

**“Gas Naturally” Gas Week 2013**  
**Thursday April 25 2013, 12:30 to 12:40**  
***Reconciling EU Energy Policy Goals with Reality***  
**Welcome address and Opening remarks**  
***Jérôme Ferrier***  
***IGU President***

Mrs Nicky Tzavela, MEP, Vice Chair of EFD Group and member, ITRE Committee,  
Distinguished Delegates,  
Ladies and Gentlemen

It is a great honour and pleasure for me to welcome you at this Public Hearing, a major event in the **Gas Week**, which should allow engaging a fruitful debate among all the participants, policy makers, representatives of the industry and consumers, about the possibility of decarbonising the European economy while fostering its competitiveness.

I wish to thank the Chairman of **Gas Naturally**, François-Régis Mouton, for having invited me at the **Gas Week** for the second time, and having asked me to present some opening remarks on this important theme. It constitutes also a major issue for IGU, which is fully dedicated to promoting, in the EU as well as at a global level, the contribution of natural gas and LNG to a sustainable economic growth, a secure energy future and a competitive access to energy for all consumers.

As a founding Member of the **Gas Naturally** initiative, IGU is encouraged by the success of the 2012 **Gas Week** and I am sure that this new **Gas Week** will help identifying original ways and means for the EU to reconcile the goals of its ambitious energy roadmap with the economic reality, by making a larger recourse to natural gas.

The EU is experiencing an unprecedented recession, both in depth and duration, which results in an unacceptable level of unemployment. In early 2000, just less than 20 million persons were unemployed in the EU-27, slightly below 9 % of the total labour force. Eurostat estimates now that more than 26 million men and women were unemployed in January 2013, raising the unemployment rate to 11.9 %. The situation is particularly critical for young people, under 25, who are affected by an unemployment rate of 23.6 % in the EU, with a wide range of rates from 7.9 % in Germany to more than 50 % in Greece and Spain.

Energy is an important component of production costs and competitiveness. This means that considerable efforts have to be deployed for mastering the energy challenge, both in terms of supply and demand. The EU has been active on these two fronts even before the sharp increase in the oil and gas prices, from 2000 to 2009, with the implementation, on the supply side, of the EU single electricity and gas markets and, on the demand side, with the promotion of Energy roadmaps for a less carbonated and more energy efficient economy.

Remarkable results have already been recorded as a result of this policy:

- The on-going “Third package” of legislation ensures that highly effective and competitive electricity and gas markets are in motion, with a much a larger number of actors trading on a series of active market places;
- The European economies are leading the world in lowering the energy content of their exports and the development of energy efficiency investments. They are global frontrunners in reducing the energy embodied per unit of exports, which is a critical factor, since the EU has a share of foreign-sourced energy in its total exports of 30 %, much larger, for instance, than the USA (18%).

However, we observe that while considerable investments have been engaged in new infrastructures for the supply of Europe by pipeline and LNG and also for ensuring fluid cross-border flows of gas across Europe, the contribution of natural gas to promoting a low carbon, efficient and competitive EU economy remains below all reasonable expectations. In a nutshell, the demand of gas is not even stagnating but is actually decreasing: after a decline of 11.7 % in 2011, the consumption of gas in the EU has again dropped to 466 Gm<sup>3</sup> in 2012, a 2% reduction from 2011.

This paradoxical situation, by reference to the intrinsic environmental qualities of natural gas, is mainly attributable to the competition of lignite and imported coal for electricity generation, with the mothballing or closing of about 5 000 MW of CCGT and the building of more than 10 000 MW of new coal fired power plants.

This paradox is not only harmful to the gas industry but also, and mainly, to the consumers who will have to pay more for their electricity bill, in the medium and long term.

Indeed, it appears that the assignment by the EU Commission of distinct targets for the share of renewables, on the one hand, and the reduction of GHG emissions on the other hand, results in a severe under-optimisation of the electricity mix in Europe.

To make it simple, reaching the same level of reduction of GHG emission in the power sector can be effected in two alternative ways:

- Either, by switching ancient coal and lignite power plants to natural gas, building new efficient gas fired CCGT and implementing a gently and well-phased growth of renewables, in accordance with the path of technological development and the capacity of EU industries to deliver competitive renewable energy schemes at a global level;
- Or, by developing renewables with a fast track approach, often with the use of imported equipment, mainly in substitution to fossil fuel generated electricity.

However, for achieving a same level of GHG curtailment, the second option is much more costly for consumers, and the EU power industry does not have much room of manoeuvre, since:

1. The constraint of meeting the very high intrinsic shares of renewables set forth by the EU in their production mix, in 2020 and 2030 deters them from choosing the first option;
2. To reach an average cost of electricity that remains affordable and competitive under the second option, the producers have to use coal and lignite offering a much lower unit thermal cost than natural gas, if we exclude the impact of CO<sub>2</sub>;
3. The now prevailing economic crisis prevents the EU from implementing CO<sub>2</sub> pricing policies that would offset the facial cost advantage of coal vs. natural gas for power generation.

This policy is questionable, all the more as, if the economic crisis comes to an end and the demand of electricity in the industry catches up, the EU may, at the end of the day, fail to reach its CO<sub>2</sub> abatement targets. It is also more costly, if we take into account the massive subsidies allocated by governments to support renewables, which are eventually transferred to end-consumers.

Therefore, we should wonder whether a policy that would adopt a more prescriptive approach on the average CO2 content per unit of electricity production in the EU would not be a better option for reconciling the EU energy policy goals with reality. Much debate has already been engaged on this important issue, without any effect so far. I think that it should be one of the major subjects for discussion during the First session of this afternoon.

For the sake of the EU's economy, IGU thinks that the gas industry has a crucial role to play in the dialogue with the EU Commission and Parliament for ensuring a better convergence of EU's goals with reality.

It is also our duty to unlock the contributive capacity of natural gas on two fronts: competitiveness and innovation.

On the first front, this means engaging more actively into the development of shale gas, as a means to creating a renewed competition with imported resources and a lot of new jobs.

On the second front, we have to make additional efforts on R&D and develop an EU wide sector of industries investing in new technologies that may enhance the demand of natural gas, such as micro-cogeneration, fuel cells, NGV and LNGV, and the development of active interfaces between electricity and gas networks.

Altogether, I am confident in the future of natural gas and LNG in the EU. However, we have to make our share of the effort towards a fine-tuning of the goals of the EU Commission. We should be partners for bridging goals and reality, and not simply watchers, failing which the EU may eventually look at us in the eyes and, like in a famous TV advertisement, just say to us: "Hey, what did you expect?"

Once again on behalf of **Gas Naturally and IGU**, I thank you for your interest in the **Gas Week** and I wish you constructive debates during the sessions of the Public Hearing.

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