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Topic: “The EU Strategy for the Gradual Phase-Out of Russian Natural Gas and the Strategic Role of LNG Infrastructure”

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Legal Framework and Strategic Mandate

In a decisive move from political declaration to enforceable legal action, the European Union has adopted Regulation (EU) 2026/261, setting out a structured framework for the gradual phase-out of natural gas imports from the Russian Federation. The Regulation

operationalizes the strategic goals first outlined in the Versailles Declaration and the REPowerEU Plan, transforming the EU's long-standing ambition to reduce energy dependence into legally binding obligations. This approach ensures that the Union's energy policy is no longer a matter of voluntary political alignment but a coordinated, enforceable strategy that integrates energy security, market stability, and climate objectives.

Historical Dependencies and Geopolitical Imperatives

The 2022 Russian invasion of Ukraine starkly exposed Europe's structural energy vulnerabilities. For decades, the EU relied heavily on Russian pipeline gas under long-term contracts, a dependence that proved economically destabilizing and politically risky once gas supply became a tool of coercion. Previous disruptions, notably in 2006 and 2009, along with supply constraints following Russia's annexation of Crimea in 2014, highlight a recurring pattern of market manipulation. The undercapacity of storage facilities and extreme price volatility in 2022 further confirmed that even residual Russian volumes pose systemic risks to inflation control, market stability, and social cohesion. Regulation 2026/261 addresses these vulnerabilities by codifying a phased elimination of Russian gas, signaling a structural shift in European energy governance.

Phased Elimination and Contractual Safeguards

The Regulation establishes a staggered phase-out schedule, carefully tailored according to delivery method and contract duration. Imports of Russian LNG under short-term contracts concluded before 17 June 2025 are prohibited from 25 April 2026, while short-term pipeline gas contracts signed before the same date face a ban starting 17 June 2026. Long-term contracts exceeding one year, concluded before 17 June 2025, are phased out more gradually: LNG imports cease from 1 January 2027, and pipeline gas imports from 30 September 2027. A narrowly defined safeguard allows the Commission to extend the final pipeline deadline until 1 November 2027 for a Member State demonstrating objective supply risks, ensuring continuity without compromising market integrity.

The transitional regime is deliberately restrictive. Only contracts concluded before 17 June 2025 benefit from the phased timetable, and amendments are permitted solely for operational, administrative, corporate, or quantity-reducing purposes. Any modification that increases volumes, extends delivery periods, or expands the economic scope of a contract is treated as a new agreement and falls immediately under the prohibition. This carefully calibrated mechanism prevents artificial restructuring aimed at circumventing deadlines, while allowing necessary technical adjustments during the wind-down period.

Authorization, Monitoring, and National Diversification

Beyond prohibitions, the Regulation introduces a comprehensive prior authorization system. From February 2026 onward, importers must secure authorization from national authorities before releasing gas for free circulation. Detailed documentation regarding origin, production location, contractual terms, and infrastructure bookings must be submitted, enabling effective traceability and enforcement. Customs authorities are empowered to refuse release where sufficient evidence is lacking, complementing the

prohibition with a robust monitoring architecture designed to prevent re-routing, relabeling, or indirect participation through third countries.

Member States are also required to develop National Diversification Plans, detailing measures to ensure security of supply during and after the phase-out. These plans must address demand reduction strategies, integration of renewable gases such as biomethane and hydrogen, infrastructure adaptation, and alternative sourcing routes. The broader objective is not merely substitution but structural diversification, embedding the phase-out within a framework of energy solidarity and coordinated EU-wide action rather than fragmented national approaches.

Penalty regime for non-compliance and civil liability

To ensure the effectiveness of this framework, Article 8 establishes a stringent penalty regime for non-compliance with these provisions. Member States must provide for effective, proportionate, and dissuasive sanctions. For legal entities, the maximum fine must amount to at least 3,5 % of the undertaking's total worldwide annual turnover in the preceding financial year, EUR 40 million, or 300 % of the estimated revenues derived from the transaction concerned, calculated on the basis of the gas volumes involved and the applicable TTF day-ahead prices. For natural persons, the maximum penalty must reach at least EUR 2.5 million. Where administrative authorities lack competence to impose fines directly, Member States must ensure equivalent judicial mechanisms with comparable deterrent effect. By 4 February 2028, national implementing provisions must be notified to the Commission, thereby strengthening transparency and supervisory coordination at Union level.

While Article 8 provides for a robust public enforcement mechanism, the Regulation does not establish a self-standing regime of civil liability. The absence of specific Union rules on compensation means that private law consequences are governed by the applicable national legal systems, subject to the principles of equivalence and effectiveness of EU law.

