

The First ICER-IGU Workshop

By Luis Ignacio Parada

The International Confederation of Energy Regulators (ICER) and IGU have held their first joint workshop. It took place in Washington DC on March 8, 2011, with the participation of ICER Chairman Lord John Mogg and IGU President Datuk Rahim Hashim. This first workshop was dedicated to exploring regulatory natural gas issues of global significance and cooperation between energy regulators and the gas industry. It was organised by a small team from IGU and ICER and hosted by the law firm Hogan Lovells.

Over 100 people from 29 countries participated in the workshop by invitation from the ICER Chairman and the IGU President. The moderators and speakers were senior ICER and IGU represen-

tatives together with special guests, academic researchers and gas industry experts from around the world.

The workshop's theme was "Regulatory issues of global significance for the gas industry". It was organised as four roundtable discussions on key regulatory issues where the natural gas industry and energy regulators should seek to work together to improve stability, investments, competitiveness, affordability and sustainable growth. Each session had two or three distinguished panellists and a moderator.

The first two sessions took place in the morning and looked at: "Interaction between regulators and operators" and "Regulatory influences on international investment". After lunch the workshop continued with two sessions focused on: "Regulation and gas price formation" and "Environmental aspects of natural gas". Participants discussed the global dynamics and analysed



ICER Chairman Lord Mogg (*third from right*) and IGU President Datuk Rahim Hashim (*third from left*) with some of the joint organising team.

the background of regulation and natural gas. They also identified a wide range of opportunities and approaches for constructive dialogue between regulators and the gas industry on the future development of natural gas markets.

● **Dialogue, cooperation and investment**

After Lori Traweek, Senior Vice President and COO of the American Gas Association had welcomed participants, the ICER Chairman and IGU President opened the workshop, expressing their hopes that the event would enhance dialogue between energy regulators and the natural gas sector.

Lord Mogg introduced ICER, which was launched in Athens in October 2009 at the World Forum on Energy Regulation IV, pointing out that global cooperation among energy regulators is necessary to seek regulatory solutions to global issues. He said that key issues such as security of supply, climate change, competitiveness and affordability, and regulatory best practices are on ICER's agenda.

Datuk Rahim Hashim pointed out that gas markets operate in a global context and said that IGU's work is concerned with all aspects of the gas chain taking into account the economy, customers, technology, safety, environmental issues, international gas trade, cooperation and legal aspects related to regulatory processes and procedures. "The gas industry needs high quality and consistent independent regulation if it is to commit the substantial funding needed for new investments", he declared.

As a result of the discussions during the workshop, IGU and ICER issued a joint communiqué that highlights the interest of both organisations in strengthening their collaboration and dialogue.

● **Interaction between regulators and operators**

The speakers for the first session were Tony Clark, President of the US National Association of Regulatory Utility Commissioners (NARUC), Marcel

Kramer, CEO of South Stream and IGU Regional Coordinator, Europe & CIS, and Wilson "Dub" Crook, Manager for Global Gas Regulatory & Legislative Issues at ExxonMobil Gas & Power Marketing Company. The moderator was Professor Jean-Michel Glachant, Director of the Florence School of Regulation.

Participants stressed that the global gas industry is facing an unprecedented period of change. Many countries are in the process of implementing, or have applied new gas legislation. The key conclusions were:

- Globalisation of gas markets necessitates enhanced communication between regulators across national and regional boundaries, the identification of best practices in consultation processes and encouraging the use of such standards.
- A major market-wide issue is the reduction of risk coupled with an improvement of regulatory certainty by sharing and implementing best practices. The management of risk during periods of regulatory and other changes is important.
- Gas consumers should be protected where possible by establishing the right conditions for competition to flourish and a stable, transparent and independent regulatory framework that aids investment decision-making by the industry.

● **Regulatory influences on international investment**

Carlo Crea, Secretary General of AEEG, the Italian regulator, and Chair of ICER's Security of Supply Virtual Working Group, and Abdulla Ahmad Al-Hussaini, Division Manager of Qatargas were the speakers for the second session, which was moderated by Joseph Kellier, Executive Vice President of NextEra Energy (and former Chairman of the US Federal Energy Regulatory Commission – FERC).

