

The Groningen Madness

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*Only structurally stronger **economic growth** will enable the EU to successfully pursue its many objectives and priorities. Enhanced **competitiveness** is, therefore, a **conditio sine qua non** that, in turn, necessitates a much more **sensible energy policy** than is currently in place. The ultimate insanity in this context is the **destruction of gas-producing facilities in the Groningen gas fields by filling them with concrete.***

At the height of the Great Financial Crisis in the autumn of 2008, Ben Bernanke, then chairman of the Federal Reserve, the central bank of the United States, told congressional leaders in Washington that if they didn't act quickly and decisively, "we won't have an economy on Monday." The economic crisis hitting the European Union has certainly not yet reached proportions to justify a repetition of Bernanke's dramatic warning. However, a proper adjustment of that warning could go as follows: "If we, European authorities and member state governments, do not act quickly and decisively, we won't have an economy to speak of within, say, ten years." This is a *Bernanke Light* warning, but let us not forget that Ben Bernanke admitted years later that even only a few months before he uttered those apocalyptic words, he could not have imagined saying something like that to top political decision-makers.

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The basic issue with European economic management was recently highlighted in a most illuminating article on [Eurosclerosis 2.0](#) written by Pierre Wunsch, governor of the Belgian central bank (NBB), and NBB economist Geert Langenus. Wunsch and Langenus argue that **"it is necessary to start by acknowledging a number of trade-offs... We cannot have it all."** These wise words immediately came to mind two weeks ago when both of us were listening to European Commission President Ursula von der Leyen's State of the Union speech in the European Parliament in Strasbourg. A whirlwind of promises, new initiatives, strengthening of existing initiatives, the launch of one new objective and priority after another, and the re-confirmation of existing objectives and priorities filled the plenary hall of the EP.

Without explicitly saying so, the Commission president's speech implied that **"we can do it all."** Ursula von der Leyen sounded very much like Lyndon Johnson, who, during his 1964 reelection campaign for the American presidency, declared: "I'm sick of all the people who talk about things we can't do... Hell, we're the richest country in the world, the most powerful. We can do it all." That was, as subsequent developments amply proved, not true for the US at the time of Johnson's reelection campaign (he got reelected...), and it is most certainly **not true for the European Union halfway through the 2020s.**

Alphabet Soup

Choices will have to be made, and trade-offs will have to be recognized. Restoration of our **competitiveness**, continuation of **climate change policies**, strengthening of **military and cybersecurity resilience**, significant reduction of **energy dependence**, conservation of existing **social security mechanisms**, preservation of good old EU budget programs, regaining a meaningful position in the worldwide technology race, raising the attractiveness of the EU as an international investment hub: it is simply **impossible to pursue all these objectives "fully,"** not least because of the dire public finance situation of major EU member states (and of the EU itself). Those who argue otherwise are either *cheap talking* or deliberately sowing confusion and false hope.

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As one of us (JVO) argued in his reaction to VdL's exuberant State of the Union in the EP, it is imperative in the present context that we **prioritize economic growth**. The EU economy has systematically lagged behind the American economy since the late 2000s. If one sets, as Wunsch and Langenus show, real GDP in both the EU and the US at 100 in 2007Q1, the US has now reached 140 and the EU 120. Without more economic growth, none of the EU's alphabet soup of honorable objectives and priorities will be truly reachable. Attempts by economists like Paul Krugman and Paul De Grauwe to show that there was not much wrong with European productivity compared to American productivity were proven to be much less solid, if solid at all, than originally claimed.

If we do not restore Europe's **competitiveness** and its attraction for investment and innovative activities, and by doing so structurally improve our productivity and growth potential, our present political, economic, and social model will come under unbearable pressure, leading to chaos, extremism, and major societal upheaval. Prioritizing economic growth inevitably means focusing on **competitiveness**, which in turn necessitates policy attention to the **massive difference in energy prices between the EU and other major economic blocs like the United States and China**. Competitiveness is certainly not only about energy, but without important corrections in this area, it will be close to impossible to achieve a truly improved competitive situation for European companies and industries. The other leg of a serious approach to our loss of competitiveness is to get serious about the **unfair competition Chinese companies are unleashing massively on Europe's industrial base**, a topic to which we turn in our next blog.

“Prioritizing economic growth inevitably means focusing on competitiveness.”

Absurd to the Core

To argue that Europe has an **energy problem** is an understatement with a capital U. The EU's **dependence on foreign energy supply is still enormous** and has hardly diminished recently, despite all our focus on sustainable energy sources like solar and wind. We should, moreover, not forget that for solar and wind energy generation within the EU, we are **massively dependent on Chinese hardware and software**. This reality is a **strategic vulnerability** that many European policymakers significantly underestimate.

