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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Working Party on Gas

Eighteenth session
Geneva, 22-23 January 2008

**REPORT OF THE WORKING PARTY ON GAS
ON ITS EIGHTEENTH SESSION**

I. Attendance

1. The eighteenth session of the Working Party on Gas was held on 22 and 23 January 2008.¹
2. The session was attended by 82 representatives from the following UNECE member States: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, France, Hungary, Italy, Moldova, Netherlands, Norway, Poland, Romania, Russian Federation, Serbia, Spain, Switzerland, Turkey, Ukraine and United States of America.
3. Representatives of Algeria and the Islamic Republic of Iran participated under Article 11 of the Commission's Terms of Reference.

¹ Official documents of the session are available at <http://documents.un.org/>
Presentations delivered at the meeting are available on the UNECE website at:
<http://www.unece.org/ie/se/wpgas.html>.

4. The following intergovernmental, non-governmental and other international institutions, companies and organizations were represented: International Organization for Standardization (ISO), International Gas Union (IGU), EUROGAS, International Association for Natural Gas Vehicles (IANGV), European Liquefied Petroleum Gas Association (AEGPL) and Marcogaz, the Technical Association of the European Gas Industry.

5. The officers of the session were as follows: Mr. Igor Ponomarenko (Ukraine), Chairman, Mr. Alexander Karasevich (Russian Federation), Vice-Chairman and Mr. Andreas Grossen, Vice-Chairman (Switzerland, not in attendance).

II. Adoption of the Agenda (Agenda item 1)

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6. The agenda was adopted.

III. Matters arising from the Sixty-second Session of the Commission related to Energy Activities and the Sixteenth Session of the Committee on Sustainable Energy related to the Working Party on Gas (Agenda item 2)

7. The Acting Director of the UNECE Sustainable Energy Division presented the results of the sixty-second session of the Commission held in April 2007. He updated delegations on the interim review of the UNECE reform, streamlining of the Sustainable Energy subprogramme, and the Commission's request to strengthen the Division's activities on energy efficiency, cleaner electricity production, energy security and diversification of energy sources. He presented the major results and decisions of the sixteenth session of the Committee on Sustainable Energy (28-30 November 2007), and its favourable review of the programme of work of the Working Party on Gas for the 2008-2009 period. He also gave information on the UNECE mobility exercise which had resulted in reassignment of duties within the Sustainable Energy Division, including a new secretary of the Working Party on Gas.

8. Decision: To take note of the information provided by the secretariat.

IV. Review of the Activities of other Subsidiary Bodies of the Committee on Sustainable Energy (Agenda item 3)

9. The secretariat made presentations on the following projects: Gas Centre, review of the progress achieved in the implementation of the United Nations Framework Classification and the UNECE Coal Mine Methane Programme, Energy Efficiency – 21 Project – an update, and Clean Electricity Production from Coal and other Fossil Fuels.

10. A representative of the UNECE Trade and Timber Division informed the meeting on plans to establish a task force, under the Working Party on Regulatory Cooperation and Standardization Policies, on pipeline safety with the goal of introducing common transnational safety requirements. He invited delegations to comment on the forthcoming proposal regarding the Task Force and related Terms of Reference in so far as it applies to gas transmission and gas distribution pipelines.

11. Decisions:

(a) To thank the secretariat for the information on the projects currently underway by various subsidiary bodies of the Committee on Sustainable Energy;

(b) To thank Governments, companies, enterprises and institutions for their long-standing active support of these activities;

(c) To take note of the information provided by the UNECE Trade and Timber Division relating to the establishment of a task force on pipeline safety.

V. Round Table on the Role of liquefied Natural Gas (LNG) to enhance Energy Security in the UNECE Region (Agenda item 4)

12. A Round Table was organized during the session of the Working Party. The following panellists took part: Mr. Sergey Korovin (Deputy Director of Department, Gazprom, Russian Federation), Mr. Otto Granli (Vice-President, StatoilHydro, Norway), Mrs. Margot Loudon (Deputy Secretary General, Eurogas, Belgium), Mr. Francisco de la Flor (Director of Regulation, ENAGAS, Spain), Mr. Ben Schlesinger (President, BSA Inc., USA), Mr. Ahmed Mazighi (Director of Department, Sonatrach, Algeria) and Mr. Eduardo Herraiz (LNG Project Manager, Gas Natural, Spain).

