

**SHAPING A COMMON ENERGY AREA:
PERSPECTIVES FOR EU-RUSSIA ENERGY MARKETS FOR THE NEXT DECADES**

10th Anniversary of the EU-Russia Energy Dialogue

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BRUSSELS, November 22, 2010

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Ladies and Gentlemen, dear colleagues, dear friends,

I am very pleased to be with you today, as President of EUROGAS, to celebrate the 10th anniversary of the EU-Russia Energy Dialogue.

A little more than 10 years ago, our peers agreed to institute an Energy Dialogue between the EU and Russia in order to improve their energy partnership, to ensure energy security of the European continent by binding Russia and the EU into a closer relationship. I can only welcome all the work done since then.

I would like to congratulate the Belgian Presidency for the organization of this important event and the European Commission as well as our Russian colleagues for being here.

I have four brief main messages that I would like to share with you today.

The first one : We, in Eurogas, are convinced that EU and Russia have a common destiny.

Our relationship is based on solid economic links and characterized by energy interdependence.

We have the chance to be close to one of the 1st exporter of gas and oil. The share of Russia in EU27 imports represents respectively 33% for natural gas, 31% for oil, and 30% for coal¹. The perception from the public is somewhat different.

For 40 years now, Russia is an essential partner for the EU. The strong inter-dependency and common interest of the EU and Russia in the energy sector make energy a key area of EU-Russia relations.

The EU and Russia cannot go without the other. Our partnership is clearly benefiting both parties. Energy partnership with Russia is not a threat, it is an opportunity.

The second message I want to deliver :

Relationships have however in some ways deteriorated in the recent years. It is time to erase the mutual misunderstanding between Russia and the European Commission on energy issues.

We have many levels of cooperation to help us in this regard :

Today, Eurogas, via its member, the Russian gas society, and some bodies like the Association of European Businesses², the EU-Russia Industrialists' Roundtable³, or some initiatives like the regular meetings between European Parliament and Duma members, contribute to strengthening business and legal relations with Russia in the energy sector. I am very pleased to see representatives of these bodies today and I can only encourage more cooperation and coordination between these initiatives.

Moreover, in 10 years the EU-Russia dialogue has established a recognized and efficient platform for discussions, reinforced by the support and active participation of industry. The three working groups of the dialogue allow for constructive exchanges and

¹ Eurostat 2009 data

² represents and promotes the interests of European companies conducting business in and with the Russia

³EU Industrialist Roundtable - a business platform composed of leaders of companies from the EU and Russia

contribute to improving the general business climate between EU and Russian partners in the energy sector.

Finally, I can only but be pleased with the initiative taken by Chairman Miller and Commissioner Oettinger to form a joint working group to address the issue of the Third Energy Package. Eurogas fully supports the initiative. We also decided last week to create a Working Group between the Russian Gas Society and Eurogas on the implementation of the 3rd package.

The third message I want to deliver : What else can we do ?

Long-term supply contracts have been the pillar of EU-Russia gas relations for more than 40 years. The long term contracts have served well both parties.

In most European countries, they remain the basis for supplies.

However, this does not mean that long-term supply contracts cannot evolve. We need to keep adapting to markets evolution. The current situation is not sustainable and calls for a common work on the way to make the contracts even more reactive. Although European current gas oversupply seems to be slowly diminishing, companies are under great pressure and wish to increase even further the flexibility of their supplies.

We, all of us, believe in the free market but players should also be trusted.

It is the companies' responsibility to conduct commercial relations with producing and transit countries, to conclude supply contracts and to ensure that gas is actually delivered to end-consumers. Political support within this framework is important, but it should not take over the responsibilities of individual companies. Regulation should ensure that appropriate framework for activities is in place and not replace the market.

The EU companies in Russia and the Russian companies in EU need political stability and visibility to carry on their business. In this respect we would like to recall that the politicians have an important role to play in shaping a stable and predictable investment climate, but it should be left to private companies to negotiate commercial deals.

Finally, the last message I wish to share with you: The place of gas in the future European energy mix has to be recognized in this partnership.

Because of its “green properties” (gas offers considerable potential for reducing CO2 emissions in power generation and transport in particular), and its efficient application technologies, natural gas will remain the fuel of choice. We count on the EU Commission to continue recognizing this key role of natural gas in the Europe’s energy mix, notably in its coming Roadmap 2050. Natural gas has a role to play in the establishing of a sustainable future over the coming decades.

Therefore, gas needs political support, not political aggression.

Ladies and gentlemen the EU-Russia energy cooperation takes on various and numerous forms.

We need to share a common ambition to restore complete trust in our natural gas industry and in the supply link between Europe and Russia.

As a crucial energy supplier for Europe, Russia deserves to play a role in the EU internal energy market topic, however, under reciprocity conditions in market principles, mechanisms and opportunities, as well as equivalent environmental standards.

Thank you for your attention.