« The European Natural Gas Market: Eurogas views on future development »

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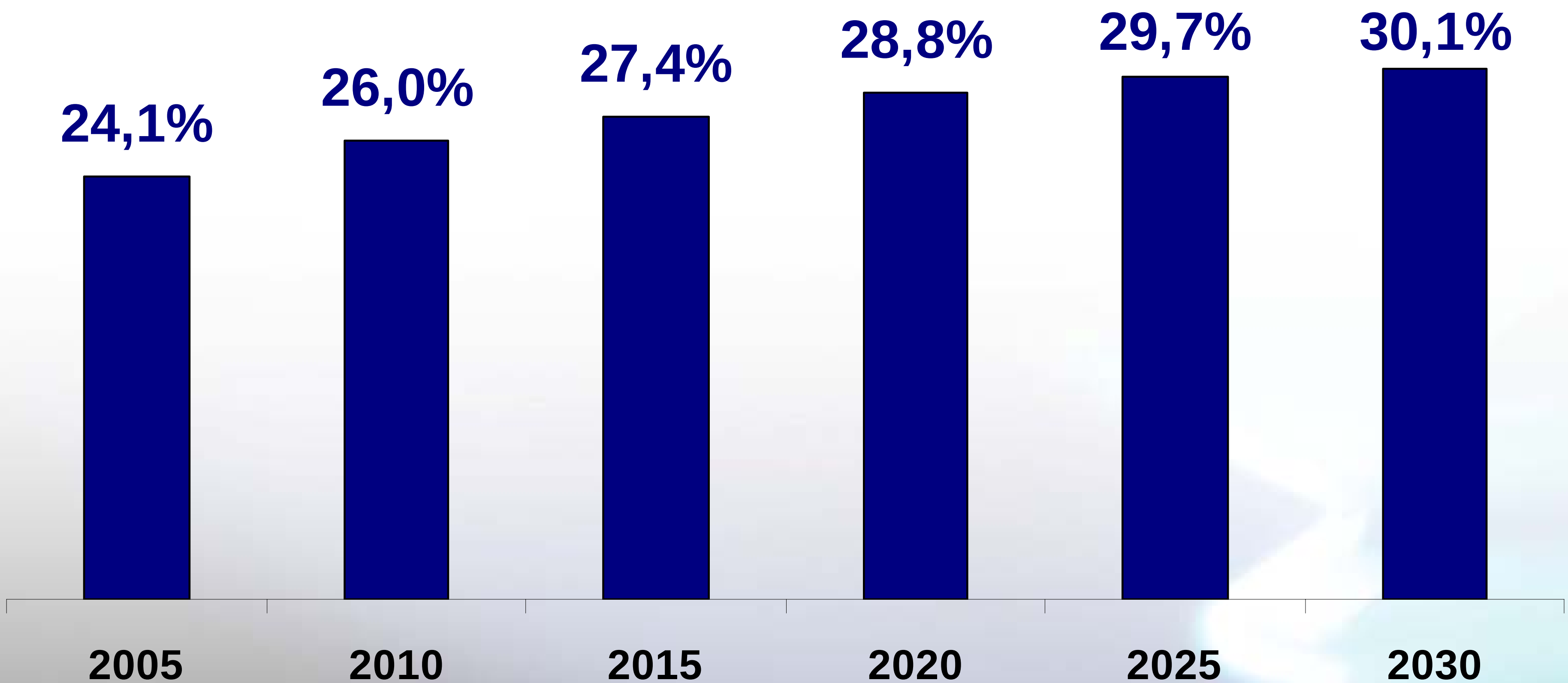
THE EUROPEAN UNION OF THE NATURAL GAS INDUSTRY

