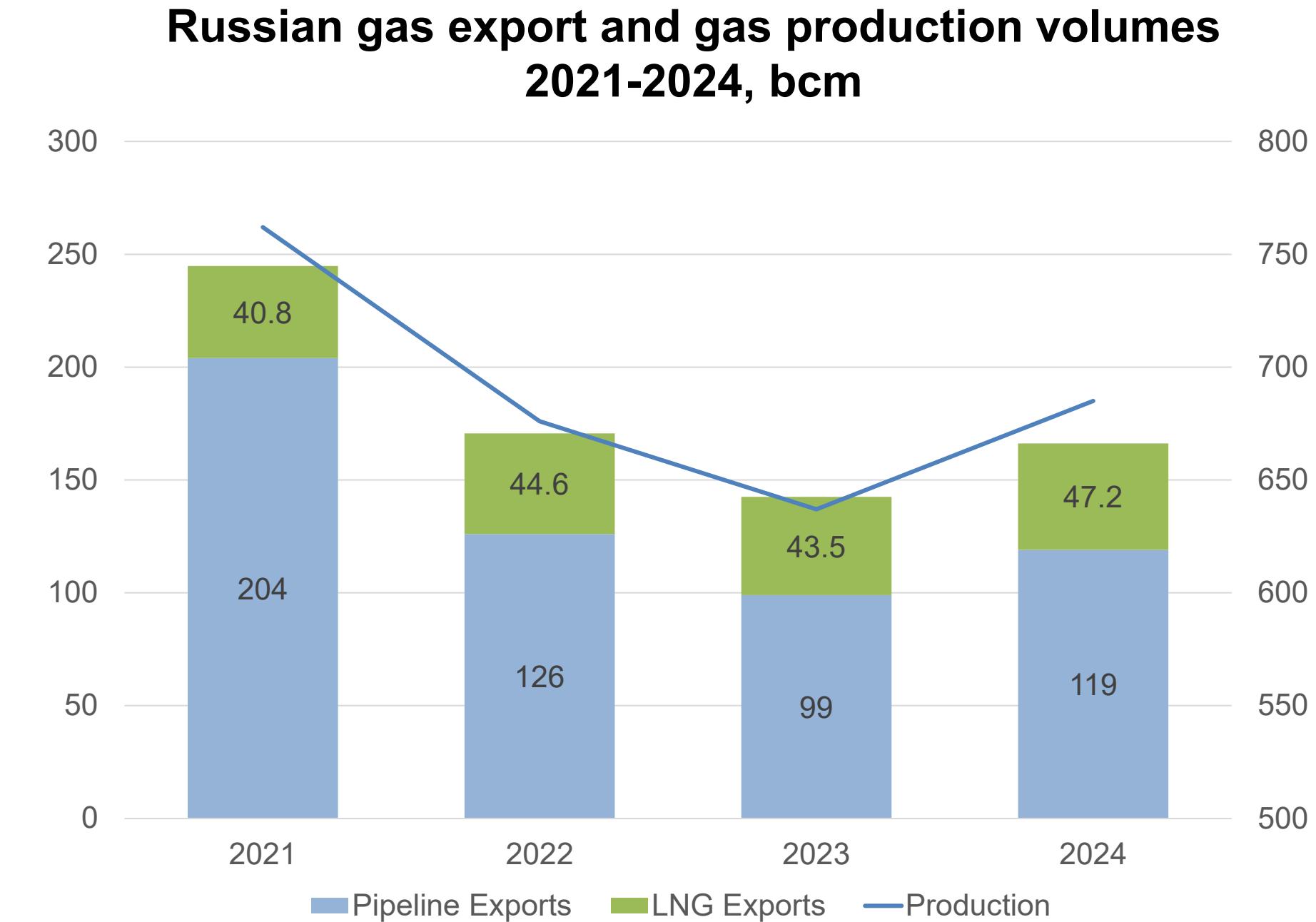
European market: 70% loss, ban under discussion