VI. Current Developments and medium and long-Term Prospects and Policies in the Gas Industry, including Trade of Gas (Agenda item 5)

(a) International Week of Rational Use and Distribution of Gas:

13. The delegate from the Russian Federation made a comprehensive presentation of the International Forum entitled “International Week of Rational Use and Distribution of Gas”, held on 25-28 September 2007 in Moscow. Attended by more than 4000 participants from the Russian Federation, Central Asia and Europe, in total 20 countries, the Forum was structured into three major events: the International Conference “Efficient Gas Distribution and Utilization”; the Fifth International Specialized Exhibition of Gas Supply and Efficient Usage of Gas (Gas SUF–2007); and the IGU Meetings of Working Committee Number Four (WOC4) “Distribution”, Working Committee Number Five (WOC5) “Utilization” and Task Force on Supply and Development. The Forum provided many insights into the current technological, economic and environmental developments related to natural gas use and distribution with a promise to contribute to the increased

efficiency of natural gas use in particular in the Russian Federation and Central Asian states. If they materialize, these natural gas savings could be directed towards exports to Europe and therefore enhance the energy security of this part of the UNECE region. The delegate also thanked the UNECE for the support in the organisation of the International Conference and contribution to its programme.

(b) Review of the gas situation and prospects in the UNECE region:

14. Twelve countries presented reports on the gas situation and prospects in the UNECE region: Bulgaria, Croatia, Czech Republic, Hungary, Italy, Poland, Romania, Russian Federation, Serbia, Spain, Turkey and Ukraine. All the statements described dynamic development in the national gas industries with many new projects planned all along the natural gas chain. The general impression was that the ongoing investments and concluded export or import contracts will be able to support the current growing trend of natural gas consumption in the years to come with considerable benefits for natural gas consumers.

(c) New Developments in the European and world market of Natural Gas Vehicles (NGVs)

15. The Vice-President of the International Association for Natural Gas Vehicles (IANGV) made a comprehensive presentation of the key trends in the use of natural gas in the road transport sector. He mentioned that today in the world about nine per cent of all motor road vehicles were fuelled by natural gas with 750,000 such vehicles in Europe. After demonstrating the very strong growth in the number of road motor vehicles fuelled by natural gas in the world as well as in Europe, he discussed the key economic thresholds which would need to be passed so that the economic logic would further support the sector's growth. In Europe one of these is the number of vehicles per one fuel station (between 600-1000 vehicles). Italy and Bulgaria are currently the only countries with more than 600 vehicles per one natural gas station and this despite the fact that natural gas prices in Europe are between 25 and 78 per cent of the price of gasoline. He also elaborated on the prospects for a wider use of biogas and biomethane as car fuel. While in principle a wider use of biogas, i.e. gas produced from waste, could be beneficial for many economies, there were many regulatory and fiscal obstacles. He invited the Working Party on Gas and UNECE member States to begin looking seriously into this alternative car fuel.

(d) European gas industry policy concerning the development of regulations and standardization in the field of gas pipelines

16. The Secretary-General of the Technical Association of the European Natural Gas Industry (Marcogaz) made a presentation on development and standardization in the field of natural gas pipelines. Noting that a reliable and safe gas supply was essential to modern society, he underlined that the European Gas Industry had always been pro-active concerning safety issues by producing and using high level safety standards, developing appropriate Safety Management Systems, promoting and financing innovations through R&D. In this framework, related standards of ISO and

the European Committee for Standardization (CEN) support uninterrupted operation of the pipeline networks in Europe which measure over 20,000 kilometres. The basic standard EN 1594 covers all aspects concerning the design, construction and operation of safe high pressure gas transmission pipelines (MOP>16 bar). It should be noted that it is a functional standard, established for the user (gas system operator) and not for the producer. The result of such a rigorous technical regulation is that gas pipelines are by far the safest way to transport energy. Based on the available statistics, the main threat to pipelines in Europe is third party damage, which means that actions should be carried out with all the interested parties to reduce this risk.

17. The Head of the Pipeline Safety Division from the Federal Environmental, Industrial and Nuclear Supervision Service of the Russian Federation spoke on how to improve overall safety performance of transboundary pipelines in the Commonwealth of Independent States (mainly the Russian Federation and neighbouring Central Asian States). Based on proven successful solutions for safety, trying to utilize existing programmes and integrate known best practices, he advocated the creation of a forum within the UNECE Working Party on Regulatory Cooperation and Standardization Policies to address the issues mentioned.