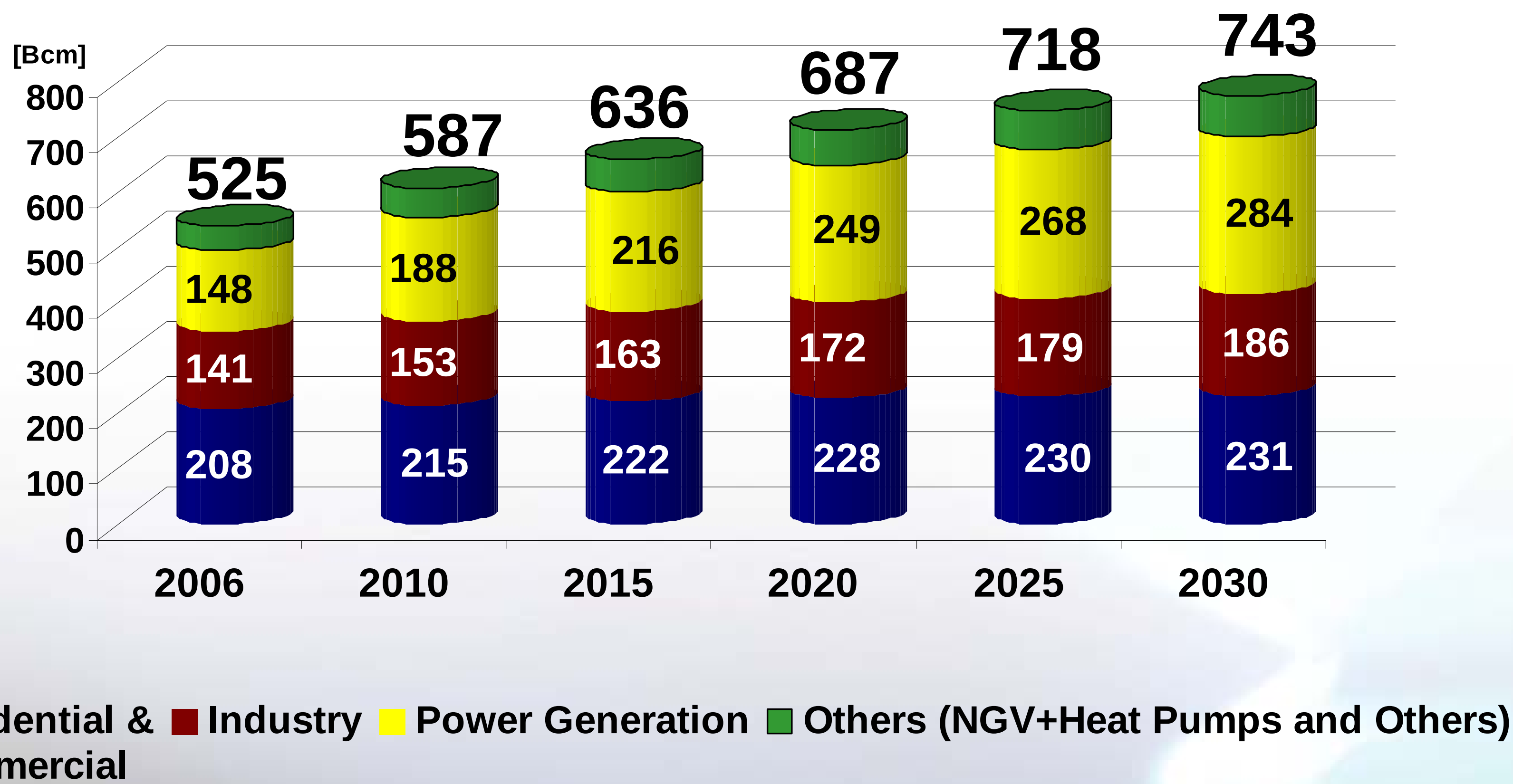
Eurogas membership:

