

# « The External Dimension of European Gas Supply: What is most needed? Challenges and Policies »

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## I) Eurogas is a Forum and Ambassador of the European Natural Gas industry

Eurogas is a non profit association located in Brussels

### Members:

- 30 companies
- 13 National and International Federations and Associations involved in the supply, trading and distribution of natural gas, and related activities such as storage and LNG

### Objectives:

Eurogas is promoting:

- the interests of its membership
- development of the natural gas industry in Europe
- cooperation within the gas industry
- smooth functioning of the European internal gas market
- Dialogue with producing countries



## Our Main Challenges (I)

- Security of Supply is closely linked to the “external dimension”
  - Increased dependence on external gas flows / need for dialogue with extra-EU suppliers
  - Need for new investments, both upstream and downstream: 221 Billion euros are needed in the EU gas industry until 2030
  - Europe to remain an attractive region for gas flows (competition from other developed regions and “emerging economies”)
- Sustainability
  - Natural gas as the important fuel of choice in the mix of environmentally friendly fuels to combat climate change

## Our Main Challenges (II)

- To achieve a Competitive Internal Market
  - Energy companies are key drivers for investment but need stable/supportive/legal/economic environment
  - Full and timely implementation of existing legislation
  - Effective unbundling
  - Harmonization of powers, independence & accountability of Energy Regulators
  - Cooperation between TSO's
  - The issues related to « Third Energy Package » to be analyzed => BETTER REGULATION

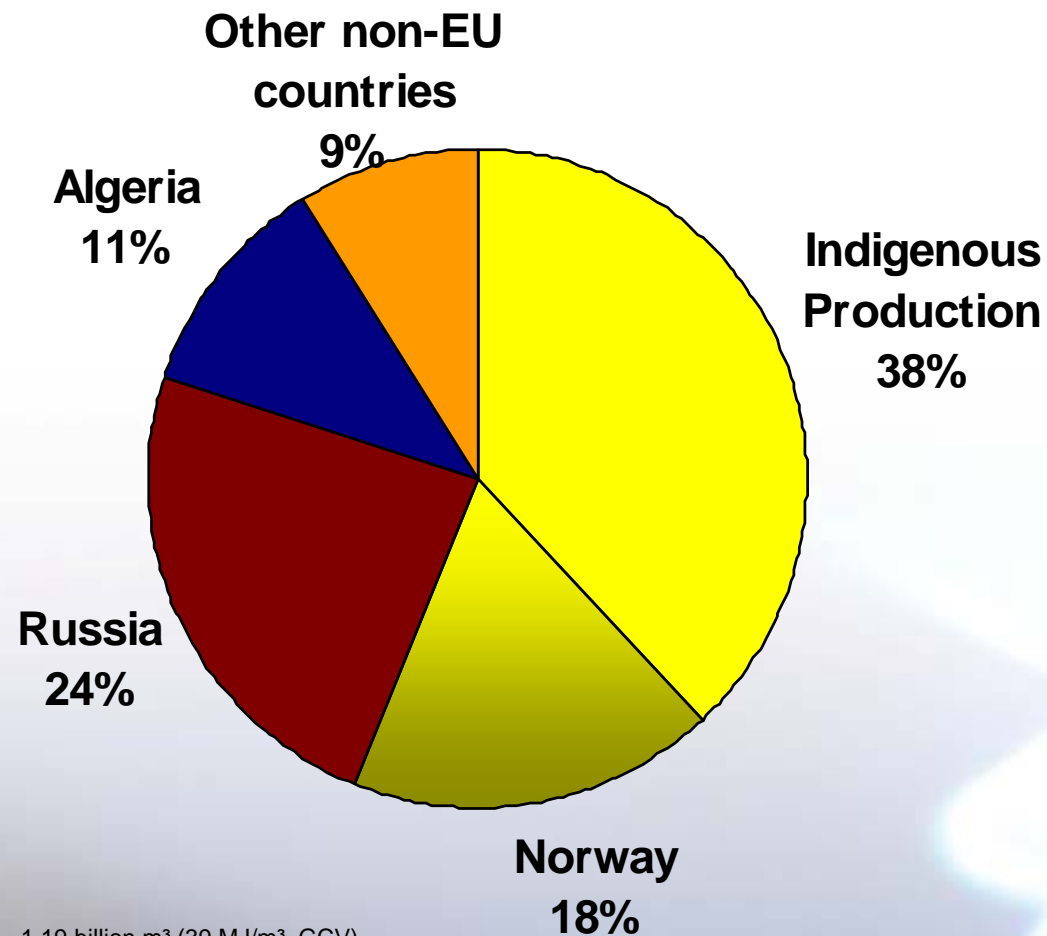
## Some IEA recent key messages (Gas Market Review 2007)

