

The Role of LNG Terminals in the Development of Economic Security - Examples of Some European Countries

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DOI: [10.36348/sjef.2022.v06i12.002](https://doi.org/10.36348/sjef.2022.v06i12.002)

| Received: 25.10.2022 | Accepted: 01.12.2022 | Published: 08.12.2022

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Abstract

The article reviews economic security as an important aspect of the country's economic development. The article analyzes one direction of economic security - energy security. Within the framework of energy security, the importance of setting up LNG terminals is discussed. The article explores the challenges facing European countries in the supply of energy resources and the opportunities for diversifying energy markets. In the above context, the possibilities and perspectives of arranging LNG terminals are discussed, which will help Europe to improve its energy independence and economic security.

Keywords: Economic security, Energy Security, LNG terminals, Market Diversification, Europe.

JEL Classification: A12, B27, F02, F15, F51, F53, Q43, Q48.

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1. INTRODUCTION

In the process of economic policy planning, decision-making and implementation, the economic policy maker is obliged to evaluate the economic processes from a multi-faceted perspective. For economic growth and subsequent reflection of the obtained growth in economic well-being, the state needs a complex analysis of the situation and the use of various economic and social tools for development.

For the healthy functioning of the economy, it is necessary for the country to be resistant to the current processes, and this opportunity is provided by the strategic planning of economic security. Economic security, as a component of state security, is related to the country's economic growth, business freedom and successful functioning of it, and most importantly, the improvement of the economic well-being of the residents.

Economic security is a system of predetermined political, economic, legal and other related measures, which ensures the protection of the

necessary economic interests of people, society and the state and the logical development of the economy, both in peaceful and force majeure situations (Aladashvili B. 2011, p. 10).

Modern scientists around the world explain economic security in different ways (Ianioglo A., Polajeva T, 2017) For example, David A. Baldwin defines that economic security is considered as a different form of security, which aims to cause minimal damage to a set of economic values (Baldwin D. A. 1997). According to Nick J. Freeman and F. L. Bartels, economic security is the protection of the structural integrity and well-being of a political-economic entity and its opportunities and interests in the context of various externalized risks and threats that it faces (Freeman, N. J., Bartels, F. L. 2004).

2. Current Trends in Energy Security

One of the most important issues of economic security is energy security. Energy security is related to the extraction, distribution and access to energy resources.

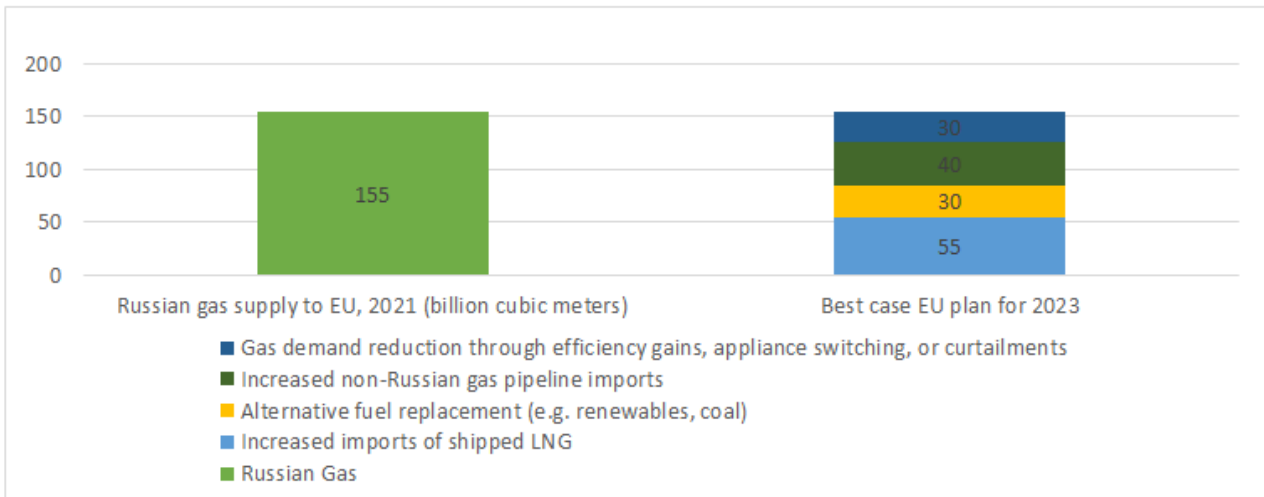


Figure 1: A prospective EU plan to replace Russian gas

Source: Umbakh F. 2022

As we can see, one third of Russian natural gas replacement comes from natural gas imports through LNG terminals. Therefore, we must consider what LNG is and how it differs from natural gas.