18. Decisions:

(a) To thank Governments and other organizations for the information they provided regarding developments in gas industries and gas markets;

(b) To request the secretariat to post the presentations made by representatives of Governments and other international organizations on the website of the Working Party on Gas.

VII. Ad Hoc Group of Experts on the Supply and Use of Gas (Agenda item 6)

19. Decisions:

(a) To take note of the information provided by the Chairman of the Ad Hoc Group of Experts and by the secretariat;

(b) To take note with appreciation of the Chairman's progress report on the study on Gas Saving to Reduce Natural Gas Demand and Enhance Energy Security, which is implemented by the Ad Hoc Group of Experts and the Working Party on Gas. The study is examining the experience and mechanisms of effective energy and gas use in West European countries and their possible relevance for the development of practical recommendations for effective gas and energy use increase for the Russian Federation, Eastern Europe and CIS countries;

(c) To thank the Chairman for the organization of the meeting of the Task Force on the Gas Savings Study held in Moscow in March 2007 on this issue;

(d) To express satisfaction with the work carried out by the Ad Hoc Group of Experts;

(e) To approve the report and programme of work of the Ad Hoc Group of Experts on the Supply and Use of Gas.

VIII. Overview of the Activities of other International Organizations in the Field of Gas (Agenda item 7)

20. Representatives of the following international organizations, associations, public and private companies presented their activities in the field of natural gas and liquefied petroleum gas: International Gas Union (IGU), EUROGAS and International Natural Gas Vehicles Association (INGVA). Selected presentations can be found at: <http://www.unece.org/ie/se/wpgas.html>.

21. The Secretary-General of IGU offered a review of the current status of the IGU, a globalized natural gas market as well as the constructive role which natural gas could play in improving the environmental performance of the energy sector. The IGU has grown into a worldwide organization with considerable networking, organizational and research capacities. Its wide reach and comprehensive knowledge of the business have made it a major player in promoting a steady and beneficial growth of natural gas consumption worldwide. The global reach of the IGU coincides with the globalization of the natural gas industry. While in the past natural gas markets tended to be regional, several new factors such as the sharp increase in LNG supply are transforming it into a truly global market. This global positioning also favours the comparatively favourable impact on the environment which natural gas consumption could have when compared with other mainstream fuels.

22. The Deputy-Secretary-General of EUROGAS offered a brief overview of the main activities of EUROGAS in 2007. They include preparation of position papers on the internal gas market, contribution to ERGEG Consultations on, inter alia , secondary markets, calculation of available capacities, gas regional initiative coherence and convergence, participation in the three Gas Regional Initiatives of ERGEG, and other regulatory forums as well as participation in the EU-Russia dialogue process and cooperation with the Russian Gas Society. Eurogas also participates in the Commission-organized Gas Coordination Group and is involved in the Energy Community process .

23. Decision: To thank representatives of other international organizations and associations for the information on their activities in the field of natural gas.

IX. Future Activities of the Working Party (Agenda item 8)

(a) Programme of work for 2008-2011:

24. Decisions:

- (i) Within the proposed programme of work, to approve the proposal by the Chairman of the Ad Hoc Group of Experts on the Supply and Use of Gas, to launch the work in three new areas: current status and prospects for liquefied natural gas (LNG) in the UNECE region, update of the UNECE Study on “Underground Gas Storage In Europe and Central Asia”, and assessment of the impact of the liberalization of the natural gas markets on gas demand and prices, as well as to contribute to the ongoing energy security study of the Committee on Sustainable Energy;
 - (ii) To accept the offer of the representatives of Italy, Spain and IGU to take the lead in preparing the study of current status and prospects for LNG in the UNECE region;
 - (iii) To request the delegations from Hungary and Romania to take the initiative for the update of the underground gas storage project;
 - (iv) To request the secretariat to contact EUROGAS, in view of seeking their cooperation together with PROMGAZ (Moscow, Russian Federation) to support the work on the assessment of the liberalization of the natural gas markets on gas demand and prices within the Study on Gas Saving to Reduce Natural Gas Demand and Enhance Energy Security;
 - (v) To organize at the next session of Working Party on Gas in January 2009 two half-day sessions on issues related to LNG and underground gas storage.
 - (vi) To approve the programme of work of the Working Party (ECE/ENERGY/WP.3/2008/6).
- (b) Provisional calendar of meetings for 2009:

25. Decision: To approve the provisional calendar of meetings for 2009 (ECE/ENERGY/WP.3/2008/5):

- (i) Gas Centre meeting, 19 January 2009;
- (ii) Working Party on Gas, nineteenth session, 20-21 January 2009;
- (iii) Ad Hoc Group of Experts on the Supply and Use of Gas, tenth session, 22 January 2009.

and to encourage the participation of delegates from UNECE member States at the 27th International Petroleum & Gas Conference and Exhibition, in Siofok, Hungary, 16-19 September 2008, organized by MOL, Hungary.