- Upstream and downstream investments remain key priorities
- Natural gas is becoming increasingly a global commodity
- Bottlenecks in upstream production and LNG liquefaction capacity tightening
- Regulatory uncertainty is the primary factor slowing down downstream investments, especially in IEA Europe
- Underlying trends of very tight markets
- Gas demand for power generation

## II) Major Trends in the European Gas industry

### EU27 Natural Gas Supplies in 2006

Total Supplies: 524 Bcm



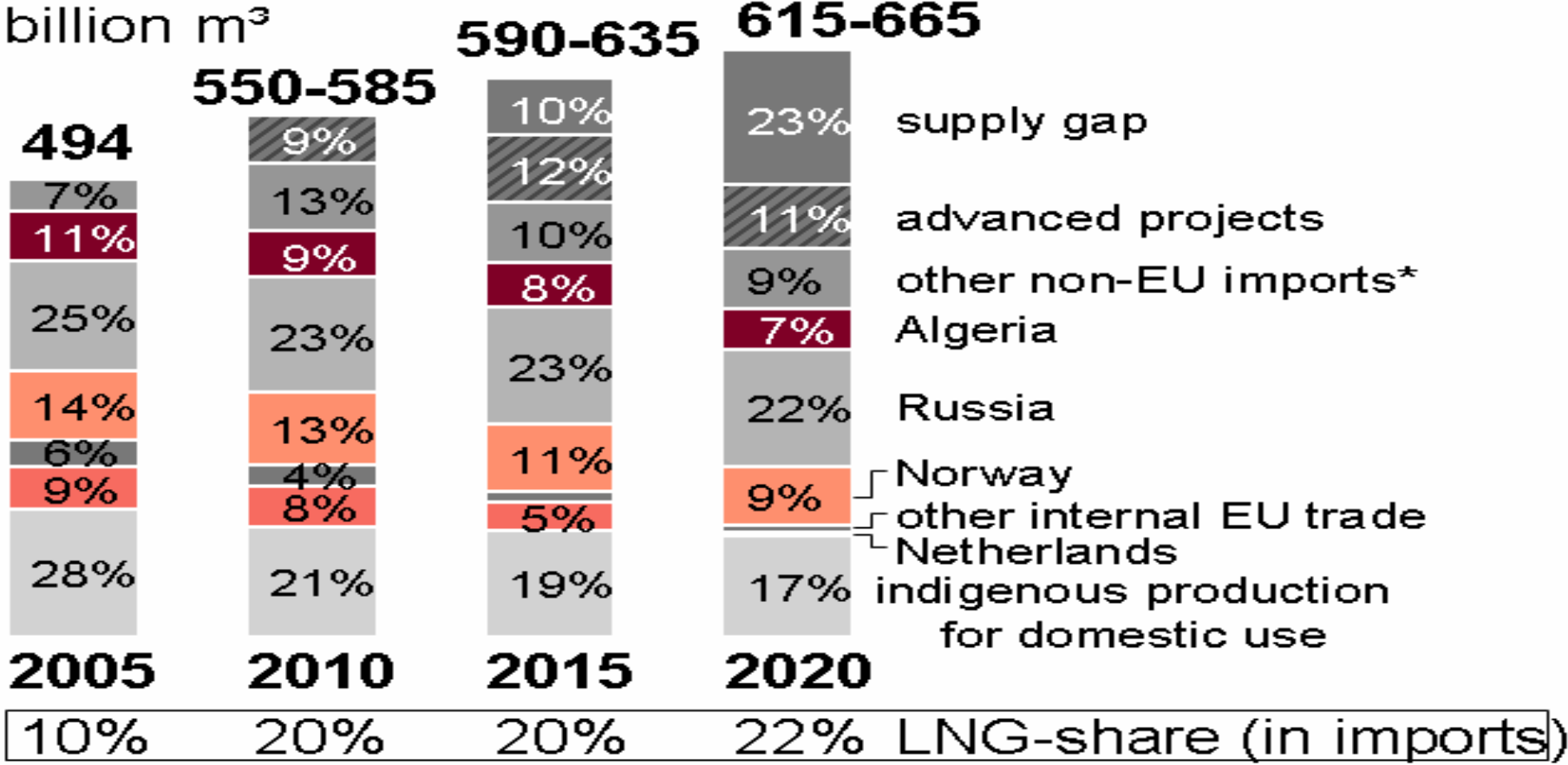
Source: E.on – Ruhrgas estimates (1Mtoe = 1,19 billion m<sup>3</sup> (39 MJ/m<sup>3</sup>, GCV)

## Gas demand trends and the decline of domestic production mean :

- Natural gas consumption in EU member states should increase by more than 40% until 2030
- **A significant increase in “Europe’s” import dependency\***
  - share of imports from outside Europe will rise from 41% in 2005 to 74% in 2030
- **Additional supplies are to be defined**
  - a major challenge in terms of sourcing and infrastructure building
  - Work already ongoing by industry to cover post-2015 needs (e.g. future LTC, spots,...)

