

**Energy Charter Seminar on Hydrocarbons Development
And Transportation Across Borders:
Investment, Market Structure, Integration**

**The Changing Landscape of Europe's Gas Industry:
Looking for New Supply**

London, 06 June 2008

*Presentation by Mr. Jean-Marie Devos
Eurogas Secretary General*

euro  **gas**
THE EUROPEAN UNION OF THE NATURAL GAS INDUSTRY

Members from 24 countries:
Companies
Federations
International Organisation



EUROGAS interacts with the following Stakeholders

Private European Organizations

- Industry: BUSINESSEUROPE, Cefic, OGP, Eurelectric, etc.
- Consumer organizations: IREEC, Beuc
- Energy market/hub operators
- European Energy Forum
- ...

Private International Organizations

- Industry: IGU, WEC, etc.
- NGO's: WWF, etc.
- ...

Gas Sector and Sister Associations

- GIE
- Marcogaz (Technical)
- GERG (R&D)
- EASEE Gas (Interoperability)
- Cedigaz (Statistics)
- Intergas marketing
- ...

Consumers, the Press, the Public, Academic Institutions

The EU Institutions and other bodies

- European Commission
- European Parliament
- EU Council
- Economic and Social Committee
- Committee of Regions
- ERGEG / CEER (Regulators)
- High Level Group
- Sectoral Social Affairs Committee for Gas: Eurogas/ EPSU/EMCEF

The Public International Organizations

- UN/ECE
- The International Energy Agency (IEA)
- The Energy Charter
- Others
- ...

Official Fora

- Madrid Forum
- Fossil Fuels Forum
- European Sustainable - Energy Forum

Some Key Areas of Interest for Eurogas

- Sustainable Economy and natural gas / studies, statistics and forecasts
- Competitiveness
- Security of Supply
 - *Gas Coordination Group, Berlin Fossil Fuel Forum*
 - *Relations with producing countries (EU Russia Dialogue, Norway)*
 - *Diversity of energy sources: role of natural gas in a diversified energy mix*
 - *LNG*
- Internal Market
 - *Implementation*
 - *Regulatory Forum of Madrid*
 - *Gas Regional Initiative*
 - *Third Package*
- Climate Change and Energy Efficiency – Climate/Energy package
- Customer focus
- EU Social Dialogue for Natural Gas