X. Election of Officers (Agenda item 9)

26. The Working Party elected its officers for the nineteenth session as follows: Chairman: Mr. Alexander Karasevich (Russian Federation); First Vice-Chairman: Mr. Igor Ponomarenko (Ukraine); Vice-Chairmen: Mr. Gheorghe Radu (Romania) and Mr. Andreas Grossen (Switzerland).

XI. Adoption of the Report (Agenda item 10)

27. The Working Party adopted the report of its eighteenth session on 23 January 2008.

ANNEX

PROGRAMME OF WORK 2008-2011

PROGRAMME ELEMENT 06.1.4

ECONOMIC REFORMS AND RESTRUCTURING IN CENTRAL AND EASTERN EUROPE AND THEIR IMPLICATIONS AND SIGNIFICANCE FOR GAS MARKETS AND THE GAS INDUSTRY IN THE UNECE REGION

Description: Problems and issues associated with the creation of, transition to, and operation of a market-oriented gas industry and gas enterprises, institutional factors, promotion of investment opportunities and adjustment to economic and social needs.

Work to be undertaken: Exchange of information and experience, improvement of contacts and exchange of technical and economic knowledge, preparation of reports and studies on specific issues, promoting and strengthening of cooperation with other international governmental and non-governmental organizations, holding of workshops, seminars, informal meetings, etc.

Specific subjects for workshops or informal meetings may focus on market instruments of market-oriented gas industries, and basic principles of transition to market-oriented economies.

06.1.4.1 Promotion and development of a market-based gas industry in economies in transition (1994-2009)

Description: Exchange of knowledge, experience and information on a systematic, cooperative and coordinated basis between gas industries and Governments on market-based policies, regulatory framework, instruments and principles in the gas industry. Exchange of information, views and experience on the development, application and adaptation of gas pricing principles and practices in a market-oriented gas industry, including factors related to market adaptation of gas enterprises. Study of latest developments in gas industries, such as liberalization and privatization.

Work to be undertaken: A detailed programme of work is approved by the Executive Board of the Gas Centre at its annual meetings.

PROGRAMME ELEMENT 06.5.4:

DEVELOPMENTS IN THE GAS INDUSTRY, INCLUDING TRADE AND INTERCONNECTIONS/EXTENSION OF GAS NETWORKS

06.5.4.1 Future role of gas (natural gas and liquid petroleum gas (LPG)) in meeting energy requirements (continuing)

Description: Periodic examination of problems associated with gas (natural and LPG) markets, their development and supply prospects, the future role of gas in meeting the energy requirements of the UNECE region, including national policies affecting energy and gas in particular, and fuel substitution. Identification of specific issues for intergovernmental cooperation.

Work to be undertaken: Quantitative analysis and assessment of gas supply and demand; identification of issues for intergovernmental cooperation, consideration of problems relating to the following: prospects of gas industry growth and adjustments to market conditions and fuel competition, the position of gas versus other forms of energy in the overall energy balance and evaluation and assessment of fuel competition. Periodic organization of symposia, seminars, informal meetings and workshops on the subject.

06.5.4.2 Developments in gas availabilities and consumption (continuing)

Description: Consideration of the gas situation in the UNECE region and its prospects. Exchange of views on annual developments of gas markets, factors affecting gas marketing availability of indigenous supplies, forecast of gas demand and other points of interest.

Work to be undertaken: At its annual sessions, the Working Party on Gas considers the information provided by Governments and reviews the gas situation and gas markets in the UNECE region, including reports of interest by other governmental and non-governmental organizations.

06.5.4.3 Current status and prospects for liquefied natural gas (LNG) in the UNECE region

Description: Consideration of the current status of liquefied natural gas market in the UNECE region and its prospects. Exchange of views on annual developments of LNG markets, factors affecting LNG marketing availability, forecast of LNG demand and other points of interest.

Work to be undertaken: Set-up a Task Force, to hold preparatory meeting to consider scope and approve a work plan and time table.

06.5.4.4 Underground storage of gas in Europe and Central Asia (continuing)

Description: Consideration of all ranges of issues, including economic issues related to the underground storage of natural gas and LPG, assessment of existing storage availabilities and long-term projections with regard to underground storage developments.

