

# Priorities for the EU Gas Industry

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# Who we are

## Eurogas Members

- 35 Companies
- 12 National Associations
- 2 International Associations

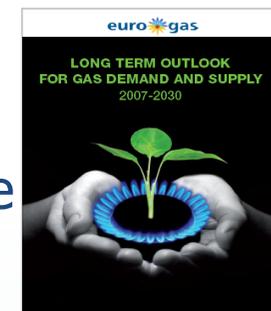


# What we do

- Provide early stage input and advice to EU energy policy makers
  - Commission-led forums (Madrid, London, Bucharest, Berlin)
  - Provide expertise to Commission and Parliament staff

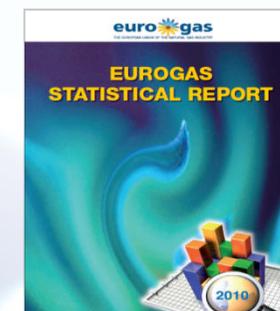


- Industry voice and contacts on Gas Coordination Group



- Industry analysis and comment on detailed legislative drafts

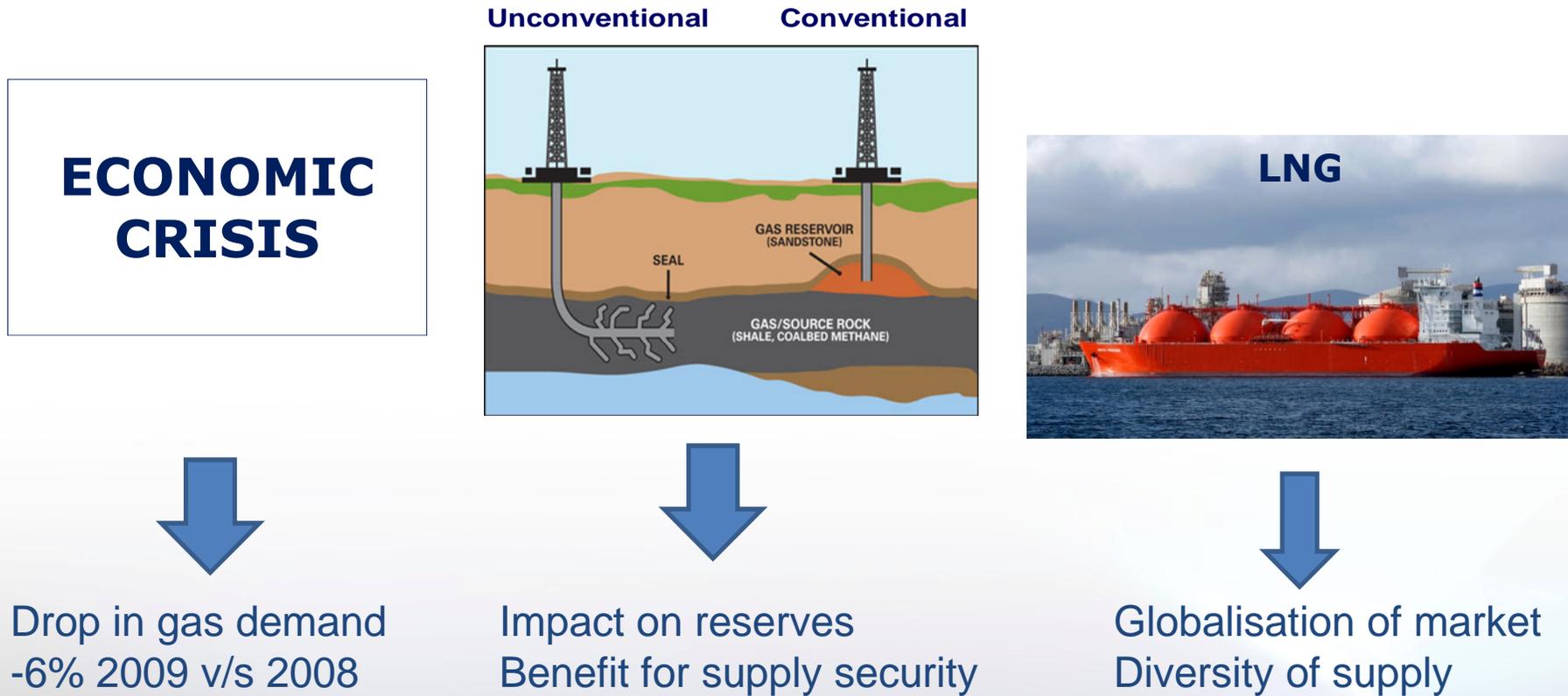
- EU Social Dialogue for Natural Gas



# Current context

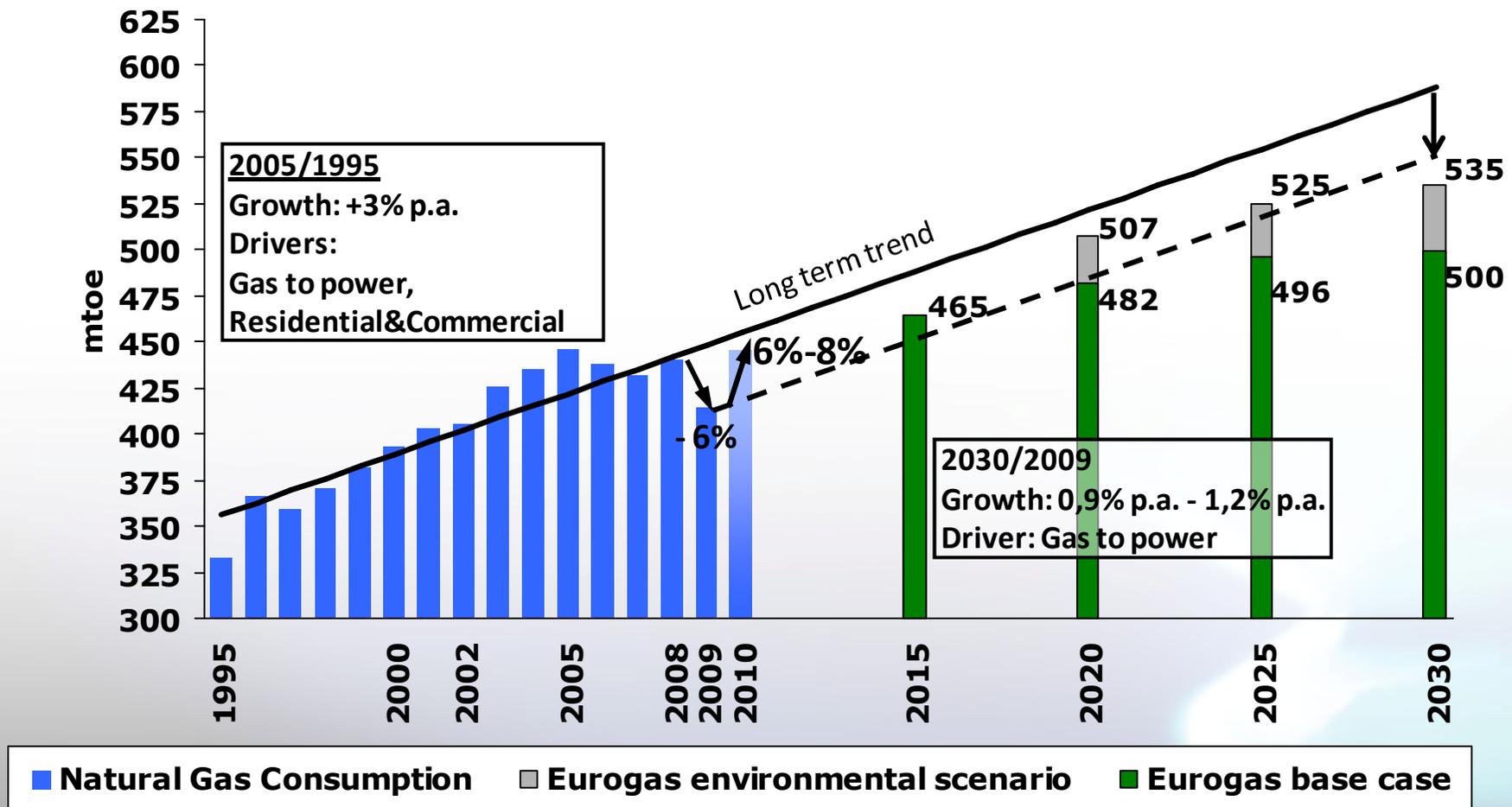


2009 and 2010 were challenging years for the gas industry



....market issues tend to dominate company thinking:  
2009 decline and 2010 recovery of demand—but still a surplus supply of gas  
Renegotiation of LT import contracts to reflect reality of Europe in the globalizing gas market

# In the medium and long term natural gas has a key role to play



## Some Priority Issues for 2011

- Roadmap 2050
- Energy Markets and Financial Regulation
- Gas Market Target Model
- Internal Market: Framework Guidelines and Network Codes
- Infrastructure
- External Energy Policy

# Roadmap 2050



EC is looking at ways to decrease global greenhouse gas emissions at least by 50% compared to 1990 levels (with developed countries reaching up to 80-95% of reductions) by 2050 from 2 Perspectives

## **DG CLIMA (Climate Action Directorate General)**

Organised public consultation last year (Oct-Dec)

3/03 - Communication on Roadmap for low carbon economy by 2050

## **Directorate General for Energy**

Public consultation ongoing until 7/03

Different pathways (4?) to reach low carbon future (innovation,..)