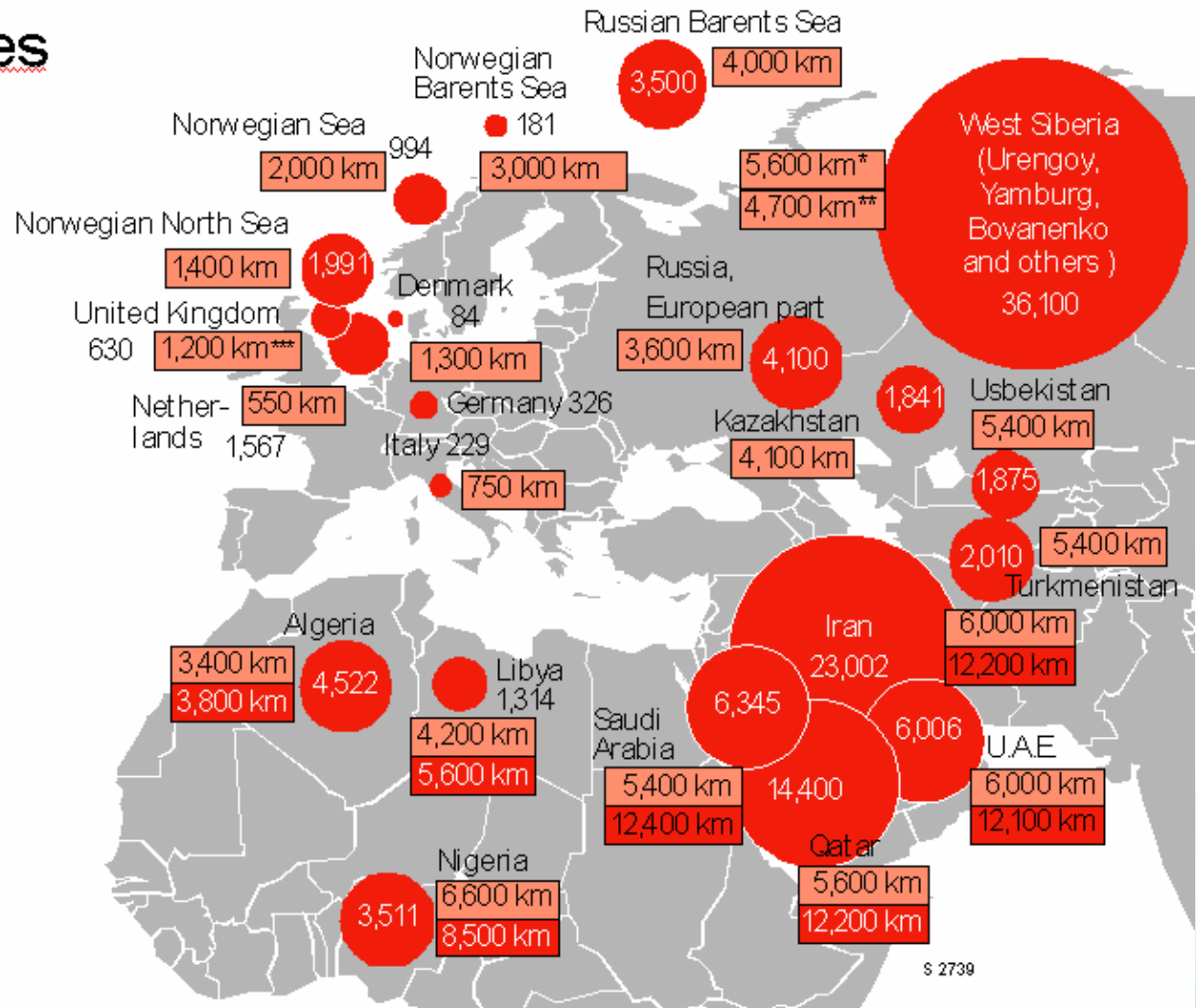
Fact and Figures

*Challenges of European Gas Industry
Dependency
Conditions for Security of Supply*

