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Newsletter

*Eurogas wishes all its members and contacts
a Happy New Year 2010 !!*

► **Eurogas Board and General Assembly Meeting on 3
December 2009**

The General Assembly of EUROGAS met in Brussels on 3 December and debated security of supply and EU policies issues. Eurogas positions are expressed in a position paper and in amendments to the draft security of supply regulation.

The General Assembly also reviewed Eurogas's priorities. A clear focus was given to the wide recognition in most public and private scenarios that natural gas **is a major point of destination in the future diversified energy mix. Post-Copenhagen climate change negotiations should aim at ambitious and achievable targets in allowing natural gas to play a key role in climate protection policies.**

The recent International Energy Agency energy outlook was introduced by Mr. Didier Houssin, Director of Energy Markets and Security.

A high level panel composed of Mr. Domenico Dispenza, President of Eurogas, Mr. Jean-François Cirelli, President, GDF SUEZ, Mr. Martin Herrmann, Vice President, Czech Gas Union and Mr. Fabrizio Barbaso, Deputy General Director, European Commission DG Transport and Energy debated security of supply issues and economic perspectives.

In his statement to the General Assembly, **President Dispenza** welcomed the acknowledgement by the Commission of the **key role played by the industry and market**

in responding to the early 2009 gas transit disruptions. Mr. Dispenza and number of senior industry speakers warned about the likely impact of the current economic downturn for example on upstream and midstream investments. He called for an active dialogue between industry, producing countries and EU authorities. Security of supply can be best guaranteed by a combination of market principles, solidarity and a well focused promotion of investments in interconnections, reverse flows and commercial storage.

According to Mr. Cirelli *"there will be no security of supply without strong European operators which will have to contract over the long term, make significant investment, bear huge risks ..., to that extent the EU should assess the need to facilitate the tasks of its operators to access to new gas sources and to build the required gas infrastructures"*.

Mr. Herrmann referred to the complementarity of the roles of public authorities and industry and underlined that security of supply is a key objective and a managerial responsibility of industry.

Calling for a continuous dialogue with Eurogas, Mr. Barbaso addressed the proposal for a security of supply regulation, the European Energy Program for Recovery (EERP), the new Infrastructure Instrument (TEN-E review) and the external dimension (Ukraine, Russia, multilateral framework/Energy Charter).

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The General Assembly was also the occasion for delegates to review and discuss activities of several Eurogas Committees. Mr. Didier Sire, Chairman of the Strategy Committee, Mr. Ralf Presse, Chairman of the System Users Committee, Mr. David

Johnson, Chairman of the Supply and Markets Development Committee and Dr. Peter Gentges, Chairman of the Social Affairs – Sector Dialogue Committee reported on achievements during 2009 and priorities for 2010.

► Eurogas Welcomed Two New Members: Total s.a. and Marcogaz

Eurogas welcomed two new members, TOTAL s.a. and Marcogaz, the Technical Association of the European Gas Industry who joined in October 2009. Within its activities, **Total** is directly involved in the entire natural gas chain including production, transport, supply, trading, marketing and storage. Through its participation in Eurogas structures, Total wishes to

work on a common vision of the natural gas industry, and to contribute to the sustainable development of this industry in Europe. **Marcogaz** is monitoring and providing technical regulation, standardization and certification with respect to safety and integrity of gas systems and equipment, rational use of energy and environmental issues.

► Eurogas Position on the Draft Regulation on Security of Gas Supply

The Governing Board of Eurogas has adopted a final position on the European Commission's paper on the draft Security of Gas Supply Regulation. In this document Eurogas shares the European Commission's objective to reinforce the European Framework relating to the security of gas supply. Some important principles are promoted in the proposed legislation:

- the use of market based mechanisms as much as possible in order to ensure security of supply
- the definition of both preventive and emergency measures
- the need for a clear decision-making process at EU level, particularly when several Member States are facing emergency situations and market based mechanisms alone are no longer sufficient to deal with the emergency
- the promotion of regional actions
- the importance of information exchanges in particular in crisis situation

However, commenting on the initial proposal of the Commission, Eurogas considers that the draft Regulation

still requires clarifications and improvements.

