

**EUROGAS Annual Conference
Brussels, 13 October 2011**

Mr. Jean-François Cirelli

PRESIDENT'S CONCLUSIONS

- Check against delivery -

Ladies and Gentlemen,

An interesting day is coming to an end. I would like to thank the speakers, the moderators, the discussants and the audience for their participation and the extremely fruitful debates. I believe that we have all been taken a step further in our thinking.

Many thanks to Herbert Reul for opening the conference with us this morning, and many thanks to Philip Lowe who has so skilfully put the finishing touches on this day by leading us into a possible short and medium term.

We will now meet with the press and look forward to facing their questions on the subjects that have been addressed today.

On the basis of the discussions, I have three main messages to highlight:

1. Gas has an important role to play in a low-carbon energy future through to 2050. It can achieve large emissions reductions, early and efficiently, without getting locked into the system or standing in the way of other options that can be activated later.
2. The EU internal energy market has very much progressed over the past ten years, but we are now calling for regulatory stability and - where change is necessary - predictability, and the time it takes to implement all measures in all Member States. This is vital to attract investment. Investors need that security.
3. Eurogas supports the external dimension of EU energy policy. The political support that the EU can lend will be important for our members' commercial business.

A low-carbon energy future

This morning, we presented and discussed the Eurogas Roadmap 2050 - pathways to achieving an 80% reduction of greenhouse gas emissions in the EU by 2050 compared with 1990. This is done by what we believe are feasible measures and developments not just in power generation but also in the residential and services sector, in industry and in transport.

The potential is large and varied, and gas forms part of that potential. The future lies in implementing this variety of options - energy efficiency, gas, renewables, new technologies - in all relevant sectors, rather than putting all eggs in one basket. The advantages are clear:

a) If one option fails or does not quite work out as planned, the other options can be adapted accordingly, and

b) we remain flexible to adapt our policies to natural developments and innovation

because - let's face it - who of us can claim to know what the world will look like in 2050?

If I look 40 years back, to 1971, we thought that we would soon run out of oil. The value and the qualities of natural gas had not been fully discovered. Research into energy efficiency and wind and solar power was done but the large scale application under way today was not within reach.

Central heating was the exception rather than the rule. When you were hot in winter, you opened the window because the stove or the heating was either on or off.

Except for very cold areas, houses had single glazing. Who does not remember the stuffed patchwork or knitted tubes that you would put in front of doors and windows to stop the draft?

Cars were heavy and square offering optimal air resistance. Insulation material was simple and rarely applied. The energy saving light bulb is still fairly recent. The efficiency of power generation and industrial processes was low. We can also look at the progress we have made since in electronics, materials, wireless communication etc. I could go on forever.

This is just to show that there may be a lot more out there than we can imagine today. You may argue that the low-hanging fruit has been picked and that the forty years ahead of us will be more difficult, but have we not always thought that?

Having said this, we can only rely today on what we know today, and that forms the basis of the Eurogas Roadmap, but we need to keep the flexibility to adapt to and benefit from the unthinkable.

Investment – Internal energy market

Something else one would only have dreamt of in 1971 is the size of the European Union today and the implementation of the internal market - including the internal energy market -, that we know today. In 1971, we had just seen the beginning and further-going plans were still on the drawing board.

EU energy companies have been accused of clinging to the past and of not making enough use of new opportunities, but if we look at the structural changes that have taken place in the energy sector, - not least in the context of unbundling -, we can see that companies have changed a great deal compared with what they were - in 1971, to stay with that reference year, and still for a long time after.

Of course, it is only human to hang on to what you've got if you don't know what you'll get, but if you consider the level of competition realised today within national markets and across the borders, there has been massive change and opportunities have been seized.

Perhaps there has in fact been too much change too quickly. The 3rd legislative package was adopted before the 2nd package was fully implemented. Uncertainty about how the implementation of the 3rd package will pan out for companies is widespread and does cause some conservatism and hesitation when it comes to investment.

The differences between Western Europe and central and eastern European countries have to be taken into account, too. Countries that have been in the EU and living an increasingly competitive market economy for much longer, of course, have a bolder attitude than others.

But we have heard today that there are also other considerations that determine investment:

- Certainty or uncertainty about the future energy and climate policy and the role of gas in it;
- The financial crisis and the availability of money;
- The strive for short-term liquidity, possibly at the expense of long-term investment.

As imports of gas are most likely to rise, we also have to look beyond the borders of the EU. Going back to the year 1971, did we imagine relations with our neighbours and beyond being so close?

External energy policy

Commercial deals were already struck then, but Governments were closely involved and there was a lot less competition between companies.

Today, companies are expected to seek business opportunities beyond their countries of establishment – and they do, often in fierce competition with each other. It is therefore important that politics help to let competition flourish and that great care is taken that they do not muddy the waters.

EUROGAS is of the opinion that the EU should give political support to companies seeking to extend their business outside the EU borders. The EU must be very careful, however, not to become involved in commercial deals because this bears the risk of conflicting with the competition that is otherwise desired, and being favourable to some companies and detrimental to others.

EUROGAS has been criticised for being too critical of the idea of a Caspian Development Corporation. Our criticism was based on the concern that competition and competition rules have been internalised by the companies of today and that they are so deeply in competition with one another that an exception to the rules may again be favourable to some companies and detrimental to others, who may not accept the exemption and take steps to stopping a project that - by that time - may already have seen large investments from the companies involved.

It is further our firm belief that in order for external energy policy with respect to gas to be credible and for investors to be attracted to large infrastructure projects, there must be political confirmation of the role that gas is expected to play in the future energy mix.

I will close where I started – with gas.

I hope that you have learnt something about gas today that you did not know already or that we have at least been able to confirm what you knew.

Ladies and Gentlemen, the Eurogas Annual Conference 2011 is drawing to a close. For those of you who came from afar, I wish you a pleasant stay or a safe trip home, and I look forward to seeing many of you again on this occasion in 2012 when we will no doubt have new things to say on the topics of today and on others that will have come to the fore by then.

Thank you and good-bye.