

COMMENT ON THE COMMUNICATION

"SECURITY OF GAS SUPPLY"

1. Eurogas welcomes the Commission's Communication, Security of EU Gas Supply (COM(99)571), which affirms the increasing importance of gas in the EU energy supply, is generally positive about the gas supply security outlook, and recognises the responsibility and achievements of the European gas industry in this respect.
2. Eurogas appreciates that the Commission has now chosen to emphasise subsidiarity and the important role of Member States, reflecting their individual circumstances in ensuring security of supply in practical co-operation with each other and Community bodies, on a basis of dialogue involving the European gas industry. Eurogas looks forward to participating in this approach.
3. Eurogas reaffirms the gas industry's determination to continue to work to ensure short and long-term supply security to the benefit of Europe's consumers. Eurogas considers that in the new-liberalised framework defined by the Gas Directive, security of supply will continue to be an essential feature of company policy to compete with other energies, and as a gas to gas competitive factor.
4. Eurogas welcomes that the Communication envisages complementary approaches which will enhance the management of geopolitical risks and the security of international trade and transit.
5. As the Communication notes, long term take-or-pay contracts have been important in facilitating the financing of gas supply projects. Most gas companies would wish to emphasise the continuing importance of long-term contracts as an essential instrument in allowing capital intensive projects to be developed and ensuring that importing countries receive long term supply security at clear cut prices, albeit complemented by additional risk management including new financing instruments.
6. If an EU Advisory Forum on security of supply is set up, Eurogas would be prepared to play a full part in what it envisages as a practical vehicle for monitoring developments and analysing possible strategic considerations, without duplication of work with other bodies.
7. Such a forum could keep under review scenarios of security of supply and monitor developments, which may have an impact on these, and could call into question the main trends identified in the Communication. Eurogas suggests as topics, for example
 - ▲ the pattern of future supplies. Dominant suppliers from outside the EES will be Russia and Algeria. A clearer picture of other possible suppliers and their competition potential is needed;
 - ▲ how the growing market for gas, world wide as well as in Europe may change the outlook on supply;
 - ▲ a review of investment trends for new supplies and for expansion and maintenance of infrastructure.

The Communication recognises these and other issues, and the planned Advisory Forum would be suitable for their consideration in greater depth.