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# Quitting Russian Gas Cold Turkey: Market Consequences, Contracting Risks and How Best to Anticipate and Manage Them

What are the ramifications of Europe ending its long-running dependency on Russian LNG?
Client Advisories

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**Highlights**

- Europe's mandated phaseout of Russian gas by 2027 constitutes a rapid, policy-driven structural break, forcing market participants to manage replacement procurement under compressed timelines, geopolitical pressure and constrained supply.
- These conditions are already reshaping gas and LNG contracting, accelerating negotiations, shifting leverage and increasing reliance on bundled solutions and precedent drafting amid infrastructure and deliverability constraints.
- In this environment, contractual risk increasingly arises from misalignment rather than overt drafting defects, making early, structured legal analysis essential to preserve intended risk allocation across interconnected supply chains.

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## A. Introduction

It's now official: Europe is quitting its long-running dependency on Russian gas cold turkey. Europe's decision to eliminate all Russian-sourced natural gas imports by the end of 2027 marks one of the most significant structural shifts in the continent's energy markets in decades. The practical question for market players is no longer whether Russian gas will exit the European system, but rather how to manage that exit on such a short time frame and, relatedly, how that quick exit might reshape contracting behavior, supply relationships and risk allocation across the market.

The transition is not only occurring on an accelerated timetable but also in an environment shaped as much by political considerations as by commercial fundamentals. As replacement volumes are secured and long-term arrangements renegotiated, procurement strategies are being compressed, leverage dynamics are shifting and infrastructure constraints are coming to the fore. In such conditions, the mechanics of contracting change. And when the mechanics change, risk migrates.

Our experience across both transactions and disputes in pipeline and liquefied natural gas (LNG) markets suggests that oftentimes, the greatest exposure doesn't necessarily arise from patently flawed documents, but instead from

incremental misalignments embedded in contracts negotiated in haste or under pressure. Provisions that function adequately in stable markets might prove fragile (or indeed, unworkable) when tested by volatility, regulatory intervention or operational disruption. Early, disciplined legal analysis and structuring therefore become critical.

It is through that lens that this note examines the market consequences and contractual risks flowing from Europe's accelerated replacement of Russian gas. It proceeds in four parts. First, it outlines the key features of the EU regulation mandating the phaseout of Russian gas and the compliance framework now in force. Second, it considers how that policy shift is already reshaping European gas markets, altering negotiation dynamics and affecting leverage. Third, it analyzes the structural changes now occurring in gas contracting, including compressed procurement cycles, infrastructure bottlenecks and increased competition for limited replacement supplies. Fourth, it identifies the principal contractual risk areas that tend to emerge in this environment and outlines practical steps that can be taken to anticipate and manage those risks.

**B. Overview of Recent Policy Measures in the EU Accelerating the Shift Away From Russian Gas**

On 26 Jan. 26, the European Parliament and the EU Council adopted a Regulation, which, among other things, will phase out imports of Russian-sourced pipeline natural gas and LNG into the EU.[1]

The Regulation contemplates the phaseout of Russian-sourced natural gas in a stepwise manner. A blanket ban on new contracts for the importation of Russian pipeline gas and LNG into the EU will take effect in a relatively short time, starting from 18 March. Certain existing gas contracts can, subject to prior authorization, remain in force over an extended period through at least the end of 2026.[2] However, a complete ban on all Russian-sourced gas will take effect in 2027: first, for LNG imports from 1 Jan. 2027, and then for pipeline gas imports from 30 Sept. 2027. The Regulation contemplates limited extensions of time to 1 Nov 2027, for both LNG and pipeline gas imports from Russia where the importer can prove that the relevant volumes cannot feasibly be replaced and that this poses a serious threat to security of supply.[3]

The Regulation also contains provisions addressing its enforcement. In this regard, the Regulation requires Member States to verify the country of origin of gas sourced from outside the EU before authorizing the importation of such gas into the EU.[4]

The Regulation further requires Member States to establish financial penalties for noncompliance and specifies the floors or minimum levels that these maximum penalties must reach:

- For individuals, the Regulation contemplates a maximum penalty of at least €2.5 million, with Member States able to set an even higher maximum.[5]
- For companies, the maximum penalty must be no lower than the greatest of the following three amounts:
  - 3.5% of the company's total worldwide annual turnover for the preceding financial year
  - €40 million
  - 300% of the estimated transaction turnover based on the volume of natural gas involved and the TTF day-ahead price for that gas[6]

These penalty thresholds are substantial and signal a clear intention to deter circumvention.

