

Press Release
EUROGAS Annual Policy Conference
1 October 2009

Eurogas held its Annual Policy Conference yesterday in Brussels. It was opened by the President of Eurogas, Mr. Domenico Dispenza and by the European Commissioner, Mr. Andris Piebalgs. It was attended by representatives from the European Institutions, Industry, International Organizations, National Authorities and Producing Countries.

The conference gathered around 200 participants in a wide debate on the global challenges the natural gas industry is currently facing. Security of Supply and how this security can be met in Europe as well as internal market and relations with producing countries were discussed.

In his speech EU Energy Commissioner Piebalgs reviewed key aspects of the gas market liberalisation process since he took his function in the EU Commissioner's college in Brussels. The speech focused on security of gas supply and the cooperation between the Commission, Member States and Industry.

The participation of the Commissioner was also the occasion for the audience, for the panellists and for Eurogas President Dispenza to thank him for the pivotal role he played in the European energy scene during his mandate and for his openness in his dialogue with the industry.

Mr. Valery A. Yazev, Vice-President of the Russian State DUMA and President of the Russian Gas Society presented the Russian view on energy cooperation and security of supply.

The conference also analysed the challenges and the opportunities of the internal market after the adoption of the 3rd internal energy market package. The debate included discussions on the implementation of the package and the expected new market developments the latter will lead to and also the new role of the European energy regulation.

In his presentation Mr. Domenico Dispenza commented on the fall in EU gas demand that is expected to reach around 7% in 2009 compared to 2008. He underlined however that according to Eurogas estimates the natural gas consumption in EU27 could recover in 2010 by around 1% with the possibility of registering higher growth if the economic upturn is stronger than expected. *(see document attached to this press release).*

In addition, he mentioned *"Eurogas has followed the dialogue early this year and is in favour of an effective implementation of the package including the institutional changes it calls for."* *The industry welcomes the progress in its transitional phase for example that ERGEG will start soon working as the Agency and TSO's will progressively cooperate under the new ENTSOG".*

On security of supply he underlined the positive cooperation between the industry, the Commission and the national authorities during the January 2009 disruptions.

Eurogas is a Brussels based non-profit making organization and has the following members : Asociación Española del Gas – SEDIGAS (ES), Association Française du Gaz – AFG (F), Bulgargaz (BU), Bord Gáis Éireann – BGE (IRE), BOTAS*(TR), BP plc (UK), Bundesverband der Energie- und Wasserwirtschaft e.V. – BDEW (DE), Centrica plc (UK), Czech Gas Union – CPU (CZ), DEPA (GR), DONG Energy A/S (DK), E.ON Ruhrgas AG (DE), Edison (IT), Distrigas (BE), Electricité de France (F), Elektrizitäts-Gesellschaft Laufenburg AG – EGL AG (CH), EnergiaNed (NL), ENI S.p.A. (IT), European Gas Research Group – GERG (EU), Fachverband der Gas- und Wärmeversorgungsunternehmen – FGW (AT), Galp Energia (PT), Gas Natural SDG (ES), GasTerra (NL), Gasum Oy (FIN), GDF SUEZ (F), GAZBIR*(TR), Geoplin d.o.o. (SI), HNG (DK), IZGAZ*(TR), MGE – Hungarian Gas Association (HU), OMV Gas and Power GmbH (AT), Polish Oil and Gas Company – POGC (PL), Romgaz*(RO), Russian Gas Society*(RU), RWE Supply & Trading GmbH (D), Slovak Gas Industry – SPP (SK), SOTEG s.a.(LU), South Hook Gas Ltd (UK), Swedish Gas Association (SE), Swiss Association of Gas Industry (CH), Swissgas (CH), Febeg (BE), Union Fenosa Gas S.A. (ES), Verbundnetz Gas AG – VNG AG (DE), WINGAS GmbH & CO. KG (DE). * Associate Members

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EUROGAS SURVEY ON THE IMPACT OF THE ECONOMIC CRISIS ON THE GAS SECTOR

1) First Quarter 2009 – Indicative trends

Since the middle of last year, the consequences of the global financial crises have severely impacted on the European Union's economy. This development has become even more critical since the beginning of this year.

The seasonally adjusted EU27 GDP declined by 4,7%¹ in the first quarter of 2009 and a further 0,3% in the second quarter. This drop is mainly due to the industrial output slow-down, which in the Eurozone registered 7,5% decrease over the period.

After years of almost uninterrupted growth, the European gas industry is, for the first time, facing sales losses this year. The recession had already reduced gas demand in some countries towards the end of 2008, and this trend has become even more pronounced in the first quarter of this year. According to a Eurogas survey, during the first three months of this year, in the majority of the EU27 countries, gas demand was down in a range of 4% in Austria to 17% in Spain, depending on the depth of the recession and on customer structures in the individual member states. On an EU average gas consumption was down by 7% in the first quarter of 2009, compared to the same period in 2008. What needs to be borne in mind when looking at these figures is the fact that the low temperatures across most of the European countries have bolstered demand for gas for heating. Without this temperature effect, the decline in gas consumption would have been even more severe.

2) 2009 – Strong decrease due to economic crisis

For 2009, the European Commission estimates a 4% drop of the EU27 GDP compared to 2008. The Eurogas survey shows that the **2009 demand for natural gas in the EU27 could drop by 7% in comparison to 2008**. This figure is mainly due to the slow-down in industrial sales which represents more than a third of the EU gas consumption. Across Europe, the steel and chemical sectors are significantly affected by the crisis. Industrial consumers use natural gas mainly to generate process heat, so any decline in factory production has a direct impact on gas demand in this sector.

The use of natural gas for power generation, which accounts for more than a quarter of gas sales throughout the EU, is also hit by the economic downturn. Here, the low demand for electricity and the comparatively high gas prices during the first months of this year have had a negative impact on gas sales to power plants.

The residential sector has not been affected by the current crisis.

3) 2010 - Economic upturn could result in a modest gas demand recovery

According to the European Commission, the EU27 GDP should "level off" at the end of the year and in 2010, growth rates are expected to become "modestly positive". This upturn, combined with increased demand for gas in power generation due to the new gas-fired capacities added in 2009 and possible increased competitiveness of gas to coal, could have a positive impact on the natural gas demand in 2010. **Eurogas estimates therefore that the natural gas consumption in EU27 in 2010 could recover modestly. A 1% increase, compared to 2009** seems to be realistic with the possibility of registering higher growth if the economic upturn is stronger than expected.

¹ Eurostat figures