

NATO – IPC

# Security of Supply of Natural Gas in Europe

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*Presentation by*

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## 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



**GENERAL  
ASSEMBLY**

**PRESIDENT  
Executive  
Committee  
GOVERNING  
BOARD**

**Finance Committee**

**(Wise Men Task Force)**

**SECRETARIAT GENERAL  
Coordination Mechanism**

**POLICY ISSUES Committees**

**Strategy Committee**

- Eu-Russia Task Force
- Governance Task Force
- Art. 22 Task Force
- Non EU Investment Task Force

**System User Committee**

- Liquefied Natural Gas Task Force
- European Storage Users Group
- Regional Markets Initiative Task Force
- Energy Community Task Force

**Supply and Markets  
Development Committee**

**Distribution Committee**

- DSO - Unbundling Working Group

**Joint Environment Committee**

**HIGH LEVEL ADVISORY  
Committees**

**Legal Affairs Committee**

**Statistics & Forecasting  
Committee**

- Forecasting Task Force

**Taxation Committee**

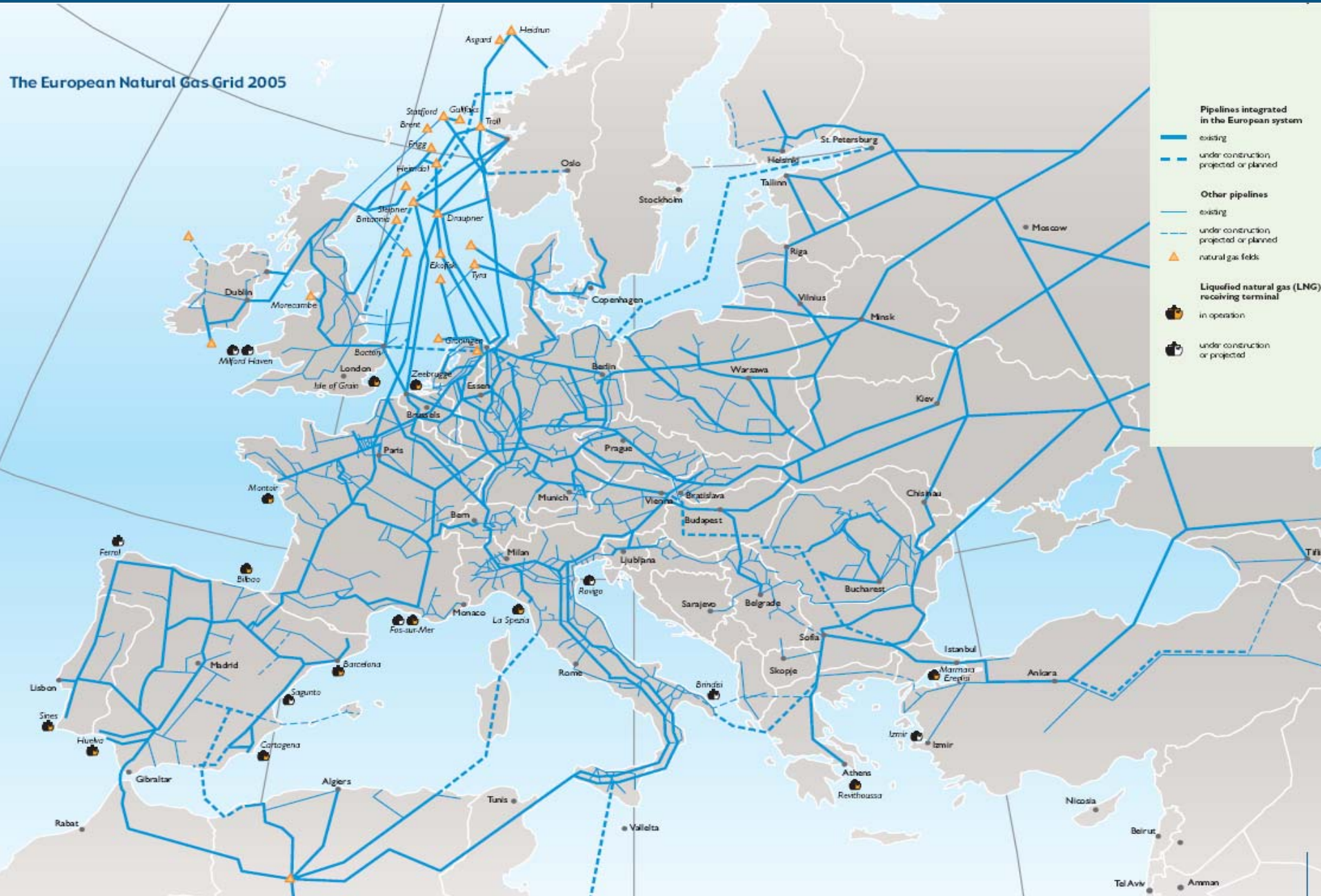
**External Communication  
Committee**

**Social Affairs Committee**

- Joint Working Group Social Affairs

**Security Officers Committee**

# 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**

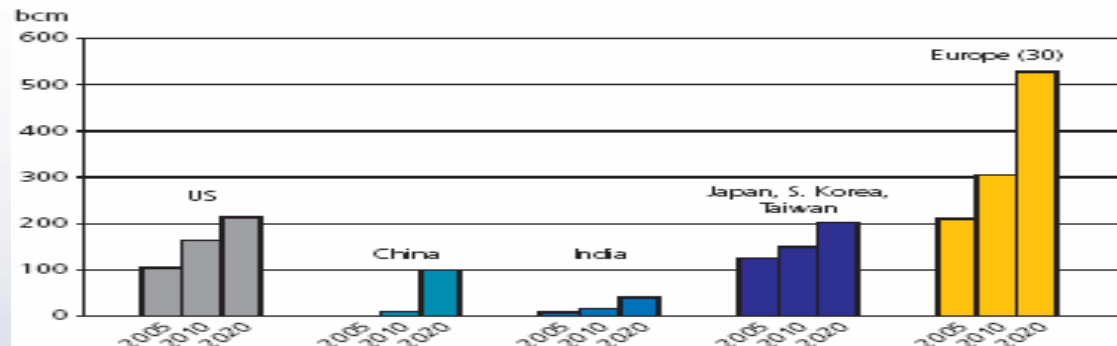
- in operation
- under construction or projected

## Our Main Challenges

- 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”)

The expected growth of import needs will boost international trade -  
Competition for gas will grow, but Europe will remain the most attractive market

Source:  
Wood Mackenzie



- Sustainability

- Natural gas as the important fuel of choice in the mix of environmentally friendly fuels to combat climate change