- EU pipeline gas down ~90% from peak; **LNG imports +67% vs early-2021.**
- Collapse driven by **payment regime disputes, infrastructure sabotage, and end of Ukraine transit** (not EU gas sanctions).
- **EU debating full phase-out; 2026 vs 2027 timing matters for LNG balances.**



Russia's export portfolio shift: from pipeline gas to LNG

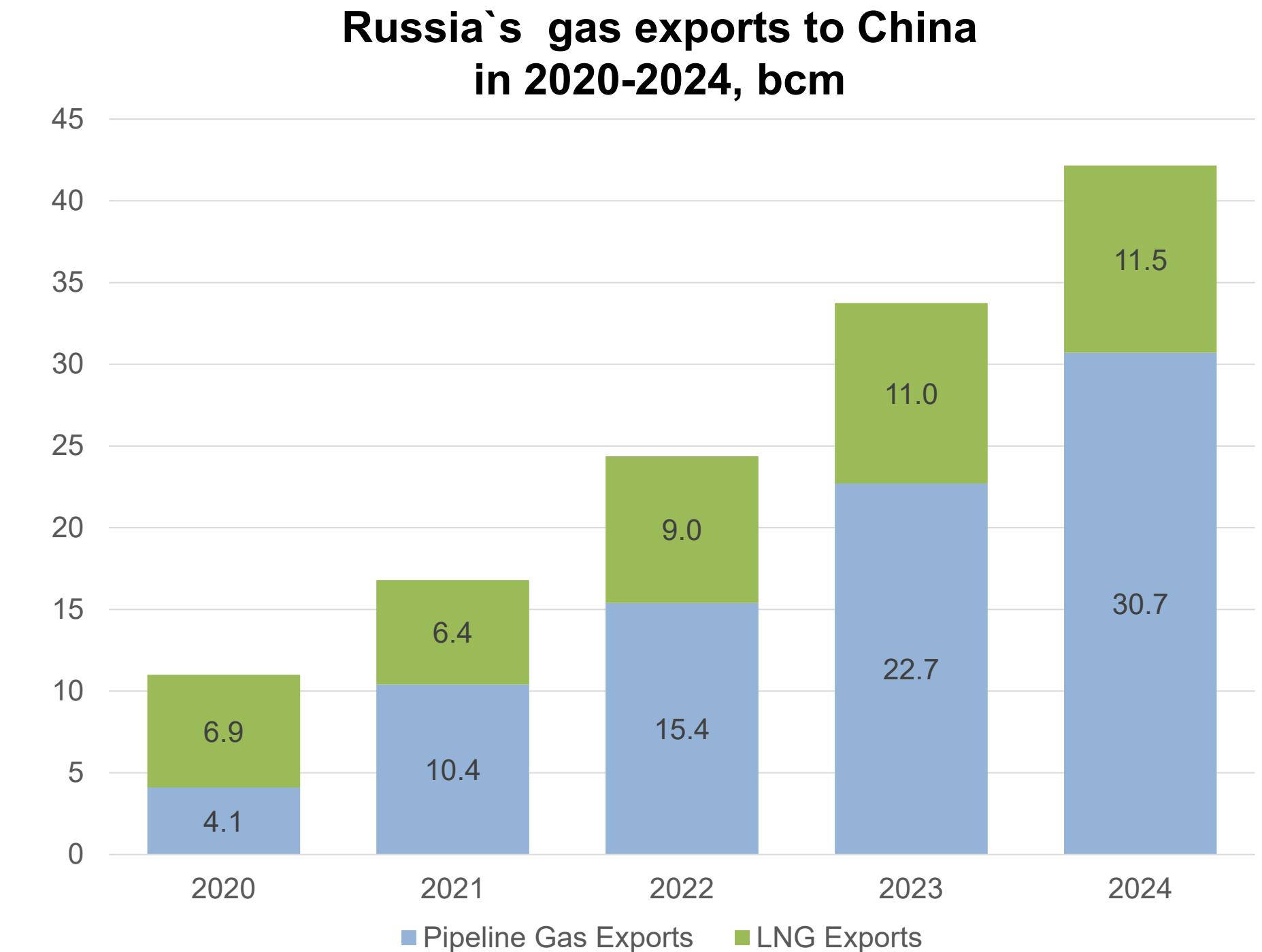
- **LNG share ~28% (2024)**; pipelines to EU collapsed.
- **China pipes rising**, but **PoS-2** still lacks price/offtake/timeline.
- **LNG expansion slowed by US sanctions 2023-24.**
- **Turkey emerging as hub/arbitrageur** for SE Europe.
 - 2025–26 renegotiations of legacy **Gazprom** contracts (Blue Stream **16 bcm/yr** + **5.75 bcm/yr** via TurkStream) will be important. That combo lets Turkey arbitrage Russian, Azeri and LNG flows across SE Europe and the Med - via TurkStream, TAP/TANAP interfaces and its growing regas capacity → Ankara sets marginal prices for SE Europe.



