

MNI POLITICAL RISK-EU O&G Cap Feuds Exposing Notable Divisions Between Member States

By Tom Lake

The ongoing row regarding a proposed cap on gas and Russian oil prices within the EU is exposing major divisions between member states, and risks damaging inter-EU relations at a time when a united European front in support of Ukraine is coming under some strain.

- The range of proposed gas price caps within the EU remains vast, with Greece backing something around EUR150/MWH, while Germany has said it would not be averse to the Commission-proposed EUR275/MWH cap (this cap being so high that it would not have come into force during the August price spikes).
- MNI's Policy team published an exclusive on the evening of 23 November quoting EU sources on the German shift towards accepting a gas price cap. [Click here for story.](#)
- On the proposed cap on Russian oil prices, Poland and the Baltic states are calling for a cap in the region of USD65-70/bbl, arguing that anything more would be too generous for Moscow. Others have called for a higher cap. Greece has said the cap should be no lower than USD70/bbl, with the country's sizeable shipping industry having a major impact on Athens' decision making. The G7 remains in limbo on the implementation of a cap until the EU reaches a decision.
- The requirement for unanimity at the EU level on these issues raises potential obstacles. Hungary has for some time been a thorn in the side of Brussels on reaching unanimous agreements on issues relating to sanctions on Russia and efforts to present a united front against Moscow. In a previous round of sanctions against Russia, Hungary obtained an exemption for Russian oil delivered via pipelines (its main source of oil for its refineries).
- The European Commission decided yesterday to withhold up to EUR13.3bn in COVID-19 Recovery and Resilience Funding from Hungary due to its failure to enact reforms to come into line with EU rule of law standards. Budapest is also engaged in a diplomatic row with Ukraine as well as EU partners such as Romania after Prime Minister Viktor Orban wore a football scarf displaying a map of the pre-Treaty of Trianon borders of Hungary, containing now Ukrainian, Romanian, Slovakian, and Croatian territory.
- The meeting of EU energy ministers taking place in Brussels today is not expected to reach an agreement on the gas cap, but there has been talk that it could at least set the likely parameters to be accepted by heads of government. A press conference is expected around 1515CET (0915ET, 1415GMT).
- Given the disagreement between member states on the potential cap levels, and the wildcard of Hungary's stance, there remains the notable prospect that the EU fails to come to a unanimous agreement at the next European Council summit on 15-16 December.

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