In commercial practice, the primary avenue for civil redress will arise within contractual frameworks governing gas supply (e.g., GSA or LNG SPA agreements). The delivery of gas in breach of the Regulation is likely to constitute defective performance, triggering contractual remedies such as termination rights, indemnity clauses, representations and warranties relating to sanctions compliance, and claims for damages. In such cases, liability will be assessed under the relevant domestic contract law provisions concerning non-performance or improper performance.

Beyond contractual relationships, the unlawful importation or transport of prohibited gas may also give rise to tort liability where a third party suffers direct and foreseeable damage. The infringement of a binding Union regulation constitutes unlawful conduct; however, compensation will depend on the demonstration of fault, damage, and a causal link under national tort law. Particular relevance may be attached to whether the operator knew or ought to have known of the prohibited origin of the gas, especially in light of due diligence and compliance obligations incumbent upon market participants.

As a result, civil liability primarily rests with the economic operator engaging in the prohibited transaction, while potential contributory fault of the purchaser may arise where adequate verification and compliance mechanisms were not exercised. State liability would only emerge in exceptional circumstances involving a sufficiently serious breach of Union law in the implementation or enforcement of the Regulation.

Civil liability and the implications for insurance coverage

Beyond the stringent administrative enforcement regime established by the Regulation, breaches of the prohibitions on the importation and circulation of Russian natural gas are expected to entail significant consequences in the field of civil liability, as well as with regard to the broader implications for insurance coverage. In the absence of a self-standing Union compensation framework, the private-law effects of such infringements remain governed by the applicable national legal systems, subject to the principles of equivalence and effectiveness of EU law.

Within the context of contractual relationships for the supply of natural gas, the delivery of gas in violation of a binding Union regulation may be characterized as defective or unlawful performance, thereby triggering contractual remedies, including termination rights, indemnity clauses, representations and warranties relating to sanctions compliance, as well as claims for damages. At the same time, at the extra-contractual level, the unlawful importation or transport of prohibited gas may give rise to tort liability vis-à-vis third parties who suffer direct and foreseeable harm, provided that fault, damage, and a causal link are established in accordance with the relevant provisions of domestic tort law.

Particular importance attaches to whether the economic operator knew, or ought to have known, of the prohibited origin of the gas, especially in light of the heightened due diligence, traceability, and regulatory compliance obligations incumbent upon market participants.

The role of Critical Infrastructure Operators and the Security of Natural Gas Supply in Greece: The case of DESFA

The practical implications of the Regulation become particularly evident when examined through the lens of national implementation. In the Greek legal order, the competent transmission system operator, DESFA (Hellenic Gas Transmission System Operator), operates as the central infrastructural actor within the enforcement architecture of the prohibition and prior authorization regime. While Member States retain primary responsibility for strategic diversification planning, enforcement, and customs supervision, the effectiveness of the framework ultimately depends on the operational conduct of transmission system operators.

DESFA must apply capacity allocation procedures, access rules, and infrastructure management in a manner that ensures traceability, transparency, and monitoring of gas flows. At the same time, DESFA's civil liability is limited to direct pecuniary losses arising

from culpable breaches of contractual obligations, subject to the annual liability cap of EUR 1,000,000, except in cases of willful misconduct or gross negligence.

Pursuant to the Greek Gas Network Code and the EU security-of-supply framework, as established by Regulation (EU) 2017/1938 and amended by Regulation (EU) 2025/1733, DESFA is entrusted with specific crisis-management responsibilities, including monitoring supply–demand balances and operational management of emergency levels. Regulatory prohibitions or EU-imposed restrictions affecting gas flows do not in themselves constitute operator's fault.

According to Article 3(1) of the EU Regulation, the security of natural gas supply is a shared responsibility of gas companies, Member States—particularly through their competent authorities—and the European Commission, based on their respective fields of activity and competences. Accordingly, any potential civil liability must be assessed using strict criteria, since the obligations of critical infrastructure operators in emergency or risk situations are detailed at both the national and European level.

Finally, in any potential tort liability of DESFA, the assessment of its conduct must take into account the heightened standard of care. Given that it operates critical infrastructure and protects the distinct legal interest of gas supply security, the degree of care required of DESFA is not that of the average prudent person, but that required of a critical infrastructure operator, reflecting the increased level of diligence demanded by the seriousness of the infrastructure involved.

LNG and FSRUs: Flexibility and Strategic Infrastructure

Within this evolving legal landscape, liquefied natural gas (LNG) has emerged as a strategic asset. Imports from alternative suppliers—particularly the United States, Qatar, and other global producers—stabilized European markets following the 2022 supply shock. Unlike pipeline gas, LNG offers routing flexibility, diversified sourcing, and rapid reallocation capacity. The deployment of Floating Storage and Regasification Units (FSRUs) across multiple Member States illustrates the EU's pragmatic approach to enhancing security of supply through modular, scalable, and rapidly deployable infrastructure.