Sources: Cedigaz, IEA, Rosstat, EI, ENTSOG, CGEP.

Russia pivoting East (China)

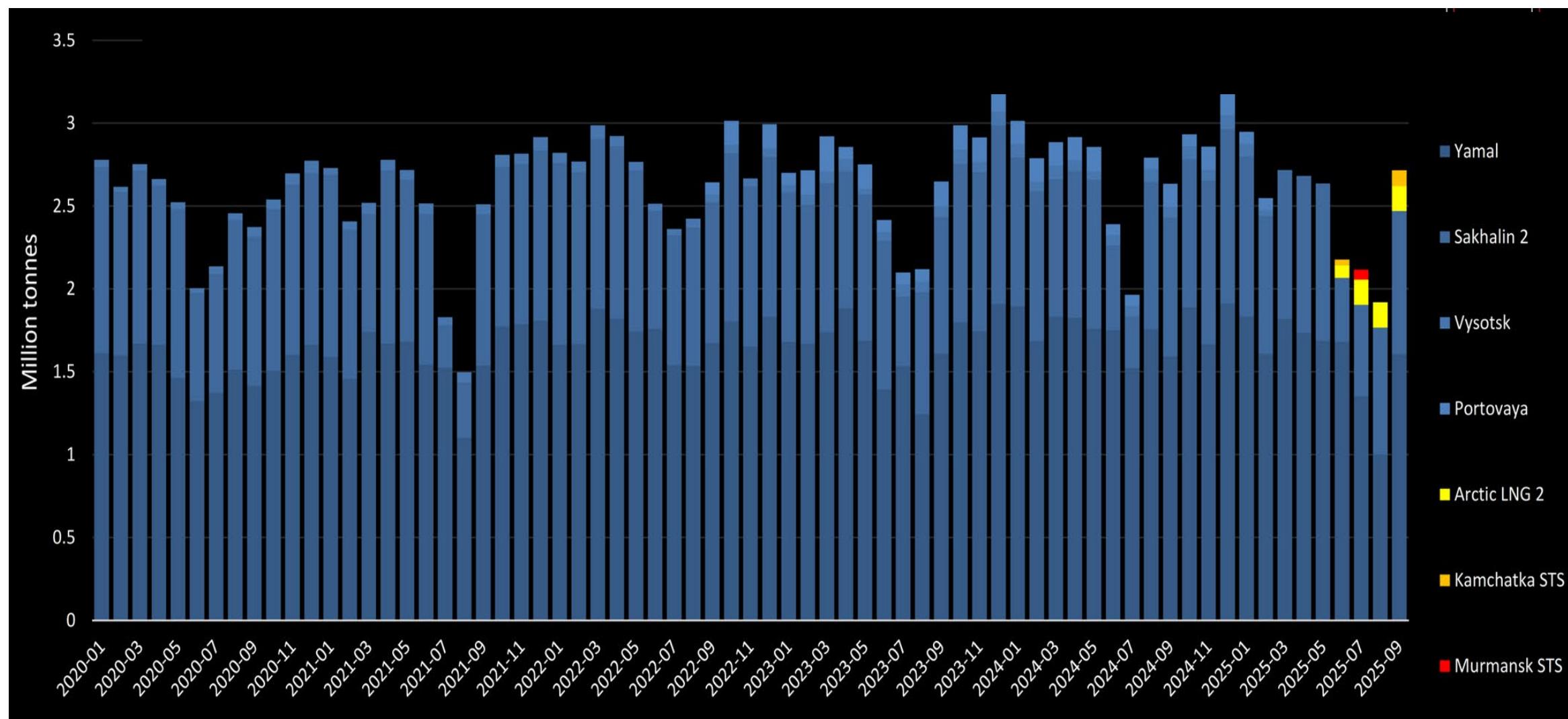
- Record Russia → China volumes in 2024; PoS-1 near plateau.
- PoS-2: “legally binding” MoU, but **commercials unresolved; early next decade earliest.**
- Only **PoS-1** and **Far Eastern** routes expansions (6 and 2 bcm/yr respectively) are realistic.
- **Arctic LNG-2** cargoes to specially designated port **Beihai**; scaling constrained by winter/logistics/sanctions.
- **If all plans materialize, up to ~150 bcm to China** (scenario, not base case).