Oil and gas remain the main sources of energy within the EU, and here too, our **dependence on foreign supplies is eye-watering**. Let us focus on **gas**, by far the least polluting of the fossil fuels and providing **20% of the EU's overall energy consumption**, with heavy use of it in industry. According to [Eurostat](#) figures, natural gas demand in the EU is now approximately at the level of around the year 2000. Moreover, while we imported less than half of our gas needs back then, our **import dependency has grown to 87.6% by 2025**.

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More than half of the EU's gas imports come through pipelines, mostly from Norway but still a substantial amount from Russia as well (around 12% of all the EU's gas imports). The rest of the gas imports are LNG, liquefied in the US, North Africa, and the Middle East. The EU has to compete globally for these LNG shipments, and given the fierce nature of this competition, **prices tend to be high**. Heavy taxation and substantial regulatory burdens imposed by the EU and individual member states put further upward pressure on gas prices.

The consequences of all this are becoming very visible and discomforting, as clearly articulated by Jim Ratcliffe, chairman of Ineos, one of the leading chemical concerns in

the world: "I'm sure people will find it hard to believe that we are being forced to mothball some of the most efficient plants in Europe, but with **gas prices now 12 times the level in the US and 8 times that of China, we just cannot compete.** Not only is the ridiculously high gas price destroying our manufacturing base..., it is also massively increasing the environmental burden with replacement products supplied from the USA at double the carbon emissions and from China at 8 times the emission level." Cheap talk of an executive seeking excuses and protection? Just look at the raw numbers, and anyone can see that Ratcliffe only describes objectively a most unpleasant reality.

Let Ratcliffe's argument sink in. Our energy policy options of the past have led to a situation today characterized by three features. First, our **dependency on imported gas has substantially increased.** Secondly, **gas prices in Europe are now systematically multitudes of those in the US and China.** Third, we replace CO₂-efficient European production with **far more polluting foreign supplies.** This is **absurd to the bone** and a direct consequence of **Frans Timmermans' Green Deal**, enthusiastically supported by Ursula von der Leyen.

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In line with the extreme absurdity described above, the Dutch government is **filling gas wells in the northern province of Groningen with... concrete.** Despite a large decline in gas exploitation over the years, the Netherlands is still the second largest EU natural gas provider, behind Romania. The Groningen field still holds an estimated **550 billion cubic meters of natural gas**, which could replace all of the EU's imports for two years or all of the Russian gas imports into the EU for 14 years.

The Groningen gas wells have been inactive since 2024 because of the effects of earthquakes on the environment (a point to which we return shortly). In 2023, it was politically decided to **pour concrete down these gas wells**. 78 of the 306 wells have so far been blocked by hundreds of cubic meters of concrete. However, NAM, the organization that was responsible for the exploitation and now the dismantling of the gas-producing infrastructure, reports that in reality, already **64% of the Groningen gas fields are irreversibly out of use**.

Eventual reopening of the gas wells will be costly and time-consuming (at least 8 months, so it is estimated). The urge to make the closure of the gas wells as irreversible as possible raises important issues that were nicely formulated by Pieter Garicano in the Silicon Continent blog: "**The impulse to make a decision irreversible signals a lack of confidence in one's decisions**. If a decision is good, it should be able to survive the judgment of voters. That the government feels the need to shield it from such judgment suggests that they're not sure it would." Taking into account the current economic and geopolitical predicament of the EU, **filling the Groningen gas fields with concrete is sheer madness**.

With respect to the effects of earthquakes that happened close to the Groningen gas fields, most interesting investigative journalism was done by Jesse Frederik and published in *De Correspondent*. Frederik's research seriously questions the baseline story around the magnitude, the effects, and the damage of these earthquakes. There have been **no victims of the earthquakes over all the decades**, and the estimated risk with maximum gas production is still lower than driving on Groningen's highways. According to Frederik's research, **nowhere in the world was so much money paid out to compensate for the consequences of the earthquakes**. Already in 2022, Jesse Frederik wrote: "According to Statistics Netherlands (CBS), 55,989 people lived in the core of the earthquake-affected area, comprising a total of 24,473 households. So if you were to transfer 3 million euro (an exuberant amount for the risks involved) to every household in the earthquake-affected area, you would still have 10 billion euros left over."

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Tyranny of the Minority

The dynamic around the Groningen gas fields reminds us of the dynamic we saw played out in several EU member states like Germany, Italy, and Belgium around nuclear energy production. Inspired by green parties, the **ban on nuclear energy was pushed through against the will of a majority of the population**. In the present economic and geopolitical circumstances, it is also **madness to exclude *a priori* nuclear energy from the energy mix available within the EU**. This exclusion is, just like the filling up of gas wells in Groningen with concrete, a **strategic insanity of colossal proportions**. Luckily, an increasing number of governments like those of Belgium and [Italy](#) are walking away from this madness.

In contrast to Alexis de Tocqueville's "tyranny of the majority," Nassim Taleb articulated the concept of "**tyranny of the minority**," where one person with a gluten intolerance can lead to an entire dinner party without gluten if the others don't care that much. We hope the majority will care as much as we do about keeping the Groningen gas fields concrete-free.