Natural Gas Reserves and Supply Distances

billion m³

Pipeline to Frankfurt/Main
LNG to Wilhelmshaven



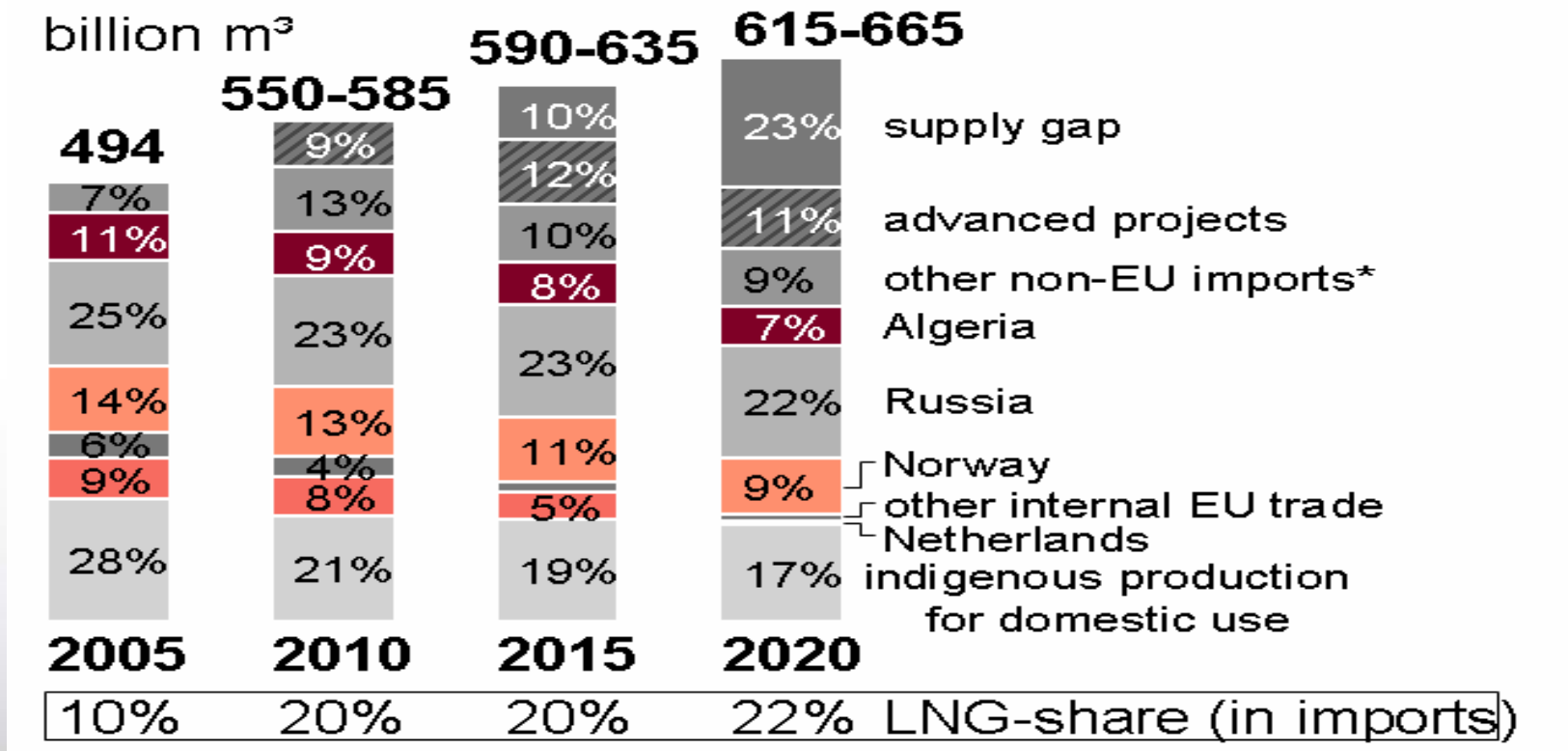
S 2739

*Yamburg Area
**Yamal Peninsula
***northern area

1 m³ = 11.5 kWh

Source for natural gas reserves: Oil and Gas Journal, Norwegian Petroleum Directorate, others

