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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Working Party on Gas

Seventeenth session
Geneva, 23 -24 January 2007

REPORT OF THE WORKING PARTY ON GAS ON ITS SEVENTEENTH SESSION

INTRODUCTION

1. The seventeenth session of the Working Party on Gas was held on 23 and 24 January 2007.¹

I. ATTENDANCE

2. The session was attended by representatives from the following UNECE member States: Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, France, Germany, Hungary, Italy, Latvia, Norway, Poland, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Switzerland, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland and United States of America. Representatives of the European Commission also participated.

3. Representatives of Egypt and the Islamic Republic of Iran participated under Article 11 of the Commission's Terms of Reference.

4. The following intergovernmental, non-governmental and other international institutions, companies and organizations were represented: International Organization for Standardization

¹ All documentation and presentations delivered at the meeting are available on the UNECE website at: <http://www.unece.org/ie/se/wpgas.html>.

(ISO), Energy Charter Secretariat, International Gas Union (IGU), EUROGAS, European Natural Gas Vehicles Association (ENGVA), European Liquefied Petroleum Gas Association (AEGPL), Cambridge Energy Research Associates (CERA), Academy of Mining Sciences, Non-Governmental Vernadsky Ecological Foundation, HIS Energy, LUKOIL, GEOSTOCK,

II. OFFICERS OF THE SESSION

5. The officers of the session were as follows: Mr. Igor Ponomarenko (Ukraine), Chairman, Mr. Andreas Grossen (Switzerland) and Mr. Alexander Karasevich (Russian Federation), Vice-Chairmen.

III. ADOPTION OF THE AGENDA (Agenda item 1)

6. The provisional agenda (ECE/ENERGY/WP.3/2007/1) was adopted.

IV. IMPLEMENTATION OF THE UNECE REFORM AND MATTERS ARISING FROM THE SIXTY-FIRST SESSION OF THE COMMISSION RELATED TO ENERGY ACTIVITIES, AND FIFTEENTH SESSION OF THE COMMITTEE ON SUSTAINABLE ENERGY RELATED TO GAS ACTIVITIES (Agenda item 2)

7. The Director of the UNECE Sustainable Energy Division presented the results of the recent UNECE reform, its implications on the Sustainable Energy programme, major results and decisions of the fifteenth session of the Committee on Sustainable Energy (28-30 November 2006), and decisions taken by the Executive Committee regarding the programme of work in sustainable energy. In particular, he informed delegations that the Committee had reviewed the terms of reference of its subsidiary bodies, including the Working Party on Gas and the Ad Hoc Group of Experts on the Supply and Use of Gas, and invited them to comment on the new terms of reference. He also gave information on preparations for the forthcoming Sixtieth Anniversary session of the Commission, which will be held in Geneva from 25 to 27 April 2007.

8. Decisions:

- (a) To accept the terms of reference of the Working Party on Gas as approved by the Committee on Sustainable Energy;
- (b) To take note of the information provided by the secretariat.

V. REVIEW OF THE ACTIVITIES OF OTHER SUBSIDIARY BODIES OF THE COMMITTEE ON SUSTAINABLE ENERGY (Agenda item 3)

9. Other members of the secretariat made presentations on the following projects: “Gas Centre” (Mr. T. van Kleef and Mr. A. Tournebise), “Review of the progress achieved in the implementation of the United Nations Framework Classification” (Mr. C. Talkington), “Energy Efficiency – 21 project – an update” (Mr. G. Sambucini) and “Energy Security Forum” (Mr. A. Chachine).

10. A representative of the UNECE Trade and Timber Division presented a document on Prevention of Accidental Water Pollution – Safety Guidelines and Good Practices for Pipelines (ECE/CP.TEIA/2006/11 and ECE/MP.WAT/2006/8) and invited delegations to comment on this document in so far as it applies to gas transmission and gas distribution pipelines.

11. Decisions:

- (a) To thank the secretariat for the very informative presentation of 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 invite delegations to send their comments on Safety Guidelines and Good Practices for Pipelines to the secretariat, before 1 May 2007.

VI. ROUND TABLE ON SECURING RELIABLE NATURAL GAS SUPPLY IN THE CONTEXT OF THE SUSTAINABLE DEVELOPMENT 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. Stanislav Tsygankov (Director of Department, Gazprom, Russian Federation), Mr. Torstein Indrebo (Vice-President, Norsk Hydro, Norway), Mr. Marco Alvera (Senior Vice-President, Supply and Portfolio Development, Eni SpA, Italy), Mr. Myroslav Khymko (Director of Department, Ukrtransgas, Ukraine), Mr. Andrei Konoplyanik (Deputy Secretary-General, Energy Charter Secretariat, Brussels), Ms. Anne-Sophie Corbeau (Associate Director, Cambridge Energy Research Associates, Paris), and Mr. Grzegorz Markiewicz (Director of Department, Polish Oil and Gas Company, Poland).