⇒ 2-3/05 Informal Energy ministers meeting on Roadmap

⇒ Oct-Nov: Publication of Energy Roadmap 2050

## **Eurogas**

- Currently working on Answer to EC public consultation
  - Considerations whether necessary to prepare its own Roadmap
- ⇒ Advocacy for political support for role of natural gas

## Energy markets and financial regulation

- Tailor-made regime for wholesale energy markets preferred (REMIT)
- New financial legislation (MiFID, EMIR, MAD, CAD) will have an impact on wholesale energy markets
- Need to ensure that market liquidity is maintained or enhanced—consistent with long running EU policy— not damaged
- Energy trading must stay out of the scope of new financial market regulation when energy trading does not create systemic risk
- Wholesale energy markets are different from financial markets (non speculative use of derivatives).

# Gas Market Target Model

- Discussion around a 'target model' for the European gas market is supported by Eurogas
- Criteria for the Target Model:
  - To steer consistency of work on guidelines and codes required by Third Energy Package
  - Non-binding, flexible enough to evolve over time
  - Market-driven
  - In line with existing legislation
  - Consensus based
  - Stability/Predictability and respect for existing contractual arrangements
  - Proportionality

## Internal market

- Much progress in recent years and 2 new EU agencies are key for development and functioning of integrated EU market
- ENTSOG is now operational and preparing its second 10YNDP
- As we were collaborating with ERGEG, we support the creation of ACER and looking forward to its activities
- We support the development of EU wide rules and in particular progress on capacity allocation, congestion management and balancing is needed
- This year implementation of Third Package and of Security of Supply regulation
- Various consultations and framework guidelines and network codes are under preparation

# Infrastructure

- Recently COM published Infrastructure Communication (replacing previous TEN-E and promoting projects of European interest)
- Discussions are ongoing for the preparation of a legal Instrument
- In May, the Hungarian Presidency will organise an Infrastructure Conference in Budapest
- Eurogas welcomes this initiative and the focus on facilitating permitting, which should apply to all projects.
- A stable and predictable regulatory and legislative framework are key for investment in infrastructure
- The economic viability of the projects is an important criteria to consider when selecting the projects of European interest
- Important to avoid market distortion by public investment

## External Energy Policy

- EC launched public consultation on External EU energy policy
- Communication planned under Polish presidency - October 2011
- Deadline for public consultation is 22/02
- Eurogas is actively involved in industry dialogue with producing and transit countries as our membership shows. We follow closely EU-Russia energy dialogue and CDC initiative
- **Our main messages are:**
- EU energy policy should support attractiveness of European market in global context
- Good relations with producing and transit countries are important
- EU energy policy should prioritise dialogue with producing and transit countries to develop and maintain a legal and business environment in which commercial companies can engage in commercial negotiations with confidence

## The gas industry calls for a more supportive European policy role

- European energy policies should facilitate and support the decisions and the financing of large future investments. **A stable, predictable and transparent legal and regulatory framework is needed to support the necessary investments .**
- European energy policy should support the market dynamics that will help ensure the **attractiveness of Europe in a global market where Europe competes for resources.**
- Policy should recognize that it is the **responsibility of companies to secure gas supplies** but it is essential that their commercial activity is supported by sound political relations, in bilateral and most importantly European dialogue with producing and transit countries.
- Policy should recognize the **significant potential of gas in protecting the climate by** favoring a framework which promotes competition between technologies and energy sources, and prioritizes a cost-effective route to climate protection and energy efficiency measures.
- **Research** framework programs should aim at enhancing the potential of gas/renewables hybrid schemes, gas-fired energy efficiency applications, and natural gas vehicles.

Do not hesitate to contact us or to visit our website at [www.eurogas.org](http://www.eurogas.org)



# Natural Gas in the Energy Mix



- Importance of political and public recognition that there is a natural gas route to a low-carbon future
- In the short- and medium-term, natural gas is the fastest (perhaps only) route to achieve quick, scalable CO2 reduction:
  - Substitute for coal in electricity generation
  - Substitute for oil in transport (Natural Gas Vehicles)
- Natural gas as a key complement for renewables in power generation (intermittency)
- If the wrong policy signals are given on the future role of natural gas, investments - with long lead-times - could be discouraged
- In the long-term, there may be many routes to further CO2 reductions and it's legitimate to be neutral on preferred route at this stage... but **MUST** make clear that the options exist
- That there is a key role for natural gas in a long-term low carbon future
  - => 4/02 Heads of State Council's conclusions needs to recognise