Development of natural gas supplies in EU27



provisional data for 2005

* of which: Nigeria 3%, Qatar 3%

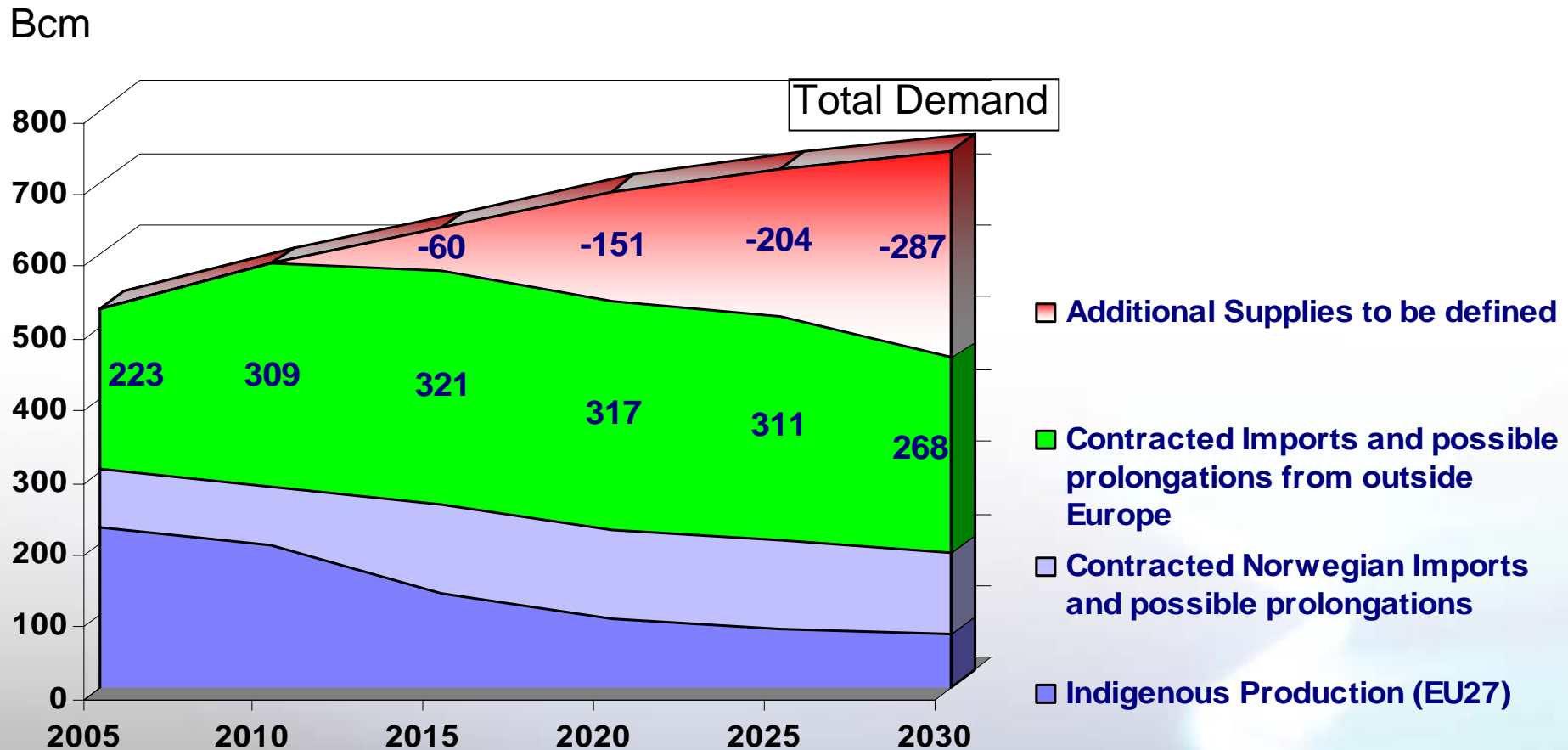
Basis for imports: Contracted volumes and prospective contract prolongations