## Our Main Challenges (continued)

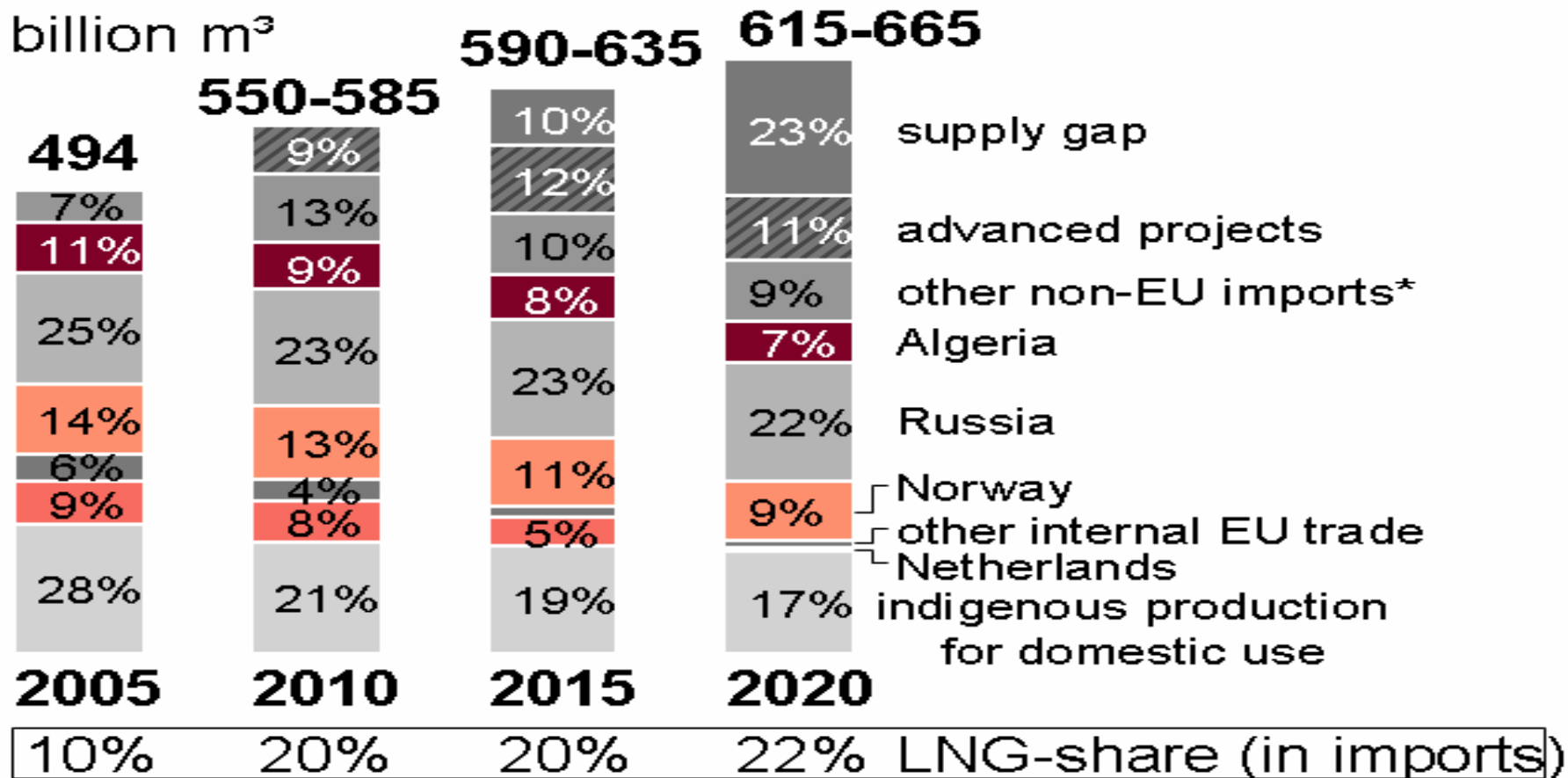
- To achieve a Competitive Internal Market
  - Energy companies are key drivers for investment but need stable/supportive/legal/economic environment
  - Full and timely implementation of existing legislation
  - Effective unbundling
  - Harmonization of powers, independence & accountability of Energy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