Eurogas:

- agrees that common minimum supply and infrastructure objectives should be effectively explored at the European level. However, Eurogas believes that a two-step approach would be more appropriate. Rather than setting up mandatory European standards, the future Regulation should leave Member States to carry out a thorough risk and impact assessment and analyze their situation on the basis of a sound common methodology. The results of this assessment should then be reflected in preventive action and emergency plans that can be reviewed within the Gas Coordination Group to ensure appropriateness at EU level.
 - is concerned about lack of clarity in definitions, especially the "N-1 rule" definition,
 - is concerned about provisions on reverse flows if no previous assessment on technical and/or economical feasibility is done first.
- On the definition of protected customers, Eurogas is of the opinion that the draft regulation should not

extend mandatory EU protection beyond households as this highly complex and sensitive topic should remain a national prerogative.

Moreover, Eurogas believes that the crisis levels should better be defined. Also, clarity is needed to define the role of different stakeholders (role of companies and role of the Gas Coordination Group).

On transparency requirements, Eurogas underlines the need to preserve the confidentiality of commercial agreements and to preserve sensitive information arising from supply contracts.

The position paper can be downloaded at <http://www.eurogas.org/uploaded/2009-Oct%20-%2009PP502%20-%20Eurogas%20Position%20on%20SOS%20Regulation.pdf>

Eurogas has also worked on **amendments** of the draft security of supply regulation. Eurogas positions and the amendments proposed have been widely circulated to stakeholders and were discussed with European Parliament and Commission representatives.

In a written reply the Commission underlined the role of the market and the role of undertakings in the prevention and mitigation of supply disruptions. Other aspects raised by Eurogas were addressed including the confirmed role of the Gas Coordination Group.

The amendments are available at <http://www.eurogas.org/uploaded/2009%20-%20Nov%20-%2009PP659%20-%20Eurogas%20Amendment%20Proposals%20SoS%20Regulation.pdf>

► Eurogas Participation in the Gas Coordination Group

Eurogas attends and is closely following the activities of the Gas Coordination Group. The meeting in October dealt with the gas reform in Ukraine and storage and flows issues, regional cooperation and simulation of supply disruptions. The meeting in

November assessed the level of preparedness of the EU in case of a potential supply disruption this winter. Last but not least the December meetings discussed presentations by Senior Russian and Ukrainian representatives.

► Energy Citizen's Forum

Eurogas participated in the Second Energy Citizens' Forum that took place in London in September 2009. This Forum was set up by the European Commission in 2008 with the aim of implementing a competitive, energy efficient and fair retail market for consumers. The Supply and Markets Development Committee Chairman of Eurogas

presented the gas suppliers' views on billing with concrete examples of best practices. The Supply and Markets Development Committee contributed actively to the Forum, with positions on customer switching, social tariffs and smart meters. The Chairman of the Distribution Committee of Eurogas also participated in the Forum.

► Energy Community

The 4th Gas Forum of the Energy Community was organised in Ljubljana in September 2009. The Secretary General contributed with a presentation. Mr. Devos underlined the growing importance of the Energy Community process for security of supply and shared the lessons that could be drawn from the 2009 crisis,

both for natural gas companies and for public authorities. The Forum in general addressed investment issues and missing infrastructure links in the region, supply routes and related projects such as ITGI, TAP (IAP), Nabucco, South Stream etc. It concluded with a session on regional cooperation and regulatory issues.

► **Eurogas – EPSU – EMCEF Conference on Demographic Change, Competencies and Skills in the Natural Gas Sector.**

The preliminary results of the EU funded study on *Demographic changes, competencies and Skills in the Natural Gas Sector* were analysed by the social partners on 4 November 2009 at a joint conference in Brussels. Both employers (Eurogas) and unions (EPSU and EMCEF) are concerned about the ageing profile of the workforce with many workers retiring in the next 5-10 years in the European gas sector. This poses particular challenges to ensure the level of competencies and skills which are needed to maintain a high quality service, to develop the gas infrastructure, to ensure security of supply and to respond to technological developments and climate change.