Russia without volumes via Nord Stream which are included in advanced projects

Remark: Malta and Cyprus are not supplied with natural gas

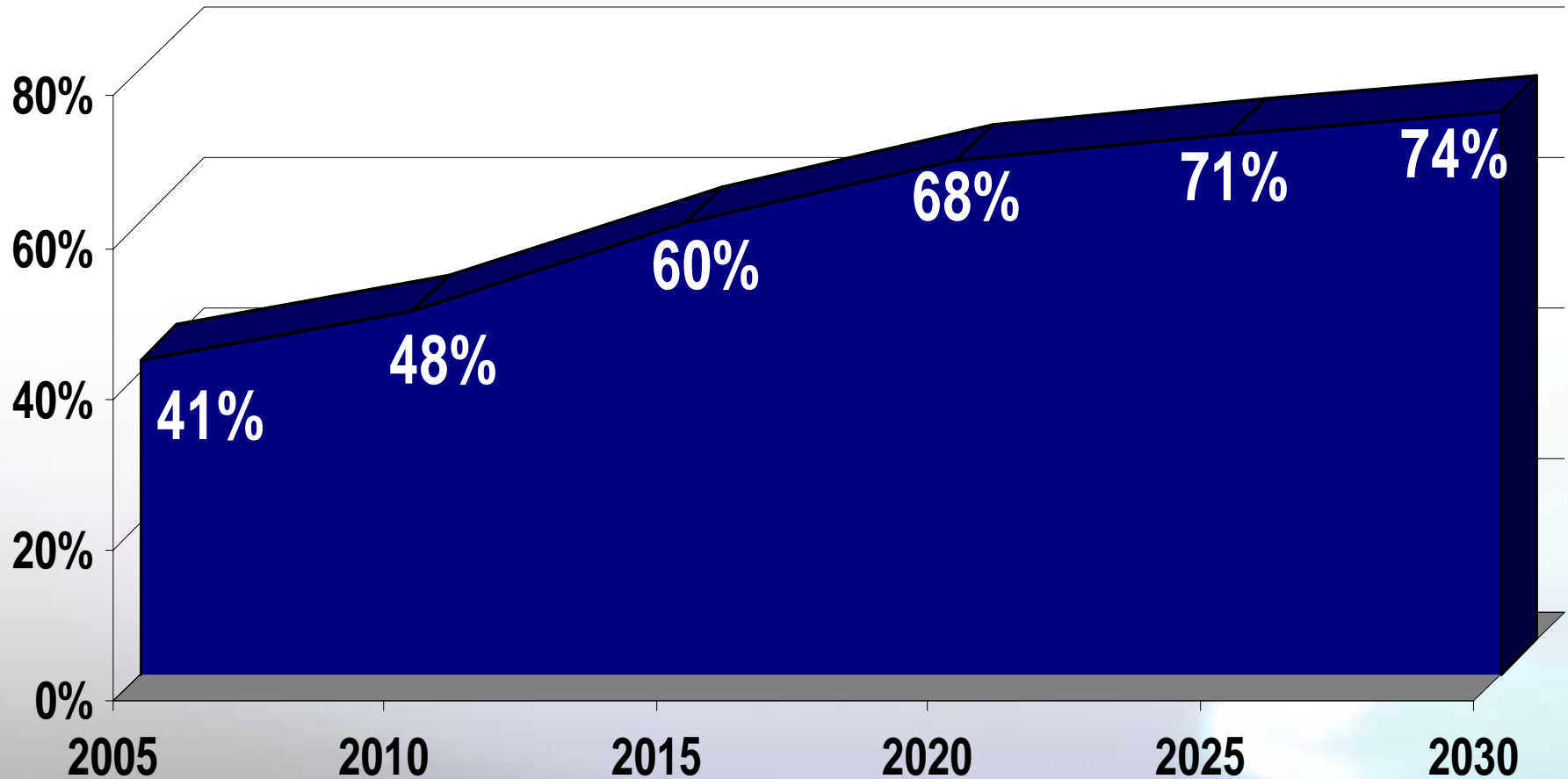
EU27 Supply/Demand Outlook

Additional supplies are needed in the long run

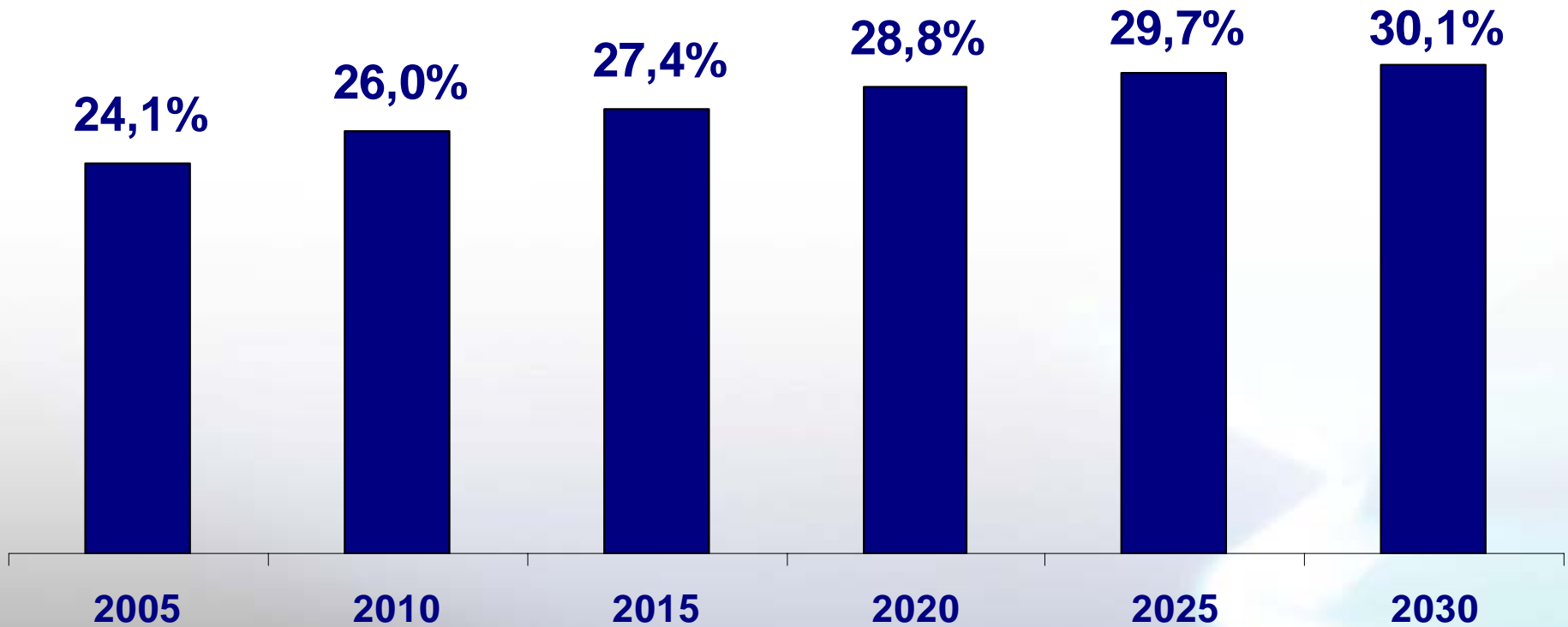


1Mtoe = 1,19 billion m³ (39 MJ/m³, GCV)

