

The 17th European Gas Conference
Oslo, June 4th 2013
Session 1: “Future gas from North, South or East?”
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President IGU

Mr Ola Borten Moe, *Minister of Petroleum and Energy, Norway*
Mr Michael Fallon MP, *Minister of State for Energy, the United Kingdom*
Mr Pal Rasmussen, *Chairman of the Conference Committee EGC 2013*
Distinguished Panellists
Ladies and Gentlemen

It is a great honour and privilege for me to contribute as moderator to the first session of the 17th European Gas Conference in Oslo and to present the viewpoint of the International Gas Union on this occasion.

The European Gas Conference is a major event for our industry that has, since the start in 1981, become one of the most important meeting places for government representatives, energy policy makers, senior executives of the oil and gas industry, NGO's and all major actors and stakeholders of the European gas market.

IGU is a worldwide non-profit organization gathering 121 members representing 95 % of the global gas market. I wish to thank the Norwegian Gas Association for having invited me to this Conference, as well as for playing a very active role in IGU's activities, alongside IGU's secretariat located in Oslo.

This session will focus on future gas supplies to Europe, which depend on investing in the development of new fields, pipelines, LNG chains, while additional infrastructures are also needed for completing an EU wide integrated gas market, in accordance with the goals of the third energy package of the EU Commission.

We will have the outstanding opportunity to receive the messages delivered by the *Norwegian Minister of Petroleum and Energy* and the *British Minister of State for Energy*, followed by a perspective on future gas resources, as seen from the three main regions supplying Europe, I mean Norway, Russia and North Africa/Middle East, with the presentations of Rune Bornson, *Senior VP Natural Gas division of Statoil*, Alexander Medvedev, *Deputy Chairman of the Management Committee of Gazprom, Director General of Gazprom Export*, and Khaled A. Abubakar, *CEO of TAQA and IGU Regional Coordinator*.

For my part, I feel it necessary to say a few words on the natural gas demand side in the EU, which has been on a rather downbeat mood over the past five years and for which IGU thinks that much remains to be done on the political front if we should expect any dramatic progress soon.

Since 2008, the EU gas market conditions have changed abruptly, the demand remaining stagnant, when adjusted seasonally, and the IEA predicts that in 2020, the EU's total gas consumption will be only 540 Bcm, which is only 4 Bcm higher than in 2010. Altogether, gas is far from having the share it deserves in the EU energy mix, on the ground of its well established 5 intrinsic qualities of availability, affordability, accessibility, environmental acceptability and adaptability.

Three main factors account for this gloomy situation:

- The industrial sector has not yet recovered from the financial and economic global crisis. Indices on production in manufacturing are below their 2008 level in most European countries and an improved outlook does not seem likely at a short term horizon;
- The ETS system has not only failed to enhance the value of natural gas among other fossil fuels in accordance to their respective environmental merit order, but has also created a climate of economic uncertainty for industry, in particular in the power generation sector that needs, more than any other, a long term visibility to sustain an investment policy;
- Massive subsidies to renewables are distorting competition with natural gas and we now see that they are benefitting much more to non-EU coal producers than to EU electricity consumers.

From IGU's experience and the feedback received from its members, the actors of the gas chain now share this diagnosis across the board and are adamant to see more engagement in political actions with a view to addressing the shortcomings and distortions affecting the gas demand side.

It would be much presumptuous in making recommendations or even suggestions on how to improve the EU economic situation. However, I believe that natural gas has a role to play for helping to restore the competitiveness of the EU industry.

The concept of energy security for Europe has switched from the traditional emphasis on risk of supply disruption to the ability of acquiring energy at fully competitive conditions. This is major challenge for new gas supplies, since Europe has already to pay far too much for the extra cost of staying ahead of the pack in renewables.

Actually, I think that restoring a more vigorous demand for gas in the power sector is a reasonable challenge for our industry, provided however that we succeed in improving the EU policy, on the front of ETS and subsidies for renewables. As an old French proverb says *“God, protect me from my friends, my enemies I care”*.

I see two opportunities on the energy agenda of the second half of 2013, which may enable us to advocate for restoring an even playing field for gas in the medium term:

- Firstly, the EU Commission is preparing a new *“Energy Green Book for 2030”* and has launched an open consultation on the draft document. IGU intends to present a series of constructive proposals along the following lines:
 - One should consider substituting to the existing system a single target of GHG emission reduction at the 2030 horizon, of say minus 30 %. We have indeed observed that the policy assigning non cost-prioritized distinct targets for GHG on the one hand, and renewables on the other hand, has led to a massive economic sub-optimization in the power sector. The new policy should be prescriptive only for GHG and simply goal setting for renewables, with a view to following the path of a minimal cost for electricity consumers;
 - We should also request a complete overhaul of the post 2020 ETS system, so as to avoid the extreme volatility observed over the recent years and to give clearer and more stable incentives for natural gas potential users. For gas to make its contribution, we need a well functioning market for carbon emissions, providing a meaningful price signal, which will provide investors incentives both to CCGTs and to the mature renewable technologies;
 - The present regime of subsidies for renewables should be reconsidered; so as to ensure that natural gas power plants are no longer ruled out but, on the contrary, become partners of renewables that are intermittent by essence.
- Secondly, a new IEA roadmap on the *“Electricity Security Action Plan”*, updating the initial 2011 document, is under preparation and should be released this fall. The issue of security of the electricity transmission and distribution networks has become critical on two grounds: the less predictable power flows resulting from the inherent variability of renewable sources and the need for increased back-up capacities of production if such sources are to be deployed on a large scale. It is an opportunity for our industry to evidence the merits of unlocking the gas to power market and to reverse a trend marked, since 2008, by the mothballing of an increasing number of CCGTs and cogeneration units, while we see a surge of coal-fired power plants new capacities.

To conclude, I would like to say that our industry should be fully confident in the capacity of natural gas as a destination fuel for ensuring a sustainable and environmentally friendly energy future in Europe. Maybe have we been too optimistic since 2011, when natural gas was deemed to enter into a Golden Age. As said roguishly by the French fabulist La Fontaine: *“All flattering lives at the expense of the listener”*.

I think indeed that it depends on us to write a new and successful page for the natural gas market in Europe and I have no doubt that this session will make us much more confident in our capacity for achieving this goal.

I would now like to invite Mr Ola Borten Moe, *Minister of Petroleum and Energy of Norway* to present his keynote address on the theme *“Gas Supply from Norway”*.
