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Tariff Threats and Supply Realities

Energy Markets Update

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Summary

- U.S. President Donald Trump's renewed Russia sanctions threat and tariff pressure on allies briefly lifted energy markets at the end of last week, but a softer tone on Monday signalled limited geopolitical risk.
- European gas markets have traded in a narrow €33-35/MWh range since the announcement of the Israel-Iran ceasefire on 23 June. Yet, a new round of global trade tariffs and threats of tighter Russia sanctions could bring about renewed volatility before markets brace for another round of Norwegian gas maintenances.
- Soaring cooling demand in Asia is pulling LNG cargoes away from Europe, tightening supply just as the EU works to fill storage for winter. With EU storages at 63% of capacity and a target of 80%, competition for gas is intensifying, creating a price floor in the low 30s over the rest of summer.
- The EU's 18th sanctions package against Russia is expected to only have limited direct impact on gas markets, while it primarily targets Russian oil revenues through the tightening of the oil price cap.

Sanctions threat falls flat

European gas markets briefly returned to trading based on fundamentals after U.S. President Donald Trump announced a ceasefire between Israel and Iran on 23 June, resulting in a more than 12% drop in TTF gas prices day-on-day. Three weeks on, markets have been trading in a narrow €33–35/MWh range, reflecting stable pipeline and liquefied natural gas supply versus only a small increase in gas demand.

Yet geopolitics are making a comeback—even if only briefly—as President Trump announced a potential further tightening of sanctions against Russia while also increasing tariff pressures on global trading partners, including the EU. Energy markets rose on Friday, 11 July, as news about a potential imposition of so-called secondary tariffs on Russia emerged, but quickly reversed these gains on Monday after Trump threatened a 100% rate if "we don't have a deal in 50 days." U.S. Ambassador to NATO Matt Whitaker said this would represent secondary sanctions on countries buying oil from Russia. The announcement echoes secondary tariffs proposed in a bipartisan bill in Congress, which would have opened the door for a 500% tariff on imports from countries purchasing Russian gas, oil, and uranium. Monday's announcement signals a more tempered response, with energy markets lower as a result. TTF gas prices fell by about 3.6% during the day and touched a session low of €35.02/MWh, while Brent crude oil prices fell by the same amount, dropping back below $69.50/bbl. The threat of a 500% secondary tariff on Russian oil and gas floated at the end of last week has all but evaporated - along with the belief that any secondary tariff of this magnitude would actually be enforced.

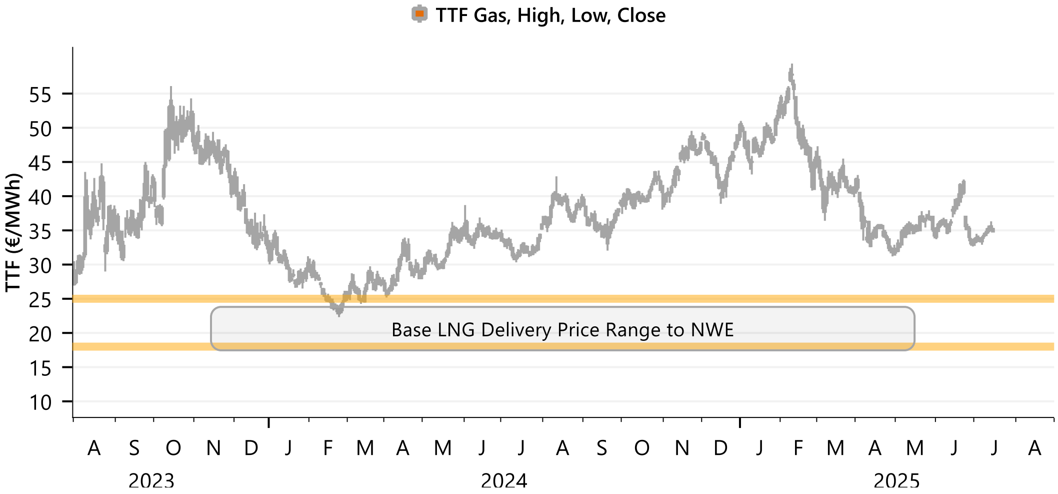
Yet, imposing even a 100% secondary tariff on Russian energy is bullish for both crude and gas markets, given Russia's significant share of global energy supply, and would hurt buyers from Asia to Europe. India, China, and Turkey are major Russian oil buyers, and Europe still relies on pipeline supplies despite a ban on seaborne imports in place since 2022. The picture is similar for gas, with China and Japan among the top importers of Russian pipeline and LNG volumes, while European buyers—from France and Spain to Hungary—also heavily rely on Russian flows. Having to look for alternative gas supplies would only tighten the global LNG market further. The imposition of such a tariff rate is therefore incredibly unlikely, as it would either halt trade between the U.S. and its major trading partners or send energy prices soaring if buyers were to refrain from purchasing Russian volumes. The 50-day pause also coincides with the start of Norway's seasonal gas maintenance in late August, which could introduce fresh uncertainty for European gas markets heading into autumn.