FSRUs, in particular, provide short- to medium-term flexibility. Their rapid deployment timelines and lower capital intensity have enabled Member States to respond swiftly to supply disruptions. At the same time, permanent onshore LNG terminals and interconnection upgrades are expanding the internal market's capacity to absorb diversified imports. Projects such as the strengthening of the Vertical Gas Corridor - linking Central and Eastern European markets- highlight the EU's recognition that infrastructure resilience is a matter of common European interest, transcending purely national planning considerations.

Reconciling Security Needs with Decarbonization Goals

The expansion of LNG infrastructure, while strategically necessary, raises complex long-term considerations. Natural gas remains a transitional fuel in EU policy, supporting coal

phase-out and maintaining system stability amid increasing renewable integration. However, the durability of LNG investments must align with the Union's climate neutrality objective under the European Climate Law, creating inherent tension between short-term security imperatives and long-term decarbonization commitments.

One approach to reconciling these priorities is the integration of carbon capture and storage (CCS) technologies and the development of low-carbon hydrogen. LNG-derived gas may serve as feedstock for blue hydrogen production, provided emissions are effectively captured and stored permanently. Moreover, existing gas transmission networks can, with appropriate adaptation, accommodate hydrogen blends or renewable gases, enhancing long-term asset flexibility. Infrastructure planning increasingly reflects this dual-use approach, aiming to avoid stranded assets while preserving future optionality for clean fuel integration.

Risks and Strategic Governance, and Emerging "Loopholes"

Despite these measures, critical challenges persist. Analysts have highlighted potential "loopholes" in the Regulation that may complicate full enforcement. Key vulnerabilities include the continued flow of Russian gas via TurkStream into Southeastern Europe, temporary exemptions under the supply security clause, delays in national diversification plans, and difficulties in verifying gas origin where Russian gas is rebranded as Azerbaijani or Turkish. Additionally, imports to non-EU countries in the Western Balkans could be indirectly resold into the EU market, bypassing formal restrictions. These structural gaps underscore that the Regulation's effectiveness depends not only on its legal text but on rigorous enforcement, enhanced oversight, and timely infrastructure development.

High global LNG demand, coupled with these potential gaps, may exert upward pressure on prices and complicate the broader transition to alternative supply sources. While the Regulation embeds mechanisms to mitigate such risks, successful implementation will require continuous monitoring, coordination among Member States, and clear enforcement of prior authorization procedures. In this context, the EU's energy security strategy remains ambitious but contingent on closing these operational and regulatory gaps to prevent residual Russian volumes from re-entering the market under alternative labels.

Toward a Resilient and Diversified Gas Market

Ultimately, Regulation 2026/261 represents a structural readjustment of EU energy governance. More than a trade restriction, it is a comprehensive legal framework designed to eliminate exposure to an unreliable supplier. The transition is sequenced to minimize market disruption, preserve storage adequacy, and maintain internal market stability. Its success depends on coordinated execution, sustained infrastructure investment, and rapid scaling of renewable energy sources. Energy security, strategic autonomy, and climate neutrality are no longer competing priorities but mutually reinforcing pillars of European energy and environmental policy.

By late 2027, the EU will have completed a historic reorientation of its gas supply architecture. Whether this transformation accelerates the clean energy transition or

consolidates a longer-term reliance on imported LNG will depend on regulatory consistency, disciplined investment, and the pace of renewable deployment. What is clear is that Regulation 2026/261 decisively anchors the Union's energy policy in law, marking a structural break with decades of vulnerability and establishing a foundation for a resilient, diversified, and sustainable European gas market.

By way of conclusion

The European Union's energy transition, as reflected in Regulation (EU) 2026/261, marks a new phase of institutional maturity and strategic recalibration. The gradual phase-out of Russian natural gas highlights the Union's intention to strengthen its resilience and autonomy through a coherent framework of rules and coordinated policy choices.

This undertaking concerns not only the reconfiguration of energy supply routes, but also the development of a more stable and sustainable model of governance, in which security of supply and climate objectives are expected to advance in parallel. Ultimately, its success will depend on consistent implementation and on the Union's ability to transform the current circumstances into a long-term opportunity.

Ultimately, one of the European Union's most fundamental priorities should be the continued promotion of RES and the gradual achievement of energy independence. This transition plays a crucial role in shielding the Union from external pressures and reducing its exposure to short-term political constraints that may be driven by energy suppliers. Strengthening domestic energy capacity and ensuring a sufficient and self-reliant energy base significantly enhances the Union's strategic autonomy, allowing it to pursue policy objectives with greater stability and independence at the European level.