Speakers of the opening session

Peter Gentges, President of the Social Dialogue Committee representing Eurogas, stated in the conclusions of the conference, "We urge the European Commission to take account of the demographic change and competency developments in the European gas sector, and seek a common approach with the European social partners to promote jobs in a high skilled work force."

The conference included speakers from the gas industry, trade unions, European Commission (DG TREN and DG EMPLOYMENT) and from the European Foundation for living and Working Conditions from Dublin.

The programme and the presentations made on this occasion are available at http://www.eurogas.org/events_eurogasEvents.aspx?ev=120

► **4th World Energy Forum Athens**

The IV World Energy Forum took place in Athens in October 2009. Building on the subjects and results of the previous forums the conference discussed recent developments in the energy industry, new trends in energy regulation and various regional and global issues. One of the main aims of the forum is to facilitate the active involvement of all participants and to promote the exchange of information and best practices towards building a truly global energy and regulatory

network. The conference also addressed issues relating to reliability and security of supply, to competitiveness and affordability, the role of regulators in responding to climate change and issues of relevance to independence and finally powers, responsibilities and best practices of regulators. Mr. Ralf Presse, Chairman of the system users committee of Eurogas and Ms. Margot Loudon, Deputy Secretary General attended this event.

► **VII Annual International Forum "Russian Gas - 2009"**

The VIIth Annual International Forum "Gas of Russia – 2009" took place on 17 November 2009 in Moscow.

This Forum which was organised by the Russian Gas Society was chaired by its President Mr. Valery A. Yazev. Speakers included senior

representatives from Eurogas member companies, such as GDFSUEZ, E.ON Ruhrgas, VNG and Total. The conference addressed the following themes:

- EU cooperation
- overcoming trust crisis
- Development of domestic gas market, gasification of the country – way to improving Russia's energy efficiency

Mr. Domenico Dispenza, President of Eurogas made a presentation on "Pan-European Gas Cooperation – Current Perspectives and Challenges". In his speech he addressed the current economic recession but called for a renewed, shared vision on sustainability and competitiveness of natural gas in the energy mix. His speech is available at: <http://www.eurogas.org/uploaded/Speech%20of%20Eurogas%20President%20Domenico%20Dispenza%20in%20Moscow%202017.11.09.pdf>

▶ Eurogas Staff Developments

Eurogas is pleased to announce that Ms. Cristina Barassi joined on 1 December 2009 in her new function as Senior Manager Legal & Regulatory Affairs. As a qualified Italian lawyer with several years experience in the gas industry Ms. Barassi had various management positions in Edison. She has also worked as a national expert at the European Commission DG

TREN from 2003 to 2007. Within her new function in the Eurogas team, Cristina Barassi will monitor the European regulatory and legislative developments. She will advise the Secretary General and the Deputy Secretary General on these issues and she will support Eurogas and its Committees and task forces.

▶ Fact Sheets on Security of Supply, Internal Market and Sustainability

Natural Gas: Contributing to a secure energy supply

New dynamics are shaping market profiles. Traditional regional markets, Asia, Europe, North America, are evolving into a global market. This is mainly due to the specific advantages of gas continue to recommend it as a fuel of choice in the world's energy mix. While the fastest growth rate in energy supply in Europe is expected in the area of renewable energies, conventional energies, including gas, will still have to cover the major part of total demand.

Natural gas reserves are plentiful worldwide and sufficient to meet global needs in the expected demand ranges for at least another 60 years. Although European gas production is declining, other areas have impressive growth potential, especially in Africa and the Caspian basin. Unconventional gas reserves such as tight gas or coal-bed methane will become better accessible. Europe will benefit from its privileged geographic position in the centre of 70% of the world's natural gas reserves.

Natural Gas: Contributing to Europe's sustainable energy objective

Natural gas can make an important contribution to Europe's sustainable energy objective. Europe needs to develop an energy policy that will enable it to meet its related targets of reducing greenhouse gas emissions, increasing the share of renewable energy sources, increasing energy efficiency, and reducing energy consumption. This policy must all at the same time meet Europe's wider objectives of sustainability, competitiveness and energy security.