EVOLUTION OF SHARE OF NATURAL GAS in PEC in EU27



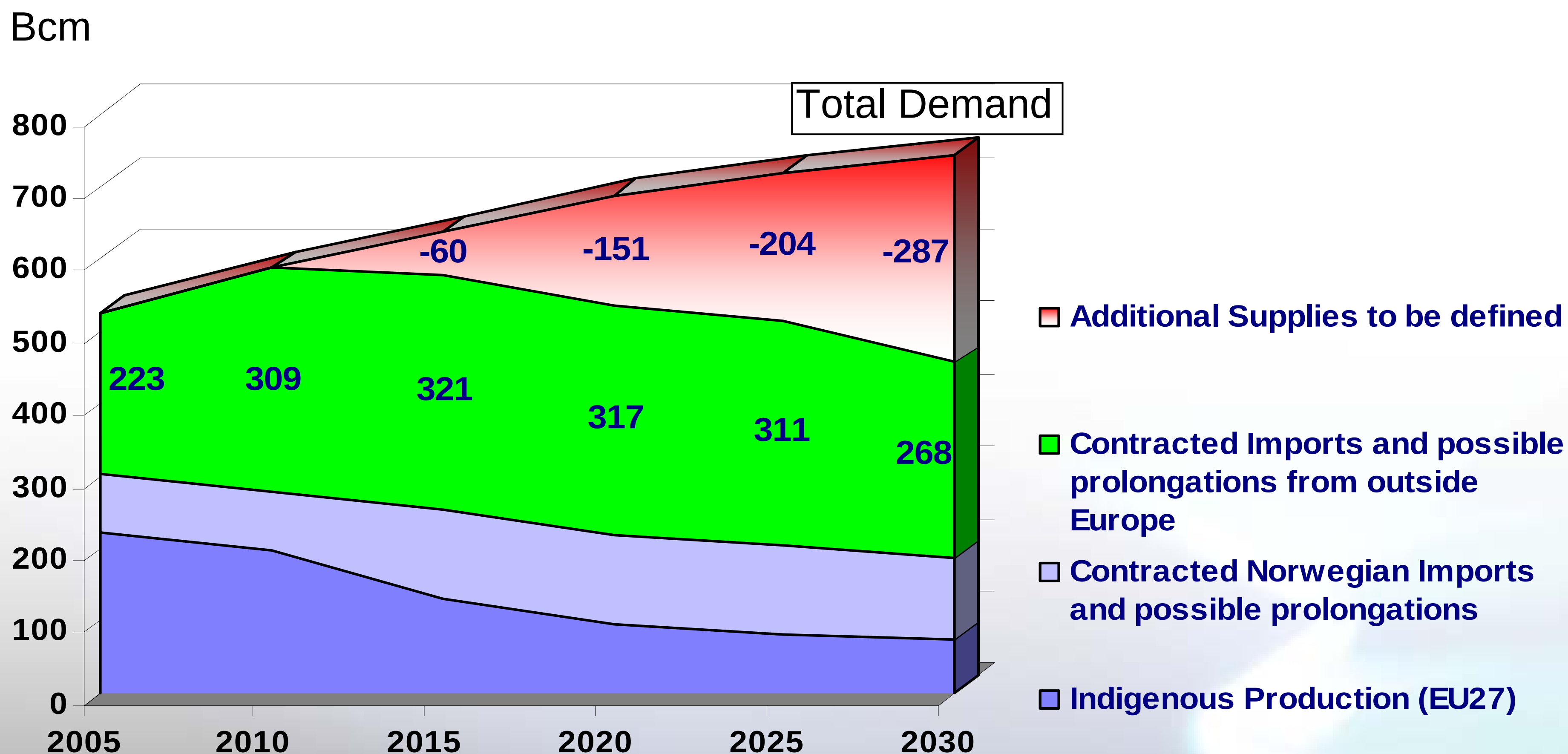
EU27 Natural Gas demand outlook per Sector

Gas demand is mainly driven by the power sector



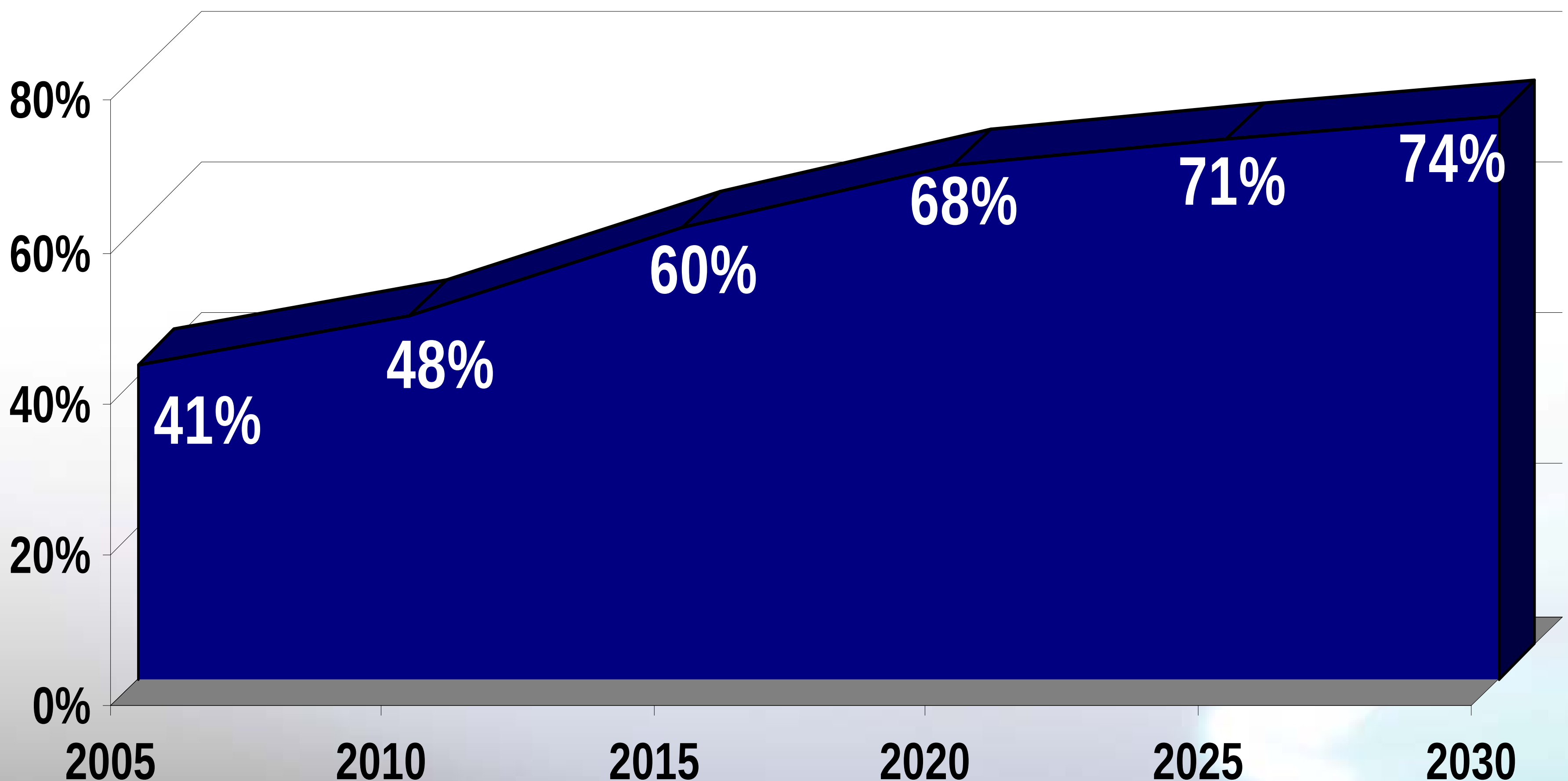
1Mtoe =1,19 billion m³ (39 MJ/m³, GCV)