Moreover, the Regulation explicitly states that it is without prejudice to national criminal law.[7] Therefore, any fines issued pursuant to the Regulation (and the national laws enacting it) might also be supplemented by criminal sanctions at the national level.

The Regulation was published in the Official Journal of the EU on 2 Feb. and entered into force the next day, on 3 Feb. The Regulation thus applies directly in all EU Member States.

In terms of next steps, all EU Member States are now required – by 1 Mar. at the latest – to prepare national plans for diversifying their gas supplies and to identify any foreseeable challenges in replacing Russian gas. [8] In furtherance of this requirement, companies are required to notify the Commission and any competent authorities in their home state of any remaining Russian gas contracts. [9]

**C. How the Phaseout of Russian Gas Is Already Reshaping European Gas Markets**

Eliminating Europe's dependency on Russian gas through replacement supplies is driven as much (if not more so) by political interests as it is by economics and energy security. It comes as no surprise, then, that the global gas market is increasingly being shaped by geopolitical pressures, not just supply and demand. Indeed, major gas-producing countries – most notably, the U.S. – view Europe's shift as a strategic opportunity to bolster soft-power hegemony and to utilize energy diplomacy while expanding their market share and anchoring long-term commercial relationships with EU-based buyers.

This dynamic is explicitly reflected in the Joint Statement on the U.S.-EU framework for reciprocal, fair and balanced trade (Joint Statement), which frames energy exports (including LNG) as a pillar of transatlantic cooperation. [10] The Joint Statement's reference to the EU's intent to "procure US liquified natural gas, oil, and nuclear energy products with an expected offtake valued at $750 billion through 2028" underscores the tremendous value at stake for the various players involved. It also signals political intent and ambition, even if precise volumes and timelines remain subject to policy shifts and market developments.

In some cases, EU Member States or EU-based buyers may face not only an obligation to replace Russian gas, but also political or strategic incentives to source replacement gas from particular jurisdictions or suppliers. This dynamic can already be seen in the following notable examples:

- In September 2025, TotalEnergies signed agreements with NextDecade to take a 10% stake in the joint venture developing Train 4 of Rio Grande LNG, an LNG plant project located in South Texas. [11]
- In November 2025, U.S. LNG producer Venture Global announced multiple long-term contracts to supply, among others, Spanish importer-distributor Naturgy and the newly formed Greek importer Atlantic–SEE. [12]
- On 3 Feb., Mercuria announced a 20-year sale and purchase agreement for the purchase of 1 million tons per annum of LNG from Commonwealth LNG and a gas supply agreement with Mercuria Americas for the supply of a corresponding quantity of natural gas. [13]

It should also be borne in mind that supplies of non-Russian gas are not unlimited. As recent deals tend to demonstrate, competition among buyers for those limited supplies is likely to compound the already high-pressure negotiation dynamics that European buyers will experience. Such competition is unlikely to be limited to the European continent. As other large markets (e.g., India) are under increasing pressure to substantially reduce (if not eliminate) their dependence on Russian-sourced oil and gas, we could very well see buyers across the globe racing to secure their needed supplies through quickly negotiated, long-term contracts.

Negotiations for the replacement of Russian-sourced gas are therefore likely to unfold in an extraordinarily high-pressure environment under compressed timelines, political pressure and heightened competition. As explored in more detail in the next section, these dynamics, in our experience, materially increase the risk of suboptimal contractual outcomes for buyers, who will find it difficult (if not impossible) to wait for the market to soften or to negotiate more favorable terms.

**D. What Comes Next: Structural Shifts in Gas Contracting**

The policy-driven restructuring of the European gas market is now translating directly into changes in how gas contracts are negotiated, structured and executed. The next phase of the shift is not only faster, higher-pressure contracting, but materially different contracting.