Sources: PRC Ministry of Finance, ICIS, Reuters.

Russian LNG exports

Russian LNG exports by project, 2020-2025



- EU 2024 imports +9% y/y; Q2-2025 EU share ~14% (vs ~22% in 2021).
- Jan–Aug 2025: 18.8 Mt Russian LNG (~half EU / half Asia).
- **Yamal** ~63% of total (Kildin TS; NSR helps in summer).
- **Arctic-2**: multiple China cargoes since Aug-2025; scale capped.
- **Sakhalin-2** -3.1% in 2024 (lower Japan intake).
- **Vysotsk & Portovaya** idle since Jan-2025 (US sanctions).

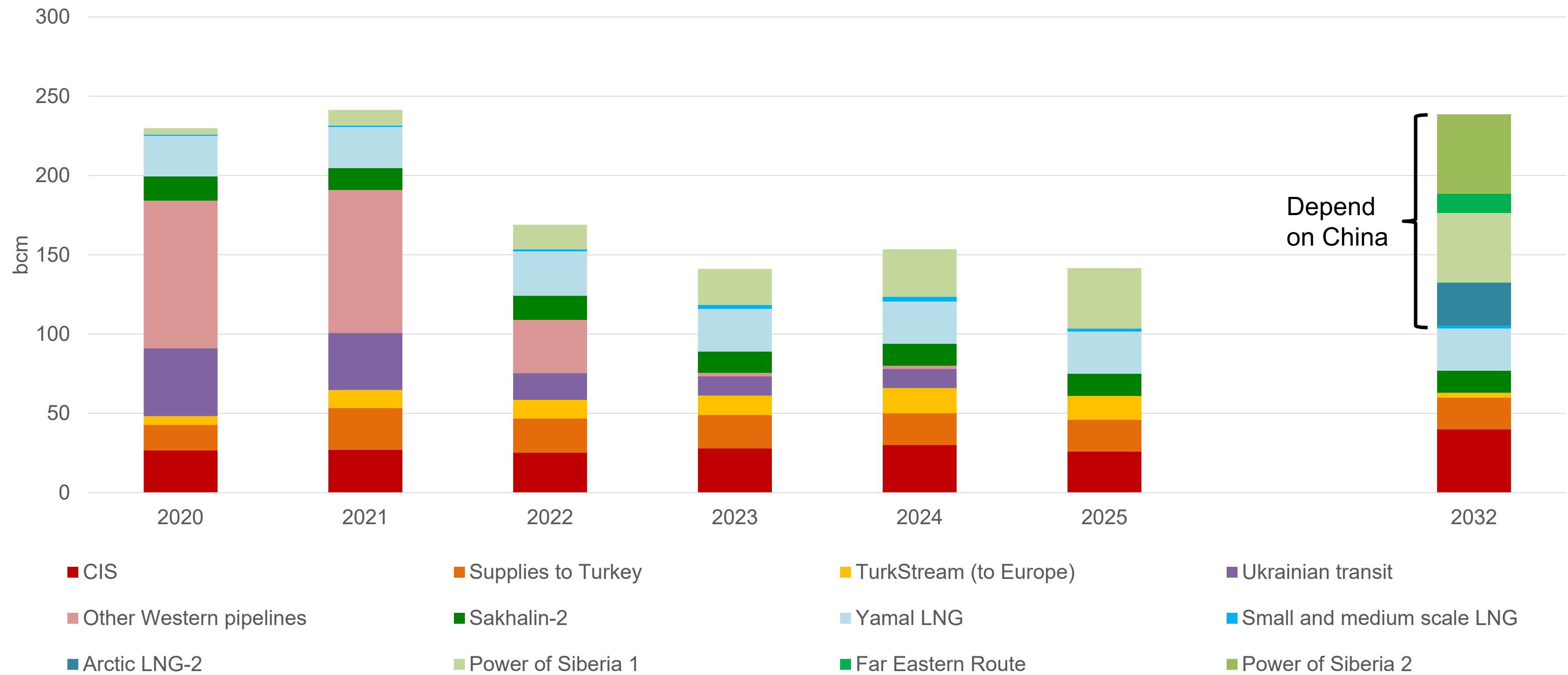
Sources: Kpler, Energy Flux

Outlook for Russian gas exports: pipeline exports to non-EU markets (Turkey, China, FSU) and LNG



Russian gas sector mid-term export potential

Russian gas export volumes 2020-2030, bcm



Central Asian & Caspian gas flows

- **Seasonal deficits** amid stagnant/declining output.
- Central Asia is falling stronger under Russian influence and **Russia is quietly turning it into a captive market** (filling winter deficits, ensuring political leverage):
 - **Uzbekistan:** Russian imports surged to ~5.6 bcm in 2024 (from 1.3 bcm in 2023) to cover deficits.
 - **Kazakhstan:** More Russian gas to northern regions; transit framework 2025–2040 with QazaqGaz; further 2025–26 increases flagged.
- **Turkmenistan → China** via **CAGP A–C** remains cornerstone; **Line D** still idle.
- **Swaps via Iran/Azerbaijan:** small, seasonal; flexibility, not scale.
- **Azerbaijan “doubling” to EU = partial** without firm LT offtake and with limited spare gas; volumes may divert regionally.
12