Europe (including Norway) import dependency

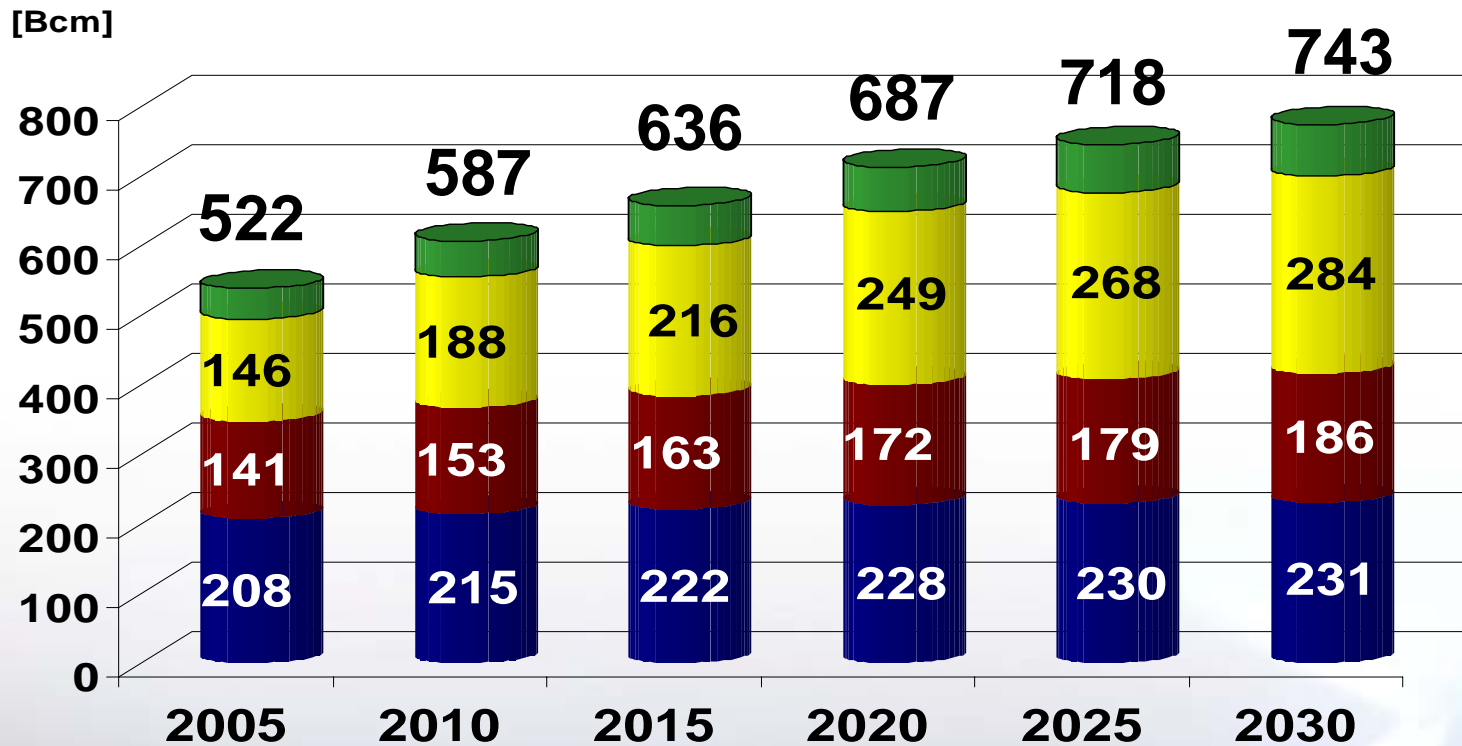


EVOLUTION OF SHARE OF NATURAL GAS in PEC in EU27