VII. CURRENT DEVELOPMENTS AND MEDIUM AND LONG-TERM PROSPECTS AND POLICIES IN THE GAS INDUSTRY, INCLUDING TRADE OF GAS
(Agenda item 5)

- **Blue Corridor project on the use of gaseous fuels for transportation**

13. Mr. Jeffrey Seisler, Executive Director of the European Natural Gas Vehicles Association (ENGVA) made a comprehensive overview of global NGV market development. He noted that at the beginning of 2007 there were about 5.5 million natural gas vehicles worldwide, Latin America being the leader with 1.4 million in Argentina and 1.25 in Brazil. There are 680,000 NGVs in Europe, of which some 403,000 in Italy, 100,000 in Ukraine, 60,000 in the Russian Federation and 50,000 in Germany. He stated that the European Commission and other international organizations in Europe regarded favourably development of the NGV transportation sector. He also supported the idea of further development of the UNECE Blue Corridor project.

14. Mr. Evgeny Pronin (Gazprom, Russian Federation) noted that as of January 2007 the NGV market in the Russian Federation accounted for some 60,000 natural gas vehicles and

215 public fuelling stations. He reminded the session of the major findings of the feasibility study on the Blue Corridor project, where replacing the diesel fuel with natural gas could result in significant savings of about 37 million Euros per year and in a reduction of emissions (CO equivalent) of 270,000 tonnes per year. He suggested that the private sector and business community should be actively involved in the Blue Corridor project in order to proceed further with its implementation.

15. Mr. Friedhelm Wannagat (E.ON Ruhrgas, Germany) reported that the Erdgas Mobil (German network) company had been established in Germany in April 2002 with a view to developing a nation-wide compressed natural gas (CNG) fuelling stations infrastructure. Erdgas Mobil has developed a successful programme for adding new NGV fuelling capacity at relatively low cost with the aim of providing an additional supply to the existing fuel structure. It is a pragmatic approach implemented in cooperation with ten leading petroleum companies in Germany. The CNG pumps have been set up at existing fuelling stations. Erdgas Mobil works on the principle of a maximum distance between CNG fuelling stations of 5 km in urban areas, 20-25 km in rural areas and 10-15 km in mixed areas. Some 730 new CNG fuelling stations were added up to November 2006. He also stated that the E.ON Gas Mobil company was established in November 2006 with a view to expanding the CNG fuelling stations infrastructure along the German motorways. It is foreseen that some 150 new CNG fuelling stations, mostly located on the motorways, will be constructed during 2007 and 2008. Mr. Wannagat suggested that a similar approach could be considered for the implementation of the Blue Corridor project as well.

16. Mr. F. Abram, member of the Central Secretariat of the International Organisation for Standardization (ISO) reported on the outcome of the recent Round Table on Global harmonization of regulations, codes and standards for gaseous fuels and vehicles. He called for enhanced cooperation between the gas industries and ISO countries offices and supported in general the objectives of the Blue Corridor project.

17. Decisions:

- (a) To thank delegations for their views and proposals on future work on the project;
- (b) To request the secretariat to set up a task force, representing interested companies and organizations, which would develop a concept of further implementation of the Blue Corridor project and seek support from the business community;
- (c) To thank the delegation of Germany for the interesting presentation of their NGV infrastructure development concept;
- (d) To recommend that the task force use in their future work the German experience of bringing compressed natural gas (CNG) to existing fuelling stations;
- (e) To request the secretariat to report on the results of the task force work at the next session of the Working Party on Gas.

- **Review of the gas situation and prospects in the UNECE region – country reports**

- **Workshop on Geomechanical and Geodynamic Aspects of High-Efficiency Extraction of Coalmine and Coalbed Methane**

18. Decisions:

- (a) To thank Governments and other organizations for the information they provided regarding developments in the gas industries and gas markets;
- (b) To thank the VNIMI Institute (St. Petersburg, Russian Federation) and PROMGAZ/GAZPROM (Russian Federation) for the Workshop on Geomechanical and Geodynamic Aspects of High-Efficiency Extraction of Coalmine and Coalbed Methane they jointly organized under the auspices of the Working Party on Gas and the Ad Hoc Group of Experts on Coalmine Methane;
- (c) To request the secretariat to post the presentations made by representatives of governments and other international organisations on the website of the Working Party on Gas.