- **Central Asia becoming the *silent shock absorber* of Eurasian gas.** These flows keep local economies stable and prevent sudden Chinese pull on spot LNG. If Central Asia falters (e.g. delays on Line D, upstream stagnation in Turkmenistan), LNG markets would feel it.
- **Less and less chances for new big pipeline projects amidst LNG glut => most likely gas will remain landlocked/ stranded.**

Conclusions / 2025–27 watchlist

- **EU phase-out of Russian gas debate is now about LNG, not pipes** (timing defines price risk). If “existing” contracts are cancelled earlier than 2028, this will be the most immediate swing factor for LNG trade flows and prices in 2026-2027.
- **Pivot East** continues, but Russia cannot simply replace Europe with China”. PoS-2 still in limbo. Russia will have to redirect LNG east, but the shortage of Arc-7 ice-class carriers, sanctions on shipping/insurance, and winter navigability are the chokepoints.
- **Turkey** gains pricing power.
- **Central Asia** stabilizes China’s pipeline intake; limits LNG volatility.
- “**Doubling**” Azeri gas to Europe is a headline, not a base case.
- **The new LNG wave flips bargaining power against West-oriented pipelines from Eurasia.**

What to watch (2025–27)

- **EU decision path on Russian LNG** (1 Jan 2026 / 1 Jan 2028).
- **Gazprom-BOTAS renewals**
- **PoS-2** price formula & schedule.
- **Arctic LNG-2** winter logistics, Arc-7 fleet/icebreakers, possible sanctions tightening.
- **Line D** - any credible restart and Turkmen upstream readiness.



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10

Contact: mitrovat@me.com