EU27 Natural Gas demand outlook per Sector

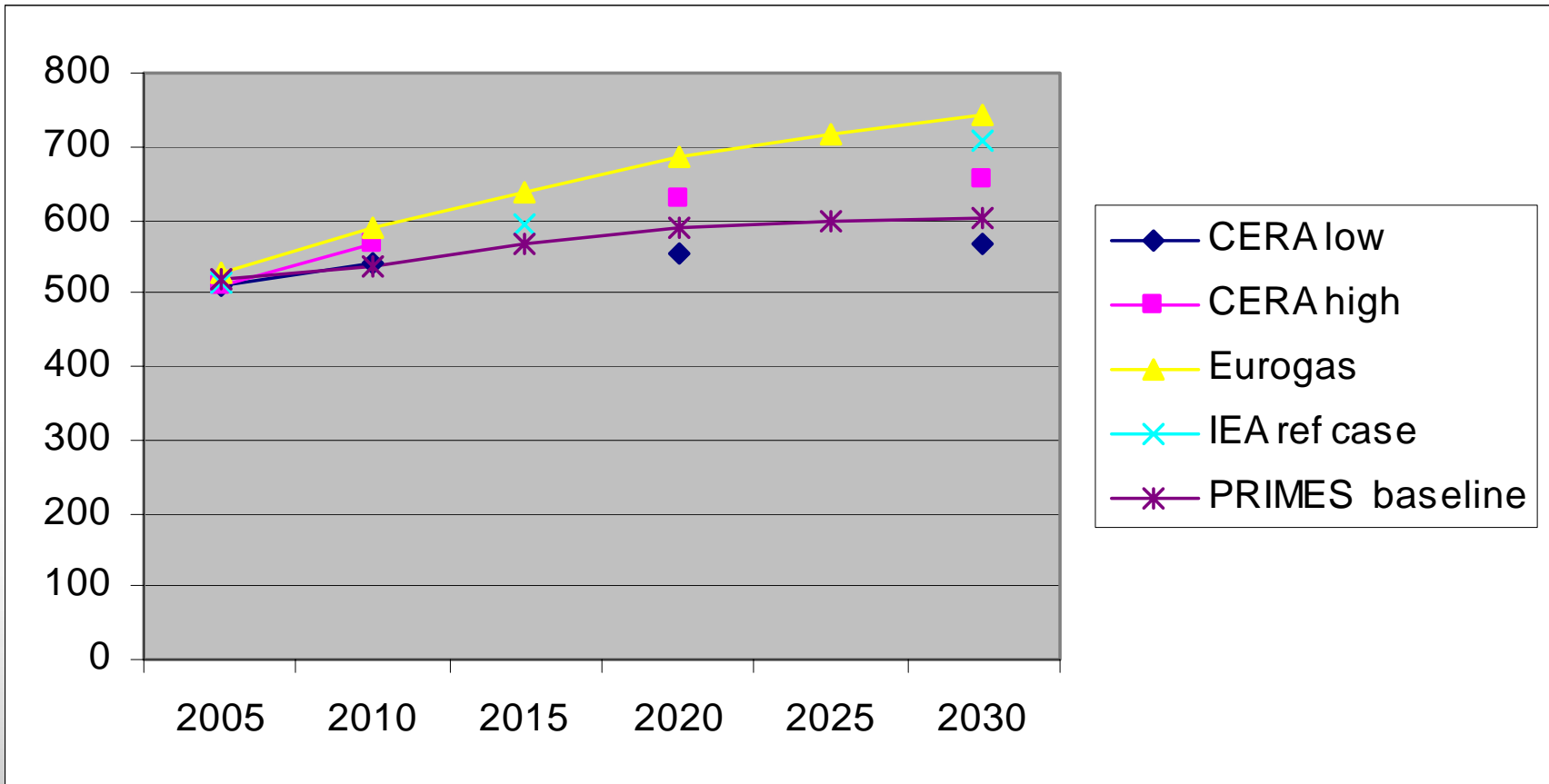
Gas demand is mainly driven by the power sector