This means that the policy framework has to provide for a diversified portfolio of fuels in a competitive market. The use of natural gas contributes to this energy mix by ensuring a competitive, secure and sustainable energy supply.

Natural gas will continue to be an important fact of Europe's sustainable energy mix. Natural gas reserves are abundant worldwide and are expected to be able to meet global needs for at least another 60 years. Today, natural gas accounts for almost 25% of Europe's primary energy consumption and creates an economic engine. Natural gas will continue to play a significant role in the energy mix. As a form of providing global competition for gas, Europe's consumers will continue to enjoy the benefits offered by this versatile fuel, assuming that the right policy and regulatory framework are in place to maintain Europe as a well-functioning, competitive and attractive market.

Natural Gas: Realizing the benefits of the European market

Progress continues towards a well-functioning market. Under the impact of market expansion, important progress has been made in recent years in establishing a robust internal gas market in Europe. The new legislative framework, including the Third Energy Package, will further improve market competition, facilitate cross-border trade and further improve market functioning.

Effective implementation of measures to improve transparency and enhance cross-border cooperation, together with the development of technical codes and market rules at European level, will bring further benefits.

Provisions reinforcing the independence of National Regulatory Authorities, promoting more competition among them and more convergent regulation as well as their role in making electricity more efficient, are all welcome developments.

As long as a balanced approach results in appropriate regulatory measures to support markets and the policy framework to improve the security of supply, Europe will continue to be an attractive market for gas.

The internal market contributes to security of supply. A well-functioning internal market will develop. Natural gas will make a significant contribution to supply security, making Europe more effective in attracting gas to its growing. At the same time, Europe's continuing reliance on gas offers security of demand for producers.

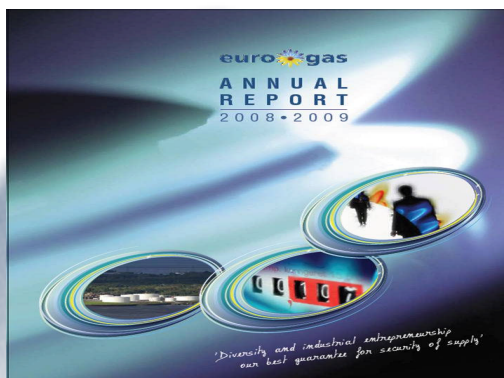
Support continues and remains very strong, as inter-tenants contracts are complemented by the spot market, and new trading opportunities will emerge, particularly as the share of LNG increases.

A more "liquid" market, with robust trade transparency and capacity and enhanced cross-border activity, will help ensure that Europe continues to be an attractive market for gas producers.

Eurogas has recently published three concise fact sheets. One is dedicated to security of supply, the second on internal market and the third to sustainability. The objective of these sheets is to deliver key information about the gas business in relation to these core subjects.

They will be distributed to stakeholders including the new Commission and the Members of the European Parliament. They can be downloaded from our website: <http://www.eurogas.org/publications/positionPapers.aspx>

► Eurogas Annual Report 2008-2009



Eurogas published recently its Annual Report 2008-2009. It summarizes the key policy developments and the activities of Eurogas governing bodies and committees. It also contains important statistical data.

The document is available under <http://www.eurogas.org/publications/annualReport.aspx>

► Meetings and Events as of January 2010

- 11 March 2010 – Brussels - Board meeting
- 10 – 11 June 2010 – Warsaw – Board and General Assembly including conference on natural gas in a sustainable environment
- 30 September 2010 – Brussels, Eurogas Annual Conference 2010
- 14 October 2010 – Brussels - Board meeting
- 9 December 2010 – Brussels - Board meeting
- 10 December – 2010 – Brussels - General Assembly

The International Energy Agency is looking for a Secondee (Gas expert).

Eurogas has been advised that the International Energy Agency is looking for a qualified Secondee to work for a minimum period of 12 months in gas market studies and related matters of energy security. Interested Eurogas member company representatives should contact

Mr. Didier Houssin (didier.houssin@iea.org)

or

Mr. Ian Cronshaw (ian.cronshaw@iea.org) for more information.