EU27 Supply / Demand Outlook
Additional supplies are needed in the long run



1Mtoe = 1,19 billion m³ (39 MJ/m³, GCV)

EU27 import dependency from outside*



* Excluding Norway

Interdependency between Europe and Russia

From where concerns come?

European concerns

- Transit risks and the perceived danger of politically motivated manipulation of supply
- Perceived over-dependencies on imported gas, in particular of Russian origin
- Uncertainties of actual capacity to supply additional quantities due to under investment in upstream
- Gazprom monopoly risks, restriction on TPA for non Gazprom producers

Russian concerns

- EU policies may create uncertainties about the evolution of the natural gas demand in Europe (security of demand)
- European regulatory risks with prospective separation of transport and supply business through unbundling
- Policies that could have the effect of a release from the obligations of the long term gas buyers
- Discrimination risks aimed to thwart Gazprom interests to buy downstream assets

The 3rd Energy Package for Gas

- Proposed Directive amending Directive 2003/55/EC (Common Rules for the Internal Market in Natural Gas)

- Proposal for a Regulation amending Regulation No 1775/2005/EC (Conditions for Access to the Natural Gas Transmission Networks)

- Proposal for an Agency for Cooperation of Energy Regulators

Main Issues/Concerns in the 3rd Energy Package

- Ownership Unbundling as the sole remedy to overcome infrastructure access difficulties

- Risk of overregulation/overlaps among National and Supra-national Authorities (Agency for Cooperation of Energy Regulators/Competition authorities)

- Heavy regulatory hand also in market “mechanics” (transaction reporting mechanisms)

- Complications and new incertitude for new investments (amendment of existing Article 22)

Aspects in 3rd Package that specifically affect Russia / Gazprom

- Ownership Unbundling and overregulation
- Clause restricting Non-EU ownership in EU gas networks
- Limited and hard to obtain possibilities for TPA exemptions for new lines, interconnectors, LNG and storage facilities

Importance of Dialogue with Producers: The Example of EU– Russia Energy Dialogue

Eurogas and other industry groups are involved in the activities of the EU - Russia Energy Dialogue Thematic Groups:

- Energy Strategies, Forecasts and Scenarios
- Market Developments
- Energy Efficiency

Objectives:

- ➢ Building confidence
- ➢ Clarifying the legal-economic environment
- ➢ Preparing the ground to the future partnership agreement

Eight Progress Report , signed on October 26th, 2007

Conclusions

- Europe and Russia need a consistent and mutually supportive approach between internal market and external dimension policies
- Large investments need to be encouraged by legal/policy framework
- Dialogue at all levels with producers, transit countries, industry, customers
- Energy partnership already in place should provide a major and pro-active contribution to the EU-Russia Dialogue
- Eurogas and all the Industry is determined to facilitate the process
- It's urgent to clarify/reinforce appropriate political and institutional framework

euro gas

Thank you for your attention!