■ Residential & Commercial
 ■ Industry
 ■ Power Generation
 ■ Others (NGV+Heat Pumps and Others)

1Mtoe = 1,19 billion m³ (39 MJ/m³, GCV)

EU-27 Natural Gas Demand Scenarios



Source: European Commission – DG TREN

Contributing to reliable supplies to EU



Meeting European Energy needs:

How?



Tools and Strategies

Institutional Response

The European Natural Gas Grid 2005



Pipelines integrated in the European system

- existing
- under construction, projected or planned

Other pipelines

- existing
- under construction, projected or planned

natural gas fields

Liquefied natural gas (LNG) receiving terminal

- in operation
- under construction or projected

The new gas “Motorways”

- Europe is already connected with key producing countries (Russia, Norway, Mediterranean zone, etc.) BUT:
- Growing Role of LNG
- Key challenges for future developments: Meeting capacities requirements
 - Commercial
 - Political (including “Nimby” factor)
 - Legal/Administrative
 - Soaring costs (steel, engineering, etc.)
- New Gas Streams: Northstream, Southstream, Nabucco, etc. and major interconnectors
(Interconnectors Greece-Italy; “TAP” project of EGL; Albania to Puglia)
- Article 22: achieving the right balance
- Key issue at Eurogas Policy Conference (Brussels, 25th September 2008)

Dialogue with Mashreq

- Key importance of new gas markets/transit routes/production areas
- Development of Policy Dialogue and Business Relations with Mashreq countries
- Support to structured dialogue between EU and Mediterranean/Mashreq areas
- Role of the Energy Charter Treaty and Cooperation/investment principles

Exemptions of Major New Infrastructures (Art. 22 of the Proposal to amend Directive 2003/55/EC)

- Encouraging investments through regulatory exemptions (TPA – Unbundling)
- Eurogas endorses the need for improvements to ensure a more harmonized approach to the current Art. 22
- Eurogas welcomes the principle of a clearer procedure for handling cross-border projects by ACER
- Infrastructure building, timing and operation should be addressed in a time scale to be proposed in each final regulatory decision, but not in the Directive itself
 - ⇒ 2 and 5 years pre-established “validity” of Commission decision to be withdrawn
- Each decision should be handled on a case by case basis

MARKET TOOLS, COMPANIES STRATEGIES

- **Competitiveness and role of market**
- **Companies portfolios => seeking economic efficiency optimisation**
 - **Long Term Contracts**
 - **Spot**
 - **Flexibility tools**
- **Number of companies move both upstream and downstream**
- **Importance of efficient network/grid systems**
- **Role of storage – The debate on “Strategic Storage”**
- **Diversification of sources and transit routes => new international MOTORWAYS**
- **Energy companies are major drivers for investment**

Contributing to reliable supplies to EU: How?

SOME INSTITUTIONAL TOOLS

Better cooperation between Member States and EU => Europe should “speak with one voice” in a global energy market **BUT** Member States, Industry and stakeholders fully involved

Contribution of Eurogas in:

- The EU Commission’s Gas Coordination Group
 - Key concern on “transit” (Belarus-Ukraine)
 - November 2008 future SOS strategy review expected / Berlin Fossil Fuels Forum

The structured dialogues with non-EU production, transit and consumers Countries



DIALOGUE WITH MASHREQ AND REGION!

Thank you for your attention

www.eurogas.org