Work to be undertaken: Set-up a Task Force, to hold preparatory meeting to consider scope and approve a work plan and time table.

06.5.4.5 Interconnections and extension of gas networks in Europe (continuing)

Description: To study existing and future requirements of gas pipeline networks in Europe in the further development of gas markets and trade in Europe, and measures to promote and develop such interconnections/extension, including infrastructure developments related to the LPG industry.

Work to be undertaken: To discuss future work on this topic.

06.5.4.6 Use of gaseous fuels for motor vehicles (continuing)

Description: Consideration of further steps in the development of the Blue Corridor project on the use of natural gas as a motor fuel in international freight and passenger traffic. At the annual sessions of the Working Party on Gas organization of discussions on this topic together with representatives of other international organizations working in this field.

Work to be undertaken: To consider at annual sessions recent developments in European and world market of gas driven vehicles.

06.5.4.7 Natural gas and environment (continuing)

Description: Study of various aspects of the interrelationship between natural gas and environment.

Work to be undertaken: Consideration of this topic at the annual sessions of the Working Party.

PROGRAMME ELEMENT 06.5.5

ASSESSMENT OF NATURAL GAS RESOURCES, INCLUDING GEOLOGICAL AND GEOPHYSICAL METHODS OF PROSPECTING FOR NATURAL GAS (continuing)

Description: Assessment and evaluation of natural gas resources, reserves and production.

Work to be undertaken: To collect data, through the questionnaire on “Natural gas – reserves, resources and exploration and development prospects in the UNECE region”.

PROGRAMME ELEMENT 06.5.6

GAS TRANSPORTATION SYSTEMS, STORAGE AND RATIONAL USE OF GAS (continuing)

06.5.6.1 Construction, management and maintenance of gas transmission systems: diagnostics of gas transmission lines - Diagnostics of Gas Transportation Lines and Risk Management (2004-2009)

Description: Study of various methods and techniques applied in the diagnostics of high-pressure gas pipelines in different countries.

Work to be undertaken: To consider a draft consolidated report at the next session of the Ad Hoc Group of Experts.

06.5.6.2 Safety of natural gas transportation (comprises previous separate activities of Methods for detection of gas leakages during gas industry operations and Gas networks balancing) (2005-2009)

Description: Review of new methods and techniques used for detection of gas leakages during its production, transport, storage and use as well as in enhancing pipeline safety and exchange of experience in balancing of gas transportation networks as an instrument to enhance security of gas supply.

Work to be undertaken: Consideration of replies to the questionnaires and draft reports and to decide on future work on this topic

06.5.6.3 Technological and ecological norms required for the design and operation of gas distribution networks

Description: Review of existing norms, standards and techniques related to the design, construction and operation of gas distribution networks and household gas appliances.

Work to be undertaken: To suspend work on this topic.

06.5.6.4 Existing standards and regulations on permissible concentrations of harmful components in gaseous fuels and gaseous fuels combustion products

Description: Review and study of standards and regulations applied in countries.

Work to be undertaken: To suspend work on this topic.

06.5.6.5 Technological standards and norms required for design and operation of NGV filling stations (2002-2009)

Description: Inventory of existing standards (national and international) on compressed natural gas filling stations.

Work to be undertaken: To invite a representative from VNIIGAZ, Russian Federation to present a draft report on this topic at the next session.

06.5.6.6 Gas saving to reduce natural gas demand and enhance energy security (2007-2009)

Description: Assessment of the potential for gas saving through technical, economic and regulatory mechanisms and its influence on gas demand elasticity and energy security in UNECE countries in cooperation with Eurogas.

Work to be undertaken: To review progress achieved in the implementation of the study at the next session of the Ad Hoc Group of Experts.

06.5.6.7 Update of the WPG Study on “Underground Gas Storage In Europe and Central Asia” elaborated in 1996-1999 by the special Task Force set up by the WPG and the Gas Centre (2008-2011)

Description: To prepare the work on the update of the Study on “Underground Gas Storage In Europe and Central Asia”

Work to be undertaken: To create conditions for the launch of the update of the Study on “Underground Gas Storage In Europe and Central Asia” and carry it out. To establish a team, which will lead this activity. To include in the new outline of the study questionnaire “Underground gas storage facilities operating in gas hydrostatic overpressure” presented by a representative from RWE TransgasNET (Czech Republic).
