

**EUROGAS Annual Conference
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Mr. Gertjan Lankhorst

OPENING SPEECH

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Ladies and Gentlemen,

Welcome to the EUROGAS Annual Conference 2011. My name is Gertjan Lankhorst. I am one of the EUROGAS Vice-Chairs. In another life, I am heading GasTerra.

I am very pleased to open this conference together with Herbert Reul, Member of the European Parliament and Chairman of the Committee on Industry, Research and Energy.

Who is better placed than he to make the introduction to a conference that will touch upon the most pressing issues that EU energy policy needs to address. What is on our agenda today, is - or will soon be - on the agenda of the European Parliament.

The European Parliament has started considering the Commission Communication on a low-carbon economy by 2050, which proposes to the EU to seek an 80% reduction of greenhouse gas emissions within the EU by 2050, compared with 1990.

As this relies on major developments in the energy sector, the Communication addresses energy. Curiously enough it does not mention the large contribution that natural gas can make on the way to – and in – a low-carbon economy. The European Parliament may wish to complement the Communication in this respect.

The Commission has also announced the publication of an Energy Roadmap 2050 in December this year. We understand that this will present energy technology options in the context of competitiveness and security of supply.

There are many ways to skin a cat and there are many options to reduce greenhouse gas emissions: energy efficiency, technological development and last but not least behaviour change! These are options that work on their own as well as combined. One can entail another.

What is more, these options are available today and we need not wait until tomorrow to implement them.

EUROGAS has undertaken its own in-depth research and has identified options that appear technical feasible and economically realistic to reduce greenhouse gas emissions by 80% in power generation, the residential and services sector, industry and transport.

This enables some sectors to over-perform and others to underperform, whilst an 80% reduction is still reached overall.

In the EUROGAS Roadmap 2050, the efforts undertaken in all of these sectors do not lock in any technology but leaves the flexibility required to adapt to new circumstances and technological developments.

Gas plays an important role in the options described because it instantly leads to large emissions reductions when it is used instead of higher carbon fuels. It is an ideal partner for intermittent renewable energy. Of all carbon fuels CCS is most efficiently applied to gas.

Gas-fired power generation can happen in central power stations as well as in a decentralised manner at your home. You can also fuel trucks and your car with it and achieve important emissions reductions compared with oil derived fuels.

But before you say that Eurogas has developed a Roadmap to suit gas, you should note: whilst the share of gas in primary energy consumption in this Roadmap will increase from 26% in 2010 to 32% in 2050, absolute demand will rise by some 22bcm between 2010 and 2030 and drop by no less than 82bcm between 2030 and 2050.

In other words, EUROGAS is not the fox that has been put in charge of the henhouse. We have done detailed research and this is what we have found.

Laurent David, the Chairman of the EUROGAS Forecasting Task Force, will provide you with details of our assumptions. We are also providing a brochure on the EUROGAS Roadmap 2050 in which you will find a link to more technical details.

Michael Stoppard is the commentator and the moderator of the subsequent discussion. Only last week, IHS CERA has launched its own pathways, and I look forward to hearing what he has to say about the EUROGAS Roadmap. I also invite the participants of the discussion to view the Roadmap with a critical eye. So will I, by the way. I look forward to our conversation.

Although the EUROGAS Annual Conference is our excuse to launch our Roadmap 2050, we thought that it would be a shame if we did not seize the opportunity, now that we are together, to address two other aspects that will determine the future of our energy system: investment and external energy policy.

Investment will be key to achieving the climate targets whilst securing supply. Investment is closely linked to market rules. This is why we are

asking in particular whether the way in which the internal energy market is currently being implemented is fit to stimulate investment or whether it may actually stand in its way.

There is deep distrust of the market and hence there is a tendency to regulate it rather than letting it follow its own rules. Incumbent energy companies are perceived as resisting change. Therefore, regulatory pressure is applied to make them alter their behaviour and products.

How do the companies see themselves? They unbundled their network and gas sales activities, thus cutting deeply into their basic structures. Even if ownership unbundling is not a legal requirement, networks are sold.

Companies have never let their customers down. Even during the Russia-Ukraine dispute in 2009 it was the companies who made those who suffered do so less.

Companies procure the gas from diverse sources in a mix of long-term contracts and spot purchases and they invest in underground storage – to secure supply. Many are also involved in the exploration and production of gas.

Some would say that this may well be true but that companies do not compete enough and that they do not make enough use of the new opportunities. Well, in many EU Member States you can change supplier like you can change your shirt!

Eurogas members do look forward to the full implementation of the internal market. In this, the last work is important: it must be market-based and market driven. The market should be allowed to maintain and develop the products that suit customer needs – in strong competition between the companies.

But competition is not a magic bullet in itself. It has to come along with investment: in long-term supply contracts, in pipelines, in LNG terminals, in storage, in power stations and so on. Not everybody who is keen to enter into the market is also keen to do all this.

Nigel Sisman of ENTSOG will lead the session on investment and will be joined by other experts in this field.

The third topic that we will address today is external energy policy. Eurogas welcomes the political support that the EU can lend to cross-border projects, but we caution against the EU becoming involved in the job that companies should do: commercial deals.

We also believe that for the EU to remain an attractive market for gas suppliers, the EU needs to be positive about the role that gas will play in its future energy mix.

We have asked Fabrizio Barbaso to present the Commission's vision and to explain to us why a Decision on intergovernmental agreements is necessary to realise a strong and effective policy. He has kindly agreed to discuss this further with a group of experts, led by Christian Egenhofer of the Centre for European Policy Studies (CEPS).

Finally, the Director General of DG Energy Philip Lowe will join us to present his view on the next steps that are to be taken on energy policy in the EU. It will be important that we set off in the right direction. Detailed choices can and should be made whilst we are on our way.

I wish you an interesting and fruitful day.

Mr Reul, you have the floor. Please lead the way into today's discussions.