VIII. 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, Mr. Alexander Karasevich (Russian Federation), and by the secretariat;
- (b) To support Mr. Karasevich's proposal to launch a new study on Gas Saving to Reduce Natural Gas Demand and Enhance Energy Security, to be implemented by the Ad Hoc Group of Experts and the Working Party on Gas;
- (c) To thank Mr. A. Karasevich for the invitation to take part in the International Week of Rational Use and Distribution of Gas, to be held in Moscow later this year (dates to be determined);
- (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.

IX. 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 Organization for Standardization (ISO), Energy Charter Secretariat, International Gas Union (IGU), EUROGAS, European Natural Gas Vehicles Association (ENGVA), European Liquefied Petroleum Gas Association (AEGPL), Cambridge Energy

Research Associates (CERA) and Non-Governmental Vernadsky Ecological Foundation.
Selected presentations can be found at: <http://www.unece.org/ie/se/wpgas.html>.

21. Decision: To thank representatives of other international and national organizations, associations and companies for the interesting information on their activities in the field of natural gas and LPG.

X. FUTURE ACTIVITIES OF THE WORKING PARTY (Agenda item 8)

(a) Programme of work for 2007-2010

22. Decisions:

(a) To approve the proposal by Mr. Karasevich, Chairman of the Ad Hoc Group of Experts on the Supply and Use of Gas, to launch a new study on Gas Saving to Reduce Natural Gas Demand and Enhance Energy Security, to be implemented jointly by the Ad Hoc Group of Experts and the Working Party on Gas;

(b) To approve the programme of work of the Working Party.

(b) Provisional calendar of meetings for 2008

23. Decision: To approve the provisional calendar of meetings.

XI. ELECTION OF OFFICERS (Agenda item 9)

24. The Working Party elected its officers for the eighteenth session as follows: Mr. Igor Ponomarenko (Ukraine), Chairman, Mr. Andreas Grossen (Switzerland) and Mr. Alexander Karasevich (Russian Federation), Vice-Chairmen.

XII. DATES OF THE NEXT SESSION

25. The eighteenth session of the Working Party on Gas will be held on 22 and 23 January 2008, starting on Tuesday, 22 January 2008 at 10 a.m.

XIII. ADOPTION OF THE REPORT (Agenda item 10)

26. The Working Party adopted the report of its seventeenth session on 24 January 2007.

ANNEX

PROGRAMME OF WORK 2007-2010

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 (1994-2010)

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.

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: 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.

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.

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

Description: To assess potential for the gas saving through technical, economic and regulatory mechanisms and its influence on gas demand elasticity and energy security in the UNECE countries.

Work to be undertaken: To hold a preparatory meeting with members of the Bureaux of the Working Party on Gas and the Ad Hoc Group of Experts on the Supply and Use of Gas to determine the scope of the study and methods of work. To set up a Task Force for implementation of the study.

06.5.4.3 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: To consider an update of the study in two years time.

06.5.4.4 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 suspend work on this topic but to keep this item in the programme of work until further consideration.

06.5.4.5 Use of gaseous fuels for motor vehicles (continuing)

Description: To study various aspects related to the use of CNG, LPG and LNG for transportation.

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

06.5.4.6 Natural gas and environment (continuing)

Description: To study 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) (to be implemented by the Ad Hoc Group of Experts on the Supply and Use of Gas)

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 (2004-2008)

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

Work to be undertaken: To send out the revised questionnaire and to consider replies at the next session of the Ad Hoc Group of Experts.

06.5.6.2 Methods for detection of gas leakages during gas industry operations (2005-2008)

Description: Review of new methods and techniques used for detection of gas leakages during its production, transport, storage and use.

Work to be undertaken: Consideration of replies to the questionnaire and a draft report, prepared by the rapporteur from Ukraine.

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

Description: To review 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: To review and study standards and regulations applied in countries.

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

06.5.6.5 Gas networks balancing (2002-2008)

Description: Exchange of experience in balancing of gas transportation networks as an instrument to enhance security of gas supply.

Work to be undertaken: To invite delegations to send replies to the questionnaire.

06.5.6.6 Technological standards and norms required for design and operation of NGV filling stations (2002-2008)

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

Work to be undertaken: To invite Mr. A. Kuposov (VNIIGAZ, Russian Federation) to take over this project from the rapporteur from Portugal, to review the questionnaire and to continue collecting data. To present a report on this topic at the next session.

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

Description: To assess potential for the gas saving through technical, economic and regulatory mechanisms and its influence on gas demand elasticity and energy security in the UNECE countries.

Work to be undertaken: To hold a preparatory meeting with members of the Bureaux of the Working Party on Gas and the Ad Hoc Group of Experts on the Supply and Use of Gas to determine the scope of the study and methods of work. To set up a Task Force for implementation of the study.