Liquefied natural gas (LNG) is natural gas, predominantly methane, that has been converted into liquid form for ease of storage or transportation. The liquefaction process involves cooling the gas to about -162 °C and removing certain impurities such as dust and carbon dioxide. As a liquid, LNG takes up about 600 times less volume than gas at standard atmospheric pressure, which allows it to be transported over long distances without the need for pipelines. When it reaches its final destination, LNG is usually re-gasified and distributed through gas networks, just like gas from pipelines (www.energy.ec.europa.eu).

Based on the above, it becomes clear that liquefied gas provides great opportunities for market diversification and development of energy security. But, some of the states do not have the liquefied natural gas terminals in the country, which are necessary for gasification.

We can analyze examples of some European countries: the neighbours of the Russian Federation - the Baltic Sea countries, the strongest economy in Europe - the Federal Republic of Germany and Russia's southern neighbour - Georgia.

The ongoing processes and the Russian invasion of Ukraine have completely changed the situation on the energy markets. European countries were forced to look for alternative sources of natural gas and immediately started setting up LNG terminals.

Among the Baltic Sea trio, only Lithuania, which is the least economically powerful, has got an LNG terminal and was able to immediately remove its

dependence on Russian natural gas, while Lithuania was one of the most dependent countries on Russia before. The liquefied natural gas terminal in Klaipėda received cargoes from the United States of America (Peseckyte G. 2022). Estonia, the most economically powerful of the trio, does not have an LNG terminal, but this year, together with Finland, it started to build a floating liquefied gas storage and terminal in the Gulf of Finland, which allows it to stop importing natural gas from Russia from the end of 2022 (News.err.ee). Latvia also has the problem of not having an LNG terminal, although close cooperation with Lithuania and Estonia will avoid the problems of natural gas supply.

There are currently no LNG import terminals in Germany either, making Germany more vulnerable and more dependent on Russian gas. Accordingly, shortly after Russia's invasion of Ukraine, Germany decided to immediately start taking steps to build liquefied gas terminals. The state said that in addition to the main terminals (the construction of which takes more time), Germany will arrange floating terminals (Floating Storage and Regasification Units - FSRU) so that the country has the ability to receive liquefied gas as quickly as possible (Waldholz R., Wehrmann B., Wettengel J. 2022).

It is clear that European countries immediately started diversifying their natural gas supply routes. In this process, the situation of Russia's southern neighbor Georgia is very interesting. Despite Georgia's small open economy, it does not depend on Russian natural gas. The reason for this is Georgia's access to the resources of the Caspian Sea. Azerbaijan is the main supplier of natural gas to Georgia.

Access to the resources of the Caspian Sea is crucial for Georgia's energy security. In addition, Georgia has the ability to activate the function of a

transit corridor and supply natural gas to other European states through Georgia.

The infrastructure of pipelines is arranged in Georgia, however, the main problem is the absence of an LNG terminal and the lack of regasification possibilities. In this regard, there are prospects. An important project related to the use of the Georgian corridor is gas supply from Azerbaijan to Europe, the foundation of which was laid in the last decade. On September 14, 2011, St. In Baku, the presidents of Georgia, Azerbaijan and Romania and the prime minister of Hungary signed a declaration supporting the project. Within the framework of the same event, the respective companies of the three countries - SOCAR (Azerbaijan), GOGC (Georgia) and Romgaz (Romania) signed the contract of the joint company implementing the Azerbaijan-Georgia-Romania interconnector project - SC AGRI LNG Project Company S.R.L. The AGRI LNG project is focused on the fact that it is possible to supply natural gas from Azerbaijan to the Black Sea through existing pipelines, and then liquefy the natural gas and transport it to the Black Sea by tankers.

Implementation of this project is significant for the improvement of energy and economic security of Georgia and other European countries. (Georgian Oil and Gas Corporation).

3. CONCLUSION

As the research shows, modern Europe faces a serious threat of access to energy resources. Based on this, European countries began to take significant steps to diversify their markets. LNG terminals play the most important role in the direction of natural gas distribution. The development of LNG terminals helps to improve energy security and create a safe environment for the country's economy. As a result of

the research, it was revealed that Georgia, as a small country in Eastern Europe, can play a major role in improving Europe's energy security. For this, important steps should be taken from the West and the East-West Energy Corridor should be developed through coordinated work.

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