Enhancing energy security: The Eurogas perspective

Brussels, 10 February 2009

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1) **Presentation of Eurogas:**

The Ambassador of the European natural gas companies in Brussels
The organization is composed of 46 members from 26 countries:
- 33 natural gas companies,
- 12 federations of natural gas companies,
- and one international organization.
Some Key Areas of Interest for Eurogas:

Eurogas is a non-profit association located in Brussels. 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

- Sustainable Economy and natural gas
- Key studies, statistics and forecasts
- Competitiveness

- Security of Supply ➔ The Energy Strategic Review (“SEER II”)
  - Gas Coordination Group, Berlin Fossil Fuel Forum
  - Relations with producing and transit countries
  - Diversity of energy sources: role of natural gas in a diversified energy mix
  - LNG

- Internal Market ➔ The Third Energy Package
  - Implementation
  - Regulatory Forum of Madrid
  - Gas Regional Initiative

- Climate Change and Energy Efficiency – Climate/Energy package
- Customer focus – London Forum
- EU Social Dialogue for Natural Gas
2) Eurogas views on the future evolution of natural gas in EU
Breakdown of EU27 supplies in 2007

Source: Eurogas
EU27 Natural Gas demand outlook per Sector

Gas demand is mainly driven by the power sector

![Graph showing natural gas demand outlook per sector from 2005 to 2030.](image)

- Residential & Commercial: 1Mtoe = 1.19 billion m³ (39 MJ/m³, GCV)
EU27 Supply/Demand Outlook
Additional supplies are needed in the long run

**Bar Graph**
- **Total Demand**
- **Indigenous Production (EU27)**
- **Contracted Norwegian Imports** and possible prolongations
- **Contracted Imports and possible prolongations from outside Europe**
- **Additional Supplies to be defined**

1 Mtoe = 1.19 billion m³ (39 MJ/m³, GCV)
The expected growth of import needs will boost international trade - Competition for gas will grow, but Europe will remain the most attractive market.
Natural Gas reserves and supply distances

Source: E.ON Ruhrgas AG

*Yamunino Area
**Central Petroleum
***Southwest Oil

1 m³ = 1.0 kWh

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

Pipelinet to Frankfurt/Main
LNGto Wilhelmshav
3) **Second Strategic Energy Review – Focus on Security of Supply and External Relations**

⇒ **SOS and external relations should be considered together**
Views on the external EU energy policy:

Eurogas supports the EU objective of a common energy policy as long as it is “coherent (backed up by all Union policies, the Member States and industry)” and “focused (initiatives where Union,-level action can have impact in furthering its interests)”. We support the following objectives for the European energy policy:

• improving the investment climate for European companies in third countries
• promoting transparency and improved governance
• improving production and export capacities in producer countries
• improving conditions for trade through non-discriminatory transit and TPA
• enhancing physical and environmental security and infrastructure safety
• encouraging energy efficiency
• Diversifying energy imports by product and country

The points are extracted from the Commission’s Paper “An external policy to serve Europe’s energy interests”, as presented in the 30 May 2006 Council
Eurogas views on SOS

The principle elements to approach SOS should be:
- Further development of the internal market with improved interconnections
- Diversification of suppliers and supply routes to Europe
- Investments in pipelines, LNG terminals and commercial storages
- Strengthening the energy dialogues with producers and transit countries at EU level, respecting that it is the companies’ responsibility to conduct commercial relations with suppliers.

We recommend therefore the following actions:
- Present a yearly review on the status and evolution of all dialogues with third countries were energy matters are discussed;
- Establish a list of priority dialogues with the main gas producers for which the industry will be consulted and informed;
- Engage in transparent dialogues with transit countries involving the European gas industry;
- To promote the exchange of information on supply/demand forecasts in dialogues with producing countries
- Use the dialogues to focus on technology transfer and involve the European gas industry in the creation of energy technology centers
- Promote energy efficiency in the energy dialogues
4) **Recent Gas crisis and consequences**
Recent gas crisis conclusions

- Severe crisis, but effective mitigation measures taken in short time
- Special situation in countries like Bulgaria and Slovakia
- All instruments were activated by gas companies
  - Interruptible contracts
  - Storages
  - Diversification of supplies and transport routes (ex: reverse flow)
  - LNG

**Consequences:**
- Damage to natural gas image and competitiveness
- Public perception and awareness of SOS
- Companies portfolios => seeking economic efficiency optimisation
- Number of companies move both upstream and downstream
- Role of storage
- Diversification of sources and transit routes
- Energy companies are major drivers for investment

**Lessons are now drawn at industry levels**
Some first Lessons from the Crisis

Reaction of “EU System” in emergency

Impact on:
A. Multiple exchanges and coordination between public and private sectors during crisis (ex: sending monitoring mission)
B. EU perception of SOS and GCG mechanism
C. Issues:
   - Three levels: Industry – Member States - EU
   - Regional solidarity/corridors?
   - Storage
   - LNG
   - Diversification
     - Sources (transit routes and production sources)
     - Interconnections (reverse flows)
D. Need for consolidated political arrangements and contractual solutions on between Supply and Transit countries
   ➔ Need for “Long Term” institutional agreement between
     - European Union
     - Transit countries
     - Producer countries
     - An arbitration process?
     - A joint transit centre?

Industry part of the solution at all levels
5) Enhancing collaboration with INOGATE countries
**Existing EUROGAS Contacts**

Eurogas is not limited to the EU. We look to extend our cooperation:

**Via direct or associate membership**
- Turkey is a member of Eurogas (BOTAS, IZGAZ and GAZBIR)
- Qatar is an indirect member via Membership of South Hook
- RGS is an associate member of Eurogas

**Participation in bilateral dialogues:**
- EU-Norway energy dialogue
- EU-Russia energy dialogue

**Participation in Multilateral energy initiatives:**
- Energy Community, where some INOGATE members are Observers (Moldova, Ukraine and Georgia)
- Euro-Arab Mashreq Gas Co-operation Centre (EAMGCC) (Egypt, Jordan, Lebanon, Syria and Palestine)
- UNECE Working Groups
Eurogas Cooperation:

Exchange of information:
- EU affairs on Natural gas – position papers
- EU gas data
- EU forecast

Initiatives for promotion of Natural gas
- Available brochures
- Position Papers

Joint Participation in Conferences and seminars
- MASHREQ Conference in Cairo
- RGS Conference in Berlin on 19 May
- Invitation to Eurogas Annual Conference (October)

⇒ We look forward to enhancing our collaboration with the INOGATE member countries
Thank you for your attention!

www.eurogas.org