While markets have until September (or so) to find out if—and at what rate—these secondary tariffs will be set, Slovakia will discuss the future of Russian gas supplies with EU partners on Tuesday, aiming to be compensated for damages incurred from the EU's tightening grip on Russian gas imports. Slovakia still receives most of its gas from Russia and has a long-term offtake agreement in place that runs until 2034. But the country is not the only member state still reliant on Russian gas imports. While Russian pipeline gas accounted for only 3% of the European supply mix so far this year, Russian LNG volumes still made up almost 14% of all LNG imports. France, Spain, Belgium, and the Netherlands remain top importers of Russian LNG. Slovakia and Hungary also remain key importers of Russian oil. The EU's 18th sanctions package against Russia aims to enforce a lower price cap on Russian seaborne crude flows, as well as tighter sanctions on refined product imports from third countries.

European gas prices are currently hovering around €35/MWh, with the surge in cooling demand across Asia—particularly in Northeast Asia due to extreme summer heat—keeping prices elevated. This spike in demand is slowly drawing LNG cargoes away from Europe, as Asian buyers outbid European counterparts to secure supply for power generation needed to run air conditioning systems.

This redirection of LNG flows is adding to a supply squeeze in Europe, especially during a period when the continent still needs to build reserves for the winter. Although European gas storage levels are currently filled to almost 63% of capacity, the region still needs to import roughly 20bcm to reach the 80% storage target. The increased competition from Asia and rising domestic consumption are narrowing any supply cushion. LNG flows to Europe have dropped to 363 mcm/d in July, from over 385 mcm/d a month earlier, and remain well below the year-to-date average. News about tightening sanctions on Russian energy could support gas prices in Europe if implemented—but for now, markets will be supported by fundamentals—namely, stronger demand in Asia. JKM prices have moved to a more than $1.20/MMBtu premium to the TTF in July so far.

Figure 1: TTF gas prices dropped by 12% after the announcement of the Israel-Iran ceasefire and have held at a steady €33-35/MWh range since. Monday's 100% secondary tariff threat on Russia saw prices tumble another 1.4%.



Source: RaboResearch 2025, Bloomberg

Rabobank Price Forecasts

Crude Oil			*Q3 25*	*Q4 25*	*Q1 26*	*Q2 26*	*Q3 26*	*Q4 26*
Brent		Forecast	68.00	64.00	63.00	63.00	63.50	63.50
	$/BBL	Forward	68.34	66.89	66.60	66.53	66.54	66.59
WTI		Forecast	65.25	60.75	59.50	59.50	60.00	59.75
	$/BBL	Forward	65.55	63.59	63.12	63.00	62.94	62.97
NY ULSD		Forecast	2.32	2.23	2.18	2.13	2.14	2.14
	$/GAL	Forward	2.36	2.28	2.23	2.17	2.17	2.18
Gulf Coast Diesel		Forecast	2.23	2.12	2.08	2.06	2.08	2.04
	$/GAL	Forward	2.28	2.16	2.13	2.10	2.11	2.08
DOE On-Highway Diesel		Forecast	3.70	3.57	3.56	3.55	3.57	3.53
	$/GAL	Forward	3.75	3.61	3.61	3.59	3.60	3.57
ICE Gasoil		Forecast	677.95	648.15	629.53	625.80	629.53	627.66
	$/MT	Forward	700.33	657.79	640.46	631.65	630.24	629.14
RBOB		Forecast	2.13	1.85	1.79	2.01	1.97	1.77
	$/GAL	Forward	2.09	1.89	1.95	2.07	1.97	1.82
Natural Gas								
HH Natural Gas		Forecast	3.56	4.05	4.10	3.70	3.90	4.15
	$/MMBtu	Forward	3.54	4.56	4.21	4.07	4.27	4.81
TTF Natural Gas		Forecast	37.50	38.50	36.00	28.81	27.96	30.08
	€/MWh	Forward	35.87	37.29	36.22	33.87	33.95	34.74
NBP Natural Gas		Forecast	91.86	103.42	95.95	72.23	71.16	83.43

GBp/Therm	Forward	87.86	98.22	94.53	84.92	86.39	94.04
JKM Natural Gas	Forecast	12.35	12.74	12.12	9.31	8.88	9.41
$/MMBtu	Forward	12.79	13.23	12.62	12.16	12.33	12.80
Power							
German Baseload Power	Forecast	78.75	89.32	78.67	54.21	57.54	68.39
€/MWh	Forward	86.05	94.46	97.20	74.41	83.20	94.74
Dutch Baseload Power	Forecast	77.18	87.53	77.10	53.12	56.39	67.02
Spanish Baseload Power	Forecast	65.63	68.71	54.07	37.26	49.43	54.23
Carbon							
EUAs	Forecast	73.00	75.00	76.00	79.61	81.04	82.50
€/MT	Forward	69.90	70.43	70.95	71.41	71.79	72.36

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