Regulators and industry agreed on the importance of enhancing security of supply

internationally. Panellists recognised that the regulatory framework is an essential element in ensuring adequate long-term investments to support secure and sufficient capacity. Natural gas, LNG and unconventional production will require significant investments over the coming decades. The key conclusions were:

- Regulators and the gas industry agreed to continue their dialogue in order to achieve a greater shared understanding of the challenges facing the world's gas markets.
- Industry committed to facilitate the information that regulators require to foster efficient regulation and markets require to function efficiently.
- The gas industry and regulators discussed the need to work to achieve a common perspective on how to ensure secure investment and supplies of gas in both developed and developing markets.
- It was noted that authorisation processes needed to be streamlined to encourage the development of new infrastructure necessary to ensure security of supply.
- Fluent interaction and effective relations between industry and regulators were agreed to be of great help in fostering the investment necessary to increase energy security worldwide by increasing the diversity of gas supplies.
- Efficient investment is one sign of regulatory success.

● **Regulation and gas price formation**

Dr Branko Terzic, Regulatory Policy Leader, Energy and Resources at Deloitte Services LP and a former FERC Commissioner was the moderator of the third session. The speakers were Dr Michael Thomadakis, Board Member of the Greek Regulatory Authority for Energy, Yutaka Shirakawa, General Manager of the New York representative office of Tokyo Gas Co., and Mike Fulwood, Principal Gas Analyst of Nexant and the Leader of IGU's Study Group B.2 Wholesale Gas Price Formation.

Participants agreed that regulation is fundamental in allowing competitive and efficient markets to develop, such as in the transmission sector. The challenge is to ensure the right balance in regulatory intervention so that transparent and competitive conditions can thrive and customers can benefit from fair prices. The key conclusions were:

- Gas prices continue to be regulated in many countries. However, globally the proportion of gas that is priced through traded markets has been steadily increasing.
- Liquid and transparent markets are seen by regulators and gas industry as fundamental to achieving energy policy goals relating to competitiveness, sustainability and security.
- Regulators and industry recognise that retail price controls can often distort or suppress market signals in competitive markets.
- Effective regulation is an important factor in achieving efficient gas price formation.

● **Environmental aspects of natural gas**

The speakers for the last session were Francisco de la Flor, Director of Regulation of Enagás and the Leader of IGU's Study Group B.3 Corporate Strategy and Regulation, Phillip D. Moeller, a Commissioner of FERC, and Torstein Indrebø, Secretary General of IGU. The moderator was Peter Gurnham, Chair of Nova Scotia Utility and Review Board.

Participants agreed that natural gas contributes positively to economic growth and sustainable economic activity, usually without reliance on subsidies. Natural gas also has better combustion properties with lower emissions than other fossil fuels. The industry stressed its commitment to increasing energy efficiency and making a significant contribution to reducing harmful emissions. The key conclusions were:

- The gas industry and regulators recognised that natural gas should not be inhibited from contributing to the future low-carbon, global economy.

- Natural gas has the potential to play a central role in moving to a decarbonised world as a partner for renewables.
- The industry and regulators recognise that action is needed to promote research on the sustainable use of energy, and to develop regulatory mechanisms and incentives that enable energy companies to implement efficiency programmes.
- The industry and regulators recognise the importance of continued dialogue to assess and minimise the environmental impact of activities such as shale gas extraction and encourage the continued development of gas industry technologies.

● **Future commitment**

Lord Mogg and Datuk Rahim Hashim closed the first ICER-IGU workshop with a commitment to continue working to strengthen their dialogue and collaboration on the issues raised.

Lord Mogg said that, “As the challenges facing the gas industry become increasingly global, it is essential that regulators and the gas industry discuss the solutions in a global context. The workshop which took place today was an important step in seeking a shared understanding of the way forward for the world’s gas markets”.

Datuk Rahim Hashim shared this conviction and added that, “Together, we can work to achieve a common perspective on how to ensure secure supplies of gas in both developed and developing markets”.

Future workshops will look at investment in international gas infrastructures, global gas market developments and the role of gas in a carbon-constrained world. Key personnel from ICER and the IGU are taking forward these topics of mutual interest with a view to reporting on progress at the 25th World Gas Conference in Kuala Lumpur, Malaysia in June 2012.

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Members of the IGU Strategy Committee (PGC B) were among 100+ participants at the ICER-IGU workshop.