## 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

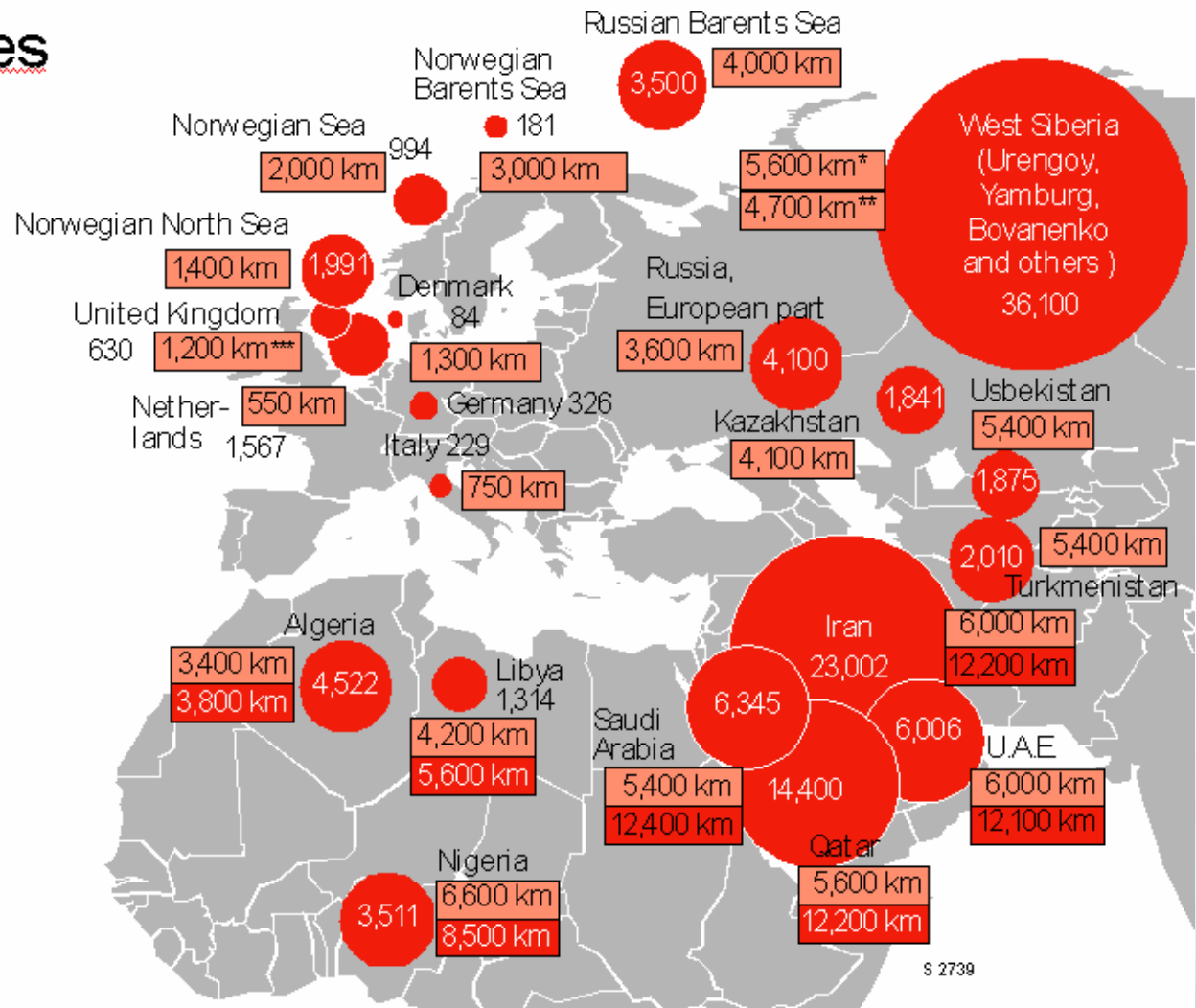
## Prospects for External Supply Sources

- **Russia**
  - is today the largest external energy supply source for EU 27 accounting 25%
  - is the natural partner for EU energy supplies but the dependence on Russian gas should not be ignored
- **Norway**
  - Today after Russia, Norway is the second most important external supply source (14%)
  - EU-Norway dialogue launched in 2007 to emphasise the important supply role of Norway
- **Central/South-West Asia and North Africa**
  - Africa : mainly Algeria (11%) but also LNG from Nigeria and Libya (Egypt - limited)
  - Central Asia - prospects depend on transport routes (Russia or Turkey)
  - South West Asia – LNG
- **LNG**
  - is increasingly competitive as more economical
  - is important for security of supply as LNG can be directed to other areas in case of disruption and/or shortage

# Natural Gas Reserves and Supply Distances

billion m<sup>3</sup>

Pipeline to Frankfurt/Main  
LNG to Wilhelmshaven



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

1 m<sup>3</sup> = 11.5 kWh  
Source for natural gas reserves: Oil and Gas Journal, Norwegian Petroleum Directorate, others

# 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

## 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. Contribution of Eurogas in the EU-Norway dialogue
5. Example at industrial level:
  1. cooperation between Eurogas and the Russian Gas Society

## 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

# 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

## EU-Norway Energy Dialogue

- created in 2007
- to deepen relations between EU and Norway
- to emphasise the important role of Norway in the security of supply issues
- to counter-balance concerns expressed on EU dependency
- Eurogas is monitoring the developments in this newly established dialogue

## 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)**