Procurement strategies that might have otherwise unfolded through a phased or sequential approach are increasingly being executed in one shot. Buyers are now under pressure to secure replacement volumes, finalize infrastructure access and negotiate downstream arrangements simultaneously, often before having full (or sufficient) visibility as to price trajectories or market stability. The traditional luxury of calibrating supply decisions against evolving market signals is, in many cases, no longer available.

This dynamic is particularly pronounced in LNG markets, where liquefaction capacity is finite and commissioned in stages, and long term offtake commitments are often required to secure access to new trains. As a result, market participants are increasingly prioritizing speed and certainty of supply over optimal pricing or finely tuned risk allocation.

At the same time, contractual supply alone does not guarantee deliverability. As Russian gas exits the European system, the operational focus shifts to ensuring that contracted replacement gas can be transported, unloaded, regasified and injected into the grid when and where required. The availability of LNG carriers and associated chartering arrangements, the securing of regasification capacity and terminal slots, congestion and prioritization rules at specific terminals, grid entry capacity, and downstream connectivity have all become central commercial considerations rather than secondary logistical details.

These constraints are driving increased reliance on bundled or "package" solutions, combining upstream supply with shipping, regasification or related midstream services while pursuing downstream sales on a parallel timeline. While such structures can enhance execution certainty and reduce certain interface risks in a portion of the contractual chain, they also may inadvertently concentrate exposure and create complex interdependencies across contracts governed by different laws and regulatory regimes. As discussed in further detail below, attempts to marry a common law legal regime like that of the United States (e.g., New York law) with a civil law regime like that of an EU country (e.g., the law of Switzerland) for downstream LNG sales agreements opens the door for a mismatch in risk allocation and a party's ability to manage its rights and obligations.

The accelerated pace of contracting is also compressing negotiation timelines, reducing the opportunity for thoughtful, nuanced drafting, and increasing reliance on precedent agreements, market templates, standard form contracts or standard clauses that may not be fit for purpose or may not fully reflect the specific allocation of risk intended in the new environment. Where upstream and downstream agreements are negotiated under time constraints, alignment across the chain can become secondary to the immediate objective of securing supply. In this context, even relatively minor drafting asymmetries – for example, in price adjustment mechanisms, volumetric flexibility, termination rights or force majeure definitions – can take on amplified significance.

It is against this operational backdrop, characterized by rushed, parallel procurement, infrastructure bottlenecks and template-driven drafting, that the principal areas of contractual risk become particularly acute. This is where things can really go wrong.

**E. Where Things Go Wrong: Contractual Risk in Rushed Gas Deals**

When supply chains are created under time pressure and operational complexity, contractual risk rarely arises from a single flaw or mistake. More often, it emerges from incremental misalignments across agreements that were never fully designed to operate as an integrated system.

A common occurrence concerns so-called back-to-back arrangements – for example, when pipeline gas or LNG purchased pursuant to one contract is then re-exported or resold wholesale pursuant to one or more midstream or downstream contracts. Parties frequently describe the upstream and downstream contracts as aligned, yet true back-

to-back risk transfer requires more than superficial symmetry. Key contractual provisions do not only need to resemble one another; more importantly, they need to operate coherently under stress. Even modest divergence in clauses like these can produce unanticipated exposure:

- **Pricing provisions** are particularly vulnerable. Indexation formulas that appear aligned at contract signature may respond differently to market volatility, especially where one contract incorporates a price revision mechanism or even caps, floors or delayed pass-through mechanisms that are absent from the other. In rising markets, such asymmetry can quickly convert commercial intermediation into structural loss.
- **Volume commitments** present similar challenges. Misalignment between take-or-pay obligations upstream and flexibility provisions downstream can leave buyers exposed to excessive volume risk when market conditions limit their ability to redirect or remarket gas. Definitions of delivery points, gas quality specifications and energy content may also diverge, creating disputes that surface only after deliveries begin.
- **Termination and suspension rights** warrant special scrutiny. Upstream termination triggers that are not mirrored downstream (or vice versa) can disrupt the assumed risk chain. This risk may be compounded where suppliers prioritize anchor or high-volume offtakers in periods of constrained supply, leaving other counterparties exposed to curtailment without corresponding relief rights.
- **Force majeure** regimes likewise require deliberate synchronization. Differences in scope, notice requirements or mitigation obligations across agreements can undermine the intended flow-through of relief. In LNG structures, particular attention should be paid to the allocation of responsibility for delay, demurrage, boil-off losses and slot forfeiture in the event of shipping or regasification disruption.
- **Provisions addressing changes of law and regulation, including sanctions**, introduce further complexity and thus also call out for attention. Clauses addressing "change in law," allocation of compliance costs and termination thresholds must be drafted with precision and consistency across the contractual chain. An event or circumstance that qualifies as a change in law giving rise to relief under one contract in the chain should be treated the same way throughout the contractual chain. Absent such coordination, regulatory developments may leave one party (typically the upstream buyer) with a far greater share of the risk than any of the relevant parties bargained for.
- **Financial and credit arrangements** are another recurring source of exposure. Credit support mechanisms, including guarantees and letters of credit, must be aligned in form and substance across related agreements. Additionally, where offtake agreements are pledged as collateral to suppliers' lenders, buyers should understand how financing structures may affect enforcement rights, amendment flexibility or termination scenarios.

None of these risk areas is novel in isolation; what is novel is the environment in which they are now being negotiated. And what distinguishes the current market environment is the cumulative effect of compressed negotiations, infrastructure constraints and heightened volatility. In such conditions, small contractual asymmetries can be missed more easily and can escalate more quickly into material commercial disputes. It is therefore of paramount importance to ensure that replacement gas transactions undergo a deliberate, structured review, with any "back-to-back" contracts being sufficiently checked for consistency, operability and appropriate risk allocation.

**F. Managing Contractual, Regulatory and Financial Risk Across Replacement Gas Supply Chains**

Our experience across both transactional structuring and high-stakes disputes in gas and LNG markets confirms a consistent pattern: Risks that materialize years into a contract's life are often traceable to drafting decisions made at the outset under time pressure without consideration for alignment across the contractual chain. In periods of structural market change, like now, early and disciplined legal analysis is not a formality. It is a practical risk-management tool. Investing in careful identification, allocation and coordination of risk at the negotiation stage can generate significant savings in time, cost and commercial relationships over the life of a long-term, complex contractual arrangement.

The first layer of protection consists of ensuring that each individual contract is fit for purpose on its own terms. Long-term natural gas and LNG contracts – particularly those structured on a take-or-pay basis – allocate price, volume and regulatory risk across extended (and sometimes volatile) time horizons. The commercial logic of those allocations

should be tested against realistic stress scenarios. Where long-term equilibrium cannot be assumed, appropriately calibrated adjustment mechanisms should be used to preserve the parties' ability to realize the benefit of their bargain.

Special care is warranted when standard forms or template agreements are used. In accelerated procurement environments, parties may rely heavily on precedents or market-standard clauses, sometimes proposed on a "take-it-or-leave-it" basis. Standard forms are not inherently problematic, and in many cases they provide a useful, tried-and-tested structure. However, they must be evaluated against the specific transaction at hand. Provisions that may function adequately in one commercial context can produce unintended consequences in another. Identifying features that are structurally incompatible with the parties' operational model or risk appetite – and addressing them early – is typically in the interest of all parties concerned.

The choice of governing law is equally significant. Core provisions such as price review clauses, hardship mechanisms, force majeure, termination rights and change-in-law regimes will only operate as intended if the applicable legal framework allows for them to be operated in that way. For example, if the parties intend to foreclose any possibility of adjusting the contract's terms other than by way of agreed amendment, they may want to steer clear of certain civil law jurisdictions (e.g., France, Germany, Spain) that recognize some form of judicial or statutory hardship doctrine allowing adjustment of contracts where performance becomes excessively onerous due to unforeseeable events.

In relation to governing law, predictability of result can likewise be a significant consideration for contracting parties. In recent years, there has been a noticeable increase in gas and LNG contracts governed by common law systems, particularly New York law and English law. This trend may reflect (at least in part) the growth of U.S.-sourced LNG in global trade. However, it may also reflect a preference for legal systems grounded in precedent. The availability of a developed body of case law provides parties with greater visibility as to how key principles and concepts are likely to be interpreted by courts and arbitral tribunals, thus enhancing predictability over the life of the contractual relationship.