\* “Europe” designates the EU27, Norway and Switzerland

# Development of Natural gas Supplies in EU27



provisional data for 2005  
 \* of which: Nigeria 3%, Qatar 3%  
 Basis for imports: Contracted volumes and prospective contract prolongations  
 Russia without volumes via Nord Stream which are included in advanced projects

Remark: Malta and Cyprus are not supplied with natural gas

Source: E.ON estimate

## III) How to contribute to reliable supplies to EU?

**Aim: FUNCTIONING MARKET and CUSTOMER SATISFACTION**

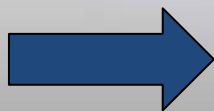
### **How?**

1. Competitiveness of EU companies (Negotiation strength VS Producers)
2. Companies portfolios
  - Long Term Contracts
  - Spot
  - Flexibility tools
  - Number of companies move both upstream and downstream
3. Diversification of sources and transit routes
4. Consistency and partnership in public/private strategies:
  - Between public and private actors
  - Between EU and producing countries

## III) How to contribute to reliable supplies to EU?

### SOME INSTITUTIONAL TOOLS

1. Better cooperation between Member States and EU => Europe should "speak with one voice" in a global energy market
2. Participation in the Gas coordination Group
3. Participation in the work of the Thematic Groups in the framework of the EU-Russia Energy Dialogue – involvement of industry
4. Example at industrial level: cooperation between Eurogas and the Russian Gas Society



**Future Strategic Partnership Agreements**

## IV) Role of the Gas Coordination Group in respect to the external dimension of natural gas policies

- Eurogas is involved in the activities of the EU Gas Co-ordination Group, set up to monitor and advise on security of supply issues
- The Gas Coordination Group is a solid platform for consultation of Member States and industry stakeholders
- Solidarity cooperation in case of severe disruptions of gas supply
- The Agenda of the latest GCG meetings reflect constant desire of the GCG members to monitor SOS situation in full cooperation with producing countries e.g. Ukraine, Byelorussia and Russia. Others may follow

### SOME QUESTIONS:

- Need for clarification of the roles of GCG and Network of External Energy Correspondents
- Need for consistency between EU and Member States

## V) External EU Energy Policy:

### Importance of Dialogue with Producers:

### Example of EU– Russia Dialogue. Existing Structure

Eurogas and other industry groups are involved in the activities of the EU - Russia Energy Dialogue Thematic Groups:

- Energy Strategies, Forecasts and Scenarios (ES)
  - Market Developments (MD)
  - Energy Efficiency (EE)
- 
- Appropriate resources and focus
  - Building confidence
  - Clarifying the legal-economic environment
  - Preparing the ground to the future partnership agreement

## VI) The Way Forward:



### **Key Points and Recommendations as Recognized by the European and Russian gas sectors in the framework of the former thematic group on trade of the EU-Russia Dialogue**

- Use and development of long term supply, storage, sales and transit contracts, spot markets
- On a « win-win » basis, developing reciprocity and access rules and mechanisms in Russia and EU in: investment, infrastructures, market and production
- Considering the development of wholesale energy trade hubs
- Looking at international cooperation instruments
- Systematic and structured basis for energy cooperation projects
- Infrastructure projects contributing to Eurasian natural gas markets
- Supportive framework for cooperation between EU and Russian operators in order to improve energy efficiency and environmental performances
- Joint permanent mechanism for resolving issues of conflict
- To develop in new joint EU-Russia Working Groups

## VII) Conclusions

- The energy partnership should provide a major and pro-active contribution to the EU-Russia Dialogue
- Industry is determined to facilitate the process
- Urgency to clarify/reinforce appropriate political and institutional framework

## Eurogas Opinion on How to Build a Secure Energy Market :

- A consistent and mutually supportive approach between internal market and external dimension policies
- Large investments need to be encouraged by legal/policy framework
- Europe level dialogues with producers and transit countries, customers areas, industry
- Cooperation between European/International Bodies (e.g. IEA, Energy Charter, etc...)

**Thank you for your attention!**

**For more information, please  
consult our web site:**

**[www.eurogas.org](http://www.eurogas.org)**