Where contracts form part of a broader supply chain, structured alignment across agreements becomes essential. A deliberate back-to-back review – mapping pricing mechanisms, volumetric commitments, termination triggers, force majeure regimes and regulatory relief provisions across the chain – can identify inconsistencies before they crystallize into disputes. The objective is not mechanical symmetry but rather coherent coordination: Each agreement should respond in a compatible manner to foreseeable market stress or regulatory intervention, always bearing in mind the allocation of risk that was intended at the time of contract.

Dispute resolution architecture warrants similar attention. Jurisdiction clauses, arbitration agreements and escalation mechanisms should be designed to facilitate efficient and commercially viable resolution of disagreements over a contract's entire term. At the same time, the broader contractual framework should encourage cooperation rather than immediate adversarial escalation. Carefully structured notice provisions, cure periods and good-faith consultation clauses can provide space for parties to resolve operational difficulties collaboratively before they harden into formal disputes. In long-term supply relationships, preserving working relationships is often as important as securing formal legal remedies.

Of course, none of these measures eliminates the possibility of disagreement in a market as politically and economically exposed as natural gas markets are today. What they can do, however, is reduce the likelihood that manageable commercial friction escalates into value-destructive conflict. Our experience consistently demonstrates that thoughtful legal engineering at the outset – particularly during periods of accelerated contracting – materially reduces downstream cost, disruption and reputational strain.

In a market reshaped by drastic regulatory changes and structural realignment, careful legal structuring is not an ancillary expense. It is an investment in stability.

1. https://www.consilium.europa.eu/en/press/press-releases/2026/01/26/russian-gas-imports-council-gives-final-greenlight-to-a-stepwise-ban/. ↩
2. Regulation (EU) 2026/261 of the European Parliament and of the Council of 26 January 2026 on phasing out Russian natural gas imports and preparing the phaseout of Russian oil imports, improving monitoring of potential energy dependencies and amending Regulation (EU) 2017/1938 (Regulation), Article 4. ↩
3. Regulation, Article 4. ↩
4. Regulation, Article 5. ↩
5. Regulation, Article 8. ↩
6. Regulation, Article 8. ↩
7. Regulation, Preamble (37). ↩
8. Regulation, Article 9. ↩
9. Regulation, Article 11. ↩
10. https://policy.trade.ec.europa.eu/news/joint-statement-united-states-european-union-framework-agreement-reciprocal-fair-and-balanced-trade-2025-08-21_en. ↩
11. https://totalenergies.com/news/press-releases/united-states-totalenergies-reaches-final-investment-decision-its-partners-rio. ↩
12. https://ventureglobal.com/2025/11/07/venture-global-announces-new-long-term-lng-sales-and-purchase-agreement-with-greece/ "Venture Global, Inc. (NYSE: VG) and ATLANTIC – SEE LNG TRADE S.A. of Greece announced the execution of a new Sales and Purchase Agreement (SPA) for the purchase of a minimum of 0.5 million tonnes per annum (MTPA) of U.S. liquefied natural gas (LNG) from Venture Global for twenty years starting in 2030. Under the SPA, Atlantic-See has the potential to expand its purchase commitment." https://ventureglobal.com/2025/11/10/venture-global-announces-long-term-sales-and-purchase-agreement-with-naturgy-of-spai/ "Venture Global, Inc. (NYSE:VG) and Naturgy announced the execution of a new long-term Sales and Purchase Agreement (SPA) for the purchase of 1 million tonnes per annum (MTPA) of liquefied natural gas (LNG) from Venture Global for twenty years beginning in 2030. The agreement represents Spain's first long-term contract for American LNG since Venture Global's first contract in 2018. To date, Venture Global has supplied Spain with 35 cargoes from its Calcasieu Pass and Plaquemines facilities." ↩
13. https://mercuria.com/commonwealth-lng-announces-20-year-lng-sale-and-gas-supply-agreements-with-mercuria/. ↩

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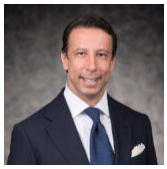

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